

## Module 12 Exercise

A partial budget allows you to analyze a portion of your farm to determine if minor adjustments should be made. Partial budgets allow you to compare two alternatives side-by-side.

- Some questions partial budgets can help answer:
  - Should the farm add an enterprise?
  - Should we change our product mix or production practices?
  - Should we purchase a piece of machinery or custom hire it done?
  - Should we change our marketing outlet(s)?
  - Should we purchase transplants or grow them from seed?
  - Etc.

Seven components to a partial budget:

1. Increased revenue
2. Reduced cost
3. Reduced revenue
4. Increased cost
5. Total positive effects
6. Total negative effects
7. Net change

\*\*see examples on pages 162-165 in the Fearless Farm Finances book\*\*

Your turn:

- Pick a decision you are asking yourself on your farm, to perform a partial budget for.
- List all the positive effects and negative effects like shown in the module or in the book
- When comparing your two alternatives remember the decision you are going to make is only as good as the numbers you used, use a range.
- Remember that the alternatives you compared may not be the best alternatives for your farm, continue comparing until you are comfortable with all the options you ran.
- Partial budgets only look at the money involved, what other factors contribute to your decision?(quality of life, goals, environment, safety, etc.)