



## INFORMED DECISION MAKING

### Budgets:

As the end of the financial year ticks over, the financial performance of the farm often takes on more priority than which pastures to sow, or what the lambing percentages are. While it's a good time to reflect on the past year, it's also very important to look forward.

Informed decision making is a term we use a lot with farmers. It is important in the sense of practical "on the ground" decisions, but is also vital from a financial aspect. Being able to understand the likely financial impact of any change can provide clarity around the change, and may in fact, be the deciding factor if a change is implemented.

One of the most useful tools to assist is the cash flow budget. Research suggests that only about half of farmers use one, and then it's often only at the request of the bank. Anecdotal evidence also suggests that the vast majority of successful, profitable farmers use a budget as an important business management tool. The budget can provide a valuable roadmap to the performance of the business for the next 12 months.

Budgets can:

- Identify cash flow issues in advance, allowing these to be planned for.
- Allow fine tuning of the planned farming program.
- Provide a good communication tool with lenders, accountants, family etc.
- Be used to review performance on a quarterly basis (budget vs actuals) and influence management decisions during the year.
- Provide early warning signs, but also highlight better than expected performance.

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