

# HOW IS COST OF PRODUCTION DIFFERENT THAN OTHER RECORDS?



Farm Credit Services of America



<b>What is it?</b>	Expense of one unit of production.	Income and expenses by month.	A snapshot in time of assets and liabilities.	Federal income document that captures income and revenue.
<b>Does it follow a calendar year or crop cycle?</b>	Looks at one crop cycle.	Looks at one calendar year.	Neither. It is a snapshot of one moment in time.	Looks at one calendar year.
<b>Does it show Past, Present or Future?</b>	<b>FUTURE</b> Projection until all revenue and expenses for the crop year have hit. Then it is reflective.	<b>FUTURE</b> Projection, and if updated regularly can capture real time.	<b>PRESENT</b> Current snapshot of one point in time.	<b>PAST</b> Reflective. Looks back to see what happened in a given calendar year.
<b>What does it do?</b>	First step in calculating breakeven or projecting revenue, captures real-time unit cost.	Gives insight to potential profit or loss on operation level, helps project numbers for future, helps manage payment schedule and other decisions.	Shows actual net worth, capital and liquidity, principal payments, and financial health at specific day.	Shows revenue and expenses reported to tax preparer.
<b>How to use it?</b>	Calculate breakeven. Which enterprise, field, or herd is making or losing money?	Identify available funds every month.	Conduct a 'health check' and benchmark or track key ratios.	Review previous expenses and make predictions about future expenses.
<b>How frequently should I update?</b>	Annually. Ideally, update monthly or real time.	Annually. Ideally, update monthly or real time.	Annually.	Annually.
<b>What are potential problems or tips?</b>	<ul style="list-style-type: none"> <li>• Be accurate. Don't round.</li> <li>• Partner with cash flow to make decisions.</li> <li>• Calculate unit costs per commodity.</li> </ul>	<ul style="list-style-type: none"> <li>• Track the small stuff.</li> <li>• Be realistic on expenses, debts, and living costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Be accurate. Don't round.</li> <li>• Time your balance sheet to your production cycle and prepare at the same time every year.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow response time because they are prepared as much as two years after events, not responsive to immediate cash flow.</li> </ul>

## RECOMMENDED TIMELINE

DECEMBER/  
JANUARY

FEBRUARY

FEBRUARY  
THROUGH APRIL

APRIL THROUGH  
HARVEST

JUNE/  
JULY

POST HARVEST

THROUGH  
END OF YEAR

