



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**A DISCUSSANT'S VIEWS OF COMPUTERIZED
BUDGET DEVELOPMENT, DISTRIBUTION AND USE****William L. Brant**

These remarks relate to papers presented by Lampher [1], Krenz [2] and Kletke [3]. Budget development, distribution and use has always been a perennial concern of farm management personnel. However, as Lampher pointed out, many agricultural economists gave low priority to cost and return budgets in recent years. This is clearly a case of professionals abandoning one of the basic tools of their trade, thereby shortchanging agriculture and the profession. Fortunately, a return to the fold is in evidence with all the interest in cost of production.

BUDGETS AND DATA INPUT

The three papers indicated that there are major problems associated with developing cost and return budgets. Data input will always be a problem but it is not insurmountable. The problem, then, really involves defining procedures and techniques that minimize difficulties associated with data input.

Lampher discussed the memory recall problems of asking respondents to estimate costs after a lapse of several months. He suggested that a system utilizing existing farm record programs might provide the needed data. Krenz reported that ERS will be conducting surveys for the same purposes. Both approaches have merit but are apt to wind up with statistically accurate methods of collecting "by guess" and "by gosh" data. Either method might well prove adequate if the information sought relates more to actual physical inputs such as machines used, size, and times-over as opposed to costs for fuel, repair and machine labor.

Why not carry Lampher's use of existing farm record programs one step further and revive the National EDP Consortium Concept? Several states would cooperatively operate an electronic data processing and retrieval system. This idea was discussed several years ago but never became a reality. The consortium does not necessarily mean each state would have to lose its identity to the overall project. Current technology would permit data manipulation to be distributed among states, thus permitting each to share part of the glory and any funding. A more cooperative spirit may also prevail now that most states have had a few years to experience the "thrills and chills" of EDP.

Determination of machinery labor, fixed and variable costs are a natural for computer programs such as the Budget-Generator. Incorporating factors obtained from agricultural engineering with the necessary cost data permit these values to be calculated consistently and more nearly accurately than most other methods. Continuing joint research projects between Agricultural Economics and Agricultural Engineering may be necessary to provide update for the necessary factors.

Why not use carefully-selected suppliers and dealers to obtain actual input cost values? This would offset cost distortion in surveys from respondents or record keepers with poor purchasing habits or abnormally efficient ones.

THE BUDGET-GENERATOR

Kletke listed several advantages for using the Budget-Generator. One deserving more emphasis is that the computational procedure is the same every time for everybody. Considering all the wasted and duplicated effort through the years in

Extension Specialist, Farm Management Coordinator, Virginia Polytechnic Institute and State University, Blacksburg, Virginia. Discussant paper, Southern Agricultural Economics Association Meeting, New Orleans, Louisiana, February 5, 1975.

trying to understand how budget values were developed, this one factor justifies the use of the Budget-Generator.

The fact that Budget-Generator output is "photo copy," ready for reproduction, should not be overlooked. This greatly reduces preparation time and transposing errors, both important in Extension programs.

Kletke commented about continuous data flow through the entire farm planning stage. The commercial application of this combination of procedures was not mentioned but would seem to have great potential. Why wouldn't commercial farm management firms find a complete and systematic farm planning program profitable to use with their clients? More attention needs to be directed by our profession to finding better ways to implement new techniques and tools via commercial users.

In addition to its conventional use, lowly cost and return budgets also take on a glamorous air when compiled into bound volumes and distributed. Public relations value is quite high if these budget books are placed in the hands of lending institutions, machinery and fertilizer firms, University administrators and governmental agencies. Oklahoma State University, Texas A&M and others have made good use of their budgets in this manner.

FORMATTING FOR EXTENSION AND RESEARCH

Lampher in particular raised several points relative to budget development, compatibility, format and procedure used by Extension and Research. It is true that Extension synthesizes its budgets from many sources, including "SWAG" and even "WAG." In reality, they have stood up well enough not to be criticized too much by researchers. There has to be considerable involvement of both Research and Extension if one is to use the work of the other. Thus—contrary to Lampher's suggestion—in the future Extension must do more research and Research more extension.

Budget differences and formats between areas or workers should not be a problem if developed through a standardized computational procedure such as the Budget-Generator. Standardized computational procedures and complete basic data input will permit enough uniformity for most analyses. The Economic Research Service's FIRM ENTERPRISE DATA SYSTEM (FEDS) has the control to standardize still further for its purposes. It should.

This does not prevent other users from converting the FEDS budget to their own format, as Kletke is doing at Oklahoma State. There will be need for documentation of the approach used in utilizing FEDS data in this manner.

The issue Lampher raised concerning just how land cost should be handled in developing budgets would be a difficult one only if permitted. FEDS will reach some decision and other users will reach still different ones. However, knowledgeable users should have no trouble interpreting any procedure for handling land cost. There will always be those who misinterpret land, capital or other input value in budgets. The profession's job becomes one of educating users in interpreting what is clearly spelled out, rather than trying to fit everything and everyone into one mold.

FIRM ENTERPRISE DATA SYSTEM

The Firm Enterprise Data System is potentially a real benefit to agricultural economists. With the national orientation of ERS and working with specific goals and objectives, FEDS has progressed far enough to attract considerable attention. It is gradually realizing the tremendous opportunities the system possesses and is trying to permit this development; the computer has been recognized for what it is—a tool; and they have good people working on the project. Both Lampher and Krenz commented about ERS and ES "holding informal discussions of possible cooperative relationships." Why not simply declare that it is going to be worked out, then do it? Don't talk or think it to death.

Krenz relates that the budgets will be public property available to all and herein can be a constant problem if not properly handled. Maintaining the distribution system can be cumbersome be it terminals, telephone, hard copy or other.

Krenz also states the Budget Enterprise Data System is not the sole property and responsibility of ERS but can be useful to the entire profession and should be supported by it. This is commendable, but final responsibility has to rest some place if the system is to develop. At this point in time, ERS is the logical one. It is true that ERS cannot obtain real support without giving up some control, so it will be necessary to develop well-defined working agreements with other groups.

Budget development and use take on an expanded meaning now that there can be systematic computational procedures with national leadership emerging. The basics are back and progress can be expected.

REFERENCES

- [1] "Management, Marketing, and Policy Implications of Cost and Return Budgets: Extension's Role in Formulation and Use," prepared by Buel F. Lanpher.
- [2] "The Firm Enterprise Data System—Capabilities, Limitations, and Applications," prepared by Ronald D. Krenz.
- [3] "The Oklahoma State University Budget Generator: Its Characteristics and Uses," prepared by Darrel D. Kletke.

