

How Well Do You Farm Your Finances?

by Sandy Stuttgen, UW-Extension Taylor County Agriculture Educator

The online dictionary, www.vocabulary.com, defines farming as “the practice of cultivating the land or raising stock”. The site goes on to state, “People often have a romantic idea of what farming is like — roosters crowing, farmers driving tractors and milking goats — although farming can be very hard work, dependent on food prices and weather. The noun farm originally meant “a lease on farm land,” and it comes from the Medieval Latin firma, ‘fixed payment’.”

I find it interesting that the Latin root for ‘farm’ harkens to the concept of payment, or business. Despite the culture, romantic notions and hard work surrounding farming, managing a farm boils down to managing a business. Farmers cultivate corn to create income, they raise dairy cows to create milk income, or they raise beef to market seed-stock or meat. Farmers must also cultivate their farm’s financial records in order to make sound financial management decisions.

Agricultural lenders, vocational agriculture instructors, and University of Extension educators indicate farmers need more assistance with financial literacy and business management practices (or skills). Filing a Schedule F with your annual tax return does not constitute financial literacy nor business management skills. Financial understanding of a farmer’s business occurs when he or she has a good understanding of financial reports, including the Balance Sheet and Income Statement, and has completed the farm’s Financial Ratios.

I like to use the following analogy to build a farmer’s confidence as they approach their farm’s finances. Farmers have a basic notion of what it means to be crop farmer. Even if they don’t grow alfalfa, they have an appreciation for planting seeds, cultivating the plants and harvesting the crop into manageable forms for future decision-making regarding storage, feeding or selling the alfalfa.

When it comes to farming an agricultural business, we can think of the seeds as being the associated

inputs used to raise the product and the product sales. We cultivate the collected records and receipts as the product is made and sold, harvesting those records into manageable reports. It’s from these reports that sound financial decisions can be made. What I have just described is known as the Financial Model where financial records are compiled into financial management reports and then can be used to make business decisions for your farm.

It’s time for farmers to lose the fear and dread associated with farm financial literacy! Farming Your Finances is a term coined for helping farmers to think about managing their farm business using the Financial Model. Farming Your Finances is taught in bite-sized chunks within UW-Extension’s Heart of the Farm during two or three sessions. Following the UW-Extension model, these sessions bring accessible, relevant financial management education to your area, where you work in small groups, learning with your peers.

A Farming Your Finances series-for those operating a beef business will be held beginning January 31 in Medford, WI. Contact Taylor County UW-Extension at 715-748-3327 ext. 1 for more information.

A Farming Your Finances series will be held on January 22 and 29 in Menomonie. Please contact Dunn County UW-Extension at 715-232-1636 for more information or see enclosed flyer.

Many organizations offer other farm financial management classes. Enroll in one today! The future of your agricultural business depends on your financial literacy.

