**Monitoring Cash Flows Throughout the Year**

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Farmers and ranchers face a great deal of variability from weather, markets, government policies, and global issues. These factors all combine to create uncertainty every day. Profits often depend on these erratic changes—sometimes for the better, sometimes for the worse. Keeping on top of these changes is time consuming but necessary. Adapting short- and long-term cash flows for these changes is also very necessary (and doesn’t have to be time consuming).

Actual and projected cash flow for the year should be monitored more than once per year at tax and loan renewal time. Ideally, monthly updates should be done to measure deviations from projections and adjusted as necessary, but even quarterly or mid-year updates are better than none. A catastrophic event can necessitate changes to a projected cash flow. If a late spring snowstorm kills 25% of a ranch’s newborn calves, the cashflow margin is going to drop significantly. Crop losses due to weather events will also change cash flows. And while crop insurance helps, it is seldom the same as having crop to sell. An engine failure in a major piece of equipment or other unexpected repair can drastically alter cash flow as repair costs increase.

Many commodity prices dropped significantly in 2023 from 2022 and have continued to stay lower, but costs continue to increase, meaning that monitoring cash flows becomes more important. Keeping up on cash record keeping is necessary to stay on top of changing cash needs as the year progresses. While making sales through the year, adjust the cash flow up or down to reflect what is happening. Were the sales higher or lower than what was expected earlier in the year? Has some unforeseen large expense befallen the operation, or an unforeseen capital purchase been necessary?

It is easy to set up a spreadsheet to calculate deviations from projected to actual cash flows each month, quarter, etc. Doing a long-short part way through the year can help predict cash flow margins at year-end. It might be the middle of the year, but start with cash and inventory on hand that day, add in projected revenues to the end of the year, then subtract remaining expenses and loan payments to see what will be left. Don’t forget to include family living expenses and income taxes. After looking at the margin, it might be necessary to make some adjustments to planned expenditures and marketing plans. Be sure to discuss these with lenders, brokers, or other advisors and make adjustments as needed.

To learn more about cash flow planning and other financial questions about farms and ranches, visit with an instructor near you. The North Dakota Farm Management Education Program provides lifelong learning opportunities in economic and financial management for persons involved in the farming and ranching business. Visit [ndfarmmanagement.com](http://www.ndfarmmanagement.com), Facebook @NDFarmManagementEducation, or contact Nikki Fideldy-Doll, State Supervisor for Agricultural Education, at [nfideldy-doll@nd.gov](mailto:nfideldy-doll@nd.gov) or 701-328-3162 for more information. The ND Farm Management Education Program is sponsored by the North Dakota Department of Career and Technical Education.