



# CHAPTER THREE

## **Farm Planning & Budgeting**

**By:-Dagnaygebaw Goshme(MSc)**

### 3.1. Farm Planning

- ✓ **Planning** is deciding *what is to be done in the future.*
- ✓ **Farm planning** is a *program of total farm activity drawn up in advance which* Enables the farmer to achieve his objectives in a more organized manner.
- ✓ It helps him/her to *think about the farm programs in advance & adjust them according to new knowledge on technological developments, challenges, price structure, etc.*
- ✓ **Without planning & coordinated effort of the management**, the outcome of any business activities becomes *wastage of resources.*

Farm planning can be defined in different ways.

- ✓ It is an *integrated, coordinated & advance program* of *actions*, which seek to present an opportunity to farmers *to improve his level of income*.
- ✓ It is a *basic management function* that involves *selecting a particular strategy or course of action among alternative courses of action* with the objective of *obtaining the greatest satisfaction of the farm's goals*.
- ✓ It is a process *to allocate the scarce resources of the farm & to organize the farm production* in such a way that increase:-
  - ✓ *resource use efficiency,*
  - ✓ *production*
  - ✓ *income of the farmer*

# Objectives of Farm Planning

- ✓ *To improve the living standard of the farmer*
- ✓ *To get the greatest return in terms of cash & food, both in the short run & long run.*

## Importance of farm planning

- ✓ It *improves income*
- ✓ It helps the manager to *focus on the organization's goals & activities*
- ✓ it is an educational tool to bring a *change in the outlook of the farmers* i.e. it helps them *to closely study their own business & see more clearly their opportunities & limitations, thus, improving their managerial ability.*
- ✓ Planning helps *to introduce desirable changes in farm organizations & operations* by providing a *more rational & fact based procedure* for making decision.
- ✓ Farm planning allows farm managers *to minimize risk & uncertainty*
- ✓ Planning *facilitates control by serving as standards or benchmarks* against which performance can be measured.

# Type of Farm Plans

## A. Simple farm planning:

- ✓ It is adopted *either for a part of the land* or *for one enterprise* or *to substitute one resource to another*.
- ✓ This is *very simple and easy to implement*.
- ✓ The process of change should always *begin with these simple plans*.

## B. Complete or whole farm planning:

- ✓ This is the *planning for the whole farm*.
- ✓ This planning *is adopted when major changes are contemplated* in the existing organization of farm business.

# Basic steps in farm planning

- **There are six steps in farm planning**
  - 1. Define the business opportunity/change***
  - 2. SWOT analysis***
  - 3. Setting up objectives***
  - 4. Developing functional plans and budgeting***
  - 5. Implementation***
  - 6. Monitoring and adjusting.***

# I/ Define the business opportunity:

- ✓ This is mainly a process **to acquire information relevant to the farm business.**
- ✓ **Technical and business information** is essential, like :-
  - ✓ **New technology of cropping and Livestock rearing,**
  - ✓ **Price trends,**
  - ✓ **Market demands and potential capital resources etc.**
- ✓ Basic findings suggest a *preparedness or frame of mind able to recognize and define new conditions or problems.*
- ✓ Several factors have been identified as being associated with competence in opportunity / problem recognition Included are:
  - (a) **Experience (growing up on a farm or having farming experience) ,**
  - (b) **Level of schooling (exposure to a broad range of ideas and approaches to problem solving),**
  - c) **Motivation by accomplishing a goal,**

## 2/ The SWOT Analysis

- ✓ **SWOT** is therefore the abbreviation formed by the first letters of the words. **Strengths ( s ) , weaknesses (w) , opportunities ( o) and Threats (T) .**
- ✓ **SWOT** analysis is concerned with the **identification** of *specific views, feelings and information* that is directly collected from different sources such as *customers, managers, labors, competitors, etc.*
- ✓ Issues to be identified include the **strength** or **achievements**, the **weakness or constraints**, the **opportunities for improvement** and **the threats** which are considered as external negative forces which **increase the risks of failure.**
- ✓ The SWOT analysis is to identify the **internal and external factors of a farm.**

- SWOT is a tool to help a manager /farmer:
  - ✓ to identify the advantages and disadvantages of a farm undertaking by analyzing:
    - => The **internal forces** (*strengths and weaknesses*) and
    - => The **external forces** (*opportunities and threats*) that affect the development process/ production process .

### Customers

- ✓ Who are they
- ✓ Specific needs
- ✓ Buying process
- ✓ Segments-size & Potential

### Internal forces

#### Marketing

- ✓ Price
- ✓ Product/service
- ✓ Distribution/location

#### People

- ✓ Management
- ✓ Technical staff
- ✓ Labour

#### Production

- ✓ Resources to be used

### Competitors

- ✓ Who are they?
- ✓ Specific strengths
- ✓ Specific weaknesses
- ✓ Current and projected strategy

### Market Conditions

- ✓ Economic factors
- ✓ Political factors
- ✓ Technological factors
- ✓ Suppliers factors

### 3/Setting up objectives

- ✓ *It would make little sense to start out on a trip **without** a **pretty of idea where you are going.***
- ✓ The objective answer the question "**what are we trying to accomplish**" It gives **purpose and direction to decisions and actions.**
- ✓ For planning purposes it is necessary that a farm's objectives specifically **indicate the direction in which the resources of the organization should be pointed.**
- ✓ They must be defined so as to serve as a measure of **success or failure**  
therefore, the importance of objectives are :
  - (a) Set direction,**
  - (b) Provide performance targets,**
  - (c) to keep the decisions that we made.**

- ✓ Objectives should answer a number of fundamental questions about the ***farm's future growth and development***. For example:

***A/ what is the economic mission of the farm?***

***B/ what kind of business should the farm be in?***

***C/ what goods and services should be sold?***

***D/ what markets should be served?***

***E/ what share of the market is desired?***

***F/ what are the profit objectives?***

***G/ The rate of growth are required in sales, profits, assets, and values of equity capital investment.***

- ✓ **Objectives**, therefore ***establish a direction*** in which the management of the farm wishes to be heading.
- ✓ The attainment of the objectives should be measurable in some way and ideally people should be motivated by them.

#### 4/ developing functional plans and budgeting

✓ Functional plans include *market, production, people and finance plan*. To develop the functional plans we have to follow the following steps:

*a/Resource inventory*

*b/Identifying enterprises and resource requirements*

*c/Budgeting*

*d/ Developing plan*

#### 5/ implementing the plan:

✓ select a plan and *put it into operation*.

➤ Once the *planning process is completed* the *best alternative must be selected* and *action taken to place the plan in to operation*.

• The selected plan should be implemented with all the efforts *to meet the expected objective*.

• “””It is important to recognize that preparation and completion of the document itself is not the end of successful planning.”””

This requires the acquisition and organization of the necessary land, labor, machinery, livestock, and annual operating inputs.

- ✓ The **contents and intent** of the plan **should be understood and accepted by all employees on the farm.**
- ✓ **Clear responsibility and indexes** should be **assigned to specific person.**
- ✓ The **objective of the plan** should be **closely related with the benefits of each department and individual.**
- ✓ **An important part of the implementation** function is the **financing of the necessary resources.**
- ✓ Since **implementation can take time**, it must begin early enough that all required resources are available at the proper time.
- ✓ **Information system**, including **statistics system, technical testing system and accounting system**, should be set up to collect all necessary information for the farm management.

## 6/ Monitoring and adjusting

- ✓ The operation plan is **dynamic**. It **means** the implementation of farm plan can **be affected by the changes in natural, social and economic conditions**, which may not have predicted in your original plan.
- ✓ The plan should be **monitored and adjusted constantly**. It is important to recognize that preparation and completion of the document itself and then implementing of the plan is **not the end of successful business planning**.
- ✓ You now have the initial task of undertaking **follow-up exercise and making adjustment if there is any deviation from the original plan**.

# Characteristics of Good farm plan

- ✓ Should be written and **flexible**.
- ✓ Should provide the means for **efficient use of resources**.
- ✓ **Should have** **balanced combination of enterprises** that ensures;
  - **Production of food, cash and fodder crops.**
  - **Maintain soil fertility.**
  - **Increase in income.**
  - **Improve distribution of and use of labor, power and water requirement throughout the year.**
- ✓ **Avoid excessive risks.**
- ✓ **Utilize farmer's knowledge and experience**
- ✓ **Provide the means for efficient marketing.**
- ✓ **Provide the means of borrowing and repayment of credit.**
- ✓ **Provide means for the use of latest technology.**

✓ **Good farm plan** has been generated from **good farm manager** who has the following qualities :-

1. **Has clear and realistic objectives;**

To determine clear and realistic objectives, he/she need to ask his/her self

"**why?**" *Why do you want to increase cow milk production? Why to increase revenue?* To make **ends** meet.

The objective in this case is to **improve the business's financial situation**; increasing milk production is only the **means**.

2. **Wants to improve productivity;**

=>He/she determine unit costs and then find a way to decrease it.

◦ He/she increase productivity through various techniques.

3. **Considers the business's long-term survival a top priority**

=>**Calculate margin** of safety (the money left over after loan payments, presented in sales percentage) for each project. Is it 1, 3, 5 percent?

4. **Assessing risks accurately and maintaining farm in good way**, in case revenue is lower than expected? Are ways to ensure the business's success.

### **5. Has an overall, rather than specific, vision of the business**

he/she have intimate knowledge of all the aspects of the business; **from production costs, employee satisfaction and engagement levels to eco-friendly measures and improvement the herd's health.**

### **6. Meets consumer needs**

Are you keeping up on market trends? Do you have a collective marketing agreement? Keep your ear to the ground--your consumers are talking to you.

### **7. Always has a back-up plan**

having a back-up plan up your sleeve is another way to manage risks. Predict potential problems that could arise during a project, and find different solutions pre-emptively.

### **8. Can make difficult decisions**

When business is really bad, you need to make drastic changes. You may need to change a project that's in progress or even pull the plug to ensure your business's survival.

## 3.2 Farm Budgeting

- ✓ Farm budgeting is a method of analyzing plans for the use of agricultural resources at the command of the decision maker.
- ✓ It is a statement giving an estimate of all the farm **receipts (income) collected** & **expenses(costs)** to be incurred for the agricultural year.
- ✓ It is the **expression of a farm plan in monetary terms** by estimation of *receipts, expenses & net income of a farm or a particular enterprise.*
- ✓ Budgeting is a **very simple & straight forward exercise**, w/c can be used to:
  - *select the most profitable plan among a number of alternatives &*
  - *test the profitability of any proposed change (possible adjustment) in plan.*
- ✓ Basically, budgeting involves two steps:
  - *Preparation of description & specification of the proposed plans (i.e. all activities, inputs & outputs).*
  - *Estimation of the expected costs & returns.*

# Types of Budgeting

- There are 3 basic types of budgeting:

*1. partial budgeting,*

*2. Enterprise budgeting*

*3. Whole farm (or complete) budgeting.*

## 1. Partial Budgeting

- ✓ It is an estimate of the *profitability* of the farm resulting from **a small change or possible adjustment** in the part of farm plan.
- ✓ It considers **only those items** of income & expenses w/c are **affected** (changed) by the proposed adjustment in the plan.
- ✓ Those income & expenses that are **unaffected** by the proposed change are **excluded** from the calculation.
- ✓ A partial budgeting can be compiled **more quickly & easily** than the other types of budgeting since
  - *it is only concerned with those costs & returns that are to be changed.*

✓ A partial budget usually prepared to ascertain the effect on the net benefit of the farm *due to small change in the farm plan such as:*

- ✓ *Substituting one enterprise for another without any change in the entire farm land area.* Example substituting 1ha of sorghum for 1 ha of maize.
- ✓ *Changing in different level of a single technology.* Example estimating the change on the net benefit of changing from one level of nitrogen fertilizer application to another in maize production.
- ✓ *Changing to different technology (ies).* Example changing from hand weeding to herbicide use for weed control.

The format used to compute partial budgeting.

| Gain                                                                                  | Cost                                                                                     |
|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| <i>a. Additional income</i><br><i>b. Reduced expense</i><br><i>c. Total gain(a+b)</i> | <i>d. Reduced income</i><br><i>e. Additional expense</i><br><i>f. Total expense(d+e)</i> |
| <i>Net change/net gain/ profit (c-f)</i>                                              |                                                                                          |

- **Additional income:** - those incomes that would occur with the *proposed plan but would not result from using the base plan*.
- **Reduced expense:** - those *savings in expenses*. It is the expense of the base plan that will no longer be incurred with the alternative plan.

- **Reduced income:** - those return of the base plan that will no longer be received after the change has been made.
- **Additional expenses:** - those expenses of the proposed plan that are not part of the base plan.
- **Net change:** - indicates the profitability of the proposed plan.
- If the difference is *positive* the **proposed** plan is *more profitable than the base plan*.
- If the difference is *negative* the **base plan** is *more profitable than* the **proposed plan**.

- **Example:** a farmer has observed that the expected **wheat** price for the coming year appears to be somewhat more favorable than the projected **maize** price. Based on this information, the farmer is considering **decreasing his maize** production by **40ha** & **increases his wheat** production by the **same** amount. Additional information:
  - the farmer can produce **14Q** of **wheat** & **18Q** of **maize** per ha.
  - The farmer needs to use **3Q** of **wheat** & **5Q** of **maize** seed per ha.
  - The farmer needs to hire **41** & **47** hours of labor per ha for **wheat** & **maize** respectively.
  - The **price** of **wheat** & **maize** per quintal is birr **170** & birr **140** respectively.
  - The **cost** of **wheat seed** & **maize seed** per quintal is birr **182.2** & **146.8** respectively.
  - The **cost** of labor per hour is birr **4.25** for wheat & maize production.Determine the profitability of the proposed plan.

• **Solution:**

| Gain                                                                                                                                                                                                                                                                                                    | Cost                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>a. Additional income</b><br/>(increased wheat income)<br/>14qt/ha*170Br/qt*40ha=<b>95,200Br</b></p> <p><b>b. Reduced expense</b><br/>(reduced maize cost)<br/>5qt/ha*146.8Br/qt*40ha=<b>29,360Br</b><br/>47hr/ha*4.25Br/hr*40ha=<b>7,990Br</b></p> <p><b>c. Total gain (a + b)=Br 132,550</b></p> | <p><b>d. Reduced income</b><br/>(loss of maize income)<br/>18qt/ha*140Br/qt*40ha=<b>100,800Br</b></p> <p><b>e. Additional expense</b><br/>(additional wheat cost)<br/>3qt/ha*182.2Br/qt*40ha=<b>21,864Br</b><br/>41hr/ha*4.25Br/hr*40ha=<b>6,970Br</b></p> <p><b>f. Total expense (d + e) =</b><br/><b>Br129,634</b></p> |
| <p><b>Net gain (c-f)=13,2550-129,634=Br 2,916</b></p>                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                          |

# Differences of partial budgeting from other techniques

- ✓ In *partial* budgeting *one or more* enterprises might be considered while *enterprise* budget is prepared for a *single* enterprise.
- ✓ *Partial* budgeting is used to examine the *profitability of possible adjustment* in the farm plan while the *whole farm* budget estimates the *profitability of the entire* farm plan.
- ✓ In partial budgeting, the items of income & expenses that *will not change* are *ignored* but in the enterprise & complete budgeting the total values are included.
- ✓ Partial budgeting is relatively **simple & more applicable**.

## 2. Enterprise Budgeting

- ✓ **Enterprise** is defined as a **single** crop or livestock commodity being produced on a farm.
- ✓ Most farms consist of a combination of several enterprises.
- ✓ **An enterprise budgeting** is a listing of estimated income & expenses associated with a ***specific enterprise*** to provide an estimate of its profitability.
- ✓ Each enterprise budget is developed ***on the bases of a small common unit*** such as one hectare for crops or one head for livestock, which permit easier comparison of the profit for alternative & competing enterprises.
- ✓ The primary purpose of an enterprise budgeting is to aid ***in selection of inputs & enterprises consistent with the resources available.***

- ✓ It also aid to *select combination(s) of enterprises that will increase income from the farm business* so that it can be included in the whole farm plan.
- ✓ Several kinds of data are necessary for budgeting, which includes:
  - *Physical input data(both variable & fixed inputs)*
  - *Field output data (both main products & by-products)*
  - *Price data for all inputs & outputs*

### **Steps in enterprise budgeting**

1. Estimate the total production & the expected output prices.
2. Calculate the variable costs
3. Calculate fixed costs

### **Format used to construct an Enterprise Budget**

- Although, no single organization or structure is used by everyone, enterprise budgets contain three parts: income, variable/operating costs and fixed costs

| No. | Item                                                                                                                                                                                                               | Unit                                                            | Quantity | Unit Price | Value/Ha |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------|------------|----------|
| 1   | <b>Income/revenue</b><br>Main product-----<br>By-product-----<br><b>Total revenue</b> ----                                                                                                                         | <br>Qt<br>Qt<br>Birr                                            |          |            |          |
| 2   | <b>Variable costs</b><br>Seed/feed-----<br>Fertilizer/chemical---<br>Machinery expense<br>• fuel, oil-----<br>• repair -----<br>Labor-----Others ----<br><b>Total variable costs</b> -----<br>Gross margin(1-2)--- | <br>Qt<br>Kg/Lt<br>Birr<br>Birr<br>Birr<br>Birr<br>Birr<br>Birr |          |            |          |
| 3   | <b>Fixed costs</b><br>Depreciation on:<br>• machineries-----<br>• buildings-----<br>Interest on investment---<br>Tax and insurance-----<br>Land charge-----<br><b>Total fixed cost</b> -----                       | <br>Birr<br>Birr<br>Birr<br>Birr<br>Birr<br>Birr                |          |            |          |
| 4   | <b>Total cost(2+3)-----</b>                                                                                                                                                                                        | Birr                                                            |          |            |          |
| 5   | <b>Estimated profit(1-4)----</b>                                                                                                                                                                                   | Birr                                                            |          |            |          |

## Break-even Analysis

- ✓ An enterprise budget can be used to perform a break even analysis for either price or yield or both.
- ✓ *Break even analysis* is needed when, for example, there is a great uncertainty about the level of yield to be expected from a crop to be produced which has no previously been grown.
- ✓ In this case, the ordinary partial budgeting can not be used, rather break budgeting can be employed to estimate the yield required to provide an exact balance of changes in cost and revenue, so that the farmer is neither better nor worse off.
- ✓ **Break-even yield**-is the *yield which is necessary to just cover all costs at a given output price.*

$$\text{Break-even yield} = \frac{\text{Total Cost}}{\text{Output Price}}$$

- **Break-even price**-is the price necessary to cover all costs at a given yield level.

$$\text{Break-even price} = \frac{\text{Total Cost}}{\text{Expected Yield}}$$

- Example: an enterprise budget for sorghum production shows a yield of 20 quintal per hectare, a selling price of 5 birr per kg and total cost of birr 5000 per hectare.

$$\text{Break-even yield} = \frac{5000 \text{ birr/ha}}{5 \text{ birr/kg}} = 1000 \text{ kg/ha} = 10 \text{ qt/ha}$$

$$\text{Break-even price} = \frac{5000 \text{ birr/ha}}{20 \text{ qt/ha}} = 250 \text{ birr/qt}$$

### 3. Complete Budgeting /whole farm budget

- ✓ *The whole farm budgeting* is a summary of the expected income, expenses and profit for a given farm.
- ✓ It considers the cost and returns of *all the crop and livestock enterprises* in order to derive the *net return of the whole farm*.
- ✓ *It is just the horizontal sum of enterprise budgets.*

#### Steps in complete budgeting

- ✓ *Preparing a plan* that includes the area of *each crop, the number of each class of livestock and the production methods*.
- ✓ The proposed plan is based on:-
  - ✓ *Subjective judgment,*
  - ✓ *Experience and*
  - ✓ *Intuition coupled with technical considerations.*

- ✓ For example, an agronomist may have suggested a new crop rotation or a livestock specialist may have suggested the introduction of a goat enterprise.
- ✓ Thus, several alternative plans may be prepared.
- ✓ Budgeting the expected costs, including common costs, and returns to financially evaluate each plan, and find which is the best in terms of expected net farm income.

# The format used in computing complete budgeting

| No. | Items/Descriptions                                                                                                                                                                                                                           | Total values                                             |                        |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|------------------------|
| 1   | <b>Income / revenue</b><br><b>Wheat -----</b><br><b>Dairy -----</b><br><b>Cotton-----</b><br><b>Total income -----</b>                                                                                                                       | <b>x</b><br><b>x</b><br><b>x</b>                         | <b>xx</b>              |
| 2   | <b>Variable costs</b><br><b>Seed/feed-----</b><br><b>Fertilizer/chemical-----</b><br><b>Fuel, oil, repair-----</b><br><b>Labor -----</b><br><b>Others costs -----</b><br><b>Total variable expenses----</b><br><b>Gross margin(1-2)-----</b> | <b>x</b><br><b>x</b><br><b>x</b><br><b>x</b><br><b>x</b> | <b>xx</b><br><b>xx</b> |
| 3   | <b>Fixed expenses</b><br><b>Property taxes &amp; insurance-----</b><br><b>Interest on debt-----</b><br><b>Depreciation costs-----</b><br><b>Others -----</b><br><b>Total fixed expenses -----</b>                                            | <b>x</b><br><b>x</b><br><b>x</b><br><b>X</b>             | <b>xx</b>              |
| 4   | <b>Total expense (2+3)-----</b>                                                                                                                                                                                                              |                                                          | <b>xx</b>              |
| 5   | <b>Net farm income (1-4)-----</b>                                                                                                                                                                                                            |                                                          | <b>xx</b>              |

| No. | Description                    |       |               |
|-----|--------------------------------|-------|---------------|
| 1   | Income                         |       |               |
|     | Cotton                         | 54000 |               |
|     | Milo                           | 43000 |               |
|     | Wheat                          | 13500 |               |
|     | Stocker steers                 | 40000 |               |
|     | <b>Total income</b>            |       | <b>150000</b> |
| 2   | Variable expenses              |       |               |
|     | Fertilizer                     | 11900 |               |
|     | Seed                           | 3600  |               |
|     | Chemical                       | 7900  |               |
|     | Fuel, oil, Greases             | 4050  |               |
|     | Machinery repair               | 2650  |               |
|     | Feed purchase                  | 1600  |               |
|     | Feeder livestock purchase      | 29000 |               |
|     | Custom machine hire            | 10250 |               |
|     | Operating interest             | 7340  |               |
|     | Miscellaneous                  | 2450  |               |
|     | <b>Total variable expenses</b> |       | <b>80740</b>  |
|     | Gross margin (1-2)             |       | 69760         |
| 3   | Fixed expenses                 |       |               |
|     | Property taxes                 | 2600  |               |
|     | Interest on debt               | 22000 |               |
|     | Insurances                     | 1250  |               |
|     | Machinery depreciation         | 7200  |               |
|     | Building depreciation          | 3200  |               |
|     | Other fixed costs              | 3000  |               |
|     | <b>Total fixed expenses</b>    |       | <b>39250</b>  |
| 4   | <b>Total expense (2+3)</b>     |       | <b>119990</b> |
| 5   | <b>Net farm income (1-4)</b>   |       | <b>30510</b>  |

## Uses of complete budgeting

- ✓ In addition to providing an estimate of net farm income, a whole farm budgeting has several potential uses such as:
  - ✓ It provides a ***basis for comparing alternative plans for profitability.*** This can be particularly ***useful when planning for growth and expansion.***
  - ✓ The cash expenses in the whole farm budgeting ***provide an estimate of the operating capital the business will need*** during the year.
  - ✓ A detailed whole farm budget showing the estimated profit can be ***used to help establish credit and borrow the necessary operating capital.***
  - ✓ The worksheets used to prepare the budget ***contain estimates of total input requirements.*** Orders for inputs such as ***fertilizer, seed, chemicals, and feed can be placed using this information.***

- 
- ✓ It is often used in situations where *it is realized that the proposed adjustments in the business will have an impact on several aspects of the business operations* because of *the interrelationships that exist between different enterprises.*
  - ✓ It is useful for someone who is planning to enter in to farming business *to have an idea of the profitability of the particular farm.*
  - ✓ For a farmer who is planning *to reorganize his farm or switch entirely to new forms of farming organization* may find complete budgeting useful to estimate the net return or profit of the business.