



# Files for the Farm Business

Wednesday, August 30, 2023

Sometimes, in Extension, a farmer will ask what kind of recordkeeping system is required for the farm. It is an interesting question and one that can have several layers. If we think of all the records that a farm might be required to have, it can be a lot. Records for the farm include production, food safety, labor, marketing, sales, expenses, and other business documents. All these records are important for different reasons. Typically, a farm owner will need these to analyze, verify, and produce documentation of activities occurring (or not occurring) in their operation. Sometimes, it is solely for the farmer, and other times, it may be required by a regulatory agency. Either way, having systems in place to accurately and efficiently organize this information is important.

For this article, we are focused on financial records for the operation. This encompasses sales records, expenses, and other business transactions (like loan payments). The first goal should be to capture *everything*. Only recording half the expenses, for instance, would produce a bad set of data for the farmer. One step in the right direction is ensuring a business bank account is set up for the farm. Assuming there is not a mix of personal and business transactions, this will capture how much money is coming in and out of the business.

A business bank account will not include everything, however. Assume, for instance, a piece of machinery was bought but did not require a down payment or loan payments for the first six months. In this instance, something significant occurred, and only looking at the money going in or out would not tell the whole story. It is important to have an organized filing system, either electronic or hardcopy, where *source documents* are retained, secured, and backed-up appropriately. Once all activities are accounted for, other processes can be implemented to organize and categorize the information.

The most straightforward method of organization is recording everything by date. An example is a folder that records



determine profitability, analyze the business, file taxes, and make other necessary reports from the business. The source documents should always be available for backup, but having one file that encompasses everything provides a much more workable format.

Primarily we've discussed financial records of the business. However, it is important the farm owner knows *all of* the regulations and record requirements of their business. Ultimately, the best system is the one you understand and will actually use. Over time, it can become more refined to meet the needs of the business. It is a balance between how much detail and organization is needed and how much time and resources a business has to develop systems to put in place. A more complex filing system would be more difficult to set up but will likely pay dividends in the long run. And as with any large undertaking, you must start "one bite/file at a time."

## Kevin Burkett



**COOPERATIVE EXTENSION**  
*College of Agriculture, Forestry and Life Sciences*

Subscribe to our newsletter

The latest news, articles, and resources, sent to your inbox daily.

Subscribe

© 2021-2023 Southern Ag Today. All rights reserved.

contact@southernagtoday.org   