

# THE VALUE OF A FINANCIAL RECORD ON A LIVESTOCK FARM

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**Records Place Farm Upon a Business Basis—Act as a Guide in Buying and Selling—Stimulate Efficient Management and Profitable Production**

SOME form of record keeping has been employed almost as long as agriculture has been practiced. The ancient shepherds kept records of their sheep by the number of pebbles in a bag. In the early days tallies were kept on the side of the wagon or on the barn door and at the present time on altogether too many farms these are the only records kept. However, present day conditions demand that the farmer keep books the same as they demand that the merchant and the banker keep books. Much has been said about the difficulties of the farmer keeping books due to the peculiar conditions under which he works. However the principles of bookkeeping are the same no matter what the business and if the farmer does not have time or inclination to study the theory of bookkeeping, he should fill out the forms available for the purpose. As stated below the system employed is not of great importance. The chief reason for the non-prevalence of farm accounts is due to the lack of appreciation and indifference of the farmer to the advantages involved.

The term financial record as used in this paper refers to a workable system of accounts which at the end of the year will help in answering the questions ever present before the farmer: First, "Is my business as I now operate it, making money?" and second, "What can I do to increase my profits?" In answering the first of these the farmer must know his income and expenditures, also his assets, liabilities, and proprietorship. In order to answer the second question he must know what branches of his business are paying, and what branches, if any, are not profitable. From this it may easily be seen that the ordinary check stub system as used by many farmers is not satisfactory, chiefly because it takes no account of inventories and because of the inaccessibility of the figures. As it is not within the scope of this paper to go into the advantages and disadvantages of the various farm accounting systems, it will suffice to say that systems of blank books as



Feeding steers at the Mesa Experimental Farm.

sponsored by most of the Agricultural Colleges are very satisfactory. Also that the common standard of double entry system as used by commercial firms is very desirable if the farmer has some acquaintance with bookkeeping methods.

In considering the value of financial records on the livestock farm it must be realized that in addition to special advantages to the livestock farmer there are general advantages which accrue in all lines of farming. Among these advantages we have those given in the following paragraphs.

Accounts show what percentage return is being made on the investment. Altogether too few farmers realize the importance of this. Many farmers who have no liens on their land consider that if it returns them enough money to support themselves and their family that they are doing satisfactorily. If the investment represented twenty thousand dollars the farmer might rightfully expect at least twelve hundred dollars as a return on the investment in addition to a proper compensation for his own labor and supervisory efforts. If his records do not show he is making this much he should change his policies or sell his farm and invest his money in some other form. The importance of this feature of farm management must

not be overlooked. If the farm is mortgaged the owner will be reminded of the interest due often enough. If a farmer is fortunate enough to own his own land he should not forget to remind himself when interest is due. If the farm does not pay interest he should do as a mortgagor does, viz., take steps to see that it does pay either by reorganizing the scheme of management or by selling out and making some other form of investment.

They show what each branch of the business gains or loses during the year. This may be considered as a corollary to the above statements. If the owner of a livestock farm finds that it costs him more to grow feed for fattening purposes than it would to buy it on the open market he might as well stop growing his feed and buy it. Of course in order to fairly prove what branches of his business are paying and what are not, the accounts must have been kept for several years; also the longer the accounts have been kept the more valuable is the information which may be obtained.

They facilitate collections and the other financial transactions carried on as there is a complete and accurate record of the sales and payments made. This statement is self-evident  
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## Questions and Answers

Q. I want to buy a cow for my family. I am offered one which is a good a remedy for this condition? Is there milker but one front quarter of her udder gives a milky water which curdles if you milk a little into the palm of your hand. Can you give me a chance of good milk coming from this quarter later or will the others get that way? Her udder has been like this for four months.

A. From your description of the conditions, it would seem that the cow is suffering from an infectious form of garget. This may or may not spread to the other quarters of the udder. Such an infection usually spreads to the other quarters and to other cows if great care is not taken to disinfect the hands after milking, and to milk the infected cow last. The contaminated milk should be disinfected and none of the milk from this cow should be used. There are cases on record of infections of the throat being contracted from using infected milk. The disease known as septic sore throat is sometimes contracted by using milk from cows having infectious garget.

If started in time the disease can be cured by the use of a bacterin called mastitis mixed bacterin which is injected under the skin according to directions given on the package. This bacterin can be obtained from your veterinarian or it may be secured through your druggist.

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and needs little discussion as it is common knowledge that in order to make the books balance every item must be accounted for.

An income tax blank can be made out which is accurate and correct. The farmer may take advantage of all exemption clauses and bring about certain deductions to compensate for previous losses if accounts have been kept.

Accounts are a definite factor in obtaining credit. In cases it may be necessary to present financial and operating statements to obtain loans. It may be easily seen that the farmer who presents well organized financial and operating statements to his banker can obtain credit much more easily

than one who has no definite knowledge of his income and investment.

The owner of a farm on which accounts are kept knows where he stands financially thus avoiding much worry and trouble due to uncertainty.

Aside from the benefits of the individual features of the planning such as discussed above we have the stimulating effect of a well organized scheme for operation which should be made out as a feature of record keeping. For instance the operator knows what he must earn and what expense he is allowed in order to produce the desired income. The part of the accounts which furnish the necessary information for planning for future management is the operating statement. The procedure is discussed in one of the following paragraphs.

Record keeping increases thrift. If the farmer is ignorant of what he owes until such time as his various creditors let him know his bills are due he will be much less careful in his buying than if he realizes where he stands.

In order to make an operating statement it is necessary to have complete financial records. The general procedure followed in analyzing the operating statement brings out its value. For instance, does the operation yield a satisfactory return on the investment and are the sales large enough in proportion to the investment? Is the gross margin large enough? This applies especially to the livestock feeder not only in buying stock but also in buying feed on the market. If the gross margin is not great enough steps must be taken to raise it by increasing the sale price or cutting down the expenses. In cutting down expenses, accounts help by showing what expenses are high. In general expenses are divided into wages, fixed property expense, and expenses incident to a large investment in current assets. The more these can be cut down without interfering with the efficiency of the farm, the more profits are made. Again, accounts become of value for they show us when this point is reached.

Cost accounting consists of a record of the transactions between the various enterprises of the farm whereas general accounting consists of external records. An excellent example of the value of farm cost accounts to livestock men is given in the Penn. State Farmer. There were a number of farmers in that state who fed steers during the winter. This prac-

tice for the past few years began to pay less and less. The farmers blamed this on the narrow spread between purchase and sale prices. Through the efforts of Penn. State College a number of farmers kept cost records on their steers. An analysis showed that a narrow spread between purchase and sale prices was not as responsible for the poor results as date of purchase and sale, age, size, and quality of steers, length of feeding period and kind and quality of feed used. It was found that the use or non-use of silage, of oats and bran made a difference between profit and loss. Similar results were obtained when the records of some farmers who raised pigs were analyzed.

Feed accounts while not direct financial records are records which represent an investment and are included in farm account system. They are a great help in governing the amount of grain and roughage which will be used in fattening or maintaining an animal. They show what will be needed during the season for work stock. The manager may intelligently judge what feed he will have on hand and how many stock he can maintain or fatten with it.

Farm accounts furnish a guide as to when to buy and when to sell. A farmer who knows what it cost to raise his stock knows whether he can afford to sell at the market price or have more. He knows his financial condition and can afford to speculate on greater profits or to sell at a lower profit and meet his obligations. Another reason the livestock farmer should pay more attention to records than other types of farmers is the diversity of his operations. The livestock farmer often handles more than one kind of livestock and grows several crops for feed. In cases such as this it is of extreme importance that special attention be paid to records in order that the farmer know what branches are losing or paying poorly, and what branches pay best. In the case of the grain farmer with only one major crop the bank balance at the end of the year is a fair indication of how that crop pays.

The great purpose of accounts and one on which most other advantages are based is to lay plans for improving future operations based on past results. "To operate successfully the past should be studied, the future planned for, and records kept to show the results."