

ACCOUNTING

Farmers financial game plan for 2010

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The year 2009 will be forever engrained in a lot of farmers' minds as the worst ever. Many farmers will have a



hard time obtaining financing necessary to farm another year. It appears there will be some kind of an assistance package from the federal government that will help to some extent. This package could end up being low interest rate loans that will have to be paid back or an outright grant in the form of an additional direct government payment. One thing is for certain; to the extent loans are used to cash flow, the repayment will need to be spread over several years.

Looking to 2010, each farmer should develop a game plan for survival. Consider the following items:

1. Update your books and convert your cash set of books to an accrual basis so that you know exactly what your losses are.
2. Go by the Farm Service Agency (FSA) and apply for any disaster assis-

tance available.

3. Prepare projected cash flow statements for the 2010 year. Compare all crop options and run your thoughts by a financial advisor that can make suggestions.

4. Talk to your banker and let him know exactly how the year went and how you would like to restructure your loans.

5. If you have excess or unneeded equipment, talk to an auction company about liquidating it.

6. Schedule an appointment with a financial advisor to review your personal financial situation and consider liquidation of any personal assets if needed.

7. Consider doing custom work if needed to cash flow and if you have equipment, labor and time.

8. Sell or mortgage land, but only if that is your only option for survival.

9. Consider off-farm employment or a second business, either part time or on a temporary basis, if the situation requires it.

10. Consider converting from cash rent to crop share if the reduced cash requirements will help cash flows.

11. Consider letting go of marginal land and concentrating on your best land.

12. Consider periodic quality soil testing to minimize fertilizer costs and maximize yield.

13. Review your marketing plan and obtain professional advice in marketing your crop.

A lot of the losses this year will be realized on marginal land where farmers tried to stretch out their equipment and labor over a lot of acres and the weather busted them. I've shown several clients they can make more money concentrating on production on their good land and letting marginal land go. Concentrating limited resources on land that has the highest potential for return makes the most sense.

If debt refinancing is required, now might be a good time to lock all your debt down with long-term fixed rate financing. This may be hard to come by, but it should pay in the long run if you can find it. While many financial professionals predict interest rates will stay lower in the near term, all seem to agree interest rates will have to rise substantially at some time in the future.

We've been running some 2010 crop projections and soybeans, corn, rice and milo all appear profitable. With prices where they are today, it looks like it will be hard to show a profit on cotton or

wheat. Before you make a decision, put it all down on paper and run it by an advisor to make sure you haven't left something out. Every farm is different, and what works on one farm may not work on another.

Most of us have toys that we can liquidate in a year like this. I know it's not fun, but if that is what it takes you have to take one for the team. The secret is to be around next year. Most farmers only hit one or two home runs, at best, in a lifetime, so it is important to be there when the opportunity presents itself. I have several clients whose bankers told them to hang it up, but toughed it out and came back to make good money. With the support of family, friends and good advisors you can survive just about anything.

If you would like a free copy of our crop planning software, give me a call at 662-887-4557 or e-mail me at dstallings@bairdandstallings.com. Prepare your plan, stick to your plan, and make money in 2010. **DBJ**

(Don Stallings is a shareholder in the Indianapolis, Ms. accounting firm, Baird & Stallings, CPAs, P.A. He is a certified public accountant, a certified valuation analyst, and a certified forensic financial analyst.)