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Colorado Farm/Ranch Management Associations

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Quick Facts

Colorado Farm/Ranch Management Associations are a non-profit, business management and consulting service for the individual farm or ranch business.

A cooperator in an association can have access to a trained farm/management field person for on-the-farm management assistance.

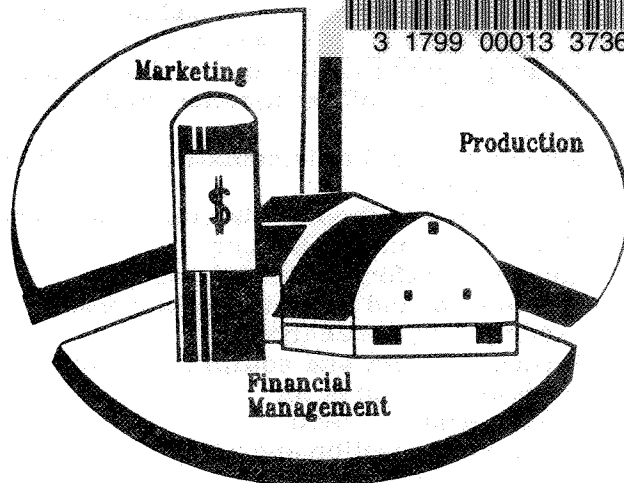
Any farmer or rancher can join an association.

Production agriculture is big business and many farm and ranch operators are profiting from the management provided by an association.

Farm/Ranch Management Associations originated in Illinois with the University of Illinois Extension Service in the early 1920's. Other states, such as Iowa and Kansas, followed and currently there are farm management association programs in 10 states. Colorado's first association was started in Sterling in 1962 and presently there are offices located in Eaton, Lamar and Monte Vista.

Colorado Farm/Management Associations are a non-profit, business management and consulting service for the individual farm or ranch business. Membership fees, based on operating expenses, are held to a minimum.

Each association is under the guidance of a board of directors elected annually by the association membership. The board is responsible for the business affairs of the association such as determining the fees charged for the membership, contracting with Colorado State University Coopera-



tive Extension for a farm management field specialist and providing for the operating needs of this field person.

Other types of businesses hire consultants to assist them with management problems. Production agriculture is big business and many farm and ranch operators are profiting from the management provided by an association.

What Does a Cooperator Receive in an Association?

1. **A complete record of the farm/ranch businesses:** for example, receipts, expenses, inventories, records of crop and livestock production, as well as a five-year depreciation schedule and financial summary.

2. **Reports that analyze the business:** each member receives an annual financial analysis of his or her farm prepared on a high-speed elec-

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tronic computer. Averages for others farms are included to enable the farmer to compare his or her operation's performance with similar farms in the same area. This report contains a net income statement on an accrual basis (including inventory changes and accounts payable), an analysis of the business, and a net worth statement (operator only).

3. On-the-farm management assistance: a field person trained to interpret the analysis reports, discuss alternatives, and to provide budget and management assistance to the cooperator. He or she visits the farm on a regular schedule. Specific areas of management assistance are:

- strategic planning for financial planning
- identification of farm/ranch and family goals
- selection and implementation of a farm record system
- balance sheet, income statement, and cash flow statement preparation
- financial performance analysis
- whole-farm and partial-farm budgeting
- land investment analysis
- farm machinery and equipment purchase/lease decision making
- effective use of credit
- enterprise selection and analysis
- risk management

4. Income tax management and planning: proper income tax planning is as important as accurate income tax preparation. The field person is a specialist in farm taxes and therefore in an excellent position to minimize the farmer's tax obligation because of a year-round contact with the farm records.

5. A personalized, unbiased service: the field person who calls on the farm or ranch develops a close working relationship with the farmer/rancher and family and is there to help achieve farm/ranch goals. Being a salaried employee, the field person has no vested interest in farm achievements and can provide an objective opinion. All records and discussions are considered confidential at all times.

6. A direct link with Cooperative Extension and the Agricultural Experiment Station: the association and Cooperative Extension cooperatively employ a qualified field person. He or she is the direct link to the storehouse of abilities and knowledge that Cooperative Extension and Experiment Station staff can provide.

7. Invitations to attend association tours and meetings: the members have the opportunity to attend association meetings, farm tours, and other meetings held for the members.

Why Do Cooperators Like This Service?

Most cooperators say that it pays to belong to a farm/ranch business association and feel that the returns are much higher than the cost. Many point out that the prudent assistance on one major decision may pay the membership fees for the rest of their lives. Cooperators can call on the field person at any time for advice on special problems. Members often feel that this service alone is worth the price of membership.

Cooperators learn more about their business since they know whether their net farm income is higher or lower than similar farms in the area. They soon discover the strong and weak points of their business and how to correct or eliminate the weaker ones, to make their farms more profitable. Organizing the farm business to produce greater income provides a higher standard of living for association members.

Farmers and ranchers say that the information in their records gives them an excellent base for future planning. Over a period of years these records indicate how successful their plan has been. Lending institutions need the information the association provides to evaluate loan applications.

The Internal Revenue Service insists that farmers maintain accurate records. Farm/ranch business association records are among the most complete records kept by Colorado farmers and ranchers, which facilitates year-end analysis, accurate and timely completion of tax reports and forward planning. In the event of an audit on an individual tax return, a good set of records is especially helpful and the field person is always ready to help explain the details of the individual record if a farmer or rancher is audited.

Who Can Become a Member?

Any farmer or rancher in Colorado can join an association. It is a non-profit educational organization designed to provide both management information and business counseling for its members. Association members control the organization and assume most of the responsibility to finance its operation.

The association board of directors, selected from the membership, and field person work together to ensure that the business needs of the membership are met both individually and collectively. A qualified farm/ranch management field person will greatly enhance the agricultural producers management and decision-making skills. By joining an association, a business is serviced as needs arise.