

Background to the successful operation of the Wairarapa Farm Improvement Club, the system and benefits from the physical and financial database

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Abstract

This paper explains what a Farm Improvement Club (FIC) is and briefly backgrounds the Wairarapa FIC (Wai FIC). Key components to its successful operation are outlined together with a review of the establishment of the FIC and district database. Two tables are presented that indicate the method by which key physical and financial indices can be used. The first report is for an individual client which compares figures with the club and property class average. The second is a summary of results by farm category. An opinion as to future relevance and opportunities for a club type structure are outlined.

Keywords: Wairarapa Farm Improvement Club components for success, Database use in extension.

What is a farm improvement club?

It is a group of farmers (who normally set themselves up as an incorporated society) who establish an effectively co-operative structure that enables the provision of services from a professional farm adviser/consultant for its members.

The members elect an executive who set broad policy and employ the services required. Costs are covered by a membership subscription. At the height there were in excess of 50 clubs employing around 90 advisers throughout New Zealand in the 1960s. Key to the club philosophy was the taking of a "whole farm" approach.

Establishment of the Wairarapa FIC

This club was formed in 1963 and has just completed 30 years of operation. Aldous McIvor was the founding adviser and I took over from him in 1969. Don Todd was employed in 1966. There are now 4 consultants working for two separate firms who are involved contracting their services.

Farm Improvement Club services offered

Full members pay an annual subscription (currently \$190) which covers member servicing and participation involving 5 aspects:

- (a) Field days, minimum of 2 per year – covering topical issues on a members property.
- (b) Meetings: the annual winter meeting is a feature of our club servicing and normally attracts between 120 and 150 participants. High profile speakers are invited. There is also an AGM meeting with key note speaker.
- (c) Property data included in the club database and analysis of results.
- (d) Participation in social activities (golf and cricket).
- (e) Direct **consultancy** time involved is at discounted cost compared with casual clients.

In the past, members also got periodic newsletters (now superseded by our firms **AgLetter**). We have organised periodic trips to the Waikato Field days, and one trip to look at Australian farming. Information is circulated as felt appropriate by the executive/advisers.

The membership and subscription categories comprise:

Full members – who are farmers within the district. *Pay full sub.*

Associate members – ie. farmers outside the district or other persons wishing to be involved, e.g. accountants, solicitors. *Pay part sub.*

Corporate members-banks, stock **firms** etc. Firms where more than one participate.

Retired members -these are past members who wish to participate in meetings and social functions. *Pay Nominal sub.*

Key components to successful club operation

- (a) Common interest of members.
- (b) Important to have clearly defined rules and constitution. Key functions of ours being:

- to provide - field advisory services - in the Wairarapa and surrounding districts - to members.
 - to promote - by lectures, **field** days, demonstrations - functions instructing-in the care and management of farms.
 - to participate in the provision of research.
 - to co-operate with other organisations in practical or experimental and investigation work for the benefit of members.
- (c) The Wai FIC executive philosophy has always been positive. Executive members do make a valuable contribution. It has been one of consultation discussion and guidance rather than direction. There has always been flexibility in operation with administration being prepared to change with the times. Loyalty has been a two way thing and this has been part of the club philosophy.
- (d) General-to survive any club must have enthusiastic members, there must be loyalty and good communication between members and their adviser/consultant. Absolute discretion as to individual members situations are required but using knowledge from within the group to assist others.

Establishment of the FIC and District Database

This database has evolved over the last 30 years and has progressed significantly over this period.

For Farm Management and extension use, a mix of farm financial and physical data is required.

In the early years of the Wai FIC operation, the database largely comprised an annual recording of total club members physical data. Classes of stock and total stock numbers, land use, fertiliser use, development undertaken, stock performance data, etc. were recorded. From this information seasonal averages and district norms were established. On a year to year basis trends were able to be plotted and together with the personal knowledge of the individual parties, the advisers were able to identify those policies that were achieving the best results.

Since 1980, **computerised** farm recording and analysis has been used. Each year additional analysis has become possible as greater sophistication has been introduced.

We have established four main categories of property involving:

- Class 1 = Store sheep and beef breeding properties
 Class 2 = Semi fattening - this is the major group of hill country sheep and cattle properties fattening a percentage of their progeny

Class 3 = Fattening properties where **15/20%** (or more) of the land is flat and suitable for cash cropping
 Class 9 = Dairy, stud and specialist properties.

The class 2 group is further divided between those in a low rainfall (summer dry) and those with moderate rainfall.

In our case, the prime purpose of the analysis has been:

1. To provide a factual summary of both physical and financial achievements for a property. (The members individual annual report summary provide a concise report for future reference).
2. To provide the means of comparing properties by farm type and category.
3. To clearly assist in identifying strengths and weaknesses in performance achievements of a particular property - within and between seasons.
4. To provide a clear indication of levels of performance achievable - to be able to set realistic targets and as such be used as an extension tool. eg. To set clear goals through identification of the achievements of the top 10% of farmers.

As an example of range of information gathered, and the method of presentation; 2 of the many reports prepared are appended as A & B. Data relates to **1992/93**.

Appendix A - Is a report summary prepared for an *individual client*. In this report the key performance parameters are set out in a manner that allows clear comparison with other club members. **Club Average** shows the overall av for *all club* member properties. **Your figures** shows the individual members results. **Class Average** shows the av for the group of properties of which the member is part. **Class & Index** is the deviation from Av for the group, expressed as an index with 100 = Av. **Best 10%** is the average of the top 10% of properties in the group based on **grass income/ha**.

Appendix B - Is a summary of information for all club properties with the key Indices expressed by farm class. These farm classes relate to land capability and farming system as defined.

Discussion

- (a) The range of information able to be produced is very extensive. The 2 tables given are simply two of many. Graphs are also produced that indicate standard deviation.
- (b) While much of the financial information comes from clients' accountants' figures, the adjustment we make

to correct results **to a** true status quo result at CMV together with the inclusion of physical information not recorded by accountants, makes this information unique.

- (c) Other reports get down to the detail of analysis such as Av stock sale prices splitting lambs into fat or store; fertiliser in \$ per su and units of NPS per su.
- (d) Income and expenditure is able to be shown per su and per ha and exps are expressed as a % of income.
- (e) Financial ratios calculated require the establishment of the estimated CMV of the Land and buildings; stock and plant (at start of the year). Borrowing is taken ex balance sheets so that equity can then be calculated. Financial ratios calculated include:
 - % return on total capital involved
 - % return on Businss Capital (excluding dwelling)
 - % return on equity.

For valuation purposes we also relate effective gross income to land values.

Comment

To ourselves as consultants and to individual members, the database information is very valuable. It is sought after by others. Our system has established district parameters. To our corporate members; banks,

accountancy firms, etc., this is one of the primary benefits from their membership.

Future relevance and opportunities

I see scope for our Wai FIC type of framework being able to be used in other districts.

There are opportunities:

- (a) To rekindle the enthusiastic and progressive outlook of farmers. A back to basics approach is currently required in farming. A club type system can be very effective in this area.
- (b) Attracting young blood (both advisory and members).
- (c) Act as a more effective medium for Research and Technology Transfer.
- (d) To become a medium to again encourage new graduates into the consultancy **field**.
- (e) Great scope to adopt the monitoring farm system of our Wai Tech module.

All these opportunities are very effective under the framework of a club structure. Where the committee contribution and overhead costs involved for the benefit of all can be made in a manner that would not be so easy for a commercial consultancy firm. I commend it to you.

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Appendix A

WAIRARAPA FARM IMPROVEMENT CLUB
PERFORMANCE ANALYSIS COMPARISON 92/93

Number 25 Name EXAMPLE Class 2 1

This analysis compares your key performance parameters with the group average for the class you are part of. The overall FIC Avis in the left hand column. Class Index = Your deviation from the Class Av with 100 = Av. Best 10% = top 3 if less than 30 in your class. Based on "Gross per ha"

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CLUB AVERAGE	DESCRIPTION	YOUR FIGURES	CLASS AVERAGE	CLASS INDEX	BEST 10%
PHYSICAL.					
748.00	Effective hectares	920.00	756.00	122	358.00
7031.00	Total Su	9014.00	7465.00	121	4430.00
9.40	Su's per Ha	9.80	9.90	99	12.40
88.20	Lambing% (Ewes)	87.10	91.20	96	98.60
85.40	Calving%	86.80	86.40	100	91.20
4.86	Wool per sheep Su	5.43	5.03	108	5.47
46.00	Kg wool per Sh/Ha	53.00	50.00	106	68.00
8.20	Sheep Dths/Killed/Missing %	4.80	7.60	63	5.60
1.40	Cattle Dths/Killed/Missing %	3.00	1.70	176	1.50
FINANCIAL.					
FIGURES PER SU.					
32.27	Return per sheep Su	39.64	33.63	118	39.17
47.31	Return per cattle Su	44.10	47.86	92	49.20
37.22	Return per Su (All Sources)	41.86	38.15	110	43.36
20.45	Standardised Exp. (Cash)	23.71	20.30	117	22.49
13.15	Econ Farm Surplus (After WOM)	15.04	14.13	106	14.73
EXPENDITURE ANALYSIS					
3.77	Wages	4.66	3.68	126	2.25
1.42	Animal health	2.47	1.39	178	1.61
3.29	Fertiliser & lime	3.57	3.54	101	4.50
3.69	Shearing (per sheep su)	4.19	3.85	124	3.80
0.46	Freight	0.70	0.36	192	0.55
0.66	Feed/Fodder crops	0.40	0.56	72	1.16
0.41	Weeds & pests	0.56	0.21	266	0.24
0.90	Farm working	1.51	0.85	178	0.80
2.35	Repairs & maintenance	1.68	2.39	70	3.33
1.77	Vehicles	1.60	1.91	84	2.33
1.43	Administration	1.80	1.36	132	1.81
1.28	Rates & Insurance	1.31	1.17	112	1.22
4.55	Debt servicing	6.79	4.41	154	2.48
54.95	Expenses as % Income	56.65	53.20	106	51.87
FIGURES PER HA.					
349.81	Total return per Ha	410.10	376.73	109	536.49
192.24	Expenses	232.32	200.43	116	278.28
123.65	Econ Farm Surplus (After WOM)	147.35	139.57	106	182.23
SUNDRY.					
12.78	Adjusted net Rtn (Real) Per SU	14.33	14.05	102	16.11
6.90	Real Return/GC Worth (%)	6.10	7.90	77	7.90
5.32	Real Return on Equity (%)	4.22	6.54	65	7.70
3.50	Gross Income/Land Value-Ratio	4.30	3.20	134	3.30
7.30	Real Rtn/Bus Capital (%)	6.40	8.40	76	8.70

Appendix B

TABLE 1 PROPERTY CLASS COMPARISONS AND OVERALL RESULTS
SUMMARY OF KEY PERFORMANCE ACHIEVEMENTS 1992/93

FIGURES = CUSS AVERAGE

	C l a s s M a s s			Class 3	Class 9	Av. All
	(Store)		Semi-Fattening	Fattening	Special	Farms
	Low R/F	Mod R/F				
No. in Category	9	53	12	15	8	97
Av. Size (eff. Ha)	2093	756	489	472	369	748
Total Su (Open)	14713	7465	5167	5772	4817	7031
Su / Ha	7.0	9.9	10.6	12.2	13.1	9.4
% Su changes from 92	-0.3	1.6	-0.6	-2.3	-1.6	.5
% Su as sheep	77	75	68	85	43	73
Lambing % S/S	71.4	91.4	90.5	102.3	106.6	88.2
Calving % S/S	85.0	86.4	81.8	89.0	87.2	85.4
Wool/Sheep Su	4.05	5.03	5.38	5.11	6.0	4.86
Wool/Sheep Ha	28	50	57	63	78	46
Sheep D & M %	10.4	7.6	7.5	7.6	10.1	8.2
Cattle D & M %	2.6	1.7	2.8	1.9		1.4
Phosphate Su	.29	.71	1.08	1.23	1.74	.63
Sulphur Su	.29	.72	.91	.97	1.33	.60
Nitrogen Su	.27	.59	1.22	1.39	1.72	.63
Fert \$/Su	1.23	3.54	4.71	4.53	5.83	3.29
Sheep Return \$/Su	12.43	19.85	20.96	25.92	58.06	19.02
Wool Return \$/Su	<u>11.05</u>	<u>13.78</u>	<u>14.37</u>	<u>13.79</u>	<u>16.45</u>	<u>13.25</u>
TOTAL \$H/WL \$/Su	23.48	33.63	35.33	39.71	74.5 1	32.27
Cattle Rtn \$/Su	39.51	47.86	50.19	51.27	48.00	47.31
Deer Rtn \$/Su [Dairy]	49.51	76.35	54.30		[16.79)	
Return /Ha (\$)	192	377	433	569	1203	350
Expenses /He (\$)	127	200	214	311	697	192
WOM /Ha (\$)	13	37	57	58	83	34
Econ Farm Surplus/Ha (\$) (After WOM)	52	140	162	200	423	124
Return/Su	27.38	38.15	40.99	46.51	92.17	37.22
Expenses/Su	18.01	20.30	20.26	25.42	53.40	20.45
WOM/Su	1.90	3.72	5.42	4.73	6.38	3.61
Econ Farm Surplus \$/Su	7.47	14.13	15.31	16.36	32.39	13.15
Exps as % income	66	54	51	58	60	56
Av. Debt Serv (su)	4.57	4.55	5.13	4.98	10.57	4.67
Av. Debt Serv % Inc	17	12	13	11	12	13
Rtn on going concern (%)	4.6	7.9	7.7	5.9	10.5	6.9
Rtn on Equity (%)	2.0	6.5	6.5	4.4	9.1	5.3
Gross/Land Value (Ratio)	3.5	3.2	3.8	4.4	2.4	3.5
Rtn on Bus Capt (%)	4.8	8.4	7.7	6.2	11.0	7.3

• Excludes Class 9