



*Farm Business Management
for the 21st Century*

**Are Your Farm Business
Management Skills Ready
for the 21st Century?**

***Self-Assessment Checklists to
Help You Tell***

Purdue Extension

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Knowledge to Go
Purdue Extension

Are Your Farm Business Management Skills Ready for the 21st Century?

Self-Assessment Checklists to Help You Tell

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Introduction

“Bob is one of the best farmers in the county.” This or a similar phrase is often used to describe successful farmers. Beyond expressing praise for the individual’s management skills, what does such a statement mean? If asked to produce evidence to support their statement about Bob, many would point to the fact that his fields are free of weeds and the field edges are well groomed. Others would point out that he uses the newest technologies, he has the latest machinery, and his machinery is well maintained. Some would cite the timely planting of crops each year and the track record of good yields.

These production characteristics are important, but there are several other, less noticed and less talked about business management functions that farm managers of the future must perform in order to achieve success. And they must perform them well. In addition to being good production or plant managers, future farm managers must be skilled general managers.

ID-237, Checking Your Farm Business Management Skills, another publication in the Farm Business Management for the 21st Century series, contains checklists for production, financial management, and personnel attitudes to help individuals make an assessment about the long-term outlook for the business. Using those checklists, readers are encouraged to shift their attention from surviving current financial problems to assessing the business management skills needed for long-run financial success.

This publication provides lists of indicators and similar detailed checklists for each business function identified in ID-236, Farmers as Plant Managers and General Managers: Which Hat Do You Wear? Thus, it provides indicators and checklists for production, procurement and selling, financial management, personnel, strategy development, relationship management, leadership, and risk management. Many of these business functions are new for the farm manager, reflecting farming’s changed business environment. Farm managers need to perform these additional new functions if they are to become successful farm business managers.

The checklists help you perform a self-assessment in each area discussed. These checklists are not scientific instruments to precisely measure skill levels or accurately predict your chances for success. Rather, they are tools to stimulate your thinking about the activities farm business managers must perform. Over time, they can help you to track your progress in developing business management skills.

The scale used in these checklists ranges from “unsatisfactory” to “exceptional.” Unsatisfactory performance could be performance that is consistently below expectations. Unsatisfactory performance could occur if you recognize a particular activity is an important contributor to business success, but you never perform it. Average performance is the kind of performance level that is typical of most farmers. Exceptional performance is performance that is consistently above expectations.

Once you have completed these self-assessment checklists, you might ask others to also evaluate you. If others are in general agreement with your assessment, this will give you increased confidence in your own assessment. If others assess you differently, it might be an indication that you need to take a closer look at yourself and your business management skills. The point is not to get a “high score” on a series of “tests.” The point is to give you information you can use to be a successful business manager in the 21st century.

As with any self-assessment exercise, you will only obtain useful input and information from these checklists if you are honest, realistic, and forthright in the assessment process. At the end of this publication, you will find an annotated list of resources for each area discussed. If you choose to improve your skills in a particular area, these resources will provide useful starting points.

Production Management

In order to achieve success through the production of agricultural commodities, it is critical for the farm manager to achieve a cost of production lower than the industry average. To achieve this cost objective, farmers have developed strong technical or production skills. The continual introduction of new products/technologies for use on farms has provided significant rewards for concentrating on *doing things right*.

Today, most successful farmers might still best be described as hands-on, walk-around managers. If farming did not provide a means for being physically involved in the production process, farming would lose its appeal for many. Their success comes in large part from their intimate involvement in the operations of the business. They know the production technology, the farrowing schedule, the field operations, the operational performance of machinery, and maintenance issues. In essence, these successful farmers have developed a superb understanding of the production processes used to produce corn, soybeans, wheat, hogs, and other agricultural commodities. By being involved in production processes on a daily basis, these farmers directly observe the production process and identify ways for improving the organization so that work flows more efficiently.

Indicators of Strong Production Management Skills

- Completing operations in a timely manner.
- Choosing the technology best-suited for a particular situation, not just the newest or most popular technology.
- Consistently realizing efficiencies that are better than those achieved by others.
- Consistently achieving a volume of business per person that is above that achieved by others.
- Consistently achieving a volume of business per dollar invested that is greater than that achieved by others.
- Organizing production processes so that work flows smoothly.

Production Management Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Complete planting and harvest in a timely manner.	1	2	3	4	5
2. Select the technology that provides most efficient use of resources.	1	2	3	4	5
3. Use the least cost mix of inputs for the quantity of output produced.	1	2	3	4	5
4. Establish appropriate production benchmarks for evaluating crop and livestock production.	1	2	3	4	5
5. Achieve levels of crop and livestock production higher than established benchmarks of comparable farms.	1	2	3	4	5
6. Quickly identify problems in production performance and take corrective action.	1	2	3	4	5
7. Evaluate alternative methods of acquiring production skills, including technology/production workshops and consultants.	1	2	3	4	5
8. Effectively use production consultants.	1	2	3	4	5
9. Identify influence of production practices on quality and level of production.	1	2	3	4	5
10. Closely monitor stored crop and feed inventories to be sure that quality is maintained.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Procurement & Selling

Another aspect of management is input procurement and product sales. Procurement deals with the purchase of needed inputs. For some enterprises, such as the finishing of feeder livestock, procurement is critical. If too much is paid for feeder animals, it may not be possible to improve production efficiency enough to allow a profit. But procurement includes more than purchase price. In addition to price, farm business managers need to consider discount and credit programs, delivery schedules, the form in which to take delivery, quality specifications, etc.

Similar statements can be made regarding product sales. While pricing considerations are an important aspect of selling, there are other considerations besides price. There are considerations about what market advisory services might be used, where to price products, when and how to make deliveries, the frequency of deliveries, and the risks that are being taken to enhance price. While everyone likes to sell their products for a higher price, higher prices are frequently the reward for taking greater risks.

Indicators of Strong Procurement & Selling Skills

- Developing written purchase and sale plans.
- Buying with a purchasing agent mentality—understanding the value of features and services provided in addition to the product.
- Selling with a marketing agent mentality—understanding how to provide value to a customer in excess of product value.
- Consistently receiving product prices that are higher than others without taking increased risks.
- Consistently taking advantage of opportunities to transfer price risk for a fair cost.
- Understanding the merchandising environment for your product.

Procurement & Selling Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Manage price risks in buying.	1	2	3	4	5
2. Develop positive relationships with suppliers.	1	2	3	4	5
3. Assess importance of services as well as price in making purchase decisions.	1	2	3	4	5
4. Evaluate alternative methods of purchasing, such as group buying, contracting, and purchasing alliances.	1	2	3	4	5
5. Manage price risks in selling.	1	2	3	4	5
6. Develop and document selling and/or pricing strategies and performance.	1	2	3	4	5
7. Develop positive relationships with buyers.	1	2	3	4	5
8. Evaluate alternative methods of product pricing including forward contracts, futures contracts, and options.	1	2	3	4	5
9. Evaluate alternative methods of selling, such as group selling and marketing networks.	1	2	3	4	5
10. Acquire premiums for products produced.	1	2	3	4	5
11. Avoid pricing grain crops at prices less than the estimated season average price.	1	2	3	4	5
12. Know how to add value to products.	1	2	3	4	5
13. Understand marketing loan and other government programs for crops and their implications for downside price risk.	1	2	3	4	5
14. Understand and practice win/win negotiations.	1	2	3	4	5
15. Establish an effective market information gathering system.	1	2	3	4	5
16. Develop strategies to ensure access to input and product markets.	1	2	3	4	5
17. Understand product differentiation.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Financial Management

Financial management is another area important to the success of the farm business. Finance addresses where funds will be obtained and how these funds will be used. For most farm businesses, funds will come from equity provided by the owners of the business and debt capital provided by financial institutions and/or individuals.

For funds acquired through borrowing (leverage), the interest rate, repayment period, and collateral requirements negotiated to acquire these funds will be important. If the return on the invested funds exceeds the cost of the borrowed funds, leverage can enhance the profitability of the farm. However, if the reverse is true, leverage works against the business. The successful financial management of modern farms requires a good understanding of the concepts of leverage, the rate of return on assets, the rate of return on equity, and the cost of debt and equity capital.

Financial management also addresses the use of tax management strategies; the use of insurance to protect against financial losses that can arise from fire, loss of life, or health problems; and the use of leases to gain control of assets.

Indicators of Strong Financial Management Skills

- Having profitability, liquidity, solvency, and financial efficiency ratios that are stronger than those of your competitors.
- Negotiating competitive interest rates, repayment terms, and collateral requirements.
- Having positive business relationships with lenders.
- Managing the business tax burden for maximum long-term benefits.
- Properly insuring life, health, and property.
- Maintaining a proper level of liability insurance.
- Preparing a multi-year plan for capital expenditures.
- Maintaining effective financial accounting and control systems.
- Making efficient use of working capital.
- Selecting the most profitable alternative for utilizing equity capital.
- Estimating the rate of return on capital investments.

Financial Management Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Make effective use of various sources of debt and equity capital.	1	2	3	4	5
2. Maintain a positive relationship with lenders and other stakeholders contributing capital.	1	2	3	4	5
3. Use capital budgeting procedures to evaluate capital investments.	1	2	3	4	5
4. Understand cost of capital concepts.	1	2	3	4	5
5. Use leasing and other asset control strategies where appropriate.	1	2	3	4	5
6. Continue to improve financial management skills through continuing education.	1	2	3	4	5
7. Understand leverage and its potential impact on the business.	1	2	3	4	5
8. Evaluate cash management alternatives.	1	2	3	4	5
9. Establish appropriate benchmarks for evaluating financial performance.	1	2	3	4	5
10. Achieve performance above liquidity and solvency benchmarks.	1	2	3	4	5
11. Achieve performance above profitability benchmarks.	1	2	3	4	5
12. Achieve performance above financial efficiency benchmarks.	1	2	3	4	5
13. Negotiate competitive interest rates, loan repayment terms, and collateral requirements.	1	2	3	4	5
14. Develop and maintain an effective financial accounting system.	1	2	3	4	5
15. Manage income taxes effectively.	1	2	3	4	5
16. Establish appropriate control procedures for cash expenditures.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Personnel Management

In the successful farm business, managing labor has become increasingly important. In some farm operations, managing full-time and/or part-time employees is as important as managing production, using marketing skills, or managing finances. Other farms have chosen to use consultants and service providers (e.g., custom farming services) rather than full-time or part-time employees as a supplement to operator labor. While the labor resource can be acquired in several different ways, the farm business manager needs new skills to effectively use these human resources.

Personnel management has to do with determining the type of jobs needed to get the work done, developing job descriptions, hiring needed employees, designing and conducting employee training, and developing compensation and employee policies that encourage employees to do their best.

Indicators of Strong Personnel Management Skills

- Knowing how to listen effectively.
- Giving clear directions.
- Delegating appropriate authority and responsibility.
- Motivating employees to high performance.
- Providing a work environment that results in low employee turnover.
- Preparing job descriptions and performance evaluations.
- Managing the workforce to obtain high levels of labor productivity.
- Matching employee skills to job requirements.
- Providing employee training and advancement opportunities.
- Providing safe working conditions.
- Providing competitive compensation and benefits.

Personnel Management Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Delegate authority to others.	1	2	3	4	5
2. Define specific duties for each employee.	1	2	3	4	5
3. Provide training so that others can carry out specific duties.	1	2	3	4	5
4. Help others develop their skills and abilities.	1	2	3	4	5
5. Design a compensation package based on job responsibilities and performance.	1	2	3	4	5
6. Define and communicate to employees how they will be evaluated.	1	2	3	4	5
7. Recognize the role human resources play in the success of the business.	1	2	3	4	5
8. Use specific interview and search procedures in hiring employees.	1	2	3	4	5
9. Match employee skills to job requirements.	1	2	3	4	5
10. Ensure each employee has only one supervisor.	1	2	3	4	5
11. Conduct formal performance appraisals based on previously determined performance criteria.	1	2	3	4	5
12. Have low employee turnover.	1	2	3	4	5
13. Listen to employees and act to implement their suggestions for improvement.	1	2	3	4	5
14. Achieve and maintain a high level of labor productivity.	1	2	3	4	5
15. Seek out ways to recognize an employee's successes.	1	2	3	4	5
16. Provide feedback that is focused on problems and solutions, not on personal characteristics.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Strategic Positioning

Farmers must make decisions about which production technologies to use, what inputs to use and how they should be acquired, when and how products should be priced, and how the business should be financed. They are also required to find answers to several other questions. What should be the focus of the business? What products should I produce? Should I become involved in direct marketing of products? If I say yes to this opportunity, what future opportunities might I be excluding? Because the number of niche markets is increasing, should organic production be a part of my farm business?

The rapid changes that are occurring in production agriculture are causing some farmers to reconsider the type of farm business they want. Strategic positioning skills involve the ability to find undiscovered business opportunities and develop a method for providing a needed product. These skills also require managers to have the ability to identify the core strengths of the business, identify the forces that are shaping the changes occurring in production agriculture, and position the business to take advantage of emerging opportunities. Identifying threats to the business and developing contingency plans are also an important aspect of strategic positioning.

Managers with strong strategic positioning skills need to have a vision of what the business will become. They are able to see the business as a whole and to solve problems in a way that benefits the entire business, not just the part of the business experiencing a problem.

Indicators of Strong Strategic Positioning Skills

- Being open to new ideas.
- Being able to develop a clear vision of what the business will become.
- Continually looking for ways to improve the overall performance of the business.
- Focusing on opportunities.
- Identifying the strengths and weaknesses of the farm business.
- Maintaining a long-term perspective.
- Identifying ways to take advantage of emerging markets.
- Analyzing the strategies of competitors.
- Developing a method for obtaining business advice from professionals outside the business.

Strategic Positioning Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Understand who are the customers of the farm and the product and services they desire.	1	2	3	4	5
2. Search for changes occurring in production agriculture and develop ways to exploit those changes for personal gain.	1	2	3	4	5
3. Identify factors that are critical to the long-term success of the business.	1	2	3	4	5
4. Identify impediments to success in your business and develop solutions to overcome them.	1	2	3	4	5
5. Identify how best to use business strengths.	1	2	3	4	5
6. Assess how everyday operating decisions contribute to the achievement of long-range business goals.	1	2	3	4	5
7. Focus on why opportunities will work rather than on why they will not.	1	2	3	4	5
8. Assess the skills and abilities of the people involved in your business.	1	2	3	4	5
9. Search for new and better ways of doing things rather than following the old adage, "If it ain't broke, don't fix it."	1	2	3	4	5
10. Evaluate new and emerging markets and identify how to take advantage of them.	1	2	3	4	5
11. Adapt to change rather than resist change.	1	2	3	4	5
12. Clearly identify the source(s) of the business' competitive advantage.	1	2	3	4	5
13. Seek out others to provide opinions about ideas and plans.	1	2	3	4	5
14. Select the appropriate form of business organization.	1	2	3	4	5
15. Develop a clear direction for the farm business.	1	2	3	4	5
16. Create a business image of excellence.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Relationship Management

Like the production technologies used in farming, many of the relationships between businesses in the food industry have changed. Markets that were once open to all producers are now more restrictive, excluding some producers. The type of relationship one should have with input suppliers and other farmers is also an issue. Should I join this purchasing alliance? What about group marketing of products? Should I align with a processor? Is this contract a good deal?

The need to manage these relationships increases the importance of interpersonal skills. An increasing number of non-farm residents, an increasing number of rented assets used in the business, and an increasing use of contracts all mean an increased number of interpersonal relationships that need attention. Interpersonal skills help build trust and cooperation.

Indicators of Strong Relationship Skills

- Developing personal relationships.
- Quickly resolving conflicts that arise.
- Developing win/win solutions to problems.
- Quickly and accurately assessing individual strengths and weaknesses.
- Motivating people.
- Clearly communicating ideas to other people.
- Practicing active listening.

Relationship Management Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Identify personality differences between individuals and use this information to develop unique working relationships.	1	2	3	4	5
2. Negotiate mutually beneficial business agreements with landowners, lenders, and suppliers.	1	2	3	4	5
3. Practice active listening skills to ensure that you have a clear understanding of the other person's point of view.	1	2	3	4	5
4. Use a diversity of opinions to arrive at a mutually acceptable solution to problems.	1	2	3	4	5
5. Work with a diverse group of individuals to identify common goals or areas of agreement.	1	2	3	4	5
6. Know when it is appropriate to offer advice and direction to others and when it is not.	1	2	3	4	5
7. Avoid dominating conversations with others.	1	2	3	4	5
8. Avoid talking down to those who have less power or less information.	1	2	3	4	5
9. Help others recognize and define their own problems and opportunities.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Leadership

Leadership skills have to do with influencing, motivating, and directing other people. From a managerial perspective, leadership channels individuals' behavior in a direction that will accomplish organizational objectives. These individuals may be managers in the business, employees of the business, or consultants. Individuals with strong leadership skills have a vision of what the business will become and are able to communicate this vision to others in a way that motivates them to work towards its accomplishment.

Leadership attitudes important to CEOs of American corporations include being the inspirational evangelist for a vision, managing strategy implementation, and building relationships with subordinates. While there are a large number of differences between leading a large corporation and leading a farm business, the first two leadership attitudes are critical to the leadership of any business. Unlike a corporate CEO, the farm business manager may not have subordinates. As a result, this leadership attitude does not appear to have a direct application to the farm business. However, if landlords, input suppliers, market advisors, and other business associates were substituted for subordinates, relationship building becomes an important leadership attitude for the farm business manager.

Indicators of Strong Leadership Skills

- Providing a clear sense of direction for the business.
- Continuing to learn about management.
- Serving as an officer of volunteer organizations.
- Helping motivate others to improve their skills.
- Continually looking for new ideas that will improve the business and the people associated with the business.
- Striving to build strong relationships with employees and business associates.
- Monitoring progress of strategy implementation.

Leadership Skills Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Get plans put into action.	1	2	3	4	5
2. Continue development of leadership skills through continuing education.	1	2	3	4	5
3. Instill a sense of confidence in peers and subordinates.	1	2	3	4	5
4. Aid in the resolution of conflicts between the farm and non-farm community.	1	2	3	4	5
5. Articulate a vision of the farm business.	1	2	3	4	5
6. Create something new.	1	2	3	4	5
7. Pursue personnel and professional growth.	1	2	3	4	5
8. Take control of your future rather than resist change.	1	2	3	4	5
9. Understand the need to plan and anticipate the future consequences of current actions.	1	2	3	4	5
10. Take responsibility for achieving results.	1	2	3	4	5
11. Motivate others.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Risk Management

Farming is a risky business. The ups and downs of the commodity markets serve as a constant reminder of this often-heard statement. But price variations are only one type of risk that a farm manager faces. The farm business manager also faces production risks, financial risks, legal risks, human risks, and strategic risks.

Because some risks faced by the farm business manager are so common, several alternative methods for reducing the impact of these risks have been developed. To reduce the effect of price uncertainty, producers can use forward price contracts, futures contracts or options to transfer the risk of price fluctuations to others. Variations in the crop yields can be insured against by the purchase of crop insurance. Human and legal risks are also frequently managed through the use of insurance, such as life insurance, health insurance, and liability insurance.

Financial risk arises from the additional financial obligation associated with debt financing or leverage. This source of risk is often managed by implementing operating strategies to insure that adequate cash reserves are maintained or overall debt levels are kept low.

Strategic risk is more difficult to manage. Such risk arises from the forces that are shaping the changes that are occurring in the industry. Unlike the other risk types, there are no tools or techniques for transferring these risks to others. Managing strategic risks requires creative strategies. An on-going assessment of trends and the continual monitoring of the ability of the business to take advantage of these trends is central to the management of strategic risks. This on-going process provides a method for the early detection and response to a change in a trend's direction. The development of contingency plans for alternative future situations helps the farm business manager maintain flexibility and adapt to changes that occur in the political stability of the world's economies; federal, state, and local policies; industry dynamics; and social trends.

Indicators of Strong Risk Management Skills

- Establishing appropriate levels of liability, life, and health insurance.
- Developing contingency plans.
- Collecting information about important trends in the world economy.
- Understanding the size of the financial, human, and legal risks that the business faces.
- Developing backup management that could replace the principal manager in the case of an emergency.

Risk Management Checklist

Rate your skill and ability to:	Unsatisfactory	Weak	Average	Good	Exceptional
1. Understand and manage production, financial, human, legal, and relationship risks.	1	2	3	4	5
2. Establish an appropriate level of crop insurance to protect against weather risks.	1	2	3	4	5
3. Evaluate the riskiness of a new venture based on a careful assessment of the probability of success and failure.	1	2	3	4	5
4. Develop contingency plans as a method of dealing with future uncertainties.	1	2	3	4	5
5. Maintain financial reserves.	1	2	3	4	5
6. Develop alternative scenarios of uncertain future events to use in analyzing alternatives.	1	2	3	4	5
7. Assess what future alternative will be excluded if a current alternative is implemented.	1	2	3	4	5
8. Assess what future alternative may be implemented if a current alternative is not implemented.	1	2	3	4	5
9. Maintain proper levels of life, health, property, and liability insurance.	1	2	3	4	5
10. Effectively manage financial risk.	1	2	3	4	5
11. Effectively manage interest rate risk.	1	2	3	4	5

Adapted from "Internal Scanning: Managerial Assessment," *Strategic Advantage*, Iowa Cooperative Extension Service, 1997.

Final Comments

The purpose of these checklists is not to assess your chance of success (i.e., I will be successful because I ranked high on a particular checklist), but to identify specific skills, abilities, and attitudes that are critical for your future success as a farm business manager. Consequently, the checklists do not provide a method for calculating an overall score. Instead, the checklists provide a structure that helps you honestly evaluate your skills, abilities, and attitudes in areas of business management critical to the success of farms. After completing each of the checklists, you can make a general assessment regarding your level of strength in each area.

For those areas in which your skills are weak, consider how you can compensate for your weakness. One alternative is to allocate additional time to improving your skill in this area. Another alternative would be to let another member of the management team take the lead in this area. Still another alternative would be to acquire additional expertise from outside the business by using consultants or other experts.

For those areas in which you find you are strong, consider what changes you can make in the business to build on your strengths. It is also helpful to consider which will bring you more benefit, using your time to fix a weakness or using it to build on a strength. In many cases, it is more effective to devote managerial time to building on a strong skill while recognizing weak areas.

The resources listed in the following section should be helpful to you, regardless of the results from your self-assessment. If you are seeking to improve in certain skill areas, they can provide a useful starting point. If you are already strong, they can help you become even stronger. We encourage you to pursue these leads as far as your interest will take you.

Resources

Production Management

Physical Recordkeeping Software

- Alberta Agriculture, Food, and Rural Development, *Agricultural Software Directory*. Provides a list of available software for physical and financial records
<<http://www.agric.gov.ab.ca/agdex/agsoft>>.

Analysis Process

- James, Sydney C. and Everett Stoneberg, *Farm Accounting and Business Analysis*, Iowa State University Press, Ames, 1986. Discussion in chapters 8 and 9 provide a discussion of the procedures that can be used for the analysis of the total farm business and individual enterprises.

Benchmark Data

- Comparing your production performance with that achieved by farmers with similar farm types allows production efficiencies to be assessed. Farm business associations are good sources of data for comparisons. The associations prepare annual summaries of the averages achieved by their cooperating members. If there is a sufficient number of farms, farms may be categorized by type and profit group. The following Web sites provide links to Midwest farm business associations.
Illinois: <<http://Web.aces.uiuc.edu/fbfm/results.htm>>
Iowa: <<http://www.iowafarmbusiness.org>>
Minnesota: <http://www.cffm.umn.edu/Pubs/FBMA/SW_MN_FBMA_1998.pdf>
Kentucky: <<http://www.uky.edu/Agriculture/AgriculturalEconomics/fbapubs.html>>
- The National Pork Producers Council (NPPC), the National Cattleman's Beef Association (NCBA), and similar industry organizations can also provide benchmark data. NCBA and NPPC have extensive resources that address production performance and how it should be measured. For example, see *Production & Financial Standards, Second Edition*, from *National Hog Farmer*, March 1, 1999, Intertec Publishing Company, or visit the NPPC on the Web
<<http://www.nppc.org>>.
- The National Cattleman's Beef Association can be found on the Web at
<<http://www.beef.org>>. The Purdue University Cooperative Extension Service sponsors an Integrated Resource Management Program that has a small database of benchmark data. The herd summary can be found at
<<http://www.ansc.purdue.edu/irm/BeefTopHand/1999MayJune.html>>.
- Milk producers can contact the Indiana State Dairy Association or the National DHIA for more information about the availability of benchmark data and information about industry production standards <<http://www.dhia.org>>.
- Industry handbooks are a useful source of information about managing the production process and best management practices. The *Pork Industry Handbook* can be ordered through Purdue University. These handbooks and much additional information are readily available on the Web.
Crops: <<http://www.anr.ces.purdue.edu/anr/crops.html>>
Livestock: <<http://www.anr.ces.purdue.edu/anr/livestoc.html>>
- The National Agricultural Statistics Service (NASS) and its affiliated state offices are an important source of information on farm production performance.
Indiana Toll-free number: 1-800-363-0469.
National Web site: <<http://www.usda.gov/nass/>>
Indiana Web site: <<http://info.aes.purdue.edu/agstat/nass.html>>

Procurement & Selling

Commodity Exchanges

- The Chicago Board of Trade's Web site provides access to data for the contracts traded at the Board of Trade. It also provides educational materials about futures and options that you can order <<http://www.cbot.com>>.
- Chicago Mercantile Exchange's Web site provides access to data for the contracts traded at the Merc <<http://www.cme.com>>.

General References

- Chicago Board of Trade, <<http://www.cbot.com/cbot/www/page/0,1398,14+60+143,00.html>>. The "Knowledge Center" at the Chicago Board of Trade site lists publications and home study courses. Good, practical examples of futures and options trading.
- Chicago Mercantile Exchange, <<http://www.cme.com/started/index.html>>. The site offers several educational opportunities about futures and options. Some of the educational opportunities are free <http://www.cme.com/educational/lessons/les_a.htm>, while others have a fee associated with the course <<http://www.cme-courses.com/roundabout.html>>.
- *Grains: Production, Processing and Marketing*, Chicago Board of Trade, Chicago, IL, 1992. Simple, straightforward explanation of the grain industry with some discussion of futures, options, and basis.
- Purcell, Wayne D. and Stephen R. Koontz, *Agricultural Futures and Options: Principles and Strategies, 2nd Edition*, Prentice Hall, Upper Saddle River. 1999. Provides an introduction to agricultural futures and options markets and the use of these tools in managing price risks. Also provides an introduction to financial futures and foreign currencies.

Price Risk Management

- Harwood, J., R. Heifner, K. Coble, J. Perry and A. Somwaru, *Managing Risk in Farming. Concepts, Research and Analysis*, Market and Trade Economics Division and Resources Economics Division, Economic Research Service, USDA, Agriculture Economics Report No. 774. A good description of techniques to manage risk in marketing. Includes sections on "How Farmers Can Manage Risk," "Examples of Hedging, Forward Contracting, Crop Insurance and Revenue Insurance," "Spreading Sales Before Harvest," "Leasing Inputs and Hiring Custom Work," and "Futures Prices Provide Useful Information for Making Production and Storage Decisions."
- Keith, K., *Optimal Grain Marketing: Balancing Risks and Revenue*, National Grain and Feed Association <http://www.agrisk.umn.edu/display_all.asp?Id=1069&F=1&P=Search>. Incorporates cash grain marketing contracts (e.g., basis contracts), crop insurance instruments (e.g., APH) and futures and options strategies into a single publication. Describes the market conditions in which each instrument works best and how the tools might be used in combination with one another. Warning: This publication takes a long time to download.
- Keller, G. and B. Warrack, *Statistics for Management and Economics*, Doxbury Press, Pacific Grove, CA. 1997. This is a handy reference for those marketers who would like to use spreadsheet tools and statistical methods to analyze marketing opportunities.
- Natenberg S., *Option Volatility and Pricing: Advanced Trading Strategies and Techniques*, Probus Publishing Company. 1994. This book is for sophisticated marketers/speculators only. It covers pricing models, volatility considerations, basic and advanced trading strategies, and risk management techniques. Written in clear, easy-to-understand fashion, the book points out the key concepts essential to successful trading.

General References

- Stasko, Gary, *Marketing Grain and Livestock*, Iowa State University Press, Ames, IA. 1997. This book gives a good introduction to grain and livestock marketing. The book is pragmatic (real world problems), has examples of documents (e.g., a risk disclosure statement), and has a good introduction to most marketing instruments (e.g., futures and options).

Financial Management

Acquiring, Organizing, & Analyzing Financial Management Information

- Armbruster, David B., *Introduction to Agricultural Accounting*, Red Wing Business Systems, Red Wing. 1983. A book familiarizing readers with double-entry accounting and principles of financial management.
- Boehlje, Michael, Craig Dobbins, Alan Miller, Dawn Miller, and Freddie Barnard, "Measuring and Analyzing Farm Financial Performance," EC-712, Revised, Purdue University Cooperative Extension Service. 1999. Discusses financial benchmarking and provides worksheets that lead the reader through a financial evaluation
<<http://www.agecon.purdue.edu/ext/fbm21/Ec712entry.htm>>.
- Edwards, William, "Interpreting Financial Performance Measures," *Ag Decision Maker*, Iowa State University, File C3-56. November 1998. Provides guidance in interpreting the performance standards suggested by the Farm Financial Standards Council.
- Fedie, Donald M. and Michael H. Prosser, *How to Farm for Profit: Practical Enterprise Analysis*, Iowa State University Press, Ames, IA. 1997. An introduction to whole farm financial analysis and enterprise financial analysis.
- Hobson, Barry, *Accounting Farmer Style*, Doane Information Services, St. Louis, MO. 1992. Provides a general understanding of accounting rather than the technical details. However the book contains enough detail to make the concepts presented operational.
- Kay, Ronald D. and William M. Edwards, *Farm Management*, Fourth Edition, Chapter 3, McGraw-Hill, Boston, MA. 1999. Discussion in chapters 3-6 addresses the acquisition and analysis of financial information.
- Oltmans, Arnold, Danny A. Klinefelter and Thomas L. Frey, *AFRA: Agricultural Financial Reporting and Analysis*, Doane Agricultural Services Company, St. Louis, MO. 1998. Provides an extensive discussion of how to develop essential financial statements. Contains an extensive set of forms to help the reader develop and analyze basic financial data.

Financial & Income Tax Management

- Barry, Peter J., Paul N. Ellinger, C.B. Baker, John A. Hopkin, *Financial Management in Agriculture*, 6th Edition, Interstate Publishers, Inc., Danville, IL. 1999. A comprehensive discussion of farm financial management.
- Patrick, George and Phillip E. Harris, "Income Tax Management for Farmers," NCR-2, Revised, Midwest Plan Service, Iowa State University, Ames, IA. 1997. A good summary of important income tax management considerations for the farm business manager.

Financial Benchmarks

- Edwards, William, "Financial Performance Measures," *Ag Decision Maker*, Iowa State University, File C3-55. November 1998. Reviews the performance measures suggested by the Farm Financial Standards Council and provides worksheets for making the needed calculations. Contains benchmarks developed from the Iowa Farm Business Association data base for 1990-1996.
- FBFM Farm Business Results, University of Illinois. This Web site is frequently updated with new data <<http://Web.aces.uiuc.edu/fbfm/results.htm>>.
- Lattz, Dale H., "Farm Income and Production Costs: Advance Report," *1999 75th Annual Summary of Illinois Farm Business Records*, Illinois Farm Business Management Association and University of Illinois Extension, Urbana, IL. 1999. This large data base allows the development of benchmarks by farm type and soil quality. A report is published annually.

Succession Planning

- Harl, Neil E., *Farm Estate and Business Planning*, 14th Edition, Doane Agricultural Services Company, St. Louis, MO. 1999. A review of important considerations in selecting a type of business organization and developing an estate plan.
- Jonovic, Donald J. and Wayne D. Messick, *Passing Down the Farm: The Other Farm Crisis*, Jamieson Press, Cleveland, OH. 1996. Raises both business and personal considerations that need to be considered in succession planning.

Personnel Management

- Arthur, Diane, *Managing Human Resources in Small and Mid-sized Companies*, Second Edition, American Management Association, New York. 1995. A text addressing personnel management issues from the small business perspective.
- Billikopf, Gregory Encina, *Labor Management in Ag: Cultivating Personnel Productivity*, University of California. 1998. Provides helpful suggestions for addressing personnel management issues faced by farm business managers
<<http://www.cnr.berkeley.edu/ucce50/ag-labor/7labor/001.htm>>.
- Thomas, Kenneth H. and Bernard L. Erven, "Farm Personnel Management," North Central Regional Extension Publication 329. 1989. This publication provides a concise review of personnel management style, work analysis, job descriptions, hiring, performance reviews, and personnel training.

Strategic Positioning

- *Management Excel*. Online resource from Ohio State University Extension addressing strategic management <<http://www.ag.ohio-state.edu/~mgtxcel/>>.
- Miller, Alan, Mike Boehlje, and Craig Dobbins, *Positioning the Farm Business*, Staff Paper #98-9, Department of Agricultural Economics, Purdue University. 1998. Short publication raising several strategic management issues for consideration by the farm manager. A series of exercises that leads a reader through the strategic planning process is also available by contacting one of the authors <<http://agecon.lib.umn.edu/pu/sp98-09.pdf>>.
- *Pro-Dairy*, Online resource from Cornell University developed to help managers of dairy farms improve profits <<http://www.ansci.cornell.edu/prodairy/index.html>>.

Relationship Management

- Farmer, V., *Rural Stress and Survival Guide*. 1998. Booklet offering thoughts about the power of attitude in coping with stress, change, or loss. Cost \$5.00. Preston Connection, P.O. Box 9125, Rapid City, SD 57709.

Leadership

- Bennis, Warren and Joan Goldsmith, *Learning to Lead—A Workbook on Becoming a Leader*, Addison-Wesley, Reading, MA. 1997. Workbook addressing personal growth aspects of leadership: knowing yourself, building trust through integrity, building and communicating a vision, and taking action.
- Block, Peter, *Stewardship*, Berrett-Koehler Publishers, San Francisco, CA. 1993. Discusses the notion of "stewardship" versus "leadership," choosing partnerships over patriarchy, choosing service over self-interest. Not a "how-to" book, rather a book that encourages deep introspection into one's values and motives.
- Campbell, Susan M., *From Chaos to Confidence—Survival Strategies for the New Workplace*, Simon & Schuster, New York, NY. 1995. Deals with changes in the new workplace and how we must work differently with others. Presents six "meta-skills" to be more successful in today's environment.
- Covey, Stephen, *Principle Centered Leadership*, Simon & Schuster, New York, NY. 1991. Covey's work is a classic. A "must read," like the author's other books. Discusses the essential principles of leadership. If you read only one book, read this one.
- DuBrin, Andrew J., *The Complete Idiot's Guide to Leadership*, Alpha Books, A Division of Macmillan Reference USA, New York, NY. 1998. A great "how-to" book on leadership. Very practical leadership tools and tips.
- Kepner, Charles H. and Hirotsugu Likubo, *Managing Beyond the Ordinary*, American Management Association, New York, NY. 1996. A good book on collaborative management.
- Kouzes, James M. and Barry Z. Posner, *The Leadership Challenge*, Jossey-Bass Publishers, San Francisco, CA. 1995. Another classic book on leadership. The authors discuss when leaders are at their best and present five key elements: challenging the process, inspiring a shared vision,

enabling others to act, modeling the way, and encouraging the heart. Another “must read” book for leaders.

- Maxwell, John C., *Developing the Leader Within You*, Thomas Nelson Publishers, Nashville, TN. 1993. A good book on personal development. Discusses influence, priorities, integrity, change, problem-solving, attitude, people, vision, and self-discipline.
- McWhirter, Darien, *Managing People: Creating the Team-Based Organization*, Adams Publishing, Holbrook, MA. 1995. A great book on teamwork. Talks about trust and empowerment, communication and feedback, teamwork, and other important skills.
- Scott, Gini Graham, *Resolving Conflict With Others and Within Yourself*, New Harbinger Publications, Inc., Oakland, CA. 1990. A good book on conflict. Discusses our own fears, angers, and emotions; how to understand and manage conflicts; and how to find resolution.

Risk Management

- Cooperative States Research, Education, and Extension Service, Risk Management Agency, Commodity Futures Trading Commission, and Center for Farm Financial Management, *National Risk Management Education Library* <<http://www.agrisk.umn.edu/>>. This Web site allows both producers and agricultural professionals to quickly locate information, tools, and assistance relevant to specific risk management topics.
- Patrick, George F., “Managing Risk in Agriculture,” NCR-406, Purdue University Cooperative Extension Service. 1992. Reviews factors affecting decision making in a risky environment; discusses sources of risk, producers’ views of variability, and information to improve decision making; outlines risk management strategies available to producers; and concludes with a brief discussion of development of an overall risk management strategy <<http://persephone.agcom.purdue.edu/AgCom/Pubs/NCR/NCR-406.html>>.
- Risk Management Agency, *2000 Revenue Crop Insurance Plans*, U.S. Department of Agriculture. December 1999. Provides information about Crop Revenue Coverage, Income Protection and Revenue Assurance programs. For additional information on materials available from the Risk Management Agency, contact their Web site <www.rma.usda.gov>.
- Risk Management Agency, *Building a Risk Management Plan: Risk-Reducing Ideas That Work*, United States Department of Agriculture. August 1998. Provides several suggestions for managing the risks of production agriculture. Contains a list of several other useful references for learning to manage price risks.
- Risk Management Agency, *Introduction to Risk Management*, United States Department of Agriculture. December 1997. Provides an introduction to the production, marketing, financial, legal, and human resource risks faced by farm operators and the benefits to improved risk management in each of the areas.
- Risk Management Agency, RMA Online <<http://www.act.fcic.usda.gov>>. This Web site is maintained by the Risk Management Agency. It is updated frequently with new materials on risk management from USDA. It also contains links to several other sources of information on risk management.
- Wisner, Robert N., E. Dean Baldwin, and Neal E. Blue (editors), *Managing Risks and Profits: Coping with Volatile World Markets*, Midwest Plan Service, Ames, IA. 1998. Provides a comprehensive review of risk management in grain production. It was written as a guide to decision makers for developing analysis and marketing skills, and in linking the individual components of risk, marketing, and financial management together to form a unified management strategy. The text is accompanied by software that can be used to help develop risk management plans.

General Management

These resources address several or all of the checklist topics in this publication. While the coverage of a single topic may not be as in depth as in the other resources, they provide a good introduction to the topics.

- *Ag Decision Maker*, Iowa State University, University Extension. A comprehensive set of reference materials and a monthly newsletter.
- Boehlje, Michael D. and Vernon R. Eidman, *Farm Management*, Wiley, New York. 1988. Provides comprehensive coverage of farm management. Contains more advanced material than is found in Kay and Edwards.
- Giles, Tony and Malcolm Stamsfield, *The Farmer as Manager*, C.A.B. International, Wellingford. 1990. Takes the approach that management is management. What makes this a farm management reference is the application of management to farms.
- Kay, Ronald D. and William M. Edwards, *Farm Management*, Fourth Edition, McGraw-Hill, Boston. 1999. A good introduction to the broad field of farm management and the tools used by business managers.
- Whetten, David A. and Kim S. Cameron, *Developing Management Skills*, Harper-Collins, New York. 1995. Provides several self-assessment tools and provides suggestions on the development of skills in several management areas.

This publication is part of the Farm Business Management for the 21st Century series. Other publications in the series provide information about the evaluation of management skills, measuring and analyzing financial performance, and applying strategic management to the farm business. For the most current information about Farm Business Management for the 21st Century publications and other supporting materials, visit our Web site at <www.agecon.purdue.edu/ext/fbm21>.



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