

It's never too early

Higher grain prices make tax planning for 2007 more important than usual.

The Midwest agriculture economy has improved drastically during 2007 as a result of increased corn and soybean prices. This would indicate more income and more tax bite. Maybe, maybe not.

Unfortunately, many producers had a large portion of their 2006 crop priced prior to the market run-up. Livestock producers are seeing increased feed costs, which could significantly affect their income, depending on their use of production contracts.

This year's been a great reminder that the only thing certain is change. Don't automatically assume you need to prepay 2008 crop expenses and defer crop sales.

In short: It's essential to review YOUR financial situation and taxable income. Too often, we view record-keeping as necessary only to complete tax planning/preparation before the year ends. A current set of records is essential to make informed management decisions throughout the year.

No time for Scrooge

The holiday season is busy enough without worrying about your tax situation. Procrastinating until the end of the year creates stress. You may feel you're forced into making "quick" purchase decisions to minimize your projected tax liability.

Tax planning throughout the year enables you to consider various planning options such as:

- Prepaying inputs
- Deferring sales
- Changing sealed grain tax treatment.

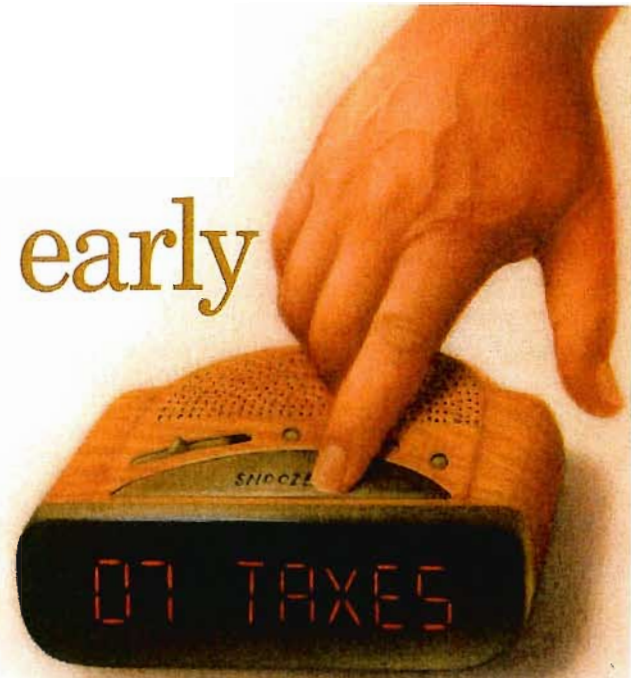
This also allows you to evaluate capital purchases based on profitability instead of simply looking for additional tax deductions.

Costs chase rising profits

Many producers have changed their projected selling price, but they also may need to consider increased production costs, especially given the rising cash rent market.



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



You should be able to calculate cost of production figures from a "traditional" record book. However, a farm accounting software program easily performs this repetitive, time-consuming summarization. You can evaluate your records frequently and quickly make informed decision as conditions change.

To help producers keep up-to-date records, Farm Business Association members in Iowa and Illinois are urged to use PcMars Farm Accounting software. There are various software programs available, but we suggest making sure the program is designed for farm records and has simple data entry.

Farm accounting software should be designed to easily enter items unique to your farm operation such as sealed grain, co-op dividends, crop bushels and livestock units and weights. A good software system will allow you to easily keep your records current by printing checks and quickly reconciling your transactions.

Finally, make sure your software prints a "friendly" comprehensive report of transactions that includes items such as net income, average price and production expenses.

Quality records count

Regardless of whether you keep your records by hand or use a computer, the important thing is to keep complete records. Knowing your financial situation enables you to meet with your financial consultant throughout the year, react to changing markets and evaluate opportunities that impact your operation. This also leaves more time to discuss tax law changes and planning strategies.

So take some time before harvest to review your financial records. It may leave you some time at the end of the year to enjoy the holiday season. 