

FARM BUSINESS FACT SHEET



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Simple and effective business planning

Using the 'now, where and how' process can help create simple and effective strategic plans for your grain-growing business. Strategic planning focuses on establishing goals and actions to ensure farming businesses develop and prosper.

Key points

- A business plan should outline where you are now, where you want to go and how you are going to get there.
- Business planning provides a process for putting your vision for the business into writing and action.
- A SWOT analysis is a great tool for analysing your business and determining goals and actions.
- Your business plan will be effective and useful if you document the actions required to achieve your goal and overall vision.



Growers generally have a vision of where they want to take their farm business. This vision is often in their head and is not necessarily shared with or verbalised with family members or other business partners. Investing time in business planning can return efficiencies, harness energy and align resources to achieve business and personal goals.

To thrive in today's farming environment a business planning process can provide an edge.

FIVE REASONS YOU NEED A BUSINESS PLAN:

- 1** To get plans out of your head, down on paper and shared with others in your business.
- 2** To learn more about why you do what you do and determine what you want to achieve.
- 3** To unearth unexpected opportunities and anticipate problems.
- 4** As a key resource to monitor progress and brief banks and other external advisers.
- 5** To be proactive rather than reactive.

“WE ALSO NEED A CLEAR POINT OF VIEW ABOUT WHERE WE ARE GOING – A VISION ABOUT WHERE WE WANT TO BE TOMORROW AND ABOUT WHICH DIRECTION TO TAKE TODAY IN ORDER TO GET THERE SUCCESSFULLY. OTHERWISE WE MAY FIND OURSELVES DRIVING AIMLESSLY INTO THE FUTURE – MISSING OPPORTUNITIES AND STUMBLING INTO CRISES – WHILE OTHERS ARE RACING AHEAD AND TAKE CHARGE OF THEIR DESTINIES.”

– CHARLES HANDY

A common misconception is that a business plan locks you in to a certain path. In reality, the business planning process can open up opportunities, strategies and directions that would not otherwise be unearthed. It should be like a map to show where you and the business are going, how you plan to get there and what resources are required along the way.

It is important that your plan contains critical facts and strategies to help you and your business recognise limitations or barriers and overcome them to achieve

your goals. Your business plan will then be a useful document, rather than one that is filed away and never looked at again.

Established grain-growing businesses should review and update their business plan regularly to provide strategic direction for achieving goals. A farm business plan is a continual work-in-progress. It can be a resource for when your business expands, as you move into new areas of farming, as part of succession planning and so on.

While it is easy to get caught up in the day-to-day operational activities on the farm, the business plan should be used to help make decisions at a strategic and tactical level.

Everyone involved in managing the farm needs to understand where the farm is going, how it plans to get there and the potential problems or opportunities it might face.

Strategic, tactical and operational decisions

Business planning, like decision-making, can take place at a strategic, tactical or operational level, (Figure 1). When completing the different areas of your business plan, focus on strategic and tactical levels.

STRATEGIC

Strategic plans should be reviewed annually. They are more likely to be complex and require external information or advice. Strategic plans provide purpose and direction for the long-term future; for example, what scale business do we need to run? How will we resource the business through generational change? What do we need to do to remain profitable in the future?

The tools in this Fact Sheet focus on the strategic aspects of a business plan.

TACTICAL

Tactical plans should be reviewed seasonally. They are the choices and decisions that need to be made in the medium term to achieve the vision. For example, will we purchase another truck? What crops will be sown? What varieties will we use to manage risk? How will we market this year's grain?

It can be useful to review and analyse existing production and financial records to help make tactical decisions, such as crop yield, quality, area and so on.

OPERATIONAL

Operational plans are reviewed regularly throughout the year and day-to-day. They make sure that the farming system is efficient and productive, and relate to the everyday business practices you decide to use. For example, which truck will be used for a particular job? Who will sow the crop?

The business plan

Essentially the business planning process focuses on 'the now, where and how' (Figure 2).

What is the current status of your farm business, what plans do you have for the future and what are your options for getting there? Think about the various aspects of your business and answer the following questions:

- What is happening **now**?
- **Where** do you want to go?
- **How** will you get there?

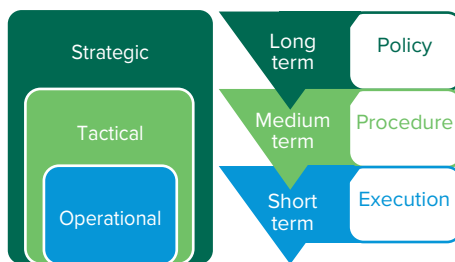
NOW

"ARE WE DOING THINGS RIGHT, OR ARE WE DOING THE RIGHT THINGS?"

– PETER DRUCKER

This section makes an assessment of the current situation – where your business is now. Once you have established where

FIGURE 1 Plans need to be made at a strategic, tactical and operational level.



you are currently, you can start making plans about where you want to head in the future.

Documenting and understanding the current situation of your grain-growing business can include comparison of key financial, viability and productivity benchmarks and ratios. This can include data from a whole-farm level down to specific enterprise details depending on the planning level. Some assessment of external factors such as terms of trade, markets and industry restrictions can help complete the picture.

TIP: Remember that existing farm records can be a valuable resource to help establish the current situation ('the now'). For example, assets and liabilities statements, enterprise gross margin analysis and production targets.

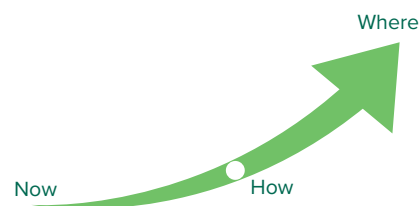
An effective way to assess the external and internal environments is by completing a SWOT analysis, looking at the strengths, weaknesses, opportunities and threats.

SWOT ANALYSIS

A SWOT analysis is a simple and effective tool to analyse your farm business in its current state and identify relevant areas for action. It can be used to set goals or actions, make decisions and evaluate new enterprise ideas, capital expenditure and expansion options. A SWOT analysis may also help you identify aspects of your business to focus on, or it may highlight areas that you have overlooked.

Using the template in Figure 3 (page 3), identify the strengths, weaknesses, opportunities and threats that relate to your farm business. Then think about strategies that can be used to either capitalise on or overcome these factors. For example, determine a strategy that uses your strengths to address potential opportunities.

FIGURE 2 A simple and effective business planning framework.



WHERE

This section looks at where you want to take the business in the next few years, and asks, 'What do you want the business to look like in the future?' It involves preparing a vision for the future of your farm, defining the purpose of your business and establishing specific goals to help you achieve your overall objective.

VISION

A vision describes what you ultimately want to achieve and describes a picture of where you want to be in the future. Your vision should contain reference to the circumstances in which you wish to work and how you would choose to live, and can be captured in a few dot points.

Answer the question, 'Where do we aim to be?'

TIP: If you have a vision, you can clearly define some long-term goals for achieving that vision.

DEFINING THE PURPOSE

A purpose statement defines what the business needs to do to achieve the vision, and establishes a common sense of purpose. To do this, you need to identify what products, enterprises or services your farm provides. Keep it short and simple; a few sentences about who you are and what you do is sufficient.

Answer the questions:

- What do we do?
- What makes us different?

ESTABLISH GOALS

Goals are about how you are going to achieve your vision. Develop a list of goals that help support the overall objectives and vision of your farm business. A short list of achievable goals is best. Each goal should also meet the 'SMART' rule and be specific, measurable, achievable, relevant and time-bound, (Figure 4).

TIP: Setting goals should lead into action planning – 'the how'.

SWOT analysis: the key factors

INTERNAL FACTORS

These are factors that you have the ability to control.

Strengths: characteristics of the farm business that give it an advantage over others.

- What advantage do we have over similar operations?
- What management strengths do we have?
- What are the strengths of our employees?
- What makes our farm business unique?

Weaknesses: characteristics that place the business at a disadvantage relative to others.

- What is our disadvantage compared to similar operations?
- What are our management limitations?
- What would we like to change about our business?

EXTERNAL FACTORS

These are factors that you can't control, but can manage.

Opportunities: elements that the business can exploit to its advantage.

- What is happening in the market that could benefit our business?
- What is happening in government that could benefit our business?
- What is happening locally that could benefit our business?
- What technology could benefit our business?

Threats: elements in the environment that could cause trouble for the business.

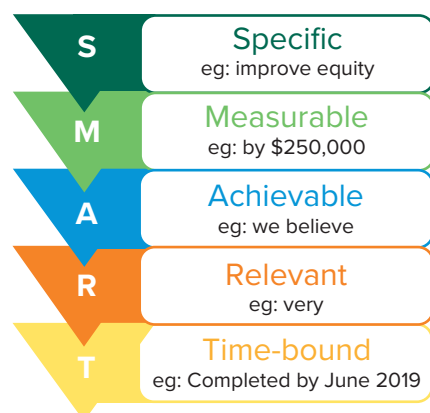
- What is happening in the market that could threaten our business?
- What is happening in government that could threaten our business?
- What is happening locally that could threaten our business?
- What technology could threaten our business?

FIGURE 3 An example of a SWOT analysis with actions.

		INTERNAL	
		Strengths <ul style="list-style-type: none"> ■ Broad range of skills and networks ■ Work well as a team ■ Scale 	Weaknesses <ul style="list-style-type: none"> ■ Some land is not capable of sustaining productive cropping ■ No on-farm storage facilities ■ High labour cost to income indicator
EXTERNAL	Opportunities <ul style="list-style-type: none"> ■ Oaten hay ■ Sheep stud ■ Develop marketing networks 	How do we use our strengths to take advantage of the opportunities? Use our broad skills and network to establish an oaten hay enterprise.	How do we overcome weaknesses to take advantage of opportunities? Develop livestock enterprise/sheep stud to use land that is unsuitable for cropping.
	Threats <ul style="list-style-type: none"> ■ Not enough lifestyle balance ■ Grain price volatility ■ Inheritance unresolved 	How do we use our strengths to reduce the likelihood and impact of threats? Use our teamwork to ensure workloads are shared and holidays taken.	How do we address weaknesses to reduce threats? Develop on-farm storage to address grain price volatility.

SOURCE: ADAPTED FROM SMALL BUSINESS VICTORIA BUSINESS PLAN TEMPLATE

FIGURE 4 SMART goals.



It is important to recognise family dynamics at this point so that relevant goals are established, taking into account different personalities and objectives. What way do family members think and operate in the business? What motivates individual members and what are they trying to achieve? It is important to acknowledge that there are patterns of behaviour and helpful and hindering habits in all families.

It is critical that all members agree on the vision, purpose and goals of the business.

“EITHER WE TAKE HOLD OF THE FUTURE OR THE FUTURE WILL TAKE HOLD OF US.”

– DR PATRICK DIXON, FUTURIST

HOW

So how will you actually get to where you want to go? This section is designed to help you determine the actions for achieving your goals and overall vision. The actions should be practical, listing and allocating tasks to individual team members. It is also important to identify the resources required to accomplish the actions.

Common pitfalls include:

- attempting a very general action such as ‘get big or get out’ or ‘reduce our costs’;
- implementing an action that is not consistent with your vision;
- attempting to accomplish more than one or two actions often results in very little happening.

FREQUENTLY ASKED QUESTIONS

What else goes into a business plan?

There are many elements that can be included in a business plan. This Fact Sheet has covered the strategic aspects of the 'now, where and how'. You may also wish to include information and analysis of:

- industry background;
- products and services;
- marketing strategies;
- business structure and management;
- financial performance and statements;
- risk analysis and management;
- seasonal outlook and prospects;
- land ownership;
- machinery resources and replacement;
- succession;
- farming systems, crop types, area and productivity;
- cost management; and so on.

When should we review our business plan?

A farm business plan can be prepared for starting a new business or venture, such as establishing an oaten hay enterprise or a contracting operation. Existing business plans can also be reviewed as big picture situations change. For example, the ideal situation would be to incorporate succession planning into a business plan, however, sometimes a team member may leave the business to pursue other activities and so the plan needs to be reviewed.

A business plan should also be reviewed if you find yourselves questioning where you are heading or wondering how you are going to achieve your goals.

Why is strategic planning important?

Strategic planning communicates the vision, purpose and goals of the grain-growing business with everyone in the team. It provides direction, focus and a base to measure progress. When farming businesses set strategic goals and carry out the associated actions it builds strong teams, ensures effective use of resources and increases productivity.

The template in Table 1 (page 4) can be used to set and document goals with actions. You should evaluate how each action is going to help in achieving the specific goal.

Once you have established the required actions for each goal, it is critical to share the information with the rest of your team. Everyone should be clear on individual goals and associated actions, timelines and who is responsible for carrying out the tasks involved.

Compile a snapshot of each area to form your business plan.

Where you are at now – including a SWOT analysis.

Where you want to go – including your vision, mission and goals.

How you are going to get there – including your actions.

Check to make sure that your plan is effective and helps:

- set a clear direction for management and employees to follow;
- defines in measurable terms what is important for the farm;
- anticipates problems and taking steps to eliminate them;
- establishes a basis for evaluating management decisions; and
- provides a framework to allow quick responses to changing conditions.

ADDITIONAL RESOURCES

Farm Business Management Fact Sheet: Making effective business decisions www.grdc.com.au/GRDC-FS-MakingEffectiveBusinessDecisions

For other Fact Sheets and *Farming the Business Manual* go to, <https://grdc.com.au/resources-and-publications/all-publications/farm-business-management-manuals>

MORE INFORMATION

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