

Final Comments

The payoff from improving financial performance can be yours. But you have to make it happen. Benchmark in order to see how the best farms are performing financially. Establish performance targets that are at least as good as your benchmarks, measure actual performance, and make adjustments in your farm operation when the actual performance of your farm business is off target.

Identify problems with financial performance early, and take action immediately to resolve those problems. Those adjustments may involve buying time through managing cash flows, managing assets, and managing debts. If that's the case, study the underlying causes of the financial stress to make sure that they are likely to be only temporary in their duration. Perhaps those adjustments you need to make involve more fundamental changes in the cost, volume, and profit relationship on the farm to ensure long-run profitability.

Either way, financial success requires skill, diligence, and the willingness and ability to change your farm operation if necessary in order to achieve acceptable levels of financial performance. Finally, take advantage of your knowledge of the relationships among key financial performance measures to estimate the potential impact of proposed changes in your operation.

For an interactive Excel spreadsheet of this publication's four worksheets that will let you work with them on-line, visit <www.agecon.purdue.edu/extensio/finance>. This site also contains other information about farm financial management. And for other Purdue Extension educational materials on agricultural economics and farm business, visit <www.agcom.purdue.edu/AgCom/Pubs/agecon.htm>.

