



YOUR AGRO-BUSINESS SOLUTION

www.solutionsaffaires.ca 819.849.0644 accueil@solutionsaffaires.ca

- Business Plan
- Financing Research
- Technical and Financial Analysis
- Executive Coaching
- Business Transfer
- Evaluation of Agricultural Losses

...and much more



Robert Savage, Agronome MBA
CEO Solutions affaires experts-conseils

What are you feeding your cattle? While examining the financial statements of a dairy farm, the agronomist had noticed a meagre \$20,000 in feed costs. Even though it first appeared as being an exceptional performance, it was indeed too exceptional considering that this expense item should have been somewhere around \$60,000. That is, until the agronomist discovered that there was \$90,000 due to the local feed supplier. Was the farm owner aware that his feed costs were much too high? Absolutely not, because of the use of a cash flow accounting system.

Bookkeeping: pet peeve of farm owners

Considered, at best, a necessary evil, bookkeeping remains an unpopular task among many farm owners. Time-consuming by nature, bookkeeping is often learned on-the-job, thus leaving the improvised bookkeeper with an obscure comprehension of the financial health of the farm. Is it any wonder that farm owners in that situation do not look forward to the task of keeping financial records?

We constantly and most strongly encourage all farm owners to learn to understand and use their financial records to ensure the good health of their farm business, without having to become a martyr in the process. Instead, hire an accountant who knows and understands agriculture, which will allow you to spend more time to take care of both your farm and why not yourself!

Cash flow versus accrual accounting systems

Most accountants favour a cash flow accounting system, mainly for tax purposes. That is fine as long as your cheques don't start to bounce back. The main weakness of a cash flow accounting system is that you

never have a clear picture of your farm situation. Since only payout expenses are registered, you might very well forget about the pile of accounts payable awaiting you or how much is left in your bank account, and that is a very dangerous situation in which to find yourself.

Heaven only knows why, but there is still a strong myth among farm owners that accrual accounting is much more expensive than its cash flow counterpart. The next time you have an appointment with your barber or hairdresser, ask which type of accounting he or she is using. The chances are the answer will be accrual.

Ode to accrual accounting system

We cannot stress enough the advantages of using an accrual accounting system, as long as you truly understand what the numbers stand for and you are willing to use those numbers on a regular basis to make sure that your business is profitable.

The following success story is real and factual: Three young farm owners decided to take over the family farm business, even though it was on its death bed. With the help of professionals and the involvement of their bank, they first straighten out the finances by applying an accrual accounting system. By doing so, they were able to control the expenses, accounts payable, and credit card use. A thorough monthly follow-up of the farm expenses in relation to the budget was then undertaken until the farm was operating efficiently. As a result, the farm business was saved, and the three young producers kept doing what they liked best: farming. The secret to success is to accept and understand that good financial management, along with good field and animal management, is the basis of good farming. Ignoring either one of them is like sawing a leg off the chair you're sitting on.

To computerize or not to computerize

The advantage of computerizing your accounting system lies in having instant access to your data and, when necessary, the various reports regarding all aspects of your farm business. The use of specialized farming software is not absolutely essential, but it can allow you to produce more accurate reports. If you feel unprepared to manage

The Shoe Box Syndrome



your own computerized program, then you can always hire a professional to do it for you.

At this point you can either panic and run away from the topic, as if attacked by a rabid grizzly bear, or you can simply visit your banker to let him know that you're taking things in hand and ask him for a list of good and knowledgeable

accountants. We're betting that he will be not only pleased, but also relieved to know that you are taking your finances to heart.

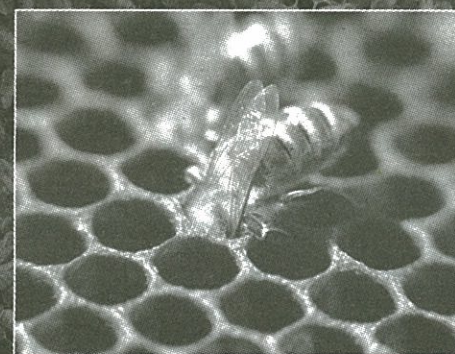
Having worked for over 16 years for various organizations—including the Caisse populaire Desjardins, the Office du crédit agricole du Québec and Farm Credit Canada—Robert Savage, founder of Solutions affaires

experts-conseils, has established an innovated approach to farm consulting services. With the help of a multidisciplinary team of experts, Solutions affaires experts-conseils can get your farm on its way to greater profitability by working with your existing resources and by having access to a network of professionals involved in agri-business.

La Financière agricole

Québec

Crop Insurance,
Invaluable!



Beekeeping: winter protection that covers loss in bee colonies

IMPORTANT DATES TO REMEMBER

- **September 1, 2010 → Registration deadline**
You must notify La Financière agricole of your interest in bee coverage, even if you were insured last winter.
- **November 1, 2010 → Deadline for wavering coverage**
It is possible to end coverage following an inspection of colonies by La Financière agricole.

To register for winter coverage for the 2010-2011 season,
please contact your service centre

1 800 749-3646 • www.fadq.qc.ca

Québec

Growing Forward, a federal-provincial-territorial initiative

Canada