

HOW TO USE ECONOMIC TOOLS

TO HELP DECISION-MAKING IN FAMILY FARMS?

WHAT IS IT ABOUT?

Family farming is an economic entity that uses resources to produce value. It is a business that makes its choices based on its performance, sustainability etc. and with regard to its needs - especially its family needs. In order to manage their farm, farmers can rely on technical and economic tools. These are dashboards that can be used to monitor, analyze practices and anticipate changes



DASHBOARDS

Example of easy-to-use tools

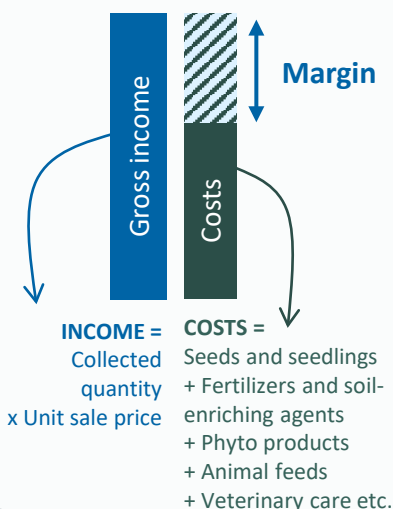


Gross margin

Gross margin helps to connect technical and economic aspects. This is a partial result, which does not take into account the farm overhead costs: it is easy to implement and can be used to analyze the various costs items on which the farmer can take action.

Gross Margin = gross income - operating expenses

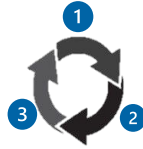
- Usually calculated per plot /per batch and over a production cycle
- Usually based on area / per entity
- When it includes workforce, it is referred to as a semi-gross margin



Cash flow management

This tool examines all cash inflows and outflows, over 12 months, at the farm level or even at the household level. Cash flow management helps to identify daily needs, anticipate the needs of the family and the farm and potential hunger gap periods

STEPS FOR USING ECONOMIC TOOLS



Beforehand: Economic tools are to be used with farmers who are ready to question their technical choices, and to undertake a strategic analysis. It is best to start with a pilot group of volunteers who have been previously trained.

1 MONITORING AND RECORDING

Recording regularly useful information in a notebook or form as the season progresses. Information is as follows:



- Provided by the farmer with advisor's support if needed.
- Collected by the advisor (using forms, questionnaires, digital tablets...): at this stage, the advisor can interview the farmer if any data seems to be incorrect or if any information is still vague (e.g., farmer's unit to be converted)
- Compiled in a database by the advisor

Data entry and collection frequency vary from one production to another. In the case of annual crops, every single operation carried out from land preparation to harvest must be recorded. Regarding tree growing or livestock farming, it can be difficult to define the period to be monitored (year, batch), in this case common rules must be defined together with the group.

2 ANALYZING DATA

Analyzing all information and understanding which practices vary among the technical itineraries being compared. This is done at the end of the production cycle. Comparisons can be made:

- in relation to national or local references
- between different productions or plots on the same farm
- between several farmers
- from one year to the other

The use of graphs can help to visualize differentiation factors when making comparisons. To make the comparison easier, it is important to report the data according to a common variable: per kg, ha, liter, animal etc.

3 REPORTING DATA



- Several levels of reporting: (individual/household) and group (group/village) farming
- Facilitating discussions between farmers (season report): general impressions of the season, presentation of the itineraries, quality, yield and losses, etc.

4 IDENTIFYING POSSIBLE CHANGES

Identifying changes and solutions in order to improve the results for the next season / next year:

- At the plot/workshop level, what adjustments should be made to the technical itinerary?
- On the farm level: what improvements should be made to the production system?
- At the group level, which new service should be provided?

A new management cycle will help to assess the impacts of past decisions.



FUNDAMENTALS TO REMEMBER

- Simple and easy-to-use tools
- The economic results of a farm reveal the technical choices that the farmer has made. The main purpose of using them is to highlight the differences in practices and technical itineraries.
- It is better to have tools that farmers can easily fill in - even if data is not 100% accurate - rather than having the most advanced tools.
- It is important to **receive a minimum of trainings**:
 - ✓ For farmers: beforehand, each farmer must understand the utility of the tool and be able to fill in the essential data (areas, volumes produced) required for the analysis.
 - ✓ For advisors who accompany: s/he must have a good command of the tools and be a good facilitator
- **Group reviews should be well facilitated**, to make farmers comfortable and encourage discussions: working in group gives them the opportunity to discuss common issues together. The advisor cannot anticipate the topics on which farmers will want to work on; s/he is there to accompany them.

Madagascar – Recording on notebook



Madagascar – Monopoly session



Maroc – Review of the season



WORDS OF PROFESSIONALS

"To be able to do this teamwork, it is essential that farmers trust each other and have a real desire to work together and progress together over time. Rules can be set up to facilitate this collective work, such as anonymous reporting of farms' data."

"When driving a car, control screens are essential for driving. Likewise, it is impossible to run a farm without visibility and control tools."

"A farmer in his field often finds himself alone. Discussions with others are essential to make progress. They help us to raise questions and find solutions together to make progress and earn sufficient income. These tools provide support for these discussions."



FOR MORE INFORMATION

Example of tools:

- Data recording form
- Cash flow budget table

Training material: gross margin and cash flow budget.

Webinar: Economic decision-making tools in farms, April 2020.

