

Farm Management Minute

Financial Management With High Prices

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As we look forward to what we hope is a bountiful fall harvest and near record high prices, many farmers may struggle with managing the volume of dollars that you are now dealing with. For most farmers, especially those who are a little more seasoned, trying to figure out what to do with the “extra” dollars has not been the norm. In a typical year at this time you would be prioritizing your needs to see what you could afford to purchase this year. For many crop farms you now have the ability to take some of those items off the wish list and put them to work on your farm.

The question is: What capital purchases can you make that help you manage your business from all angles? You want to do some tax management while at the same time allow your farm business to handle a few more acres, or at least make it easier for the acres you currently farm. Here are a few thoughts on some management practices to think about during these times.

One idea may be to improve the efficiency of your operation by investing in cost-saving technology might be a start. Automatic guidance systems and seed shut-offs save money in the long run. Another option may be to reduce debt by looking for the highest interest rate loans and paying them off. If the fee or penalty charge is minimal, fix interest rates on anything that you can. Improve your grain handling facilities that allow you to be more efficient during those crunch times. Invest in good labor on the farm. If you have employees that do a good job and you would like to keep them around and interested in your farm, give them a raise or a bonus. It makes it a lot easier for them to stay tuned into the details which equates to better production for you.

Perhaps the most important factor while managing all of this is to make some changes or capital purchases without accumulating debt that you cannot afford during normal times. If you cannot afford the cash expenditure with \$3 corn, then do not spend the money when corn is \$7.