

**Farm Management Proficiency Test**

<b>Key Proficiency Areas:</b> (Place an "X" in the column that applies.)	In Place Now	Working On It	Need It	Don't Need It
<b><i>Management System/Personnel Administration</i></b>				
<b>1. Mission, Vision and Core Values</b> are defined for the business.				
<b>2. Farm History</b> is documented (incl. narrative & financial trends).				
<b>3. Goals and Objectives</b> (Long and Short Range) are defined.				
<b>4. Operating Plan</b> addresses Production, Marketing, Financing, and Capital Purchases/Sales Plan and is compiled into an annual <b>Cashflow Budget Projection.</b>				
<b>5. Strategic Plan</b> 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)				
<b>6. Responsibility is clearly divided</b> and each partner and employee has a <b>job description</b> outlining duties, responsibilities & authorities.				
<b>7. Personnel policies*</b> 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.)				
<b>8. Standard Operating Procedures</b> are documented for repetitive or routine tasks.				
<b>9. Compensation Program</b> matches compensation to market rates and differentiates pay based on skill, tenure and responsibility levels (for owner/managers & employees.)				
<b>10. Performance Appraisals</b> and <b>Employee Development Plans</b> are done regularly for operating partners and employees.				
<b>11. Performance records</b> (operating and financial) are circulated to key managers and owners on a regular (monthly minimum) basis.				
<b>12. Regular meetings</b> (board, management, staff) held daily, weekly or seasonally to address communication needs of workers, investor/owners and spouses.				
<b>13. Technical expertise and tools*</b> allow efficient access to management information. (*Computers, internet, business publications)				
<b>14. Critical agreements*</b> and understandings are documented and reviewed periodically. (*Strategic plans, farm operating policies, partnership agreements, buyout agreements, estate plans & wills, lease/rental arrangements)				

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