



# IMPORTANCE OF HOW TO KEEP AGRIBUSINESS RECORDS: PRODUCTION AND SALES

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# OBJECTIVES

- Present some basic agribusiness records
- Understand the importance of keeping records:  
Purchase and Usage of Inputs, Production, and Sales
- Use records effectively
- Reconcile production records with sales records
- Interpret and utilize record results to analyze the enterprise and support decision-making



# Agro-entrepreneur

There are many definitions for the term entrepreneur. Entrepreneurs are people who have the capacity and willingness to develop, organize, and manage a business, assuming all its risks in order to obtain profits.

Entrepreneurs possess what is commonly known as entrepreneurial spirit, characterized by being innovative and willing to take risks. Additionally, they are an essential part of a nation's economy to be able to compete in a global market (Business Dictionary, 2015).(Business Dictionary, 2015).

# Agro-entrepreneur



In economics courses, when we talk about economic resources, we use the term Entrepreneurial Ability to refer to entrepreneurs, who are those that combine the other economic resources, which are limited, to produce goods and services (McConnell, Brue, and Flynn, 2015).



# Agro-entrepreneur

A merchant/sales person is a person who engages in trade or business by buying and selling some type of merchandise. Unlike entrepreneurs/agro-entrepreneurs, the merchant/sales person does not possess many of the characteristics that define a successful entrepreneur.

For example, the merchant does not assume the risks of production nor does he/she combine the scarce economic resources for the production of goods and services.



# Agro-entrepreneur

The agro-entrepreneur is not a merchant/sales person; they are the person engaged in the production and sale of inputs, farm production, or the purchase and processing of agricultural products.

The agro-entrepreneur is characterized by identifying market opportunities, assuming and reducing business risks, adapting to the market, and managing during times of uncertainty.



# Agro-entrepreneur

One of the factors for the survival of small-scale farmers is to possess the characteristics of agro-entrepreneurs in order to adapt to markets, especially in a global economy (Kahan, 2012).

Kahan (2012) indicates that small farmers will have a future if they behave like entrepreneurs. That is, farmers are considered agro-entrepreneurs but must have two of the positive characteristics mentioned earlier: being innovative and seeking market opportunities, especially when there is a lot of competition.

# Agro-entrepreneur



Agro-entrepreneurs need skills on how to manage their business to obtain profits and be able to reinvest them to pursue long-term growth (Kahan, 2012). According to Kahan, agro-entrepreneurs can improve their chances of earning profits if they take specialized courses in agro-entrepreneurship.



# Agro-entrepreneur



To achieve agro-entrepreneurial success and for their businesses to generate profits, agro-entrepreneurs not only need to have knowledge in food production but must also possess knowledge in many areas of agro-business.



# Knowledge Areas

- Consumer behavior, the market, and the supply and demand of goods and services
- Business Plan Preparation
- Marketing Plan Preparation
- Marketing
- Promotion
- Production of Safe Food
- Risk Management
- Accounting Records
- Financial Records
- Added Value



# Knowledge Areas

- Information Technologies and Social Networks
- Cost and Price Estimation
- Pricing Strategies
- Identification of Market Niches and Potential Market
- Market Segmentation
- Consumer Preferences
- Legal Aspects
- Product Differentiation
- Product Exportation
- Distribution Systems

# Knowledge Areas



Estimating costs specially unit costs (these are estimated with production, sales and expenses)

# Agro-entrepreneur



- To increase the contribution of the Agricultural Sector to USVI's economy, we need to promote an agro-entrepreneurial culture among farmers and ranchers.
- Farming and ranching are a business, and we have to think and make decisions accordingly.



# How can we make agriculture count?

- By filling the Census of Agriculture from the USDA
- By filling surveys from the local Department of Agriculture

# Agro-entrepreneur



The main objective/purpose of an agribusiness is to maximize profit.

It is necessary to educate not only farmers to raise awareness that agricultural or food production is a business, but we must also raise awareness among consumers and policymakers responsible for establishing public policy about the nature of the Agricultural Sector and its importance in the local economy.

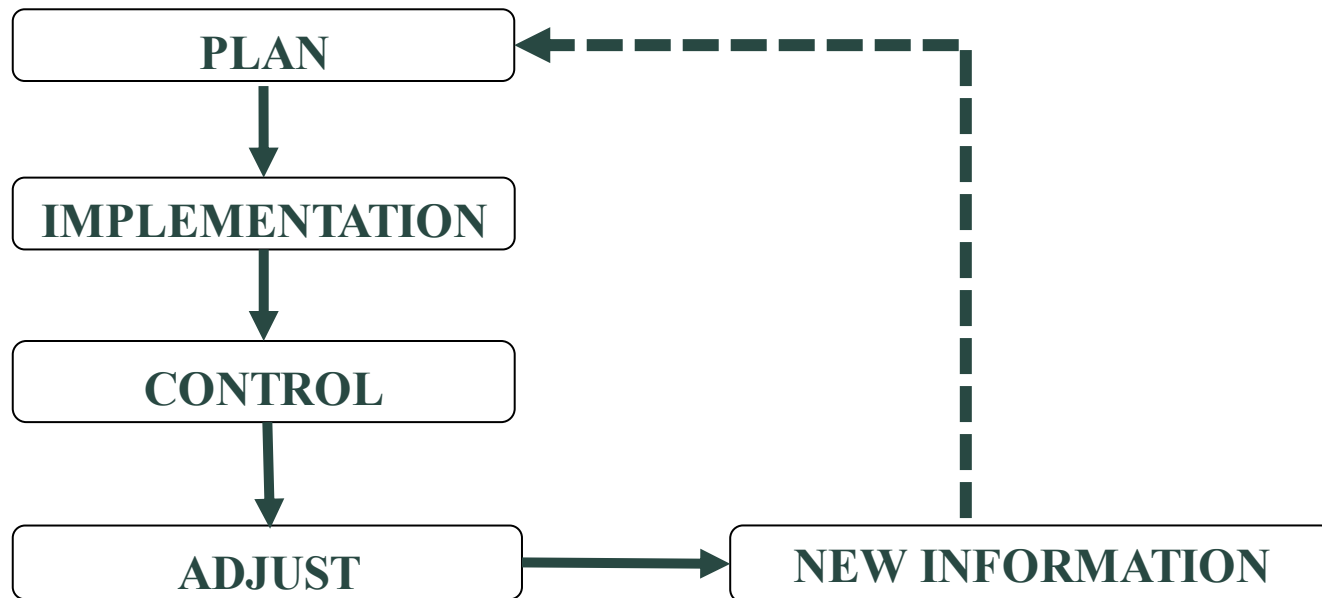
# Agro-entrepreneur



The fundamental functions of being a good manager are: planning, implementing, controlling, and making adjustments when new information is obtained, Figure 1 (Kay, Edwards, and Duffy, 2015).



# Good Administrator Functions



# Agro-entrepreneur



*Planificar* es la función fundamental y la cual determinará el éxito de una agroempresa. En la planificación se considera todos los recursos disponibles, se decide el plan de acción y el (los) Planning is the fundamental function that will determine the success of an agribusiness. In planning, all available resources are considered, a course of action is decided, and the procedure(s) to be followed in that action plan are determined. Good planning is vital for the agro-entrepreneur due to the risks involved in agricultural production: variability in production and prices, and the impact of environmental and weather phenomena on production such as droughts, hurricanes, floods, fungi, pest infestations, among others.

# Agro-entrepreneur



Implementation is where the available resources are combined to carry out the action plan. This involves acquiring resources and materials, and coordinating production and harvesting activities with the marketing of the products.

# Agro-entrepreneur



Control involves evaluating whether the results obtained are the ones expected in the plan. In this step, data is collected for evaluation, necessary adjustments are made to improve the action plan, and future plans are developed.

# Agro-entrepreneur



Adjustment occurs after the control stage, and all aspects that the agro-entrepreneur believes need to be corrected are addressed in order to achieve the objectives of the agribusiness—especially if there are changes in the markets for the good(s) being produced.

# Agro-entrepreneur: why keep records?



Keeping accurate records that include all information—such as production, income, and costs—is essential for agribusinesses.



# Agro-entrepreneur

The information provided by the business records will benefit the agribusiness by:

- (1) Having accurate information about production and costs within the business
- (2) Having data organized in a way that helps make the best decisions for the business
- (3) Provides evidence to get grants, subsidies, incentives, and loans

# Agro-entrepreneur



The information provided by the business records will benefit the agribusiness by:

- (4) verifying the financial situation of the business
- (5) efficiently and effectively monitoring and controlling the costs and income of the business
- (6) being more efficient in resource management and thus maintaining its competitiveness in the market.



# Agro-entrepreneur



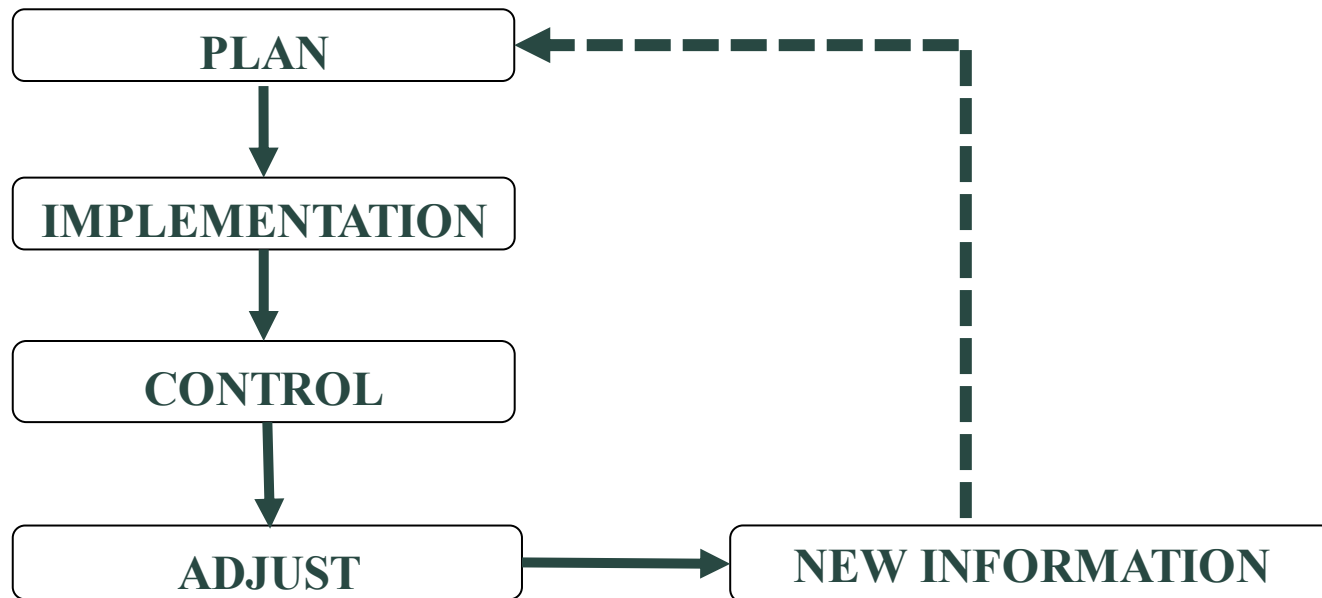
Each business must implement its own record-keeping system to provide the agro-entrepreneur with the necessary information so they can carry out their fundamental functions to be successful.

# Agro-entrepreneur



The agro-entrepreneur will carry out these basic functions more effectively if they have a record-keeping system that provides the necessary information. The use and application of these basic functions increase the likelihood of success in agribusinesses. Among the basic records of a business are production, sales, and cost records.

# Good Administrator Functions



# Agro-entrepreneur



Other records that help make better decisions are accounting records. Accounting is the process of identifying, measuring, and communicating the economic situation to its users (Porter and Norton, 2005).

Accounting is nothing more than the system that measures business activities and processes this information to convert it into reports in order to communicate the results.

# Agro-entrepreneur



Accounting records are very important for every business; they indicate where the business currently stands, where it is headed, and how long it will take to reach its goals (Kay, Edwards, and Duffy, 2008).

Records can be considered like blood tests for a medical doctor—without the blood test results, the doctor cannot diagnose the patient's health condition.

# Agro-entrepreneur



For the agro-entrepreneur, accounting records reflect the real status or situation of the business and will help to remedy the financial situation of the agribusiness.

Records do not necessarily show, especially in agricultural businesses due to the time it takes to produce food, where the business is headed, but they can provide information that can be used to correct errors from previous periods and improve the future of the business.



# Agro-entrepreneur

In summary, among the most important administrative functions are:

- Business Plan
- Marketing Plan
- Accounting Records (not records for tax purposes)
- Searching for incentives and subsidies
- Staying up to date with government documents
- **Be prepared for emergencies by organizing records and legal documents ★★★★★**

# Importance of Keeping Receipts in a Agribusiness

- **Maintain Accurate Records**

- Track expenses and income
- Organize financial information

- **Estimate Production Costs**

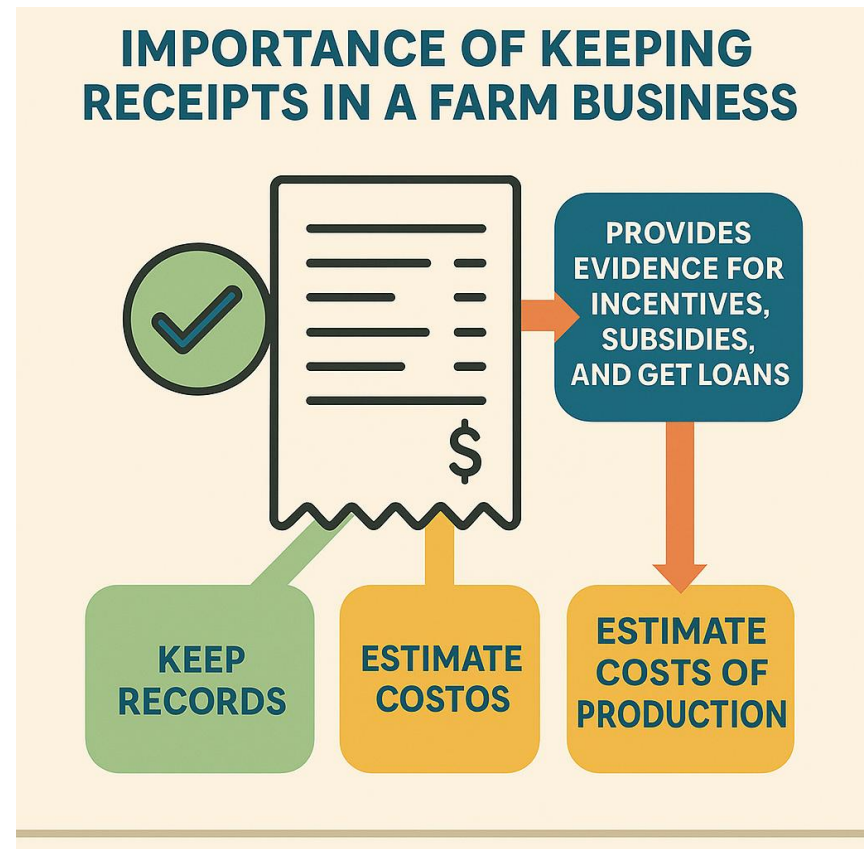
- Calculate true cost of farming operations
- Help budget for future cycles

- **Provide Evidence for Incentives & Subsidies**

- Validate eligibility
- Facilitate application process, readiness

- **Support Loan Applications**

- Prove financial stability
- Demonstrate business credibility







# Basic records for the agribusiness

Production

Sales

Input purchases

Input

Employee payroll

# **INPUT RECORDS: USE AND PURCHASE**



# Importance of input use and purchase

Provides evidence of quantities and prices of inputs

Helps estimate the cost of production

**Input Purchase  $\neq$  Input Use**

# General Input Purchase

GENERAL INPUT PURCHASE RECORD					
AGRIBUSINESS NAME XXXX					
ACCOUNTING PERIOD					
PURCHASE DATE	INPUT NAME	QUANTITY	UNIT (PURCHASE)	COST (PRICE PER UNIT)	TOTAL VALUE
TOTAL COST					

# INPUT PURCHASE BY PRODUCT

**INPUT PURCHASE RECORD**  
**AGRIBUSINESS NAME XXXX**  
**FERTILIZER**  
**JANUARY – JUNE 2025**

<b>PURCHASE DATE</b>	<b>QUANTITY</b>	<b>UNIT (PURCHASE)</b>	<b>COST (PRICE PER UNIT)</b>	<b>TOTALVALUE</b>
-	5	bags (100 lbs)	\$87	\$435
-	2	bags (100 lbs)	\$75	\$150
-	5	bags (100 lbs)	\$78	\$390
-	5	bags (100 lbs)	\$90	\$450
<b>COSTO TOTAL</b>				<b>\$1,425</b>

# Average Input Cost by Product

$$\text{Average Input Cost by product} = \frac{\text{Total Cost}}{\text{Quantity Purchase}}$$

$$\text{Average Input Cost by product} = \frac{\$1,425}{17} = \$83.82$$



# Purchase vs Use

**Input Purchase  $\neq$  Input Use**



# Input Use Record

This record can be use to keep control of the inventory and use of inputs

Provides evidence in case of robbery or lost in an emergency

After the inventory we can compare to detect missing inputs or inputs that were rob



# General Input Use Record

GENERAL INPUT USE RECORD					
AGRIBUSINESS NAME XXXX					
ACCOUNTING PERIOD					
PURCHASE DATE	INPUT NAME	QUANTITY USED	UNIT (PURCHASE)	COST (PRICE PER UNIT)	TOTAL VALUE
<b>TOTAL COST</b>					

# Registro de Uso de Insumos Por Producto

<b>PURCHASE DATE</b>	<b>QUANTITY</b>	<b>UNIT (PURCHASE)</b>	<b>COST (PRICE PER UNIT)</b>	<b>TOTALVALUE</b>
<b>TOTAL COST</b>				

# Registro de Uso de Abonos

**INPUT PURCHASE RECORD**  
**AGRIBUSINESS NAME XXXX**  
**FERTILIZER**  
**JANUARY – JUNE 2025**

<b>PURCHASE DATE</b>	<b>QUANTITY</b>	<b>UNIT (PURCHASE)</b>	<b>COST (PRICE PER UNIT)</b>	<b>TOTALVALUE</b>
-	2	bags(100 lbs)		
-	3	bags (100 lbs)		
-	6	bags (100 lbs)		
-	4	bags (100 lbs)		
<b>TOTAL</b>				



# Which price we have to use?

There are different ways to assign a price to the inputs use, given that we paid different prices

- Use the price we paid for each bag of fertilizer, that is if you have a Price tag in each bag

- Use the average price (\$84.76)



# Average Price

**INPUT PURCHASE RECORD**  
**AGRIBUSINESS NAME XXXX**  
**FERTILIZER**  
**JANUARY – JUNE 2025**

<b>PURCHASE DATE</b>	<b>QUANTITY</b>	<b>UNIT (PURCHASE)</b>	<b>COST (PRICE PER UNIT)</b>	<b>TOTALVALUE</b>
-	2	bags (100 lbs)	-	-
-	3	bags (100 lbs)	-	-
-	6	bags (100 lbs)	-	-
-	4	bags (100 lbs)	-	-
<b>TOTAL</b>	<b>15</b>		<b>\$84.76</b>	<b>\$1,271.4</b>

If you do not have a Price tag in each bag, you can use the average price



- We use 15 bags of fertilizer with an average value of \$1,271.4.
- Although we purchase 17, we cannot attribute the whole purchase to the cost of production, the cost will be higher.
- There should be 2 bags in the inventory



# Cost of Production

$$\text{Cost per unit} = \frac{\text{Total Cost}}{\text{Quantity produced}}$$

Lets say that we produced 2,500 pounds of cassava, labor costs are \$2,000, and to simplify the example we only include fertilizer costs by using the same examples of purchase and use:

$$\text{Cost per unit} = \frac{\$3,425}{1,000} = 1.37/\text{lb (purchase)}$$

$$\text{Cost per unit} = \frac{\$3,271}{1,000} = 1.30/\text{lb (use)}$$



# Basic Records of the Agribusiness

- Provide detail information to create accounting records from the agribusiness
- Help with the business planning and evaluation



# Basic Records of the Agribusiness



- Keeping all records for the agribusiness is important so you can create and update your accounting records



# WHY KEEP BASIC RECORDS?

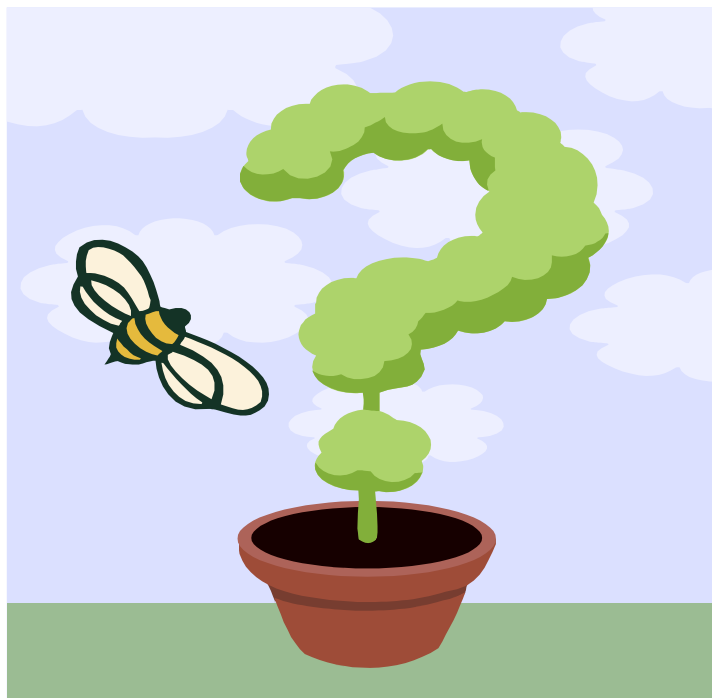
Help with accounting records.

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# Accounting records

- **Inventory:** uses records of input purchases and usage, production records
- **Income Statement:** uses production and sales records, input purchase and usage records, payroll
- **Cash Flow Statement:** uses production and sales records, input purchase and usage records, payroll
- **Budget**
- **Balance Sheet:** it is used to estimate financial ratios such as liquidity and solvency



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