

PROPOSALS CONCERNING THE BOOK-KEEPING AT THE LEVEL OF SMALL FARMS

The present paper aims to bring up the importance of an existence of book-keeping at the level of the small farm, even in a simple form, also the steps made in this way by our predecessors, as to the objectives that must be carried out.

In the content of the paper are showed the principal parts of an account book for an analysis farm activity. Concomitantly with the structure proposed for an account book, are also defined some of the economic indicators which will be used.

Without the claim to be a thorough presentation of a book-keeping in small farms, the study presents some proposals concerning the structure of an account book that could be a basic part of the accounting and economico-financial analysis of small farms.

1. Introduction

The idea of farm's book-keeping is not new, appearing on an empirical form with the first agricultural activities in primitive times. The first written proofs are found in antiquity, from Mesopotamia, developing into a more complex form which involves the use of computer and software in present time.

In Romania notable initiatives had Ion Ionescu de la Brad, the founder of the Romanian school of agrarian economy, Gheorghe Ionescu Sisesti which in 1915 in the paper "Agrarian Politics – especially regarding Romania" studied inter alia the profitableness of the farms by the "net income" indicator as well as Nicolae Cornateanu. The latter, distinguished professor and economist, has managed the Rural Economic Section of the Agronomic Research Institute of Romania in Bucharest between the two

World Wars, this institution elaborating a series of theoretic studies and applied researches regarding: definition and utilization of the notions of agricultural assets, agricultural income, net income, farm market value, farm's book-keeping records, the achievement of the first farmer's budgets inspired by the calculus of USA farmer's purchasing power index [1].

At present the question of book-keeping at the level of small farms, even in a simple recording, becomes again topical being the subject of the study of various research collectives from the country. The importance of this matter results from the greater weight of the small farms in the Romanian agriculture and the consequences that could have on the better management of the resources at this level. A small farm's book-keeping recording offers a lot of economic information and allows to make those decisions useful to the conversion of a small farm into a commercial farm, with the objective to obtain profit.

Considering important and imperative the dissemination and the adoption of a book-keeping recording at the level of small farms we shall try in the following to show an example of a farm's account book which requires a minimum effort from the farmers. The final objective of this account book is to know better the farm's economic situation and to offer that information useful to adopt measures for a profitable activity, following in a second phase to maximize the profit.

2. Proposals concerning the structure of an account book and economic indicators used.

The proposed model for a farm's account book presents three important parts.

In the first part is shown general information about the farm:

1. size and area, number of lots, relief forms;
2. information about the farm manager (may be the owner or another authorized person): age, professional training, experience, etc.;
3. data about providers, customers, workers (others than family members);
4. the principal breeds and categories of animals from the farm's production structure;
5. information about the elements of incomes and costs;
6. economic indicators used in the farm's account book: gross farm income, farm net value added and family farm income.

Gross farm income represents the total of the incomes obtained in plant and livestock production minus intermediate consumption plus diverse cashings:



Total output includes: output crops and crops products (cereals, protein crops, potatoes, sugar beet, oil-seed crops, industrial crops, vegetables and flowers, fruit, wine and grapes, forage crops) and output of livestock and products (cow milk and milk products, meat of beef and veal, pork, sheep and goats, poultrymeat, eggs, ewe and goat milk).

Intermediate consumption refers to:

1. Specific (direct) costs:
 - seeds and plants which are home grown;
 - fertilizers;
 - crop protection;
 - food for livestock, fodders from plant production and the milk for calves.
2. Farming overheads, indirect (constant) costs:
 - machinery and buildings current costs;
 - energy;
 - work contract;
 - other direct inputs.

Diverse cashings may be the subsidies for mechanization operations and premiums for the producer, etc.[2].

By diminishing from gross farm income the depreciation (of fixed assets) results **farm net value added**.

Another important indicator is **family farm income** which results by diminishing the wages paid, rent paid and interests paid from farm net value added [3].

In the case of the farms managed even by the owners is made an evaluation of the cost elements "conventional wage" and "conventional rent", in such a way so as to make possible a comparison between the profitableness of farms managed by the owners and the profitableness of farms managed by leaseholders.

Concerning the family farm income indicator we can say this is the most important criterion for the farm's profitableness, being the total amount available at the farm level for familial work remuneration.

A second part of the account book, the most important, is that reserved to the chronological records. But previously some problems must be solved:

- the planning of production structure: what vegetable cultures and livestock will be taken over in the business plan and what weight will have everyone in the total turnover;
- the fixing of crop rotation: what vegetable cultures will be sown on every parcel as well as the diagram of rotation;
- the drawing up of investments plan: what fixed assets may be acquired, the category, the term of use, the regime of depreciation.

Once these aspects defined the account book will be filled in chronological order with records regarding:

1. acquisitions and costs occasioned by production process;
2. sales and incomes from livestock and vegetable sector;
3. the inventory of vegetable products and livestock at the beginning and the end of the year;
4. the fodders inputs for livestock and the fertilizers inputs for vegetable cultures;
5. the calves and the mutations of animal effectives from one category to another;
6. the loans: values, destination, spreading out of payments;
7. the crops to each vegetable culture and the costs distribution on these.

A third part of the account book must offer at the end of the year a series of reports realized either manually, if the farmer is able, or listed by the computer.

Mainly, the respective reports must present information concerning:

- costs per categories of animals or vegetable cultures (per hectare or per kilogram);
- incomes obtained per categories of agricultural products;
- the inputs of fertilizers, pesticides, seeds, wages, etc. per vegetables cultures;
- the inputs of fodders, milk, etc. per animal categories;
- investments in fixed assets;
- value of the indicators: gross farm income, farm net value added and family farm income.

It is very important to know the marginal income per each animal category or vegetable culture, this allowing to appreciate the level of profitableness per each category, distinctly [4].

After the processing of all data recorded in an account book it is possible to draw a farm card presentation which shows synthetically the family farm income and the income after the utilization of all the farm's assets.

In the European Union there exists a Farm Accountancy Data Network (FADN) which, by its liaison institutions from each state member of EU, sustains and stimulates the farmers to keep and fill in a farm account book. This is a strong instrument to collect information, being used for the elaboration of more reports for the European Commission. In this way is assured the informational support for the drawing up of the Common Agricultural Policies, regarding the harmonization of EU agricultural producers interests.

The development of Romanian agriculture and the integration of our country in EU make necessary the creation of a similar structure (FADN type) as well as a large dissemination of this instrument for records and technico-economic analysis.

References

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