

Reflect on your farm and yourself

Learn from your business — and personal — successes and mistakes to make 2012 a better year.

It's cold outside, the Christmas tree is down and another New Year's Eve has come and gone. It's time to start working on those New Year's resolutions.

If you haven't begun to look back and review 2011, now's the time to start. We all can learn something from the past, from the successes and the mistakes alike. We need to know which decisions we made had a good outcome and make plans to repeat that process. We also need to know the decisions that resulted in a less-than-satisfactory outcome.

This review applies to the business side of life, but it also may apply to the personal side of life. A "performance review" of yourself and your farm business may seem redundant because they

seem to be so intertwined. But business is business and personal is personal. Both aspects of your life need to be in order if you want to be successful and happy. Being successful without being happy isn't really successful at all.

The business aspect

Although the end of the year makes most of us think of tax time, with some additional recordkeeping details on your part, you can develop some reports that provide an excellent starting point for evaluating your business.

There's no shortcut for making good decisions. They start with good financial and good production recordkeeping. Keeping good records might not be at the top of your list every day, but the effort is vital to knowing your financial status and gauging progress.

Income tax returns provide a less-than-ideal financial document for reviewing financial status and progress. They're cash based and are subject to distortion brought on by tax planning.

A good New Year's resolution might be to begin keeping better records. If necessary, hire out your recordkeeping. Know your own strong and weak points: If recordkeeping isn't a strength, let someone else keep your books.

Use external experts

Our farm management associations find an increasing number of members are taking advantage of using our in-house bookkeeping service. Just as there's no single best measure of a person, there's no single measure of the best farm business. For example, achieving lowest possible tax bill year in and year out may not be the best strategy to maximize your after-tax net worth.

Make your lender a part of your review of 2011. In providing credit to your operation, your lender should be very attentive to the financial status of your farm operation. If you do well financially, repayment of your loan and interest can make the bank's shareholders very happy. Your lender can provide insight on the financial progress you've made and on your farm's ability to generate cash flow. The lender also can be a great source of information on local land markets.

The staff of your local farm management association can be an excellent addition to your team or "board" as you review your farm business. These people often excel at providing an independent

third-party analysis of your farm business. Their goal is to assist you with your recordkeeping then use reports based on those records to help you analyze your business and make decisions about the farm.

Review key documents


Financial documents to use in reviewing 2011 include:

- Accrual income statement (for the period Jan. 1, 2011, to Dec. 31, 2011)
- Balance sheet (as of Dec. 31, 2011)
- Cash flow statement (Jan. 1, 2011, to Dec. 31, 2011)
- Sources and uses document (Jan. 1, 2011, to Dec. 31, 2011).

The Farm Financial Standards Council (www.ffsc.org) has information on how to self-gauge this financial information. The University of Illinois' farmdoc website (www.farmdoc.illinois.edu) is another excellent source of farm management and farm financial information.

The personal aspect

The personal review can be more difficult. We often are our own worst critics, but we also can overlook some of our own shortcomings. In reviewing 2011 and looking forward to 2012, you may want to use a short checklist.

- ✓ **Set specific goals.** Don't promise to "eat less" or "sleep more." A goal to lose 10 pounds is much more specific. It leaves no doubt about whether you meet the goal or not.
- ✓ **Be a realistic optimist.** Don't underestimate what it will take to reach your specific goals, but believing in yourself is vital to sustaining your motivation.
- ✓ **Know how far you have left to go.** Be honest and monitor your progress ... or ask someone else for help. If you don't know how you're doing, you can't adjust your behavior accordingly.
- ✓ **Stick it out.** Remember you've committed to long-term goals. Use self-control. Don't tempt fate. Most of us are overly optimistic about our abilities to resist temptation, and we end up putting ourselves into situations where temptations beckon.
- ✓ **Don't take on two difficult tasks at once.** You may overextend yourself and lose motivation.
- ✓ **Focus on what you will do and what you will not do.** Replace bad habits with good ones rather than simply focusing on the bad habits. 



Editor's note: Kent Vickre and Dwight Raab write a tax and finance column for each issue of Pioneer GrowingPoint® magazine. Vickre is state coordinator of the Iowa Farm Business Association. Raab is state coordinator of Illinois Farm Business Farm Management. They address issues that influence agribusiness success.

