

Weekly Article

1-9-2023

Healthy Farm Resolution

Hello, my name is Richard Purdin with OSU Extension, Ag and Natural Resource Educator, and Community Development Educator for Adams County. I hope to better inform local producers and the public of the latest news in the world of agriculture. The 2023 roller coaster ride continues with wide swings in the weather and continued precipitation amounts, keeping farmers emersed in plenty of mud. The first week of the new year gave the area a gift of 3+ inches of rain and some producers reported close to 4 inches of rain. Road ditches and fields were struggling to handle the large amounts of precipitation. Fieldwork has been held to a minimum with flooded fields and muddy feed lots, but farmers never have much downtime. Even in the depth of winter, there is much to do around the farm from tending to livestock to hauling stored grains and working on equipment in the shop (hopefully heated). There is one task that can definitely keep producers busy and if you are like me, you would much rather shovel manure out of hog pens! The dreaded chore of doing taxes is most likely consuming most of the producer's time this time of year. Farm office chores can be a hassle on not very exciting but at the end of the day taking time to look at your budgets and review year-end expenses and receipts are good ways to evaluate the different enterprises your farm may have and how sustainable each enterprise is. Spending some time in the farm office could actually be more lucrative than hopping in the tractor for the day and you don't have to burn that \$5.00 diesel fuel. This week I have had some discussions with a few local operators pertaining to farm viability and the overall future of agriculture. Personally, I still have a lot of faith in production agriculture and love to steer as many young folks toward a career in ag as possible. For agriculture to remain a viable business producers need to know the health of their farm business and adjust or call the doctor when things get sick!

With a new year many people will make new years resolutions, studies show that only 9% of people will actually carry out their new year's resolutions and be successful. Farmers are no different, many farmer's resolutions include being more organized, raising healthier livestock/crops, and making more money! But one I would propose is to make your farm business healthier. Here are some steps that can be taken to assess your farm's health this tax season.

Step #1 Look at the whole farm operation- It might sound simple but as farmers, we can easily get caught up with work and forget the farms' purpose. Ask yourself why am I a farmer. Is it to raise the highest-yielding corn crop in the county or make a profit to pass down to the next land steward?

Step #2 Look at the 2 types of cash on the farm- all cash is not the same the 2 types of cash include cash on hand and near-cash. Of course, a farmer's dream is to have all the money they need to operate in their savings account, checking account, or for some buried in the backyard. But in reality, a lot of farm cash is considered near cash which takes into account current assets pre-paid expenses, accounts receivable, crop or feed inventories, supplies, and marketable livestock. Near cash is all used to produce the farm's crops, produce, or livestock for the coming year. The more farm input and operating expenses that can be covered by cash or near cash the healthier your business will be and less dependent on loans.

Step #3 Look at the farm's cash flow and Liquidity- in basic terms this is the ability of the farm to pay for itself. Purchases of inputs, equipment, and paying bills on time.

Step #4 use the 3 measuring tools- No, this does not include a measuring tape livestock scale, pressure gauge, or rain gauge, this includes the current ratio, working capital, and working capital to gross return tools. The current ratio is simply taking all your current assets and dividing them by your current liabilities a healthy farm's current ratio is 1.5 or higher. The working capital of your farm can be easily defined by subtracting your current liabilities from your current farm assets. To know how much working capital your farm needs to stay healthy use the working capital as a gross revenue measuring tool. Working capital divided by gross revenues will give you a good idea of the strength of your farm business to overcome unexpected farm realities such as market bust, drought, floods, or just a farm economy recession a good number to shoot for is 0.35 or higher 0.20 rating or lower need attention and reevaluation of the farm business may be needed.

Step #5- Don't be afraid to ask for help- If the magic numbers are not adding up doesn't mean the farm is a total loss, there are also adjustments and changes that can be made. Call me if you need assistance If I don't have the answer, I know someone that can help, happy tax season!

Dates to remember

- 2023 Pesticide/Fertilizer Applicator recertification training 1-26-2023 at The Ohio Valley Career and Technical School 175 Lloyd Road West Union, Ohio 45693 5:00 –9:00 pm Call to register (937) 544-2339
 - February 1, 2023 – Meet your local farm agencies- At the Ohio Valley Career and Technical center from 6:00 to 8:00 pm. Call (937) 544-2339 to register
- Ag Educator Words of encouragement** – “To Plow a straight headland you must be always looking forward, don't look back” Yours truly