

Record Keeping by Dan Bennett

I've heard it said that you can't manage something you're not keeping track of. In other words, record keeping is a vital link to the success of any business. Good decisions are always based on good information! Farming is no exception to this rule. Those of us in alternative agriculture who have the added complexity of direct marketing combined with our many production and financial challenges must particularly focus a great deal of attention on record keeping.

When the subject of record keeping comes up, many people think of only the accounting and bookkeeping functions of a business. I would argue that every major phase of our businesses has a record keeping need. In this article, I will attempt to cover the topic of record keeping across all the major functions of a farm business including marketing, production, and finance. I'll also talk a little about the common problem every business, small and large, experiences after we begin to collect information about the different areas of our businesses: the difficult job of integration- putting data together into useful pieces of information. In addition, I will give examples of the record keeping techniques and tools I use on my farm to help bring a little practical application to this potentially boring topic.

Marketing. The critical information needed by every good marketer is about customers. The more information we can collect and manage about our customers, the more successful we can be. At the Bennett Ranch, we collect this information in two places. The first customer database we keep is on Microsoft Outlook. This database allows us to store vital demographic information about our customers – Name, Address, phone, email etc. Computer tools like Outlook or another popular one called ACT are generally categorized in software lingo as “Contact Managers”. With a good Contact Manager, you can keep track of any conceivable detail about your customers you would like. These tools even allow you to electronically file all customer related correspondence for easy retrieval. The second place we store customer information is in Quickbooks which is our financial system. Here we keep track of all customer buying information – most notably, what they buy, how much they buy, and how well they pay. The great thing about Quickbooks and either Outlook or ACT is that they integrate together to keep your customer databases in sync.

Production Record Keeping. At the Bennett Ranch, we primarily collect our production information manually using a table type form or chart and then enter the data into a spreadsheet program. We use Microsoft Excel as the computer tool to collect and interpret the information. Our primary production information collected is listed in the chart below:

<u>Eggs</u>	<u>Broilers</u>	<u>Turkeys</u>	<u>Beef</u>
Daily Egg count	Daily Death Loss by batch	Daily Death Loss	Weights
Daily Death Loss	Weekly Orders	Orders	Slaughter Weights and Count
Weekly Orders	Slaughter Weights and Count	Slaughter Weights and Count	

With this information we manage the flow of product to customers, estimate future production capability, and determine production efficiencies. In our operation, production numbers don't integrate electronically with our marketing and finance functions. They obviously relate in many practical ways which means that we integrate this information manually and then make decisions accordingly. Most of our decisions made with our production record keeping are essential to the operation and are not something we do only if we have time.

For example, we must compare our production information with our orders to know how much additional marketing we need to do before processing. We must know if we have enough product this week to meet our customer commitments. We must also know slaughter weights in order to create invoices.

Production information can also be used after the fact to look for trends in production techniques and analyze the effect of long term improvements. Either way, production information is critical to the successful operation of every farm and a way must be found to collect it.

Financial Record Keeping. At the Bennett Ranch, we utilize a software product created by Intuit called Quickbooks. Many of you have heard of and perhaps used its sister product, Quicken. Quickbooks is the business version of this popular personal financial management software. Quickbooks is a fairly comprehensive tool for small businesses and works well for a small farm or ranch. Like Quicken, Quickbooks has the capability to automate your checkbook and tremendously eases the effort to keep it balanced. Its capability goes way beyond this, however. With it, you can create invoices and manage your accounts receivables. You can keep track of all your bills and better manage your cash flow. Other highlights include sales tax payments, full financial reporting, and sales tracking by product. Quickbooks even has complete payroll capability. We use most of the capability of Quickbooks with the exception of Payroll.

There are obviously many benefits to taking the time to gather financial information. First and foremost, it helps to determine the difference between making money and losing money. Additionally, we've realized from this effort that our accountant has a very easy time in preparing tax returns. We simply email our Quickbooks file to her and she does the rest.

Like any computer program, it takes time to understand and begin to derive benefit from it. With some time and effort, most of us can master this tool. There are other software options available for you to choose from. We chose QuickBooks because it appears to be the most popular small business accounting tool available. This has afforded us the benefit of finding help when we need it and working with a company that is committed to continually improving the product. We have used QuickBooks since '98 and are currently using the 2003 version.

Once all this record keeping is complete and accurate, then the hard work starts – interpreting the information. This many times requires the manual integration of information prior to attempting to make wise decisions. The interpretation phase is the tough part because it requires time and energy. Often times, we do the work associated with collecting the information then run out of time and energy to interpret the information properly. This is the key to good decision making. We must have the discipline to complete the job – I'm talking to myself as much as I'm talking to you!

Many times, a team approach is helpful in the interpretation of the business information. A family member or business partner can be very helpful in this process. We have found it very effective to combine a team approach with an established time for interpreting our business information and creating a plan for the coming year. In January each year, we set aside a few days to brainstorm and plan for the new year. This forces us to prepare the necessary year end information collected from last season to begin the plan for the new year. This planning effort also helps us to establish specific action items for data interpretation and decision making that need to be done prior to the new season starting in the spring.

That's kind of the way it is with record keeping. None of us really like to do it but the benefit you derive from the effort far outweighs the effort expended. We must remember that once the job of record keeping is done, the job of more effectively managing our businesses begins. Good luck and much 2004 success!