



October – 2017

## Trust, But Verify

President Ronald Reagan made the statement, “Trust, but verify” well known in the 1980’s. The term comes from a translation of a Russian proverb. When it comes to the numbers for your farm operation make a real attempt to verify them. This includes yields from yield monitors, gallons of fuel it takes to chop or combine crops or the grain or livestock checks you receive from the grain buyer or livestock yard. It is also important to verify the financial records of your farm operation.

Actually, cash flows and projected cashflows need rock solid numbers to determine if the farm operation or farm enterprises are turning an economic return. Balance sheets are one tool to measure success of the farm operation; especially if the operation has been in business for more than 5 years. This data can help determine trends in the operation. If poor inventory numbers are used, inflated land or equipment values are used, or if financial obligations are not entered onto the balance sheet there can be many wrong decisions made. One time I turned down a farm loan application and the applicant called me and let me have a verbal assault for 20 minutes. When the caller finally stopped screaming I agreed to meet him and his spouse on his farm. When I got to the farm I reviewed the balance sheet he had submitted to me. About 30 minutes into redoing his balance sheet we had discovered of \$700,000 in assets that had not been included on the balance sheet and one open account of \$35,000 for seed. In the end I could get a loan approved for the applicant and I made him sign a statement that he would only submit a balance sheet for his next loan application that had been reviewed by both his spouse before forwarding to me.

It is important to know your numbers. You need to trust your numbers if you expect others to believe them and believe in your farm operation. Getting a 12/31 or 1/1 balance sheet is important and it is important to have sound numbers. Trust, but verify as you are asking a lender or lenders to believe in you and your farm operation. Are you ready for 2018?



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### ***About the Author – Bob Panzer***

Bob comes to Pifer’s with 40 years of professional ag experience. Bob spent the past 18 years in agricultural lending with farm credit, an ag supply coop credit company and with the USDA FSA. Bob also served 20 years as a County Extension Agent and Ag teacher/FFA Advisor. Bob and his wife Teri have owned and operated farms in Wisconsin since 1987.

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