

## FARM CHEQUE - BRINGING IT ALL TOGETHER

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### **INTRODUCTION**

To conclude this section of the Conference "From Pasture to Dollars" we have to look at a means of quantifying transition of pasture feed into food and fibre and how a measure of efficiency can be applied to this transition.

The two previous speakers in this section have told us how much it costs to produce pasture feed and how profitably this is converted by a grazing enterprise.

Producers - and those of us who have a vested interest in their existence - need to bring together the technical aspects of pasture production and the economics involved. Both technology and the economics of its use must be viewed together. Unfortunately this has not always been the case.

Whether technology is adopted should be based on whether or not it has the ability to repay the initial investment, maintain it and make a profit on top. Quite obviously, a decision to undertake a technical investment should be well thought out and based on accurate information.

### **DECISION MAKING IN AN UNCERTAIN ENVIRONMENT**

A distinguished speaker at a management conference once said;

"of the sum of all management decisions made if more than 50 per cent are correct you are in front".

If the right decisions were on minor matters and wrong decisions on major matters, this could well be an over-simplification.

The statement does, however, highlight the fact that if decisions are to be made - and an overriding objective is to persist in agriculture - then such decisions should be based on accurate information. A desired objective would, therefore, be to aim for accurate information and informed advice in the decision making process.

### **FARM CHEQUE - A MONITORING SYSTEM**

The Farm Cheque program, presently operating as a pilot program in the Young and Condobolin districts, is intended to operate much like health campaigns such as the National Heart Foundation's "Life Be In It" drive. These campaigns concentrate on creating awareness about heart disease, contributing factors and simple steps to reduce the risks.

Farm Cheque similarly wants to reduce farm financial disasters, create awareness about ill-informed decisions and provide a simple guide to establishing the financial health of the business.

The Program has coined a title that identifies its role as well as spelling out its function:

F farm  
 A and  
 R resource  
 M monitoring and management

and CHEQUE as a word picture for money as well as a check on operations.

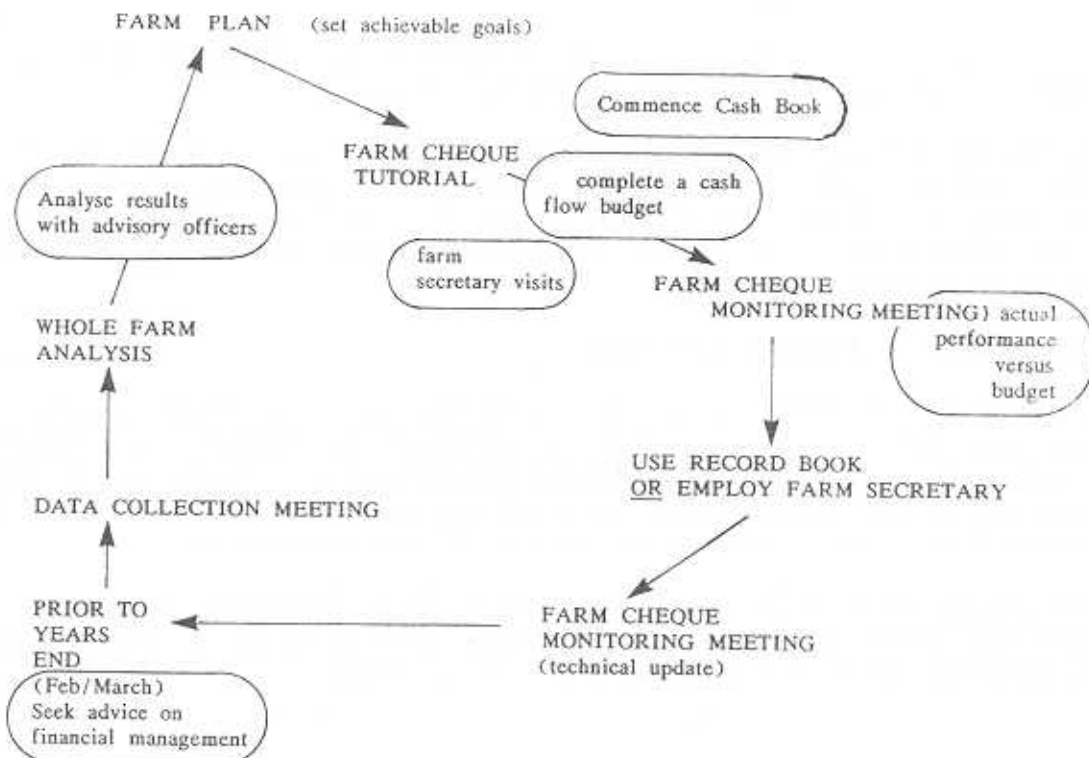
Group members involved in the program are assisted initially by a tutorial session and, after commencing recording, by a visiting farm secretary. The cash book recording is compared to the proposed budget throughout the year as information collected builds to a full year's assessment. After the completion of one year's records a questionnaire is completed which is translated into a series of enterprise analyses and a whole farm performance report.

The report, prepared by the Agricultural Business and Research Institute, Armidale, gives details on the physical and financial performance of the farm as well as ranking its performance compared to other farms in the group.

Technical advisory officers involved in the program will assist with interpretation of the whole farm analysis. This technical input will allow a problem solving approach to be used to determine where weaknesses are present in the current farm operation. Based on the whole farm analysis report remedies that are available to improve the situation are then outlined.

The following flow chart summarises the system of operation.

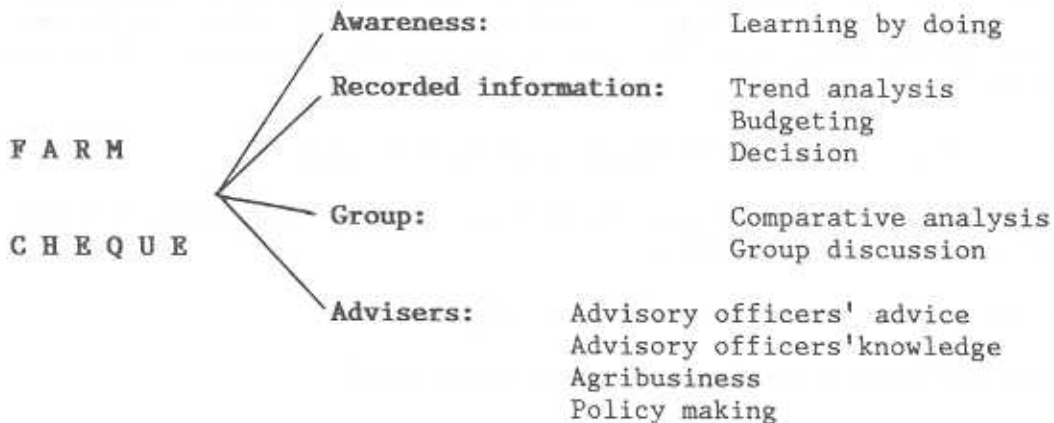
Figure 1. Farm Cheque management cycle



## BENEFITS FOR USERS

Direct and indirect benefits are available to users - the following flow chart summarises these benefits:

Figure 2. Flow on benefits from the Farm Cheque program



These benefits may be further summarised:

- Awareness:** \* Doing - "Learning by doing", using your own figures to assess your financial position.
- Data:**
- \* Trends - A basis for improvement as present figures are compared to past results;
  - \* Budgeting - Basis for informed budgeting;
  - \* Decisions - Up-to-date financial assessment to assist with decisions such as:
    - Instantaneous - "tractor at a bargain price, can I afford it"
    - Pre-emptive - "flush season, plan ahead to pre - purchase inputs"
    - Seasonal - "drought decisions", "flood"
    - Future - budgeting for farm plans.
- Group:** "Humans are social animals"
- \* Comparative analysis - assist in problem solving; realise production levels are achievable
  - \* Group discussion - networking
    - belonging
    - forum to exchange ideas
    - collusive arrangements
- Advisers:**
- \* Informed advice - assisting personnel will be informed as to the production level and efficiency of operation of the farm
  - \* Advisory officer - a greater assistance by supplying information for a better knowledge of the productive capacity of his/her district.
  - \* Agribusiness - assist in taxation accounting and dealings with banks and lending institutions
  - \* Policy making - district knowledge (factual) will assist in the development and planning of research and advisory programs.

**WHY SHOULD THIS PROGRAM SUCCEED WHEN SIMILAR EXERCISES HAVE FAILED**

Many advisory personnel view with scepticism yet another recording program to assist producers in their farm management. The often asked question is why should this program be any different from those that have failed?

The answer to this is simply that there is currently a receptive environment. Producers are asking for assistance to lift their decision-making game and to do this they have to be accurately informed. This in turn will protect the long term future of their farms.

The system will assist in this information provision because:

1. It is simple in its make-up and it will be easy to understand by all likely to come in contact with it.
2. It involves farm secretarial assistance initially.
3. Continuing secretarial assistance can be contracted.
4. The system operates in a group form.
5. Data recorded can be re-used many times in various analyses.
6. Technical specialists can assist in interpreting data recorded.

**CONCLUSION**

Graziers have limited resources with which to manage. Basically the resources consist of a pasture base, "the grasslands", and the mobile means by which this feed resource is converted into food and fibre.

In the pastoral industry with its restricted options there is limited margin for error in decision making. Where pastures have to be maintained, renovated or both, cost effectiveness is paramount. In turn the use of such pastures must be concentrated, within production limits, on a choice and operation of grazing enterprises that will achieve the highest possible return.

The objective, therefore, for all graziers is to adopt a system that will allow a dollar value to be assigned to any planned changes in the farm's operation. This can only be possible where accurate information on the farm's past operation has been compiled.

Maybe FARM Cheque could be such a system, not a perfect system, but one that gives direction to those graziers who wish to bring their technical and financial management together to gain from their interdependence.