

Using Quickbooks to Monitor Returns of Crops and Markets

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Presentation: **About Our Farm** – *for judging relevancy for your farm.*
About Our Recordkeeping - *minimize, Quickbooks, bi-weekly timesheets.*
About Analyzing our Records – *for tweaking next year's farm plan.*

About River Berry Farm - *for judging relevancy for your farm.*

- * Family-owned organic small fruit, vegetable and flowers farm, located on the Lamoille River in Fairfax, Vermont, since 1992.
- * Markets: 1/3 regional wholesale, 1/3 local wholesale, 1/3 retail- CSA, stand, farmer market.
- * Employees: 8-10 seasonal and 10-14 temporary, about 20 -24 yearly.
- * Gross Sales: about \$500,000.
- * Net "Income": about \$70,000 for mortgage, taxes, insurance and living/personal expenses.

About Our Recordkeeping - *Quickbooks, bi-weekly timesheets, minimize data entry.*

- * We use Quickbooks. Not an expert but enough to get what we need, reluctant bookkeeper,
- * Set up Quickbooks in Farming, which provides categories of expenses (Chart of Accounts).
- * Make a Yearly Budget in Quickbooks: a great tool to discipline yourself to identify expenses and estimate income, good for business plans often requested by banks and lenders.
- * Budget vs. Actual Report in Quickbooks: Can check how you are doing to date, anytime.
- * Profit & Loss Statement in Quickbooks: Is same as Budget vs. Actual without the Budget, it's what we use for filling in Schedule F.
- * Use "Class" in Quickbooks for crops When Entering Customers' Sales. Can generate Custom Reports tracking sales by crop & customer.
- * Two-Week Timesheet by Crop: Employees fill out at end of day, record to ¼ hour by crop. We use Quickbook's Paycheck Detail to enter each employee's hours by crop (Class).
- * Profit/Loss by Crop: Can record income and expense by crop. This is where we simplify. Field crop expenses are lumped together except payroll. Greenhouses expenses are by recorded by crop.

About Analyzing our Records – *for tweaking next year's farm plan.*

- * Calculate/Review Yearly Our Living on the Farm/Personal Expenses - *what we need to net just to live on the farm without farming expenses.* We don't draw a salary. Our target is 15% - 20% of total sales.
 - Mortgage and Loans.
 - Taxes.
 - Insurances: Property, Workers Comp., Health, Vehicle.
 - Homestead Expenses: Utilities, Vehicles, Food, Housewares, Entertainment, & Retirement.

Using Quickbooks to Monitor Returns of Crops and Markets (continued)

About Analyzing our Records – for tweaking next year's farm plan (continued)

* Calculate Relative Profitability of Each Crop: We Generate a Report in QuickBooks to get Profit/Loss by Class (crop) at year-end: to determine profitability of each crop. Have to modify report to get Classes in columns.

- We have determined a criterion of 1:3 minimum of labor cost to crop sale; i.e. If crop sales are less than 3 times the labor cost, we need to review this crop.
- We discuss the variables that might have influenced: weather, bad variety, timing of crop, harvesting techniques, and market.
- In deciding whether to continue or decrease a crop that isn't measuring up, we consider:
 - + how the crop could be more profitable-different harvesting technique, variety...
 - + how the crew feels about the crop.
 - + lost leader, need to have at the stand/CSA, ie. Eggs.
 - + how we want to spend our time...just love the crop anyway.
- We Generate a Report in Quickbooks to get Sales to Customer by Class (crop) for discussion with the Customer.
- Set target total sales for next year.

* Calculate Capital Improvements Budget: generally about 2% - 7% of projected sales.

- Decide our priorities for coming years and budget for the next.
- Discuss long-term capital improvements and decide if loan is warranted.
- In tight years we will decide for next year to invest only in capital improvements that will pay for itself in that year.

* General Goal for Breakdown of Expenses (both farm and personal) to be Paid for by Sales

15%-20% for living (on the farm) expenses.

33% for payroll expenses.

2%-7% for capital improvements.

40%–60% for farming overhead:

- Repairs and Maintenance
- Supplies
- Advertising
- Fertilizer and Lime
- Predatory Insects and Organic Pesticides
- Utilities and Fuels
- Miscellaneous.