



Management Review of 2012...While Looking Forward to 2013

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Steven Covey is the author of the 'Seven Habits of Highly Effective People'. One of those seven habits is to 'begin with the end in mind'. So lets' begin 2013 by thinking about the end of 2013 and how your 2013 accrual income statement and balance sheet might turn out ...and lets' do that with a review of 2012. An introspective look the management of your operation for 2012 could provide good insight for bettering your management skills and abilities looking forward into 2013. The Good Lord gives us all different gifts in terms of the skills we have. The trick is to know ourselves well enough that we have the ability to seek outside assistance or education for the areas where our skills lack.

While sometimes one might be lucky rather than good with their marketing, it is difficult to be lucky for multiple years. Consistently good marketing requires some thought and study of the markets for the crops you produce. Think back to your plan for selling your 2012 crop...did you have a plan? Or, did your plan run off the track when the depths of the drought set in. Having a plan and making adjustments to it are better that not having a plan at all. Having a plan and making adjustments to that plan are to be expected; no two years are alike. If you need to sharpen your skills, find a class to take..most of our community colleges have very good instructors...invite a neighboring farmer to go with you and compare notes. There are plenty of opportunities to learn about forward selling, futures, options, etc...this is the area of our business where one has little control, so to be educated is critical to how your 2013 accrual income statement will turn out.

Production and Revenue Risk – RMA data tells us that 80.5% of the corn acres and 77.1% of the soybean acres were insured in Illinois; take the time to educate yourself about crop insurance so that you can make a knowledgeable decision. A crop insurance policy is a complex product; with the potential that it could make up a large share of your income, it would be in your best interest to know the details of the policy. It is far too easy to make this decision from information heard at the coffee shop – perform your own due diligence. The farmdoc website is an excellent resource for information on the various policies and the estimated premiums for 2013. Production agriculture remains in an excellent position in that we have crop insurance available – there are few industries where one can insure their revenue stream at any cost.

Legal – If it has been more than three years since you reviewed your wills, please locate those documents and review them. Your review may not reveal changes to be made, but the review will keep fresh in your mind the provisions you have in your will. Now that we have some permanency in our estate

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tax law (or at least there isn't an expiration date), 2013 would be a good time to review for estate planning. Illinois land prices seems increased approximately 15% in 2012 making for an increased exposure to estate tax liabilities if one doesn't plan accordingly.

Accounting – Vow to not use the two-shoebox method! Many are now gathering information for the 2012 year only to discover they wish they had done a better job with their financial and production record keeping. The road to good financial recordkeeping is paved with good intentions; but good intentions help little in creation of financial documents that will help you manage your operation better. There are very good farm accounting software programs that are very easy to use that will allow you to reconcile your books to your bank statement so that there is no 'slippage' in either your income or your expenses. There are no substitutes for good accounting records; they are vital to marking your financial progress. An accrual income statement and a balance sheet are the first two documents needed in evaluating your financial progress and are good documents to place in the hands of your lenders. Strive to keep better financial and production records with the idea that you will use a period of five-years of these documents to create a better picture of your farms financial health.

The authors would like to acknowledge that information for this writing comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,700 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM staff provide counsel along with recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217.333.5511 or visit the FBFM website www.fbfm.org.