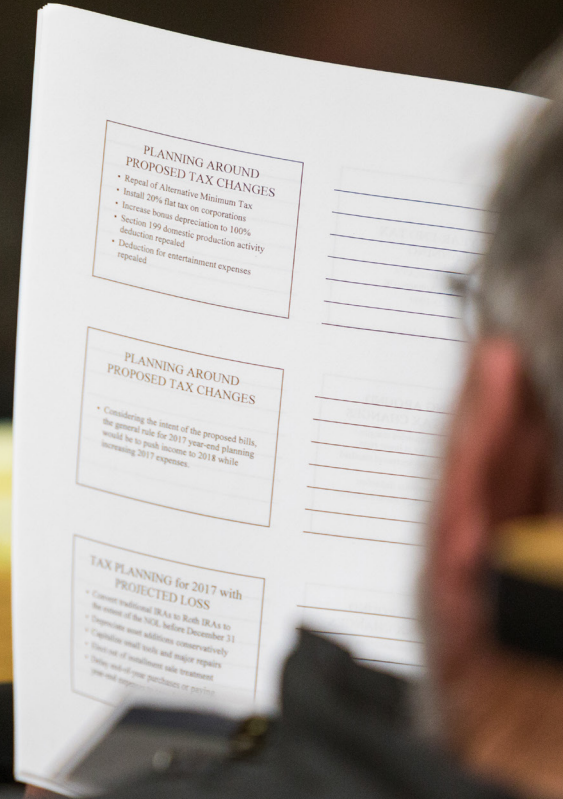


# NOBLE NEWS & VIEWS

## ECONOMICS

# Financial Records Are Important to Operational Success



By Jason Bradley, agricultural economics consultant / [jwbradley@noble.org](mailto:jwbradley@noble.org)



One of my favorite sayings is, “You can’t manage what you don’t measure.” While this is true for all aspects of an agricultural operation, and any business, nothing could be truer when it comes to measuring and tracking

the operation’s finances.

You manage your personal finances when you check your balance online, through a mobile device or by looking at your checkbook ledger. Checking the balance, adding up all the times you’ve dined out in the last month, seeing how much you’ve spent on gas; these are all ways you use your financial records to influence your decision-making.

The same concepts apply to your operation. Knowing what you usually spend on feed for the calves when backgrounding them, along with knowing the calves’ potential gains gives you an idea of the next year’s profitability. Keeping financial records can

also help you know when the monthly cost of repairing the old feed truck is becoming more than what it would cost to replace it.

During the last few months of 2017, we received many phone calls asking about planning for and managing taxable income. Without knowing what the operation’s income and expenses looked like, managing for taxable income couldn’t be done.

Aside from being used as a decision-making tool, keeping current financial and production records helps you set your operation up for success in the event that someone else has to step into a managerial role. Having all this information in one place saves a lot of time and trouble for a new manager by showing them what is going on across the operation. It also provides a picture of what operational resources are available, how they are being used and where they are. This information also provides an excellent starting block for transition and succession planning. When producers sit down for the first time and write down all of their equipment, buildings, land and other assets, it’s very eye-opening for them to see how fast and

how high those values can rise.

In the next two issues of *Noble News and Views*, we’ll highlight the three different statements that can be kept to provide you with the information to make the best management decisions for your operation: the balance sheet, the income and expense statement, and the cash-flow statement. Each of these statements can give you a glimpse into the operation’s financial status through a set of standardized metrics. These metrics have been regulated across the agriculture industry, allowing for the benchmarking of similar operations. While these metrics provide great insight on their own, the whole operational picture can come into focus when they are used together.

As you start 2018, there is potential for great opportunity. Moving forward to improve the operation and learning from past experiences are what turns a good producer into a great one. Hindsight is said to be 20/20, but that kind of clarity only comes from keeping sound records for your operation in order to prevent you from forgetting the little details that can make the biggest differences. 🐮