

Farm Management Proficiency Test

This test is designed to highlight the key proficiencies considered essential to successfully manage a family farm business. Farmers, teachers, advisers, and bankers can use this test to assess strengths and weaknesses, develop curriculum and implement training and self-improvement programs.

(Note: This test does not address basic production management proficiencies.)

| Key Proficiency Areas: (Place an "X" in the column that applies.) | In Place Now | Working On It | Need It | Don't Need It |
|--|-----------------|------------------|------------|------------------|
| Management System/Personnel Administration | | | | |
| 1. Mission, Vision and Core Values are defined for the business. | | | | |
| 2. Farm History is documented (incl. narrative & financial trends). | | | | |
| 3. Goals and Objectives (Long and Short Range) are defined. | | | | |
| 4. Operating Plan addresses Production, Marketing, Financing, and Capital Purchases/Sales Plan and is compiled into an annual Cashflow Budget Projection . | | | | |
| 5. Strategic Plan identifies "Strategic Issues"* for the business, and, at least annually, updates strategies and action plans for achieving strategic goals. (* Estate planning/succession, business structuring, expansion, diversification, in-sourcing vs. outsourcing activities, value added, equipment and facility replacement, enterprise mix, financial capitalization, stewardship, strategic alliances, tillage strategies) | | | | |
| 6. Responsibility is clearly divided and each partner and employee has a job description outlining duties, responsibilities & authorities. | | | | |
| 7. Personnel policies* are written and communicated to employees and spouses (* Including: housing, meals on premises & utilities; medical/life/disability insurance; buyouts; inter-entity transactions; vehicle fuel, insurance and maintenance, retirement plans, vacation and sick leave, setting compensation, business expense reimbursement, etc.) | | | | |
| 8. Standard Operating Procedures are documented for repetitive or routine tasks. | | | | |
| 9. Compensation Program matches compensation to market rates and differentiates pay based on skill, tenure and responsibility levels (for owner/managers & employees.) | | | | |
| 10. Performance Appraisals and Employee Development Plans are done regularly for operating partners and employees. | | | | |
| 11. Performance records (operating and financial) are circulated to key managers and owners on a regular (monthly minimum) basis. | | | | |
| 12. Regular meetings (board, management, staff) held daily, weekly or seasonally to address communication needs of workers, investor/owners and spouses. | | | | |
| 13. Technical expertise and tools* allow efficient access to management information. (*Computers, internet, business publications) | | | | |
| 14. Critical agreements* and understandings are documented and reviewed periodically. (*Strategic plans, farm operating policies, partnership agreements, buyout agreements, estate plans & wills, lease/rental arrangements) | | | | |

| Key Proficiency Areas: (Place an "X" in the column that applies.) | In Place Now | Working On It | Not Done - Need It | Don't Need It |
|--|-----------------|------------------|-----------------------|------------------|
| Financial Management Proficiencies | | | | |
| 1. Records are updated and circulated on a monthly or quarterly basis to appropriate employees and owners. | | | | |
| 2. Balance sheets and income statements are prepared at least annually on a calendar/tax year basis. | | | | |
| 3. Balance sheets reflect cost and market valuations , including deferred tax liabilities. | | | | |
| 4. Income statements meet requirements to prepare taxes and measure true farm profitability on an accrual basis . | | | | |
| 5. Audit systems assure balance sheets and income statements reconcile to inventories and bank/loan balances; depreciation schedules reconcile to balance sheet values. | | | | |
| 6. Enterprise Profitability and Cost Center Tracking can efficiently be derived from farm records. | | | | |
| 7. Cashflow budgets are prepared at the beginning of the year and comparisons of actual cashflow to projections are made at least monthly or quarterly. | | | | |
| 8. Field and livestock herd records for production inputs, applications, and resource use (i.e. chemical, fertilizer, seed, pasture grazing utilization) are complete and accessible. | | | | |
| 9. 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. | | | | |
| 10. Policies for investment and withdrawal of capital , including minimum capital levels and revenue sharing arrangements are defined, clearly understood and followed. | | | | |
| 11. Policy for dividing earnings due to <i>owners</i> vs. <i>management</i> is defined and consistently followed. | | | | |
| 12. Financial tools and expertise for optimizing <i>capital acquisition decisions</i> are accessible and used regularly (purchase, leasing, or custom hiring on major capital outlays.) | | | | |
| 13. 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 | | | | |
| 1. Products to be marketed (quantity and types) are projected well in advance of production. | | | | |
| 2. Market targets are based on identifiable cost of production, profit targets, and cashflow requirements. | | | | |
| 3. Forward contracts, hedging, and options are understood and utilized <i>as marketing</i> and risk management tools. | | | | |
| 4. Crop insurance programs are implemented that provide balanced protection from hail, fire and multi-peril causes. | | | | |
| 5. Liability insurance programs adequately protect operation's owners and employees from financial liability, health, disability other business risk threats. | | | | |