

19 Record Keeping Resource Kit for Nova Scotia Farmers

Accurate and up-to-date records are essential to successful farm management. Managers usually keep farm records for three reasons:

- legal requirements - such as income tax purposes;
- obtaining credit - such as filling out loan applications;
- management tool - such as planning and budgeting.

Most farmers do keep records but primarily for the first two reasons stated above and not as a management tool. Records should also be used to:

- evaluate past performance of the operation;
- provide a financial picture of the present situation; and
- serve as a planning guide for future decisions.

A record keeping system should go beyond the basic listing of income and expenses; it should be used to prepare the following:

- An income and expense statement which reflects the profitability of the farm. This is more accurately done using an accrual statement, which further accounts for inventory, accounts payable, and receivables, as well as depreciation expense.
- A balance sheet or net worth statement which is a listing of all assets and liabilities of the operation. This reports the financial strength and progress of the business.
- A cash flow which provides either a monthly or quarterly listing of all inflow and outflow of money from a business. It shows possible shortfalls in cash and thus allows for corrective measures. Unfortunately, this is usually the most neglected management tool.

In addition to keeping financial records it is valuable to the management of the business that production records are also kept. Essential areas include breeding, feeding, harvesting, and field records. The less accurate your production records, the less accurate your financial projections will be.

Keeping good production records also helps farmers make decisions about:

- Which breeding animals to keep and which to cull;
- What kind and how much fertilizer to apply to which fields;
- Crop rotation design;
- Crop variety selection.

Once these records and statements are available, proper analysis can be carried out. Compare past records to the present and look for progress in the business:

- Areas where costs have risen and consider how they could be lowered. Compare volume of product and cost of production.

Look at level of debt repayment.

- Is financing required?
- What is your most cost-efficient crop?
- Where have problems occurred in the past and where will they likely occur in the future?

This is what planning is all about, reviewing past performance and using the knowledge gained to make future endeavours easier and more successful. All of this analysis and more can be obtained with proper record keeping, but it has to start with accurate and up-to-date records. Record keeping is one step in successful farm management.

A number of record-keeping tools are available to help farmers. You can download the [Ontario Farm Accounting Workbook](#) to help maintain your farm business records. This workbook was produced by the Ontario Ministry of Agriculture, Food and Rural Affairs and uses Microsoft Excel. In addition, Farm Credit Canada sells two computer programs designed specifically for farmers: FieldManagerPro for production record keeping and AgExpertAnalyst for business record keeping. You can download these programs from the FCC website: www.fcc-fac.ca

For more information on record keeping, contact the Business Development and Economics Branch of the Nova Scotia Department of Agriculture: 902-893-6250.

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