



# ***Business of Indian Agriculture: Best Financial Practices for Small Agribusiness, Part 1***

***Recordkeeping for a successful agribusiness***

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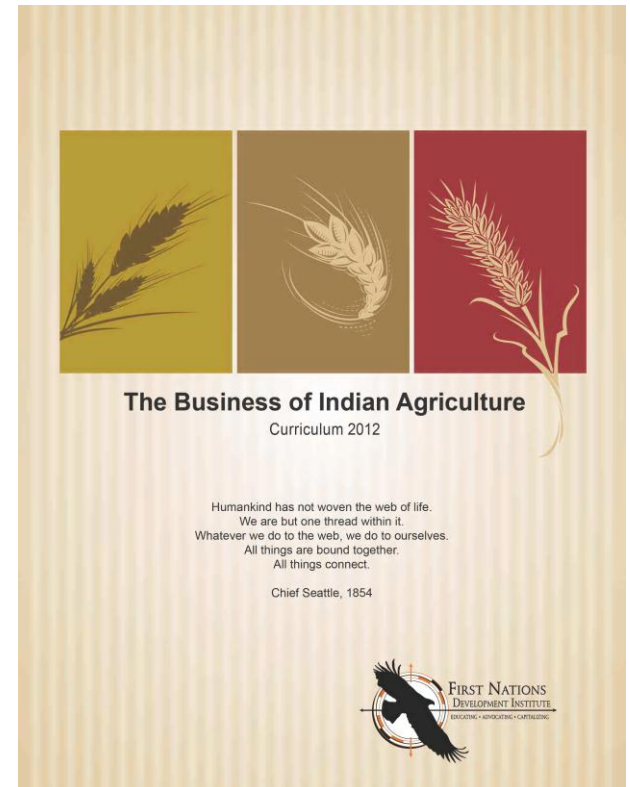
First Americans Land-grant Consortium (FALCON)





# Learning Outcomes

1. Understand the importance of recordkeeping in building a successful agribusiness.
2. Understand the 6 major business functions & how recordkeeping applies in those areas.
3. Understand how to perform recordkeeping in the production & operations area.
4. Apply knowledge of recordkeeping in the finance area.



# I. Importance of Recordkeeping

- It tells you what you've done, where you're going, how fast or slow you're moving, whether you're making or losing money.
- It is the eyes and ears of your business.
- It is the orderly recording and safe storage of all business documents and activities.



# Why is recordkeeping important?

- It provides you with a complete picture of the health of your agri-business.
- It is vital to be able to provide the required documentation to access credit and assistance programs, file claims or taxes, and handle other types of business transactions.
- It protects you, your family, and investors from unexpected financial harm.



## II. The 6 major business functions

### 1. Planning

- the serious consideration of every function of the business operation.
- answers the questions about what the business does and where, how, and when things will be done.
- includes research, analysis, forecasting, and careful decision-making.

### 2. Production or Operations

- business processes and materials that are central to the creation of your agricultural product or services.
- involves the inputs, facilities and equipment, and contracted services necessary for your operation.

### 3. Human Resources

- involves the processes and procedures needed to find the right people for your operation, train them properly, motivate them to do a good job, reward them, and assess their performance.



# The 6 major business functions (cont.)

## 4. Finances

- includes a wide range of financial issues such as maintaining a good credit rating, accessing credit, managing income and debt, establishing savings plans, managing land mortgages and leases, and more.

## 5. Recordkeeping

- involves budgets, cash flows, accounts payable and receivable, production data, financial statements, filing taxes, and securely maintaining business documents and data.
- applies to every other business function in some way.

## 6. Marketing

- involves the processes of selling your product or service, and includes targeting your market and customers, advertising, pricing, identifying sales channels, inspecting, packaging, and so forth.
- is about delivering your product or service to the consumer.



# How does recordkeeping apply to the 6 business functions?

## 1. Planning

- Provides data that informs planning
- Provides information that goes into the Business Plan

## 2. Production or Operations

- Keeps track of production inputs (such as supplies, raw materials) and outputs (such as crop yields, products made).

## 3. Human Resources

- Maintains information on labor inputs/outputs, personnel, employee benefits, etc.





# How does recordkeeping apply to the 6 business functions?

## 4. Finances

- Keeps track of costs, revenue, profits, etc.

## 5. Recordkeeping

- A key function that applies to every part of the business.

## 6. Marketing

- Tracks industry trends, customer data, sales, market data, etc.



## Quiz !!



- Which of the following statements is most correct about recordkeeping?
  - a) It is the filing of business documents, including receipts.
  - b) It is the orderly recording and safe storage of all business documents and activities.
  - c) It involves the recording of the business financial transactions into various record books, journals or ledgers.
  - d) It is the collection of music albums, CDs and other recordings.



## Quiz !!



- Why is recordkeeping so important to an agribusiness?
  - a) It provides you with a complete picture of the health of your agribusiness.
  - b) It protects you, your family, and investors from unexpected financial harm.
  - c) It is vital to be able to provide the required documentation to access credit and assistance programs, file claims or taxes, and handle other types of business transactions.
  - d) a, b, and c are all true.



# Quiz !!



- What are the 6 major business functions?
  - a) Buying, Selling, Marketing, Advertising, Public Relations and Investing.
  - b) Planning, Production or Operations, Human Resources, Finances, Recordkeeping, and Marketing.
  - c) Managing, Directing, Controlling, Organizing, Staffing and Accounting.
  - d) None of these are correct.



## Quiz !!

- How does recordkeeping apply to the Production or Operations function?



- a) It maintains information on labor inputs/outputs, personnel, employee benefits, etc.
- b) It provides information that goes into the Business Plan.
- c) It tracks industry trends, customer data, sales, market data, etc.
- d) It keeps track of production inputs (such as supplies, raw materials) and outputs (such as crop yields, products made).



## Quiz !!



- How does recordkeeping apply to the Finance function?
  - a) It maintains information on labor inputs/outputs, personnel, employee benefits, etc.
  - b) It keeps track of costs, revenue, profits, etc.
  - c) It provides information that goes into the Business Plan.
  - d) It tracks industry trends, customer data, sales, market data, etc.



# III. Recordkeeping in the Production or Operations area

- Production or Operations are...
  - business processes and materials that are central to the creation of your agricultural product or services.
  - the inputs, facilities and equipment, and contracted services necessary for your operation.



- Recordkeeping helps...
  - keep track of production inputs (such as supplies, raw materials) and outputs (such as crop yields, products made).



# Recordkeeping in the Production and/or Operations area (cont.)

- For example, recordkeeping tracks...
  - Supply data: seeds, seedlings, fertilizer, water, herbicides & pesticides, etc.
  - Crop production data: yields (quantity & quality), tillage practices, soil tests, irrigation usage, fertilizer & pesticide use, etc.
  - Climate data: temperatures, precipitation, wind, sunlight, etc.





# How do you record in the Production and/or Operations area?

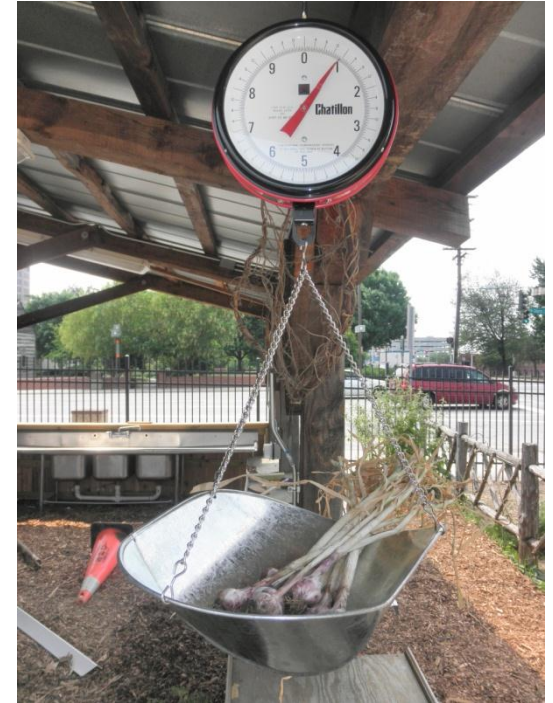
- By hand:
  - Field notes, journals and logs
  - Various templates available
  - Counts, weights, other measures
- By computer:
  - Spreadsheet software
  - Farm-specific software
- Other methods:
  - Handheld PC devices, cameras, weather stations, etc.

Ewe Puck No.	Paw's Number	Date Lambed	Sex of Lamb or Lamb	Lamb Identification Number	Wt. of Lamb	
					Birth	Wean
526	Scout	3-27	F	959	7.2	
524	Scout	3-27	F	955	7.2	
526	Scout	3-27	F	956	5.9	
624	Hurricane	3-28	F	955	7.2	
624	Hurricane	3-28	F	956	5.9	
624	Hurricane	3-28	DoA			
715	Hurricane	3-29	F	957	8.0	
715	Hurricane	3-29	F	958	6.2	
24	Hurricane	3-29	F	959	8.0	
24	Hurricane	3-29	F	960	7.2	
24	Hurricane	3-29	F	961	6.5	
18	Scout	3-30	F	962	9.6	
18	Scout	3-30	F	963	7.8	
7061	Both	3-30	F	964	7.9	
7061	Both	3-30	F	965	6.2	
461	Hurricane	3-31	F	966	10.6	
426	Hurricane	4-1	F	967	13.5	
426	Hurricane	4-1	F	968	12.7	



# Example: recording the garden harvest

- Measurements
  - Harvest information is vital to tell how well the garden is doing!
  - Units are determined by industry and customer (distributor, wholesaler, retail, etc.).
  - Use only what's practical and necessary.
- Measuring by counts
  - Counting each unit of fruit/vegetable.
  - Estimating counts based on sampling.
- Measuring by weights
  - Weighing total lbs. of fruits/vegetables.
  - Estimating weight based on sampling.



# Exercise

- Using the Crop Summary sheet, record the following information:
  - For the Corn field crop:
    - a) 100 acres were planted, with a total yield of 1,480 bushels.
    - b) Calculate the Yield Per Acre.
    - c) 175 lbs. per acre of nitrogen (N) fertilizer were applied.
    - d) 1.5 tons per acre of Lime (CaO) were applied.



# Exercise

- Using the Crop Summary sheet, record the following information:
  - For the Tomato vegetable crop:
    - a) 2 acres were planted, with a total yield of 50,000 lbs.
    - b) Calculate the Yield Per Acre.
    - c) 20 lbs. per acre of nitrogen (N) fertilizer were applied.
    - d) 1 ton per acre of Lime (CaO) were applied.



## IV. Recordkeeping in the Finance area

- Finance functions are...
  - a wide range of financial issues such as maintaining a good credit rating, accessing credit, managing income and debt, establishing savings plans, managing land mortgages and leases, and more.
- Recordkeeping helps...
  - keep track of costs, revenue, profits, etc.



# Recordkeeping in the Finance area (cont.)

- For example, recordkeeping tracks...
  - Costs for production inputs, labor, energy, equipment and machinery, buildings and facilities, insurance, etc.
  - Revenue from sales, investments, rentals, etc.
  - Profit from revenue minus costs.



# How do you record in the Finance area?

- By hand:
  - Journals, ledgers and logs
  - Hardcopy files
- By computer:
  - Spreadsheet software
  - Accounting software
  - Farm-specific software
- Other methods:
  - Hire a bookkeeper and/or accountant!



# Example

Figure 1. Example of Whole-Farm Record Keeping

Date	Description	Income			Expense		
		Calves	Cull Cows	Corn	Feed	Supplies	Fuel
10/1	Sold 10 calves @ 500 lbs/hd	\$4,000					
10/1	Purchased feed (2 tons)				\$475		
10/3	Sold 2 cows @ 1050 lbs/hd		\$1,250				
10/6	Purchased Supplies					\$165	
10/8	Purchased 1500 gals of diesel						\$1,400
10/11	Sold 2000 bu of corn			\$4,600			





## Exercise

- Using the Finance record sheet, record the following information:
  - On Oct. 18, purchased 2 tons of hay (feed)
  - On Oct. 22, sold 20 calves at 500 lbs/hd, for a total of \$8,000.
  - On Oct. 22 sold 5 cull cows at 1000 lbs/hd for a total of \$2,500.
  - On Oct. 29, bought \$250 of supplies.
  - On Oct. 30, bought 1,000 gals. of diesel, for a total of \$3,000.
  - On Oct. 30, sold 1,000 bushels of corn, for a total of \$2,800.



## Quiz !!



- Which of the following statements is correct?
  - a) Recording supply data (Production) includes inputs such as seeds, seedlings, fertilizer, water, and herbicides & pesticides.
  - b) Recording financial data includes revenue from sales, investments, rentals, etc.
  - c) Recordkeeping must be done on a computer.
  - d) Both a and b are correct.
  - e) All of the above are correct.



## Quiz !!



- What types of finance information should you not record?
  - a) Costs of farm equipment.
  - b) Revenue from products sold.
  - c) Costs of fertilizer.
  - d) Amount of fertilizer applied per acre.



## Quiz !!

- What types of production information should you not record?
  - a) Quality and quantity of yields.
  - b) Wages paid for labor.
  - c) Amount of irrigation used.
  - d) Amount of fertilizer applied per acre.
  - e) Climate conditions throughout year.



# Where to go for more information...

- Cooperative Extension Service in your state.
- U.S. Department of Agriculture (USDA)
  - Local Service Centers (Farm Service Agency, Rural Development, Natural Resource Conservation Service)
  - Nationwide agencies (e.g., National Institute of Food & Ag., Risk Management Service, Ag. Marketing Service, etc.)
- Other partners, such as...
  - First Nations Development Institute
  - Indian Nations Conservation Alliance
  - Inter-Tribal Agriculture Council
  - Your local tribal college or university
  - First Americans Land-grant Consortium



**Thank You!**

**Questions?**

**Join us for our next Webinar!  
Thursday, March 21, 2013**

