

By Dick Wittman

# Back to school!

## Why financial skills matter now more than ever

RECENT YEARS of record prices and favorable yields have given many farmers an excuse to “coast” when it comes to applying core disciplines of business and financial management. The current gloomy outlook for the grain producers will challenge us all to dust off the tools in our financial and human resource management toolboxes. That’s the focus of this special issue of *Farm Futures*.

After polling top-performing producers from 2001 through 2013 on core proficiencies, I can predict the following in a room full of farming overachievers:

- less than half track cost-and-profit centers
  - 54% have balance sheets tracking cost, market value and deferred tax liability
  - two out of three track cash vs. accrual net income
  - 49% prepare budgets and budget performance reports regularly
  - 27% review key performance measures or do ratio analysis regularly
  - just over half know their cost of production and use it as a foundation for marketing
  - 37% have clearly defined job descriptions; only 24% do performance appraisals
  - 32% have written policies in place; 25% have documented standard operating procedures
  - 28% have a strategic planning process that periodically addresses strategic issues in the business
  - one-third have their mission, vision



**“With record prices, ag producers have seen tremendous profits, but now we’ve got to go back to the drawing board,” says Dick Wittman.**

and values defined on paper

- less than half hold regular meetings of investors, owners and family stakeholders

Would you invest in a business that didn’t score a passing grade in each of the above areas?

After pondering that question, think about the business where you have most of your investment dollars today.

Danny Klinefelter, executive director of The Executive Program for Agricultural Producers, or TEPAP, often quips, “We need to spend as much time working *on* the business as we do working *in* the business.”

Producers who can look at the above list and say “I’m doing this now” will have a leg up on survival as we swim through

the murky waters ahead.

There are signs producers have a new sense of urgency. I’m seeing record numbers of already high-level implementers filling up classes scheduled this year for training on managerial accounting, and ramping up governance processes in family business management.

This is the time of the year when we make up our overhaul lists and get ready for the rest of the year. Maybe this is a good time to make up our “management engine” overhaul list, as well, and start working on the pieces that need a major tune-up. **ff**

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