

Tracking Cash Flow on Your Farm: A Guide for Producers

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What is a Cash Flow Statement?

A cash flow statement tracks how cash moves throughout a farm enterprise over a specific period, usually a year. The statement provides a clear view of cash generation and cash uses. It covers cash inflows and outflows, investing and financing activities and the ending cash balance. Cash inflows reflect money coming into the business from typical operations, such as crop or livestock sales. Cash outflows reflect money spent on business operations, such as purchasing seed or fertilizer. Accurately capturing and reviewing the inflows and outflows helps determine necessary changes to cover expenses.

Investing and financing activities capture cash movements related to long-term assets, loans and other capital transactions that help grow or improve the enterprise. The ending cash balance brings all these components together, highlighting cash on hand at the end of the period. A positive cash flow indicates the business can cover its expenses, while a negative cash balance signals potential difficulty paying bills without additional financing.

The following factsheet explains the components of the cash flow statement and how to accurately account for inflows and outflows, with examples and a blank cash flow template to assist on-farm development.

Section 1: Operating Cash Inflows

Operating activities include the cash that comes into and leaves the business through normal farm operations. Cash inflows usually come from selling crops or livestock and receiving government payments. Please consider the following example for an Arkansas Delta soybean and rice farm. Referring to Table 1, the farm receives \$18,000 during the first quarter. No operating inflows occur again until the fourth quarter, when \$98,000 is generated in crop sales and \$9,200 is received in government payments. Total operating inflows for the year equal \$125,200. This means the farm goes through two full quarters with zero cash coming in, while expenses continue to occur as is typically the case. This timing difference between income and expenses is a common challenge for many producers.

Table 1. Example Operating Cash Inflows

Category	Q1 Jan-Mar	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Annual Total
Cash Inflows					
1. Crop Sales (Cash Received)	\$18,000			\$98,000	
2. Livestock/poultry Sales					
3. Government Program Payments				\$9,200	
4. Crop Insurance					
5. Other Cash Inflows (e.g., off-farm, custom harvesting)					
6. Total Cash Inflows (sum lines 1 - 5)	\$18,000	\$ -	\$ -	\$107,200	\$125,200

Section 2: Operating Cash Outflows

Operating outflows are the expenses needed to grow, harvest, and sell their crop. During the first quarter, the farm incurred \$25,500 in expenses (Table 2). The second quarter is the most expensive, with \$41,500 spent on fertilizer, seed, chemicals and other input costs. Third-quarter expenses total \$19,200, and by the fourth quarter, expenses decrease to \$9,000 as the season wraps up. Even though the farm ends the year with a positive net operating cash flow of \$30,000, it operates with a deficit of \$68,200 in the first three quarters of the year. Looking at not only the yearly total but also the quarterly activity gives a clearer picture of the timing of the farm's cash surpluses and deficits.

Section 3: Investing Activities

Investing activities involve buying and selling assets such as machinery, equipment, buildings, and land. These transactions may not be part of normal day-to-day operations, but they still impact overall cash flows. In Table 3, the farm sells old equipment for \$10,000 during the first quarter, providing a cash inflow. In the second quarter, the farm purchased a used grain trailer for \$8,000. The equipment sale brought in more cash than was spent on the trailer, so the farm reports positive net cash from investing activities of \$2,000 for the year.

Table 2. Example Operating Cash Outflows

Cash Outflows					
7. Seed, Fertilizer, & Chemicals	\$8,500	\$30,000	\$5,000		\$43,500
8. Feed, Vet, & Livestock Supplies					
9. Fuel, Oil, & Repairs	\$2,000	\$4,000	\$6,000	\$2,000	\$14,000
10. Labor Wages & Contract Services	\$500	\$3,000	\$2,500	\$2,500	\$8,500
11. Cash Rent, Utilities, & Insurance	\$12,000	\$2,000	\$2,000	\$2,000	\$18,000
12. Property Taxes Paid			\$1,200		\$1,200
13. Other Outflows (e.g., family living withdrawals)	\$2,500	\$2,500	\$2,500	\$2,500	\$10,000
14. Total Cash Outflows (sum lines 7 - 13)	\$25,500	\$41,500	\$19,200	\$9,000	\$95,200
15. Net Cash (line 6 – line 14)	\$(7,500)	\$(41,500)	\$(19,200)	\$98,200	\$30,000

Table 3. Example Investing Activities

Investing Activities					
16. Capital Asset Sales (Machinery, Land, & Livestock)	\$10,000				\$10,000
17. Capital Asset Purchases (Machinery, Land, & Livestock)		\$8,000			\$8,000
18. Net Cash From Investing (line 16 – line 17)	\$10,000	\$(8,000)			\$2,000

Section 4: Financing Activities

Financing activities show how the farm manages debt. Since the farm experiences large operating deficits, it uses an operating loan to help cover those expenses, borrowing \$35,000 in the second quarter to maintain sufficient cash balances. This would be considered a cash inflow, even though it will be repaid later. In the first quarter, the farm makes a \$5,000 principal payment on a previous equipment loan. After receiving income from the sale of crops, the farm repays the \$35,000 operating loan balance in the fourth quarter, resulting in a cash outflow. In this case, financing activities represent a \$5,000 annual net shortfall due to the first-quarter principal payment. This section demonstrates how loans can help bridge the gap between operating expenses and income when an operating deficit occurs (Table 4).

Section 5: Cash Position and Ending Cash Balance

The Statement of Cash Flows also shows how the farm's cash balance changes throughout the year. The farm begins with \$8,000 in cash. As production expenses, equipment purchases, and family living costs accumulate, the cash balance declines. By the end of the third quarter, the farm's cash position falls to -\$28,200. This temporary decline may appear concerning, but it is not unusual for farmers to rely on operating loans during the growing season. It highlights the importance of planning cash flows and communicating with lenders before financial stress occurs. In this case, the farm may need an operating loan in the third quarter so as not to have a \$28,200 cash deficit, although a third quarter loan is not shown in the example. Once revenue is received in the fourth quarter, the farm's financial position improves significantly. By the end of the year, the farm reports an ending cash balance of \$35,000 that will be treated as the starting check book balance on next year's beginning balance sheet (Table 5).

Table 4. Example Financing Activities

<i>Financing Activities</i>					
19. Loan Proceeds & Line of Credit Draws		\$35,000			\$35,000
20. Principal Payments & Repayments	\$5,000			\$35,000	\$40,000
21. Net Cash From Financing (line 19 – line 20)	\$(5,000)	\$35,000		\$(35,000)	\$(5,000)

Table 5. Example Cash Position

<i>Cash Position</i>					
22. Beginning Check Book Balance	\$8,000	\$5,500	\$(9,000)	\$(28,200)	
23. Ending Cash Balance (line 15 + line 18 + line 21 + line 22)	\$5,500	\$(9,000)	\$(28,200)	\$35,000	

Category	Q1 Jan-Mar	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Annual Total
Cash Inflows					
1. Crop Sales (Cash Received)					
2. Livestock/poultry Sales					
3. Government Program Payments					
4. Crop Insurance					
5. Other Cash Inflows (e.g., off-farm, custom harvesting)					
6. Total Cash Inflows (<i>sum lines 1 - 5</i>)					
Cash Outflows					
7. Seed, Fertilizer, & Chemicals					
8. Feed, Vet, & Livestock Supplies					
9. Fuel, Oil, & Repairs					
10. Labor Wages & Contract Services					
11. Cash Rent, Utilities, & Insurance					
12. Property Taxes Paid					
13. Other Outflows (e.g., family living withdrawals)					
14. Total Cash Outflows (<i>sum lines 7 - 13</i>)					
15. Net Cash (<i>line 6 – line 14</i>)					
Investing Activities					
16. Capital Asset Sales (Machinery, Land, & Livestock)					
17. Capital Asset Purchases (Machinery, Land, & Livestock)					
18. Net Cash From Investing (<i>line 16 – line 17</i>)					
Financing Activities					
19. Loan Proceeds & Line of Credit Draws					
20. Principal Payments & Repayments					
21. Net Cash From Financing (<i>line 19 – line 20</i>)					
Cash Position					
22. Beginning Check Book Balance					
23. Ending Cash Balance (<i>line 15 + line 18 + line 21 + line 22</i>)					

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