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Forum

Why Farm Recording Systems are Doomed to Failure: A Comment

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In their article "Why Farm Recording Systems are Doomed to Failure" (Hardaker and Anderson 1981), the authors have generalized the failure of some systems for some farmers in the past to all farmers and farm recording systems for all time. All farmers in Australia have farm recording systems which are doing the job for them (Craig and Phillips 1980). They have been developed by farmers to meet their individual needs. Most of these systems are not computer-based.

It is implicit in the article by Hardaker and Anderson that farm recording systems mean computerized systems. In order to farm, every farmer requires information and has information (Craig and Phillips 1980). Equally clearly most farmers have decided that they do not need a computer to get it. A simple cash book, a count of sheep numbers and wool weights at shearing, grain yields at harvest, and regular monthly bank or stock firm statements are adequate information for the decisions many farmers now make. Until they see other farming alternatives requiring other information they will not see a need to change their farm record systems. Extension and education about other management alternatives must therefore precede extension about better farm recording systems. Ideally managerial sights will be raised and simultaneously the recording systems provided to match the new managerial rationale. Following appropriate extension or training, farmers will set new goals and use their recently acquired skills to plan and budget. These farmers usually see a need for better information to help them in their planning, budgeting and financial control. But the concept of records first and planning and budgeting second is putting the managerial cart before the horse.

Planning and budgeting involve forecasts of prices, yields, income and expenditure. Several years' records of yields and expenditure provide a very useful starting point for planning and budgeting. So do historical prices for the individual farm if related to the prices which prevailed for other farmers selling at the same time in the same year. Judgements still need to be made about future prices. Considerable time is saved by farmers who do plan and budget if they have good records to use as a starting point for that planning and budgeting. However, good managerial information does not depend on access to computers. Third year high school arithmetic, a \$10 calculator and a little training are sufficient for what most farmers now do.

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Hardaker and Anderson state (1981, p. 200) that "Farm recording schemes structured to provide 'planning' data such as gross margins may be founded on a misconception of the nature of the information appropriate for this purpose". Farmers who attended farm management courses at the Farm Management Foundation in Western Australia were usually very interested in physical planning (which paddocks to crop, how many sheep would be available to sell, which plant to replace), planning *cash* income and expenditure and the influence they had on balances in working accounts. From this they would calculate how much short-term credit to arrange, which is usually highly relevant to farmers. Gross margins were sometimes relevant but only if 'planning margins' were derived rather than historical gross margins. The enterprise situation was usually so simple (e.g., wheat/sheep) that gross margins did not tell farmers anything they did not already know.

The authors' statement that there is a huge extension job to be done in 'putting across' the advantages of 'proper' financial records to today's farmers, if implemented now would itself be doomed to failure. In Australia, we have not yet reached the point where the professional helpers have agreed with farmers about what is needed over and above what farmers now keep. This step is necessary before any extension is undertaken. It is likely to be slow and steady rather than a huge extension job. 'Proper' records to university computer experts probably means a monthly mailing of physical and financial data to a central computer centre with printouts being sent back to farmers and masses of end of year printouts containing difficult concepts such as profit and gross margins per every imaginable input, with no intermediary to explain, discuss, train or help in evaluating and assessing the relevance of the information.

The paragraph on control completely misses the point (p. 200). Recording actual income and expenditure and comparing them with a budget is not undertaken in the hope that farmers might somehow be able to influence the weather or world prices. The purpose is to enable them to vary future managerial decisions on the basis of the recent past and its influence on their current financial situation. For example, if actual beef prices are way down on budget a farmer may reduce fertilizer expenditure, increase short-term borrowing, sell more sheep, or undertake outside work (or all of these) because each would help solve the problem that has been created by low beef prices (poor cash flow). Surely the authors are not serious when they arbitrarily separate physical and financial aspects of production? Reducing the quantity of fertilizer, selling sheep or undertaking outside work all have their financial consequences as farmers are well aware. They put more money in their working accounts, a concept which is not too abstract for any Australian farmer.

If farmers are going to go on farming the same way year after year then Hardaker and Anderson have probably come to the right conclusions about *computer-based* farm management systems. Hopefully, agricultural extension and education agencies will direct their efforts towards helping farmers to get more of what farmers want out of farming. Some farmers want to do less work, others to obtain more assets or income, or pay less tax or develop better arrangements for transferring the farm to the next generation. Hopefully, extension agencies will raise new alternatives and train farmers to plan and budget for them and record progress along the way.

Agricultural managers facing complex decisions will continue to install their own computers, utilize off-farm computers and seek expert assistance in

designing software to meet their own particular needs. But as a taxpayer I hope that I will not be sharing the bill for any more experts to develop computerized financial management systems for farmers unless farmers have a major say in determining the purpose and output of such systems. The development of new computerized financial record systems must also involve accountants, consultants and other professionals helping farmers since they have a valuable role to play in explaining and discussing printouts with farmers and promoting their use to potential users.

In the dying stages of their article Hardaker and Anderson suggest a study of the goals, decision making behaviour and attitudes of average farmers as an appropriate step in resolving the dilemma. Craig and Phillips have accurately described the existing record keeping behaviour of a sample of Australian farmers. Further development of the potential uses of the broadening range of increasingly cheaper computer hardware can be simply undertaken by better communication between all of the parties involved.

References

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