CHAPTER 1

Introduction—Why Bother

How's business?

If you're like most farmers, you'd answer with a recount of the recent rains, the melon harvest, or the flea beetle you're battling. It wouldn't be an overview of your profitability.

After all, you decided to become a farmer because you love being outside, working the land, and making a difference in the way we eat and farm. Of course, you want to earn a decent living to support yourself and your family. When you decided to become a farmer, you also became an entrepreneur and businessperson. In order to be ecologically and financially sustainable, you must understand the basics of accounting and bookkeeping. Good bookkeeping can give you the information you need to improve your profitability, make good investment decisions, grow your business, and manage debt. You will have what you need to write a business plan, which you may have to do every once in a while. In other words, good business management helps you make money.

Really?! Yes, really.

Let's face it, accounting is not sexy, and most people dread it more than the dentist. Every so often, I have a client who discovers the power of bookkeeping and the story that numbers can tell about a business. This happened for Laura Meister of Farm Girl Farm. I was curious, what sparked her interest and how could her story inspire other farmers to see the value in numbers? I asked her, "Why Bother?" Her response was pretty powerful!

How Much for How Much?

by Laura Meister

When I started growing vegetables 18 years ago, it was all I could do to keep up with the start-up math: how many square feet in an acre again? How many CSA[1] members do we think we can sign up in our first season? How much food do they expect in a box? How many weeks are we serving them? So, then, how much do we grow?

How much can we grow? And how many seeds does that mean? And when I finally had all those numbers banged out, I was nearly done in by the Fedco catalog—now I've got to convert ounces to grams? Are you kidding me?

Once all that was more or less behind me and the arrival of spring forced my attention to the real playing field—the actual field—I abandoned my desk entirely. I thought I'd made my plans well enough, and if I now rode the rollercoaster with my white knuckles gripping the bar until Thanksgiving, I'd surely have some money in my pocket to show for all this sweat.

I worked hard. Really hard. Really goddamned hard. You know how hard I worked because you work that way too. I barely slept.

I lost my business partner because it turned out this kind of hard work was not what she'd had in mind. Although I made every rookie mistake in the book, I managed to wrestle some produce from the ground and feed my 40 CSA members. I even had some surplus so I started calling scary chefs, who turned out to be less scary than I thought and wanted to buy what I was selling. So when the snow finally flew that fall, I thought I'd had a pretty successful season.

But I had no money in the bank and a giant credit card bill from start-up expenses that I'd never repaid. So I got a job stocking produce at our local Co-op and worked until late spring the following season. Thank god for that job, but I thought I'd be able to use the winter months to plan the next season and go to a few yoga classes to heal my back. I started season two behind the eight ball, as my mother says.

One thing was clear to me—my farming days were numbered. I could not afford to work another season of blood, sweat, and tears, only to find myself perhaps deeper in debt than after season one. I knew I had to do something, and I knew I couldn't possibly work harder, so I was going to have to work differently. In my neighborhood, an organization to support farmers called Berkshire Grown sponsored a business class, Tilling the Soil of Opportunity, a 10-week course designed for new farm operators. I signed up.

We were invited to bring our financial records from previous seasons. I had none. Not a receipt, not an invoice. The last thing I'd written down was where I was going to plant the tomatoes. So I started from scratch. "It's ok," my instructor said. "Guess." With his coaching, I guessed at every single expense for the coming season, by month, and potential revenue from all my potential customers and income sources. Tedious does not begin to describe the process. But at the end, I had a cash flow plan. I used that plan like a roadmap for season two. Whenever a decision came at me, instead of wavering, hemming and hawing, I simply ☛

looked at my plan—a friend wanted to come work for me for the season, could I afford her? (No.) Should I buy the tractor that sounds exactly like the one I need? (Not now.) How many tomato stakes can I buy this week, and how many if I wait until next week? (100 now and 100 next week.)

The cash flow plan was my North Star.

At first I thought it was an amazing coincidence that my real numbers turned out to be so close to what I'd guessed. Later I realized the enormous impact of having a plan—I didn't go wildly over my projected expenses because I consulted the plan before I spent money. If my income wasn't adding up to the projections, I made a couple of more phone calls and sold a few more turnips until I was where I was supposed to be.

There have been good seasons and bad seasons since those first two—some years I had a solid plan, some years I had tomato blight or a hurricane. After those disasters, I was very resistant to face my numbers and make a good plan for the following season; it was just too depressing. And after a few years of avoiding the numbers, I was back in a hole of debt. Finally, I faced my fears, rolled up my sleeves, and got way down and dirty with the details.

I know now that ignoring the numbers and expecting to be able to continue to do the work I love is tantamount to not eating and expecting to be able to work through the day. If I don't take care of the numbers, I will be back at that produce-stocking job in a heartbeat.

Believe it or not, I now look forward to my time with the numbers. I used to think they were black and white and boring, but they are magical and powerful teachers, and they are the keys to the kingdom.

Here's to our calculators and a successful growing season!

At a basic level, you need to manage your books so that you can file your taxes at the end of the year. If you need a loan to purchase a new tractor or other equipment, the bank will want a profit and loss (P&L) statement, a balance sheet, and a statement of cash flows. And if you're applying for a grant, you'll need a business plan.

Beyond that, good bookkeeping can actually help you reduce costs (even if you hire a bookkeeper) and keep you out of trouble. There's so much richness in the numbers that you do yourself a disservice to ignore them.

UNDERSTAND WHAT MAKES YOU MONEY (AND WHY)

Do you know which farmers market is most profitable for you? Do you know if you're making a profit on your chickens? You may have a gut instinct. But how bummed would you be if you realized that you were incurring losses on the meat birds? While you may be tracking that your sales are greater than your expenses (i.e., you are running a profitable business), it could be that some of your products are losing money. If you don't track your revenues and expenses effectively, then you don't know for sure.

Brett Grohsgal of Even' Star Organic Farm in Southern Maryland launched his business thinking he would be the "Tomato Man," and grew 60 varieties that were truly vine ripened. After four years in business, things were going well; he started diversifying his crops and selling through a CSA model, but he knew he could do better. After eight years in business, we sat down with his books. We went through every expense and every sale as it related to each crop. We figured how much time he spent propagating seeds, sowing, weeding, harvesting, and sorting. We calculated the cost to produce a case of tomatoes that he sold for $30. When he factored in all the labor and production costs, he was netting only 12 cents a case![2] Cucumbers, okra, and sweet potatoes, on the other hand, were cash cows. He knew that no amount of tomato sales would be sufficient to run a profitable farm; if he wanted to stay in business, he needed to further diversify his vegetable offerings and limit tomato production.[3]

By understanding what generates profits, you can focus your current operations to maximize profitability and develop strategies for growth.

INVEST IN YOUR BUSINESS

Can you afford to purchase a greenhouse or to hire employees? Is that tractor in your budget?

Hannah and Ben Wolbach of Skinny Dip Farm were overworked and understaffed. They barely hired any help because they "had no confidence in their ability to forecast for even one season ahead." They weren't sure if they could afford the added expense.

By creating a cash flow budget, they had the confidence to grow their business and hire staff because they could project the impact of payroll expense on their profitability.

PLAN FOR GROWTH

What's the best way to grow your business? Should you expand current operations or diversify your offerings? Can you afford the loan that will help finance your plans?

Wingate Farm in New Hampshire wanted to devise a strategy to grow its business. They were raising meat chickens, layers, and vegetables. After their first year, owners Susan and Olivia had an $8,000 profit. They were pleased to have earned a modest profit but also knew they needed to do better to grow a sustainable business. They questioned where to focus their attention. Similar to the analysis Brett did, Susan and Olivia combed through their detailed recordkeeping and discovered that, after accounting for their labor, they were earning only 10 cents a bird! Meanwhile, the eggs were netting $1.15 a dozen. These facts informed their strategy—both in terms of focusing on egg production and reconfiguring the meat-bird operation to be more profitable. Wingate Farm demonstrates how effective bookkeeping and understanding your numbers can be in helping you develop a growth strategy—by providing information about the profitability of specific products.

Good bookkeeping can also help you understand whether a new opportunity makes sense and if you can afford the loans that may be needed. Will that new tractor improve efficiencies enough to increase profitability even after you repay the loan that's required? Does it make sense to restore an old cider press?

With a growth strategy in mind, you need a plan to get there. What investments do you need to make, and how will you finance them?

Kate Stillman of Stillman's Quality Meats wanted to build her own meat processing facility. There's no question that having the capability to slaughter and butcher her own chickens, as well as butcher her own quadrupeds, would improve the quality of her product, increase efficiencies, and help differentiate her product from an increasingly competitive local-meat landscape. The real question was, could she afford it? If she took out a loan to build the facility, could she generate enough *profit* to pay the debt service? Would the improved efficiencies of the processing facility actually reduce her operating costs?

By using sound financial forecasting, she decided the answers to these questions were yes, yes, and yes. And instead of trying to save enough to finance the processing facility, she opted for bank loans and a USDA grant. The banks and USDA wanted to see the numbers and the story behind the numbers (that is, the business plan). With her books in good shape, she had what she needed to apply for the financing.

PLAN FOR SLOW PERIODS

Do you know how to plan for the inevitable ebbs and flows of business and cash? During slow periods (like August or January), cash can be tight. If you don't plan properly and cash is tight, a few things can happen:

- You charge things to your credit card or take out short-term loans; both incur interest.

- You take unnecessary loans or even high-interest rate loans.
- You fall behind on paying your vendors, and they apply finance charges, demand payments in advance of delivery, and/or refuse doing business with you altogether.

The unnecessary interest and finance charges can be avoided with proper planning.

A few summers ago, I visited a client, Roberta. She farms outside Washington, DC, and sells primarily to the DC market. During her peak production in August, her customers abandon the city for vacation destinations, and her wholesale restaurant clients decrease their order sizes. Therefore, in August, she has to be especially careful about cash flow. During our visit, I overheard her asking a worker to wait a few days to cash his paycheck. Given that she knows August will be slow, she can plan for it by understanding her cash shortfall, and budgeting for it.

AVOID OUT-OF-CONTROL DEBT

I started working with Laura Meister from Farm Girl Farm not because she wanted to learn bookkeeping and budgeting, but because debt overwhelmed her. She hadn't budgeted properly for a couple of years, borrowed more than she could afford to pay back, and got herself in trouble. In order to figure out the right strategy for Laura, we first had to determine the cause of the mounting debt. Was her business financially sustainable outside the burden of debt? If not, then the increase in debt was resulting from poorly managed operations or a business model that could not succeed. Good accounting records helped her figure out which.

If her base operations were solid, then we would need to dig deeper still. The increasing debt could be because she wasn't generating enough cash to pay it down or that she paid debt too aggressively when she had cash and then got herself in trouble again during the slow months.

We were able to get her books in order so that we could see

- her base operations were profitable;
- the amount of debt she could afford to pay down and when; and
- where she could trim expenses to improve profitability (thereby improving her cash position).

Armed with this knowledge, she could create a plan to streamline operations and pay down debt without compromising her cash flow.

WEATHER COVID-LIKE PIVOTS AND OTHER DISRUPTIONS

Is your farm business positioned to withstand an unexpected crisis, like Covid, climate change, or sudden inflation?

In March 2020, Ian from Five Figs Farm had just finished his budget planning and was starting to ramp up his plantings for the upcoming growing season. Like years past, he planned to sell his vegetables through a CSA, to local restaurants, and at his self-serve farm stand. And then Covid. Certainly, people would still need to eat, but he had no idea how his client/sales mix would evolve.

He had already been thinking about investing in his farm stand. It would allow him to increase sales to the local community and facilitate distributing more CSA shares. With all the uncertainty of Covid, he wanted to figure out if he could fast-track the improvements.

Ian already had his budget—so he knew what to expect with labor and production costs. With the additional $10,000 investment in the farm stand, he needed to quickly figure out what kind of sales he'd need to make it worthwhile and whether he would be able to do it with reduced labor. With his numbers already organized, he was able to quickly and easily model several scenarios. If he made the investment, he figured he'd need to sell an additional $15,000 worth of product. He also worried that he wouldn't be able to find workers for the upcoming season. He wouldn't have the added payroll expenses, lowering the volume of sales needed to break even, but would he be able to handle even the reduced production with just him and his spouse?

While there was still significant anxiety, he felt a lot better that he could see how it would work with reduced staff and added investment.

KEEP YOUR EYE ON THE PRIZE

For many, the end goal in running a successful farm business is to feed the local food system and enjoy a sustainable lifestyle. To get there, you must understand what makes you money, have an understanding of the best way to grow, and have a sound plan before taking on debt. It's about understanding the nature of your business with all its seasonal variances.

As Susan from Wingate Farm describes it:

> So much of farming on a smaller scale is about reacting to situations that require immediate attention. It's easy to spend all day running around putting out fires. Amidst all that chaos, it's very easy to lose sight of the bigger picture. Taking the time to think

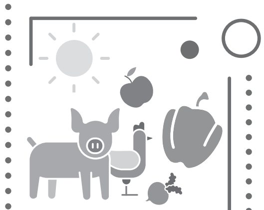
> through the big picture when you actually have the brain space/ energy is the only way to farm with intention. Then you have a map for your farm and your business plan guides you through the chaos. It allows you to be proactive, instead of reactive.

The goal of this book is to give you the tools to be proactive in how you launch, grow, and manage your business. And should you face a cash or external crisis, you'll have the skills to evaluate your business and correct your course. This book will cover

- the three primary financial statements (income statement, balance sheet, and statement of cash flows);
- the underlying accounting principles of the three financial statements;
- how to set up your bookkeeping system so you can get the information you need;
- how to use the numbers and information in the financial statements to better manage and grow your business;
- writing a business plan and creating financial projections for a loan or grant;
- the underlying growth strategies of the business plan;
- how to navigate a cash crisis;
- how to pivot and adapt during external crises; and
- developing the entrepreneurial mindset to apply all the above skills to your business.

I know business management, accounting, and numbers can feel scary. But we'll chunk it down and go step by step. After weaving your own experiences with the concepts in this book, you'll be able to manage both your fields and your office.

Ready? Let's go!



CHAPTER 2

Building the Foundation: The Financial Statements and Basic Accounting

Whether you're writing a business plan to launch a new venture, or navigating the day-to-day operations of your farm, the financial statements organize your numbers and tell a story of how your business is doing and where it's going. The three primary financial statements are

- the income statement,[4]
- the balance sheet, and
- the statement of cash flows.

They can represent the past (historical) or the future (projections). Each financial statement represents a summary of various transactions[5] that occur throughout your business and operations, and present different nuggets of insights about your business, your financial position, and your cash flow.

As the old saying goes, "You must crawl before you can walk." Before we can talk about creating financial statements or even setting up a bookkeeping system, we need to make sure we're speaking the same language: accounting-ese. These terms and concepts appear throughout business whether you talk with your banker or accountant or apply for a loan or grant. It's important to understand the common meanings.

If you're new to financial statements and basic accounting, you may find this language confusing and intimidating. Don't worry if you don't have all this committed to memory by the end of the chapter. As you see the concepts in action throughout the book and as you begin using them yourself, you will feel more comfortable with them. Of course, you can refer back to this chapter.

THE INCOME STATEMENT—A SUMMARY OF THE OPERATIONS

When to Use

- For the business owner: to understand the profitability of your business, as well as the nuances of your different product lines and revenue streams (historical)
- For potential funders, entrepreneurs, and partners: to project the profitability of a new venture (projections)
- For the government: to file your taxes (historical)

Key Features

- The income statement is a detail of the business activity over a period of time, usually a month, quarter, or year.
- The income statement details the activities directly related to the operation of your business (selling produce, paying employees), as well as indirect activities (income earned from renting land or interest).
- The income statement shows your total revenue, total expenses, and net profit.
- The income statement does not track cash flow, nor transactions related to investing and financing (except interest expense associated with loans—more on that later).
- The income statement presents a summary of everything you earn through the course of your business. It includes selling products and/or services, as well as the cost associated with running your business: what you spent to purchase your seeds and soil amendments, to pay employees, for advertising, rent, and so on.

More academically, an income statement provides information about a business's operations in terms of profitability over a given period of time. It is broken down into two major sections that distinguish the farm's primary operations from the ancillary activities, which are divided by "the line."[6]

The income statement is divided into general sections:

Sales: revenues of the farm for the past year or accounting period (which could also be a month or quarter). This includes the sale of produce, meat, dairy, or other farm products, as well as products that are resold, such as jam in a farm store or produce brought in from other farms. It is colloquially referred to as the "top-line," as it is what you bring into the business before noting any expenses.

Sample Income Statement from Vegetable Farm

		% of income
Revenue		
CSA	26,000	*15%*
Farmers Markets	139,000	*79%*
Wholesale	7,800	*4%*
Seedling Sale	3,700	*2%*
Total Revenue	**176,500**	***100%***
Cost of Goods Sold	30,300	*17%*
Gross Profit	**146,200**	***83%***
Direct Operating Expenses		
Equipment	3,300	*2%*
Fertilizer and Lime	1,600	*1%*
Mulch	5,700	*3%*
Pest Control	1,500	*1%*
Seeds and Plants	3,300	*2%*
Soil Tests	500	*0%*
Supplies	8,200	*5%*
Total Direct Operating	24,100	*14%*
Payroll		
Salaries + Wages	45,000	*25%*
Taxes: Payroll	5,000	*3%*
Workers' Comp + Disability	2,000	*1%*
Total Payroll	52,000	*29%*
General and Administrative		
Accounting Services	300	*0%*
Advertising	800	*0%*
Bank Fees	100	*0%*
Booth Fees	2,500	*1%*
Liability Insurance	800	*0%*
Continuing Education	100	*0%*
Meals and Entertainment	200	*0%*
Office Supply	800	*0%*
Permits and Licenses	100	*0%*
Professional Fees	500	*0%*
Subscriptions	100	*0%*
Work Clothes	300	*0%*
Total General and Administrative	6,600	*4%*
Repairs and Maintenance		
Car and Truck	4,300	*2%*
Gasoline	6,600	*4%*
Repairs and Maintenance	800	*0%*
Tools	1,300	*1%*
Total Repairs and Maintenance	13,000	*7%*
Occupancy		
Rent	3,325	*2%*
Utilities	3,000	*2%*
Total Occupancy	6,325	*4%*
One Time Expenses		
Web Redesign	4,000	*2%*
Total One Time Expenses	4,000	*2%*
Total Operating Expenses	**106,025**	***60%***
Operating Income	**40,175**	***23%***
Other Income/Expenses		
Grants	7,000	*4%*
Depreciation	16,200	*9%*
Interest Expense	2,500	*1%*
Taxes	100	*0%*
Net Income	**28,375**	***16%***

Sales can be broken down further into broad categories. You may choose to break out the revenue by sales channel—for example, what you earned at the farmers markets, wholesale, CSA, and farm store. Alternatively, you may break out the revenue by product, such as eggs, meat, produce, and flowers. My suggestion is that you chose one or the other. If you try to track the sales channel at the same time as product, things will get messy (if you sold eggs at the farmers market, do you track it as farmers market sales or egg sales?). If you're using QuickBooks (QB), you can do both, and we'll cover that in chapter 6, "Setting Up Your Bookkeeping System."

Note: unless you operate a non-profit organization, grants are not included in the top-line revenue/sales. They appear in the "other income" section or on the statement of cash flows.

Cost of goods sold (COGS): The traditional definition of COGS is the cost of the items that have been purchased for resale. If you sell products/produce from other farms, it is the actual cost of the goods you purchase for resale. It can also be t-shirts, tote bags, or fiber products.

For farm stores, this number is important because it allows business owners to garner further insights about the business (see gross margin below). For production farms, COGS in the traditional sense is minimal, as they often limit reselling others' products.

COGS can more broadly be defined as "cost of sales" or "cost of production," and include all the direct production costs such as seeds, feed, and soil amendments.

For bookkeeping (and QuickBooks), I hesitate to use this broader meaning; I find it difficult to see the beginning and end of cost of production. For example, is your fuel expense a cost of production? Some of it may run the greenhouse (a production cost), but other fuel purchases may be for your delivery truck (a selling expense). If you have one employee working in the fields and selling at the farmers market, is their labor expense a cost of production or selling expense? For recordkeeping purposes, I limit what's categorized as COGS to the more traditional definition. We'll get more into this in chapter 6, "Setting Up a Bookkeeping System."

As we get deeper into the analysis (starting in chapter 8), we will use the broader definition of COGS (to include production expenses and labor) and by extension gross profit. We'll discuss how to extract the numbers from your bookkeeping system to get the details you need.

Gross profit (margin): sales minus COGS. This is the amount of money available to cover overhead expenses and still have something left for profit. "Gross profit" refers to the dollar amount (sales minus COGS). "Gross margin" refers to the percentage (gross profit ÷ sales).

Whether you use the traditional or broader definition of COGS, the gross profit yields important information. First, it tells you what you have left for overhead (things like selling expenses, rent, office supplies, insurance) and profit, after purchasing your goods for resale and paying production costs. You also want to take a look at your gross profit to evaluate the efficiency of your operation and pricing of your products. If your gross profit is too low (and doesn't provide enough to cover your overhead), it could be one of four things:

- Your cost of production is too high (or you paid too much for the goods you resold). Your operation is not as efficient as it could be.
- You didn't charge enough to your customers. You need to evaluate your pricing structure.
- Someone stole from you. You didn't generate revenue from all the products you intended to sell.
- You threw away product.[7] You weren't able to sell everything you produced. You may need to evaluate your marketing plan (to sell more), your production plan (to grow less), or your post-harvest handling (to ensure all product is salable).

Gross margin tells you the percentage of revenue available for overhead and profit. If your gross margin is 35% (in other words, your COGS are 65%), then for every dollar of sales, you'll have 35 cents left for overhead and profit.

We can also use gross margin to calculate your break-even sales (we'll get into that in chapters 8 and 10).

Operating expenses: the expenses associated with producing and selling your product, as well as generally managing the operations of your business. We will further break down the operating expenses into six or seven categories (see below).

Operating income: revenue minus COGS minus operating expenses. A positive number tells you your core operations are profitable and by how much. A negative number (i.e., an operating loss) indicates the core operations of the business are not profitable—that is, operating expenses exceeded revenue.

Up to this point, we excluded income and expenses not directly associated with the operation of the business. We did this so we can have a clear view of how the business is doing without the impact of grants, loans, or ancillary activities.

"The Line": an imaginary line that separates the operating income and expenses from non-operating income and expenses. Often, there are income and expenses that you want to see on the income statement, which are not directly related to the operations of the business, such as rental income or interest expense. They are still recorded on the income statement, but separated so you have an unobstructed view of your operations.

Other income and expenses: can include items that are tangentially related to the company's general operating activities. These include interest income (from the farm's savings account) or interest expense (from loans), as well as grants, rental income, or gains from the sale of equipment.[8] Off-farm income shouldn't be on your income statement, but if you really want to include it, you would do so here. These items are "below the line."

If the farm had an operating loss and the other income reversed the position, then it's likely the result of unsustainable activities (like getting a grant or selling off an asset). If the other expenses turned an operating profit into a net loss situation, then it could be because you have more loans than the farm can afford.

Net income: Operating Profit +/- other income and expenses. This is your "bottom line."

For recordkeeping and subsequent analysis, you will want to further categorize your operating expenses. Farmers often focus on tax reporting and align the income statement expense categories with the Schedule F[9] or in alphabetical order. Organizing the operating expenses further into broad categories, however, makes it easier to gain insight into the business performance (and still have your numbers organized for tax time). Here are the six major categories.

Direct operating expenses: This includes seeds, soil amendments, animal feed, mulch, packaging ... anything that is directly tied to the operation of your business. You can also think of this as your cost of production.

Labor: This is the cost of having workers in your business (employees and contract labor) and includes payroll (salary and hourly), payroll taxes, and employee benefits (such as health insurance or meals), workers' compensation, disability insurance, and contract labor.

General and administrative (***G&A***)***:*** These are the overhead expenses associated with running your business, such as advertising, office supplies, insurance, telephone, internet, web hosting, and bank fees. They don't help you grow vegetables or raise livestock, but they are necessary for running a business.

For larger farms with a significant budget for sales and marketing, you may call out this category of expenses separate from G&A (making this the seventh broad category of expenses).

Repairs and maintenance: In theory, this is also a direct operating expense; if your tractor breaks down, then so does your operation. But I categorize it separately because it's a prime farm expense and I don't want it buried with other expenses.

Occupancy: This includes rent, property tax, and utilities: the cost to be on the land.

One-time expenses: As we'll start to see later on (see Common-sizing Numbers, page 30), one of the ways we evaluate the health of our business is to look at trends. "What did I spend last year on repairs and maintenance compared to this year?" And we make the comparison as a percentage of revenue. "This year I spent 5% of revenue on repairs and maintenance, and last year I spent 8%." These numbers can be skewed by large, one-time expenditures. By isolating the anomaly expenses, we can better evaluate trends and changes in expenses. A few examples of one-time expenses:

- the expense associated with a major website redesign
- writing off inventory spoilage
- acquiring new harvesting crates

For a complete list of suggested account categories for a farm business's income statement, see appendix 1. You may add or delete categories based on your business.

Keeping It Clean

When I met Austin, he had been farming part-time for 20 years. He was in the midst of planning his "retirement" from his off-farm job to farm full-time. Over the years, Austin had developed a strong reputation in the community for selling high-quality beef and poultry to schools and institutions. With Austin planning to rely on the farm for his primary income, we wanted to make sure he had a profitable business. As we started digging into his numbers, his interest waned. ☛