



IMPROVING FARM PERFORMANCE THROUGH FINANCIAL ANALYSIS, TOOLS & TAX MANAGEMENT

OVER \$1.57

million in tax savings benefit to participating farms

OVER \$1.6

million in average gross farm income impacted by financial analysis efforts

PRIORITY

A R E A S

Michigan State University (MSU) Extension works to improve farm personnel well-being and income, expand agriculture-related businesses and increase employment opportunities, leading to agriculture being one of the strongest industries within Michigan. Supporting agriculture and helping to improve financial stability and competitiveness has a significant economic impact on Michigan and local communities. There were over 32,000 pageviews with more than 14,000 downloads of MSU Extension resources helping to improve farm management and profitability in 2022.

For additional information regarding farm management educational programs, research projects and materials, visit https://www.canr.msu.edu/farm_management/experts.

IMPACTS



90

participating farms analyzed their businesses to improve management and profitability.



7,371

downloads of easy-to-use enterprise budgeting tools were retrieved.



165

individuals participated in educational meetings on tax fundamentals and preparation.



6

enterprise reports for major production areas in Michigan (crops and dairy) were published.



7,086

downloads of custom machine cost and land rent fact sheets were retrieved.

“Thank you (MSU Extension educator Corey Clark) for teaching me to use the QuickBooks program. I couldn’t have done this job without you!”

• *TelFarm program participant*

EMPOWERING MICHIGAN FARMS TO BETTER UNDERSTAND BUSINESS PERFORMANCE

Each year, MSU Extension farm business management educators work with farms enrolled in the MSU TelFarm program to improve their financial management skills and help them prepare to manage their yearly tax liabilities. The TelFarm program provides accounting and financial analysis support to farmers across Michigan. TelFarm is an important tool for financial management for farm business and a real-life information source for research and education. The dollars saved through programs like these help local communities through increased purchases from local businesses from the second largest primary industry in Michigan.

A farm financial analysis assists farmers in better understanding their financial situation. An MSU Extension farm business management educator annually reviews and analyzes each participant's farm financial records. Then the educator and farmer meet to discuss the results of the analysis as well as past, present and future management implications. This process allows participants to evaluate their management plans and improve their farm business's success. The farmer also receives a completed report to use for their financial reporting and historical financial records.

Members of the farm business management team also facilitate a TelFarm Users Group, which meets monthly with six to 12 participants. These meetings provide an opportunity for TelFarm clients to ask questions related to recordkeeping, financial analysis, and taxes and gain additional insight into best practices.

TelFarm efforts continued to expand in 2022 with the facilitation of the QuickBooks pilot project. Through this project, MSU Extension and TelFarm developed a way of using the QuickBooks accounting system specialized for farmers that complements the accounting system for other TelFarm software such as PC Mars. The system was implemented in 2021 on eight pilot farms. In 2022, the system was refined and finalized, as well as documented in an educational manual in 2022. As a result of the program, most pilot farm participants have improved their QuickBooks skills so that they only need a quarterly review of their accounting records. Some pilot farms hired bookkeepers in places where they didn't have one in order to use the features of the software. In these cases, the farmers were limited in their own knowledge or lacked the time to use the software. MSU Extension and TelFarm provided onboarding training to the new bookkeepers. These new employees have also continued to receive ongoing technical support.

In addition to TelFarm efforts, the Prepare Your Farm for Taxes Now webinar took place in late November. The 73 attendees learned how to maintain farm financial records useful for preparing taxes and managing their farms. The farm business management team presented tax fundamentals for farms, as well as critical steps to ensure participants' records generate accurate and complete tax returns. In addition, discussion included options and principles for setting up an effective recordkeeping system.

AIDING FARM MANAGERS TO IMPROVE MANAGEMENT & BUSINESS SUCCESS

MSU Extension fact sheets and decision tools aid farmers in better understanding government program options, custom work rates, and land rent trends as well as assessing farm plans against industry benchmarks for improved decision-making. The MSU Extension farm business management team created a wealth of resources that assist farm managers.

Budget estimator decision tools provided farm managers with an easy way to develop enterprise budgets. Detailed versions of the budgeting tools allow for in-depth assessment of agronomic decisions, including nutrient, fertilizer and chemical planning, while the simplified versions allow for comparison against industry benchmarks. Industry comparisons were obtained from the FINBIN database (finbin.umn.edu), which includes Michigan farm financial data collected by the MSU TelFarm program. The team added a cash flow estimator tool in 2022 to assist producers in creating a whole farm projection using the other budgeting tools. In total, users viewed these budget estimator tools 10,298 times with 4,485 downloads.

The Feedlot and Cow-Calf Budget tools help producers forecast their economic profitability by improving user understanding of revenue, variable and fixed costs, and profitability. Farmers downloaded the Feedlot and Cow-Calf Budget tools 372 times.

The Greenhouse and Nursery Cost of Production spreadsheets are designed to assist farm managers in developing an estimated cost for their businesses. The nursery spreadsheet offers up to 25 different crops to be input. Users viewed these tools 1,397 times with 674 total downloads.

Farm inputs of seed and pesticide were an additional decision tool focus in late 2022. The Seed Selection Cost Comparison Decision Tool offers farm managers an opportunity to consider economic returns along with potential yield output in selecting seeds to grow. The Pesticide Cost Comparison Tool provides an ability to

consider product costs and strategies while developing an integrated pest management plan. These tools were downloaded a combined 142 times.

The Custom Machine Work Cost Report covers a broad range of basic field machine operations, providing summaries of custom machine rates that farms have reported they charged each other during the prior year in the Midwest region. This report had a total of 5,083 pageviews with 2,085 downloads. You can find these decision tools at <https://www.canr.msu.edu/tag/farm-cost-of-production>.



Farm manager inspecting dairy herd.

Land values and their impact on farm operations were of significant interest to farm producers in 2022. The MSU Extension farm business management team updated or renewed

a number of resources to aid producers in land-related decisions. The MSU Agricultural Land Values and Leasing Rates Report was rewritten in 2021 since it had not been published since 2019. Considered a companion document to the land report, the U.S. Department of Agriculture (USDA) Farmland Cash Rental Rates document is a listing of county rental rates dating from 2011 to 2022. The team wrote and published the document, obtaining the information from the USDA's National Agricultural Statistics Service based on their survey results from producers. The MSU Extension team renewed a fact sheet on land rent considerations from 2019 and released a new fact sheet approaching the negotiation process. In total, these fact sheets and reports were viewed 11,033 times and had combined downloads of 5,001.

The Land Rent Calculator is a decision tool designed to assist producers in comparing potential rent payments against projected net farm income. This tool is referenced as a companion resource to previously mentioned fact sheets with 3,365 pageviews and 1,064 downloads for the year.

Find the Farmland Cash Rental Rates document and Land Rent Calculator at <https://www.canr.msu.edu/tag/farmland-leasing>. Find the MSU Agricultural Land Values and Leasing Rates Report at <https://www.canr.msu.edu/telfarm/land-value-reports/>.

With over 32,000 pageviews and more than 14,000 downloads across decision tools and fact sheets, MSU Extension continues to help small and large farms plan budgets, estimate costs and determine value to improve farm management and profitability.

“The combination of nutrient and financial management really put in perspective how important both are to each other and a farm’s ability to meet its goals.”

• *Nutrient Management workshop participant*

HELPING FARM MANAGERS NAVIGATE THE DOLLARS & CENTS OF NUTRIENT MANAGEMENT



Fertilizer in hand being used in hydroponic greenhouse on vegetables

The nutrient management effort began with promotion and education around the creation of the Fertilizer Cost Comparison Decision Tool. The creation of the tool was a cross-team effort between the MSU Extension farm business management and field crops teams. The decision tool provides farm producers with the ability to develop nutrient plans to meet yield goals and lower possible costs. Fertilizer cost comparison tools are available for field crops, forages, and fruit and vegetables. They had 460 total downloads in 2022.

The educational component focused on presenting the decision tool at four different program events to a total of 169 producers — notably, the National Farm Business Management Conference, Ag Action Day, Michiana Irrigated Corn and Soybean Conference and the Nutrient Management Workshop. At all events, producers highlighted that they increased their knowledge of nutrient management and costs associated with them. At the Nutrient Management Workshop, 95% of participants reported they increased their knowledge and intended to change their approach to making recommendations when working with producers.

The Nutrient Management Workshop also featured a presentation based on a bulletin for fertilizer planning written for the MSU Beginning Farmer DEMaND (Developing and Educating Managers and New Decision-makers) series. The materials focused on understanding fundamentals of developing a nutrient plan and breaking down product costs to identify that plan's overall cost. The same materials were used as the basis of a module in the Nutrient Smart+ Desire 2 Learn course that had 17 enrolled students in 2022.

In the latter part of 2022, fertilizer prices begin to recede but with continued volatility in corn and natural gas markets. The volatility created uncertainty. Farmers pondered if they should purchase fertilizer at that time or wait until spring when traditionally prices are much higher. The MSU Extension team developed an input purchasing

strategy based on concepts seen in developing grain marketing plans. The concepts focus on strategically purchasing key inputs based on quantity, purchasing opportunities, price-saving tools and on-farm storage use at key timeframes. In November, the team presented the materials in the webinar Strategies for 2023 Farm Inputs to 39 participants. Over 350 participants attended a breakout session at the Integrated Crop and Pest Management Update in December. The team created fillable plan templates in Microsoft Word and Excel with 36 total downloads by the year's end.

The team wrote numerous articles on the topic of maximizing nutrient needs while minimizing costs reaching a total of 99,712 readers through MSU Extension, Michigan Farm News, Michigan Farmer, The Farmer's Exchange Newspaper and MorningAgClips.