



Agricultural Entrepreneurship and Business Planning

Week7: Cash Flow

Agenda for Tonight's Class...

Updates

Producer
Profile

Guest
Speaker

Snack
Break

Budgets

Reading
and
Assignmen
ts

Producer Profile



Reading Review: Organic Farmers Business Handbook

Chapter 2 and 3

- Why is financial record keeping difficult? Why is it important?
- What does “Farm for profit, not for production” mean?
 - Many farms have multiple revenue streams and the $P=I-E$ should be calculated for each to identify which items are highest grossing, break even or cost the farmer money to produce
- Why is it hard to track sales at farmers markets and farm stands? What are some techniques to help track better?
 - Have a beginning and ending inventory and final sales numbers.
- Why might it be important to track labor input for crops? What are some techniques for tracking labor?
 - Crop Specific daily labor journal recording task and labor time. Helps in planning and ID of efficient staff

Why keep financial statements?

- Required for loan applications (3 years of records)
- Crucial for tracking business profitability
- Necessary for reporting taxes (Schedule F)

SCHEDULE F (Form 1040)
Department of the Treasury
Internal Revenue Service (IRS)

Profit or Loss From Farming
► Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.
► Information about Schedule F and its separate instructions is at www.irs.gov/form1040.

OMB No. 1545-0074
2012
Attachment Sequence No. **14**

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV _____ **C** Accounting method: ☐ Cash ☐ Accrual _____ **D** Employer ID number (EIN), (see instr.) _____

E Did you "materially participate" in the operation of this business during 2012? If "No," see instructions for limit on passive losses ☐ Yes ☐ No
F Did you make any payments in 2012 that would require you to file Form(s) 1099 (see instructions) ☐ Yes ☐ No
G If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a Sales of livestock and other resale items (see instructions)	1a		
b Cost or other basis of livestock or other items reported on line 1a	1b		
c Subtract line 1b from line 1a		1c	
2 Sales of livestock, produce, grains, and other products you raised		2	
3a Cooperative distributions (Form(s) 1099-PATR)	3a	3b Taxable amount	3b
4a Agricultural program payments (see instructions)	4a	4b Taxable amount	4b
5a Commodity Credit Corporation (CCC) loans reported under election		5a	
b CCC loans forfeited	5b	5c Taxable amount	5c
6 Crop insurance proceeds and federal crop disaster payments (see instructions)			
a Amount received in 2012	6a	6b Taxable amount	6b
c If election to defer to 2013 is attached, check here <input type="checkbox"/>		6d Amount deferred from 2011	6d
7 Custom hire (machine work) income		7	
8 Other income (see instructions)		8	
9 Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50 (see instructions)		9	

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses (see instructions).

10 Car and truck expenses (see instructions). Also attach Form 4562	10	23 Pension and profit-sharing plans	23
11 Chemicals	11	24 Rent or lease (see instructions):	
12 Conservation expenses (see instructions)	12	a Vehicles, machinery, equipment	24a
13 Custom hire (machine work)	13	b Other (land, animals, etc.)	24b
14 Depreciation and section 179 expense (see instructions)	14	25 Repairs and maintenance	25
15 Employee benefit programs other than on line 23	15	26 Seeds and plants	26
16 Feed	16	27 Storage and warehousing	27
17 Fertilizers and lime	17	28 Supplies	28
18 Freight and trucking	18	29 Taxes	29
19 Gasoline, fuel, and oil	19	30 Utilities	30
20 Insurance (other than health)	20	31 Veterinary, breeding, and medicine	31
21 Interest:		32 Other expenses (specify):	
a Mortgage (paid to banks, etc.)	21a	a	32a
b Other	21b	b	32b
22 Labor hired (less employment credits)	22	c	32c
		d	32d
		e	32e
		f	32f
33 Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions		33	
34 Net farm profit or (loss). Subtract line 33 from line 9		34	

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Did you receive an applicable subsidy in 2012? (see instructions) ☐ Yes ☐ No
36 Check the box that describes your investment in this activity and see instructions for where to report your loss.
a ☐ All investment is at risk. **b** ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11346H Schedule F (Form 1040) 2012

Profit and Loss Statement (Annual Income and Expense)	
Start Date: January 1st	End Date: December 31st
INCOME	
Wholesale	
CSA	
Farmers' Markets/Farm Stands	
Restaurants	
Other	
Total Income	
OPERATING EXPENSES	
Variable Costs	
Car and Truck Expenses (mileage)	
Contract Work	
Feed	
Fertilizer and Spray	
Fuel	
Seeds and Plants	
Supplies and Packaging	
Hired Labor	
Fixed Costs	
Insurance	
Rent	
Repairs and Maintenance	
Storage	
Telephone/Internet	
Software (Accounting, POS, etc.)	
Marketing	
Other	
Total Operating Expenses	
Net Profit/Loss	

INCOME AND EXPENSE STATEMENTS

Financial Record Keeping

- Paper
- Excel Spreadsheets
- Quickbooks
<https://quickbooks.intuit.com/>
- Veggie Compass
<http://www.veggiecompass.com/>
- AgSquared
<https://www.agsquared.com/>

Upcoming Events

- CSA Day 2019 February 22nd!
- Cultivating Success Field Trip #2: Market Tour
 - March 9th 10am-2pm
 - Snow Goose Produce
 - Puget Sound Food Hub
 - Anacortes Farmers Market

Suggested Reading and Assignments

- Market Farming Success Chapter 7
- Business Plan Sections: Cash Flow or Budget

