

Farm Management Proficiency Test

Designed to highlight the key business management proficiencies considered essential to successfully manage a farm. Farmers, advisers, and bankers can use this test to assess farm management strengths and weaknesses, and implement training and improvement programs. Hint: Try completing this exercise alone, then comparing your answers with other members of the farm team. "In Place Now" means it is written down!

Place an "X" in the column that applies to you.

	In Place Now	Working On It	Not Done	Doesn't Apply
Management/Administration Proficiencies				
Mission, Vision, Core Values are defined and documented for the business				
Positive attitude and passion for farming and farm business management to encourage the team				
Farm History is documented (incl. financial and industry trends)				
Goals and Objectives (Long and Short Range) are defined				
Strategic Plan looks 3-5 years out and identifies "Strategic Issues"* for the business. At least annually, updates strategies for achieving strategic goals. (*Transition planning, expansion, diversification, in-sourcing vs. outsourcing, value-added, equipment and facility replacement, enterprise mix, investment, stewardship, strategic alliances, compliance, etc.). Captured and documented in the Strategic Plan.				
Strengths, weaknesses, opportunities, threats identified, documented and integrated into planning to minimize threats, maximize opportunities				
Operating Plan documented and addresses Production, Marketing, Sales, Financing and Capital Purchases, Human Resource Management, and Environment is compiled into an annual Cashflow Budget Projection				
Standard Operating Procedures are documented for repetitive or routine tasks				
Performance Records (operating and financial) are circulated to key managers and owners on a regular (monthly minimum) basis				
Regular Meetings (board, management, staff) held daily, weekly, seasonally and annually to address communication needs of personnel incl. workers, owners, investors, and family. Discussion and decisions are documented.				
Business advisors used on a regular basis to provide management expertise (incl. finance, transition, HR, communication, etc.)				
Technical Expertise and Tools* allow efficient access to management information (*Computers, smartphones, internet, business publications, etc.)				
Critical Agreements* and understandings are documented and reviewed periodically. (*Strategic plans, farm operating policies, partnership agreements, buyout agreements, estate plans & wills, lease/rental arrangements, etc.)				

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Personnel Proficiencies				
Responsibility is clearly divided and each person has a documented job description outlining duties, responsibilities and authorities				
Personnel Policies* are written and communicated to all personnel (incl. housing, meals on premises & utilities; medical/life/disability insurance; buyouts; inter-entity transactions; vehicle fuel, insurance and maintenance, retirement plans, vacation and leave, compensation, employee wellness program, business expense reimbursement, etc.)				
Compensation Program matches compensation to market rates and differentiates pay based on skill, tenure and responsibility levels (for all personnel)				
Performance Appraisals are conducted regularly and Professional Development Plans created annually for all personnel				
Financial Management Proficiencies				
Records are updated and circulated on a monthly or quarterly basis to appropriate stakeholders and personnel				
Balance Sheets and Income Statements are prepared at least annually on a calendar/tax year basis				
Balance Sheets reflect cost and market valuations , including deferred tax liabilities				
Income Statements meet requirements to prepare taxes and measure true farm profitability on an accrual basis				
Audit Systems assure balance sheets and income statements reconcile to inventories and bank/loan balances; depreciation schedules reconcile to balance sheet values				
Enterprise Profitability and Cost Centre Tracking can efficiently be derived from farm records				
Cashflow Budgets are prepared at the beginning of the year and comparisons of actual cashflow to projections are made at least monthly or quarterly				
Financial plan includes budget objectives for each enterprise or product line , is referenced for decision-making, and revised according to changes in the business				
Field and Livestock Records for production inputs, applications, and resource use (i.e. chemical, fertilizer, seed, pasture grazing utilization) are complete and accessible				
Key Performance Measures and Ratios (i.e. FFSC "Sweet 16" or Ferguson Ratios) are calculated for all critical production, marketing, financial and capital performance areas and compared annually to historical trends				

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Policies for Investment and Withdrawal of Capital , including minimum capital levels and revenue sharing arrangements are defined, clearly understood and followed				
Policy for Dividing Earnings (ex. <i>owners</i> vs. <i>management</i>) is defined and consistently followed				
Financial Tools and Expertise for optimizing capital acquisition decisions are accessible and used regularly (purchase, leasing, or custom hiring on major capital outlays)				
Partial Budget Techniques are understood and utilized when evaluating partial shifts* in the business (*enterprise selection, tillage systems, lease vs. purchase or hire, etc.)				
Marketing and Risk Management Proficiencies				
Products to be marketed (quantity and types) are projected well in advance of production				
Market Targets are based on identifiable cost of production, profit targets, and cashflow requirements				
Forward Contracts, Hedging, and Options are understood and utilized as marketing and risk management tools				
Risk Assessment conducted and Contingency Planning in place to mitigate and cope with negative deviations from the plan				
Crop Insurance programs are implemented that provide balanced protection from hail, fire and multi-peril causes				
Liability Insurance programs adequately protect the investors, owners, managers and employees from financial liability, health liability, disability and other business risk threats				

Adapted from:

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