

Getting started in farming

Fifth in a series of six articles on how to get started in farming

NEWARK, Del. — Farming is big business today. High capital requirements, extensive credit, high product sales volume, and large production expenses characterize the financial situation of commercial farmers. You need more financial know-how when you're setting up in farming than at any other time, if the venture is to prosper.

The foundation of any profitable business is a well-organized set of accounts and production records, says University of Delaware extension farm management specialist Dr. Don Tilmon. Successful control of your financial affairs depends on an accurate account of the flow of money into and out of the business. The records you keep are the basis for future production and capital investment decisions.

A complete farm account and records system should contain information on bills paid, income received, accounts payable, accounts receivable, an inventory of farm assets, and documentation on the status of partnership, rental and other business agreements.

These records will help you file your income taxes, report on social security funds paid out, maintain historical data for estate purposes, provide a cost basis for real property, and handle insurance coverage and claims.

A good set of books will make it possible to analyze your farm business so that you know which enterprises are paying for themselves and which aren't. You need accurate records in order to determine the net worth of the business. They also will provide the factual basis for budgeting and planning future management changes. They establish your known resource base and past production record.

Here are some of the things Tilmon says your farm records should include in order to carry out these functions:

An asset and liability account—this is a physical listing of all your resources or assets, with values assigned, together with any claims or liabilities against them. The asset value minus the liability

value provides the net worth or balance sheet of your farm business. A net-worth statement is an account of your financial position at a given point in time.

A receipt and expense account—this covers receipts to and expenses paid by the business, usually over a period of one year.

A capital account—this is a record of capital assets and improvements which can't be fully debited as expenses in the year purchased. To recover their full cost you must either depreciate them annually or debit them as a cost to your annual operating account.

A credit account—this records your farm liabilities, keeps track of loans and accounts payable as well as the interest on principal payments and unpaid principal balances. It also covers accounts receivable.

A cash flow account—covers receipts and operating expenses, principal and interest payments, plus new loans and cash purchases for the capital account. It indicates the net cash flow or residual cash of the business, excluding a wage and management allowance for yourself and any unpaid family labor.

Many farmers combine personal cash flow with their business cash flow. To find out exactly where you stand in both areas, combine your living expenses, personal tax obligations and other committed personal cash expenditures with your farm-business cash flow.

Cash flow accounting indicates your ability to meet operating expenses and to carry a given debt load seasonally, annually, and for the life of the debt commitment.

Production and statistical records—relate the production of crop and livestock enterprises on the farm to the resources used for their production. This information lets you analyze performance and budget for production and management changes.

Enterprise accounts and records—make it possible to separate out of the total farm production record information on individual enterprises for detailed analysis.

A farm business analysis—combines both financial accounts

and production records so that you can identify strong and weak management areas. It thus provides the basis for future decisions on the organization and operation of your farm business. By comparing data from different years, you can measure your financial growth and production efficiency.

Operating a farm business requires large investment of capital and the handling of large sums of money annually. Almost all the decisions you make have an effect on the income tax to be paid and on the amount of money available for the business. As a farmer, you need to understand the tax consequences of various transactions in order to minimize your tax burden while maximizing after-tax income.

To accomplish this objective, says Tilmon, requires an understanding of the tax con-

sequences of such items as operating expenses, depreciation, cost basis, capital gains, investment credit, social security

base, and deductible personal expenses. Since income taxes often change from year to year, it is important to keep yourself well-informed on this subject.

IT'S MAGIC
How quickly
You Get Results
From Our
Classifieds!

PHONE
717-394-3047
or 717-626-1164

WHITE WASHING WITH DAIRY WHITE

- DRIES WHITE
- DOES NOT RUB OFF EASILY
- NO WET FLOORS
- IS COMPATIBLE WITH DISINFECTANT AND FLY SPRAYS
- WASHES OFF WINDOWS & PIPELINES EASILY

ALSO BARN CLEANING SERVICE AVAILABLE WITH COMPRESSED AIR

To have your barn cleaned with air it will clean off dust, cob webs & lots of the old lime. This will keep your barn looking cleaner & whiter longer.

MAYNARD L. BEITZEL
Witmer, PA 17585 717-392-7227

Barn spraying our business, not a side-line. Spraying Since 1961

HIGH PRESSURE WASHING AND DISINFECTING POULTRY HOUSES AND VEAL PENS.

Old Guard
Mutual Insurance Company

Lancaster, PA 717-569-5361
"Friend of Farmers since 1896"

Inflation requires constant evaluation of your insurance coverage. Our agent in your area will gladly give you an evaluation of buildings, machinery and livestock. Consult him without obligation.

WALTER A. BENFIELD
R.D. #1, Alburtis, PA
SNYDER'S INSURANCE AGENCY, INC.
3501 Kutztown Road, Laureldale, PA
KECKLER & HEITFUSS, INS.
1120 E. Chocolate Ave., Hershey, PA
CONESTOGA CONSULTANTS, AGENTS & BROKERS, INC.
200 W. Main St., Leola, PA

- INSULATION -
Urethane & Fiberglass
Free Estimates - We Can Do The Job

GENERAL PURPOSE

LOADING BARN

MACHINE STORAGE

Spouting & Accessories
Wheeling Chancelrain
Painted steel Roofing/Siding
Aluminum Roofing & Siding

TRUSSES

FETTERVILLE SALES
John M. Esh
RD 2 Box 267
East Earl, PA 17519
Call us for low prices -
(717) 354-7561

LIQUIDATION SALE

Well Maintained Woodworking equipment
R.E. Freidly & Son, Inc.
Old Harrisburg Pike, Mt. Joy, Pa.

WILL BE SOLD FROM
JULY 13th to JULY 24th
SALE BY APPOINTMENT ONLY

Diehl SL52 St. Line Rip, Rodgers 707 Hux Panel Saw, Ch Root 8' Cap 4 Sp. Vert. Hyd. Borer, Diehl 99 Gang Rip Saw, (3) 434 Ekstrom Carlson OH Routers, (1) Bechtold 61" Pinch Roller, Northfield 36" Bandsaw, Crescent 24" Planer, HB Smith 3 Drum Sander, (4) Rockwell Delta 12" Table Saws & 315 W & M Edge Sander, HD Smith 3 Drum Sander & (2) 2A Powermatic Sgl. End Tenoners, (3) GE Dewalt Rad. Arm Saw, (1) Ga. Dewalt Rad. Saw, 117 Holz Feeder, 300 Porter 16" Jointer, American 12" Jointer, Porter 23" Facer & Tenoner, Jackson Church Feeder, Moak & Heath Shapers, #60 Hermance 7"x4" Moulder, #5 Hermance 12" Moulder, Lucas Stroke Sander, American Slitter, 227 Greenlee HC Mort, (3) Compressors, Ingersoll-Rand, & 34-020 Rockwell Mitre Box, Carolina 2 Sp. Hor. Borer, Ruvo Dble. Mitre Saw, Powermatic 20" Bandsaw, 11-280 Rockwell Dr. Pr., Complete Dust Coll. Sys., Grinders, Rockwell Comb. Saws & Jointers, Finish. Eq., Spray Booths, Mat. Hand. Eq., Pallet Jacks, Port. Tools, Bar Clamp, Saw Blades, Knives, Cutters, Etc., W & M Shears, Complete Office Eq., 1972 Chevrolet 6 Ton Van, 1972 Chevrolet Stake Body Truck, 1959 International Dump Truck, 1972 Yale 8000 lb. Fork Lift.

FOR INFORMATION CONTACT:
LARRY
CARPENTERS MACHINERY COMPANY, INC.
212 N. 11th Street
Philadelphia, Pa. 19107
215-922-7034