

8 Tips to Keep Your Farm Financially Healthy

Farm owners are under constant pressure by everything from severe weather to fluctuating crop prices to labor shortages. Many outside forces are beyond a grower's control. But not everything. Creating a financially sound business helps you endure tough times and thrive during strong seasons.

Like any crop, a farm's business must be managed, cultivated, and nurtured. When your business is well-maintained, you'll run a more profitable farm. We put together a few tips for a financially solid farm to help growers get their financial house (or field) in order.

MANAGE LIKE A CHIEF EXECUTIVE OFFICER

Whether you're an owner of a farm or a CEO on Main Street, you're the leader and your decisions impact the viability and profitability of your business as well as the livelihoods of your employees. To set yourself up for success, picture yourself in the corner office.

You should know everything that is happening on and off the property. Be intimately involved in finances and communicate regularly with your farm manager and workers. Communicate with suppliers, vendors, and customers. When you don't feel comfortable handling something financially, work with an expert such as a consultant or an accountant to help.

MAINTAIN WORKING CAPITAL

We know that farming is cyclical. When market demand and crop yields are high, the money flows, but as a business owner you need to brace for leaner years.

To handle the unexpected, it's wise to maintain a solid base of working capital -- your current assets minus current liabilities. Your working capital can be used to pay off debts, including loans, and operations maintenance from fuel to fertilizer to payroll.

Experts advise keeping 25 to 30 percent of your gross sales for working capital. To better manage your funds, avoid high-interest, short-term loans, use cash, or [seek out lower-interest loans for agribusinesses](#).

To support our agribusiness members, Interra Credit Union offers several financing options, including operating loans, intermediate loans and farm mortgages, that may fit your needs. Need funds quickly? Interra Credit Union offers 48-hour decisions on loans for less than \$150,000 for our business and agribusiness members.

CONSIDER RENTING OR SHARING EQUIPMENT

Farmers often invest in expensive machinery with limited uses, which is a financial drain. Farm equipment can be costly to purchase, maintain, and repair, and the interest adds up if you've borrowed money. Instead, consider renting tools and machines you need or ask to borrow a specialty tool or piece of equipment from a fellow farmer who already owns it.

INVEST IN YOUR EMPLOYEES

Savvy business owners spend time and resources developing their employees, and farming is no exception.

Offer your staff ongoing training and opportunities to develop new skills like welding, mechanic, or electrician courses. Empower them to make decisions and help manage operations. You'll see a return on those investments, which can free you up to focus on other tasks.

PROTECT YOURSELF, YOUR FAMILY AND YOUR BUSINESS

In farming, risk management and business protection are ongoing propositions. To guard against the unknowns, ensure your insurance policies for liability, disaster, disability, crop failure, and risk management coverage are sufficient and current.

To protect your loved ones and the future of your farm, you can [purchase life insurance or increase your life insurance coverage](#). Interra Credit Union offers term and permanent life insurance policies and disability coverage. Also, regularly revisit safety and disaster plans, and verify that certifications are current.

SPECIALIZE

Some of the most profitable farms have a clearly defined strategy. They are experts in a particular crop or a key supplier to a marketplace or sector. Look for ways to carve out your niche.

If you're new to farming, spend time studying what's been successful on your land and with your resources. Study what other farms in your area and other states are doing. For some farmers, it may be better business to focus on a handful of crops or livestock rather than dozens of products.

Once you've identified a specialty, network in that industry with suppliers, vendors, and potential customers, and develop a marketing plan to reach those key players.

HAVE A BACKUP PLAN

Sometimes crops fail or extreme weather kills your harvest. It helps to have already planned and executable options when plans go awry such as subleasing unused equipment. Pivot towards late-season crops that have been successful in the past. It's never too late to try something new, but you must be organized and ready to move.

LEAN INTO TECHNOLOGY

Technology doesn't have to be scary. Technology can help farmers work faster and smarter. Identify ways tech can improve your operations: online banking, record keeping, tablets for inventory and crop reports, GPS trackers, and electronic, automated payroll.

Agriculture technology is a fast-growing sector; vendors and consultants can help identify ways to improve efficiency and productivity. As the farm's CEO, it's your job to find those opportunities, make smart investments, work with a trusted lender like Interra Credit Union, and support employees.

You need determination, fortitude, and support to operate a successful farm. When you embrace the business operations and management that comes with farm ownership, you can help make your farm more productive and profitable.

Contact [Interra Credit Union](#) to see how we can help improve your farm's financial planning and resources.