



Farm Business Update

Strategic Business Planning

11 September 2024

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Agknowledge® – CONNECTING AGRICULTURE

What is your 'strategy'?

- Strategy sets a direction for your family and business, and maps out how you'll get there.

What are we doing this for?

- Setting your strategy puts you in control of designing your future, and working out what you want to achieve from your efforts.

“Farming is so uncertain, what’s the point in making a plan?”

“My plans come unstuck every day when it all turns to custard!”

“I know where I’m heading, it’s all in my head!”

So why do we need a plan?

***When you don’t take time to set your direction,
others or events will set it for you!***

Strategic Business Planning

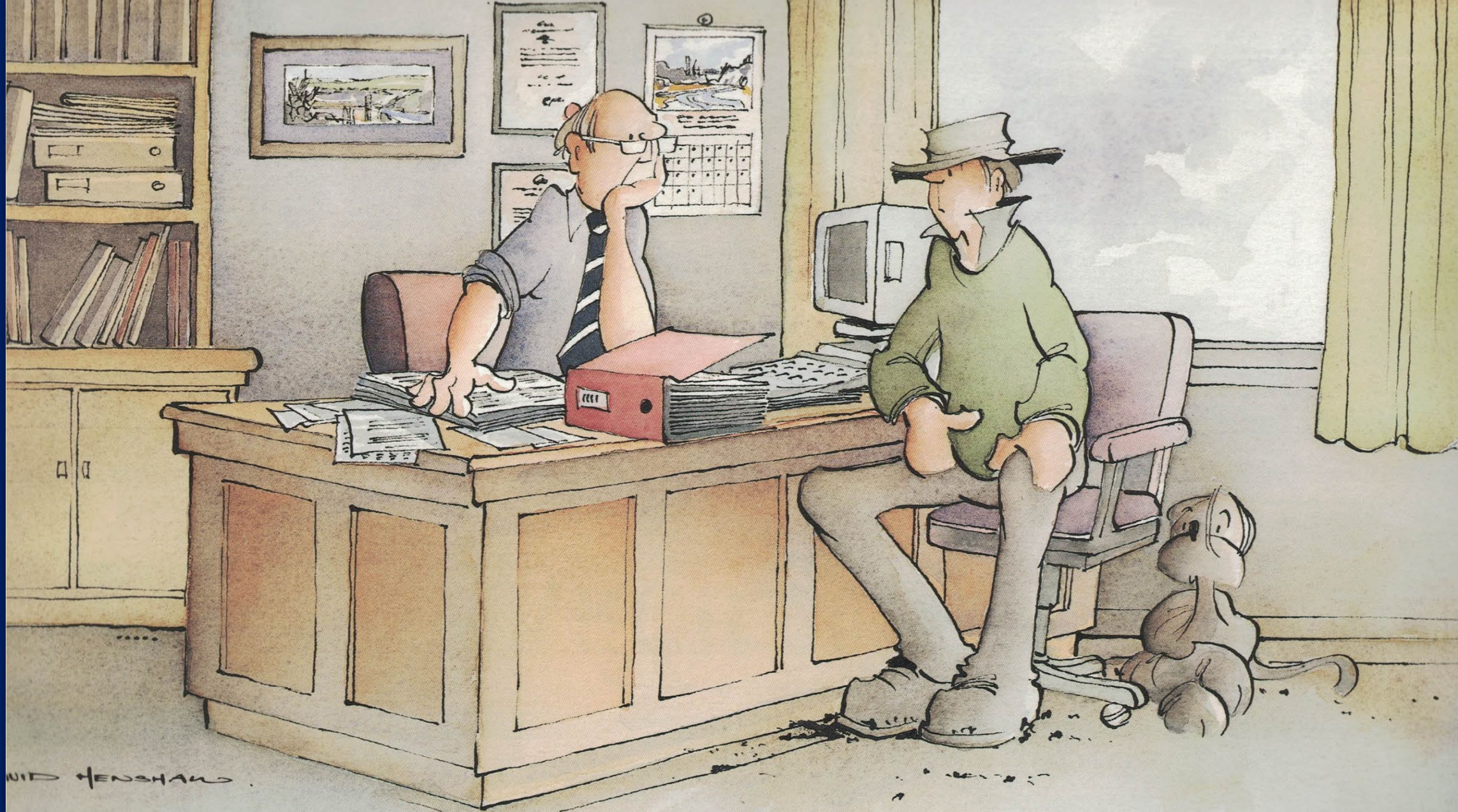
Strategic planning puts in place a framework to help you marshal and manage your resources to achieve your business vision.

- Why you exist (purpose)
- What you hope to become (vision)
- How you will accomplish your mission (strategies and tactics).

It describes how you will adapt and respond to the demands of the business environment, address complex problems, and deliver value.



- ✓ Done well, a strategic plan is about winning the hearts and minds of your family, employees and stakeholders: it helps to get everyone heading in the same direction.
- ✓ Strategic planning is a vital tool to guide decision making: 'bright ideas' can be tested against the plan to see how they fit and whether they will get you where you want to be.



*‘For some years you’ve been muddling along on the edge of a financial precipice...
but this year, mate, you’ve taken a great leap forward!’*

Strategic planning has 3 steps:

- 1. Where are we today?**
 - review your financials, capacity, people and resources.
- 2. Where do we want to be in future?**
 - what do we want to achieve (objectives/targets we can measure),
 - what does success look like, who will be part of the journey?
- 3. How will we get there?**
 - what do we need to do (actions/tactics), when do we need to do it,
 - who will be responsible for making stuff happen?

Where to start: a Strategic Planning Agenda

1. Business profile

- General review of the business - a description of the physical activities, enterprises, and resources. Include some history and ask your consultant, agronomist or accountant.
- Map your family and farm business structure/s.

2. Management team

- Complete a strategic **SWOT** session including people.
- Identify the '**values**' of the family farm – what is important: e.g. integrity, kindness, respect, financial security.

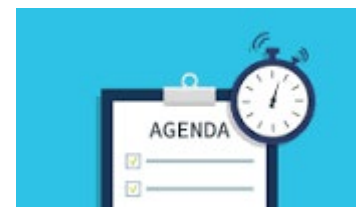
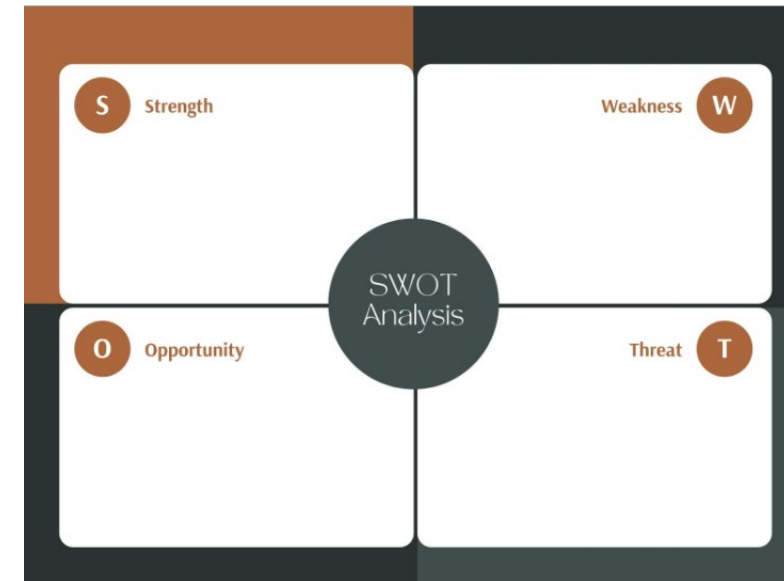
3. Develop the **vision** for what you want to become: be aspirational, concise and drive the overall direction of the operation.

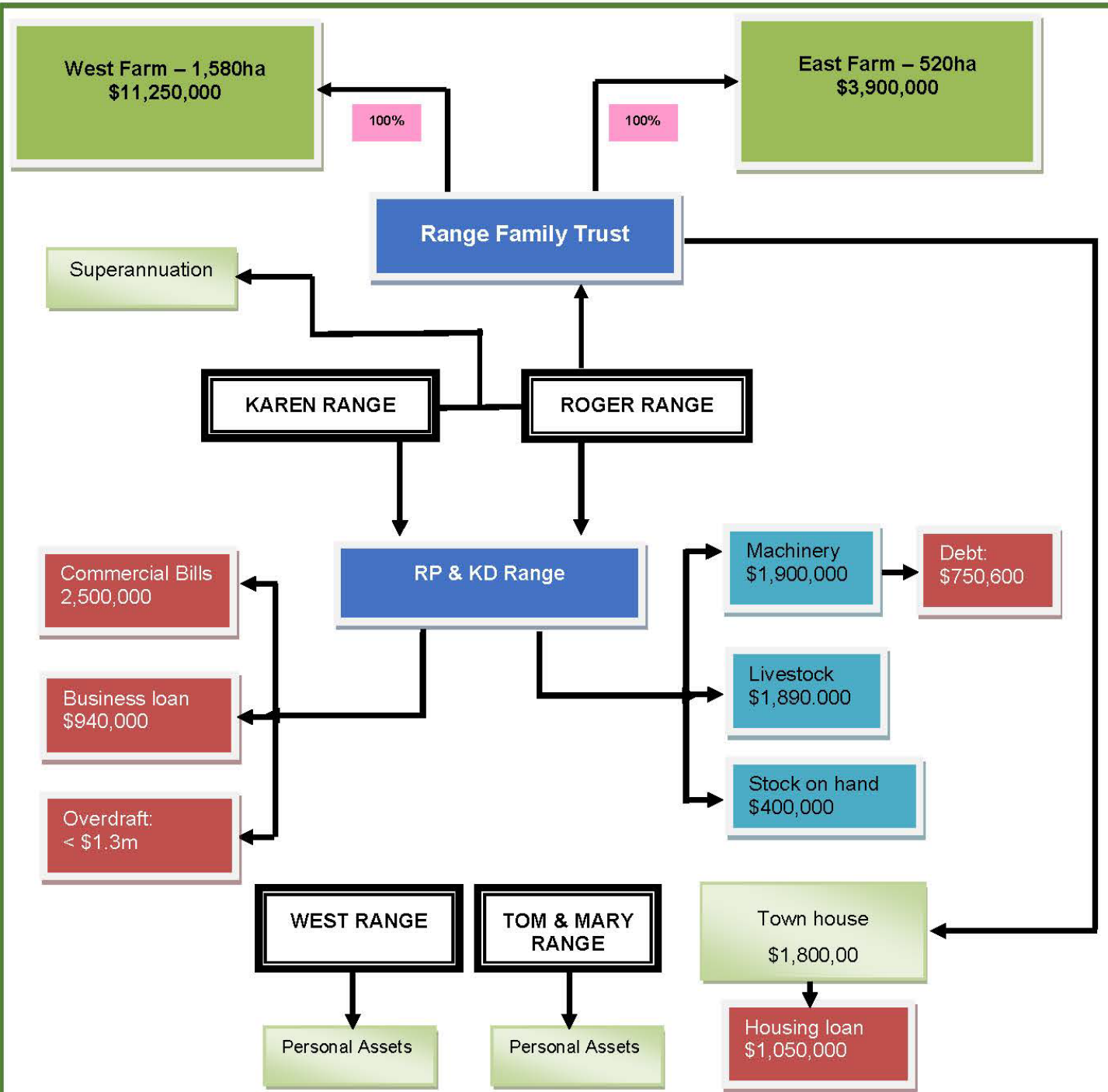
4. Review and develop your **business and family objectives**

(farm, productivity, equity, management, sustainability, lifestyle, family and environment).

5. Review and develop the **strategies**.

6. Identify **Tactics** or what you need to do to get your plan in action.



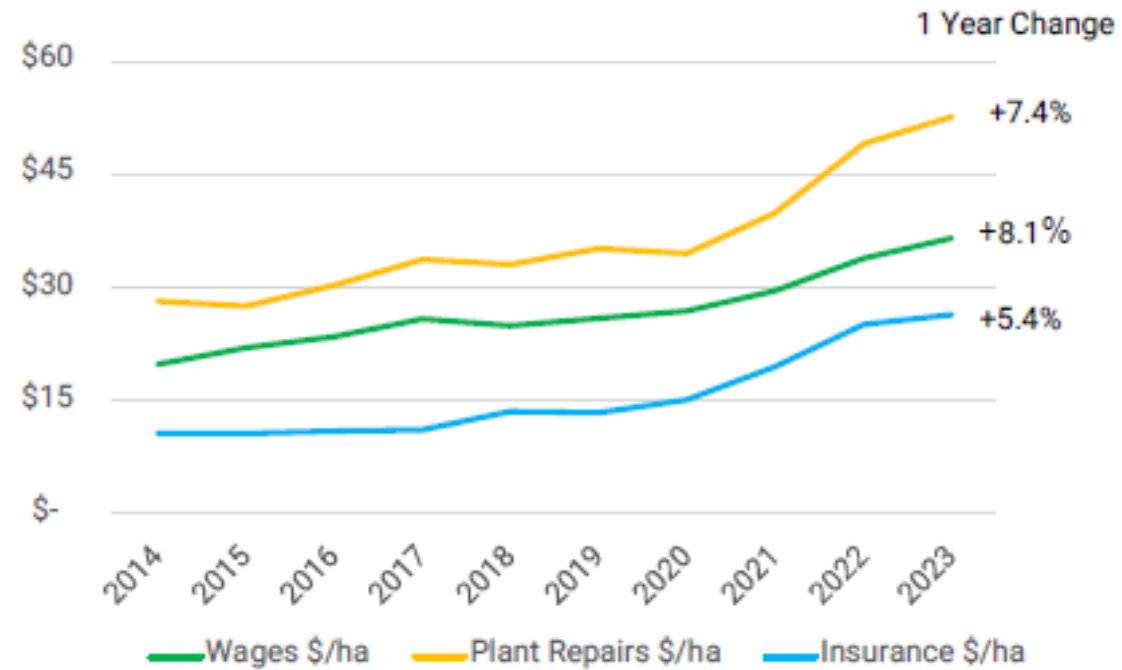
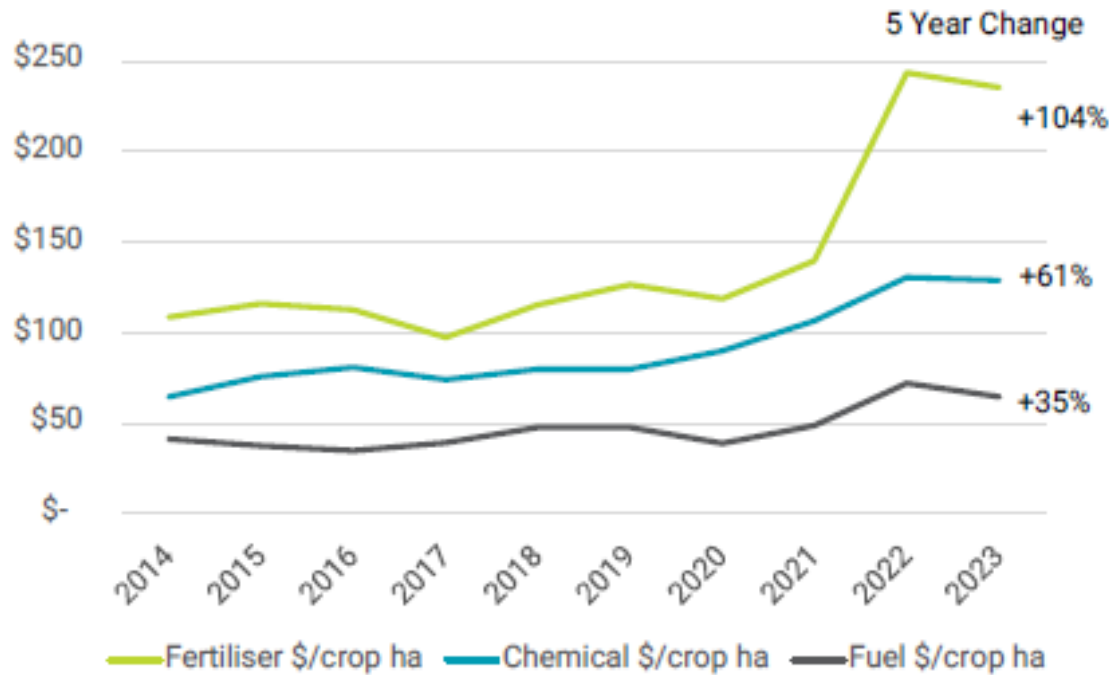


Family and Farm Business Structure

Builds a shared understanding for all the family of the existing structure, where assets and debt are held, and the key stakeholders involved.

ACTIVITY:
Draw your Business Structure and identify items to query.

Farm Operating Costs



Farm Capital Plan

| | Changeover costs | | | | | | | | | | Average per year |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Machinery | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | |
| Seeding tractor | | | | | | | | | \$500,000 | | |
| Airseeder & Bar | | | | | \$450,000 | | | | | | |
| Sprayer | | | | | | \$400,000 | | | | | |
| Working tractor | | | \$350,000 | | | | | \$400,000 | | | |
| Spreader TPL | \$80,000 | | | | | | \$90,000 | | | | |
| Header 1 | | \$650,000 | | | | | \$650,000 | | | | |
| Chaser bin | | | | | | | | | | \$150,000 | |
| Ute 1 | \$45,000 | | | | | \$50,000 | | | | | |
| Ute 2 | \$45,000 | | | | | \$50,000 | | | | | |
| Car 1 | | \$50,000 | | | | | | \$55,000 | | | |
| Car 2 | | \$50,000 | | | | | | \$55,000 | | | |
| TOTAL | \$170,000 | \$750,000 | \$350,000 | \$0 | \$450,000 | \$500,000 | \$850,000 | \$400,000 | \$500,000 | \$150,000 | \$412,000 |
| Infrastructure | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | |
| Fencing | \$60,000 | | | | | | \$60,000 | | | | |
| Chemical shed | | | \$250,000 | | | | | | | | |
| Machinery shed extension | | | | | | | | | | | |
| House renovations | | | | \$250,000 | | | | | | | |
| TOTAL | \$62,000 | \$0 | \$250,000 | \$250,000 | \$0 | \$0 | \$60,000 | \$0 | \$0 | \$0 | \$64,029 |
| Total Capital expenditure | \$232,024 | \$750,000 | \$600,000 | \$250,000 | \$450,000 | \$500,000 | \$910,000 | \$400,000 | \$500,000 | \$150,000 | \$474,202 |

| YIYO Budget | Total Farm | Av \$/ha |
|------------------------------------|------------------|--------------|
| Area (ha) | 4,000 | |
| Yield (t/ha) | | |
| Price (\$/t FIS) | | |
| Price (\$/t Farm gate) | | |
| ENTERPRISE INCOME | 4,071,459 | 1,018 |
| Variable Operating Expenses | | |
| Fertiliser | 762,538 | 191 |
| Lime | 66,000 | 17 |
| Chemicals | 593,750 | 148 |
| Fuel & Oil | 220,000 | 55 |
| Repairs & Maintenance | 140,000 | 35 |
| Seed & Treatments | 237,939 | 59 |
| Crop Insurance | 39,285 | 10 |
| Freight Grain & Fertiliser | 51,750 | 13 |
| TOTAL VARIABLE COSTS | 2,111,262 | 528 |
| INPUT MARGIN | 1,960,197 | 490 |
| Fixed Costs | | |
| Salaries | 200,000 | 50 |
| Overheads | 360,000 | 90 |
| TOTAL OPERATING COSTS | 2,671,262 | 668 |
| OPERATING SURPLUS | 1,400,197 | 350 |
| Cost to income | 66% | |
| Financing Seasonal | 91,488 | 23 |
| Core debt | | |
| Plant replacement | 412,000 | 103 |
| Improvements | 64,029 | 16 |
| Taxation | 166,536 | 42 |
| Personal | 245,000 | 61 |
| TOTAL NON-OPERATING COSTS | 979,053 | 335 |
| Total Costs | 3,650,315 | 913 |
| Net Margin | 421,144 | 105 |

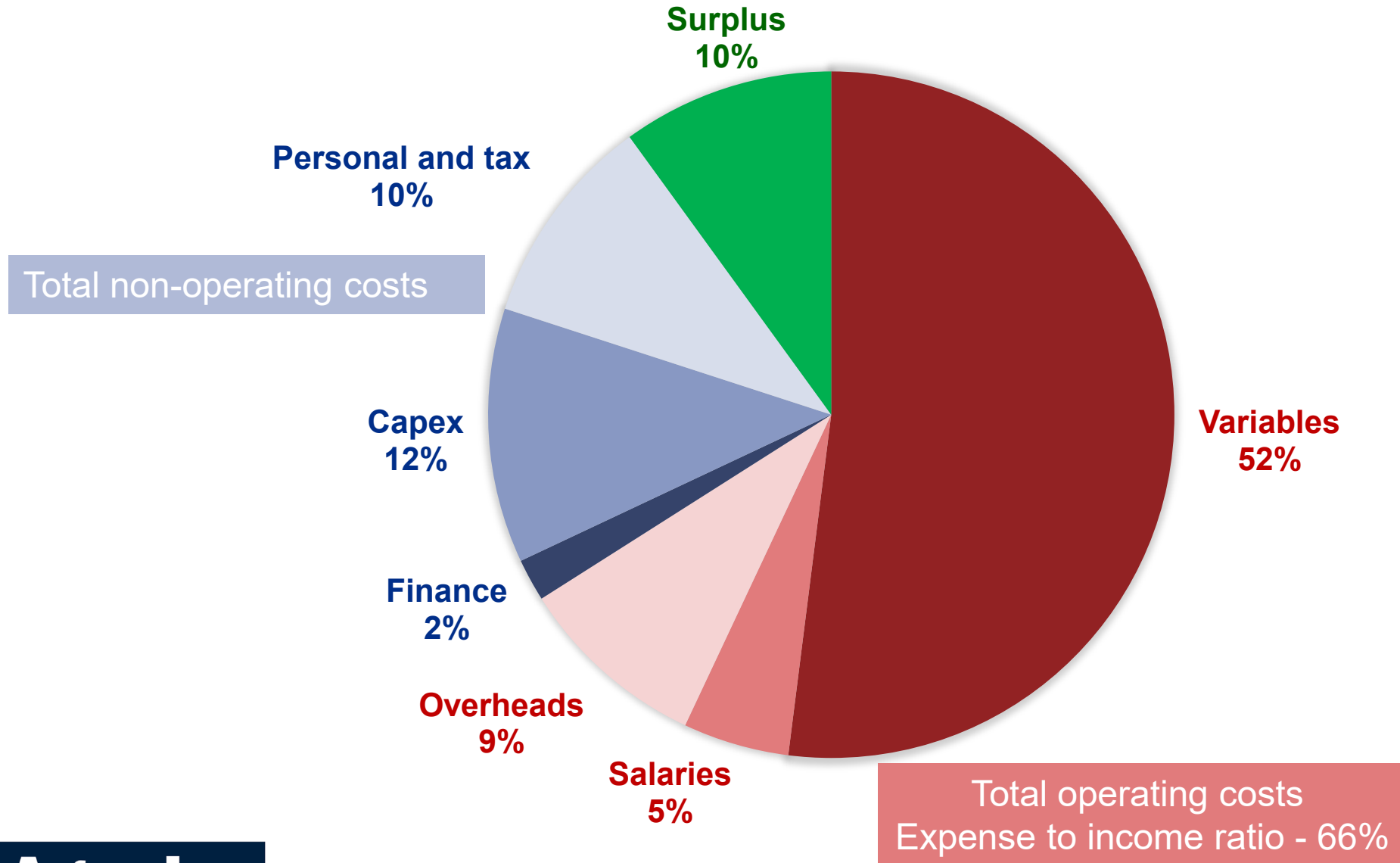
Year In Year Out Budget (YIYO)

Factual information will allow us to identify a YIYO budget going forward.

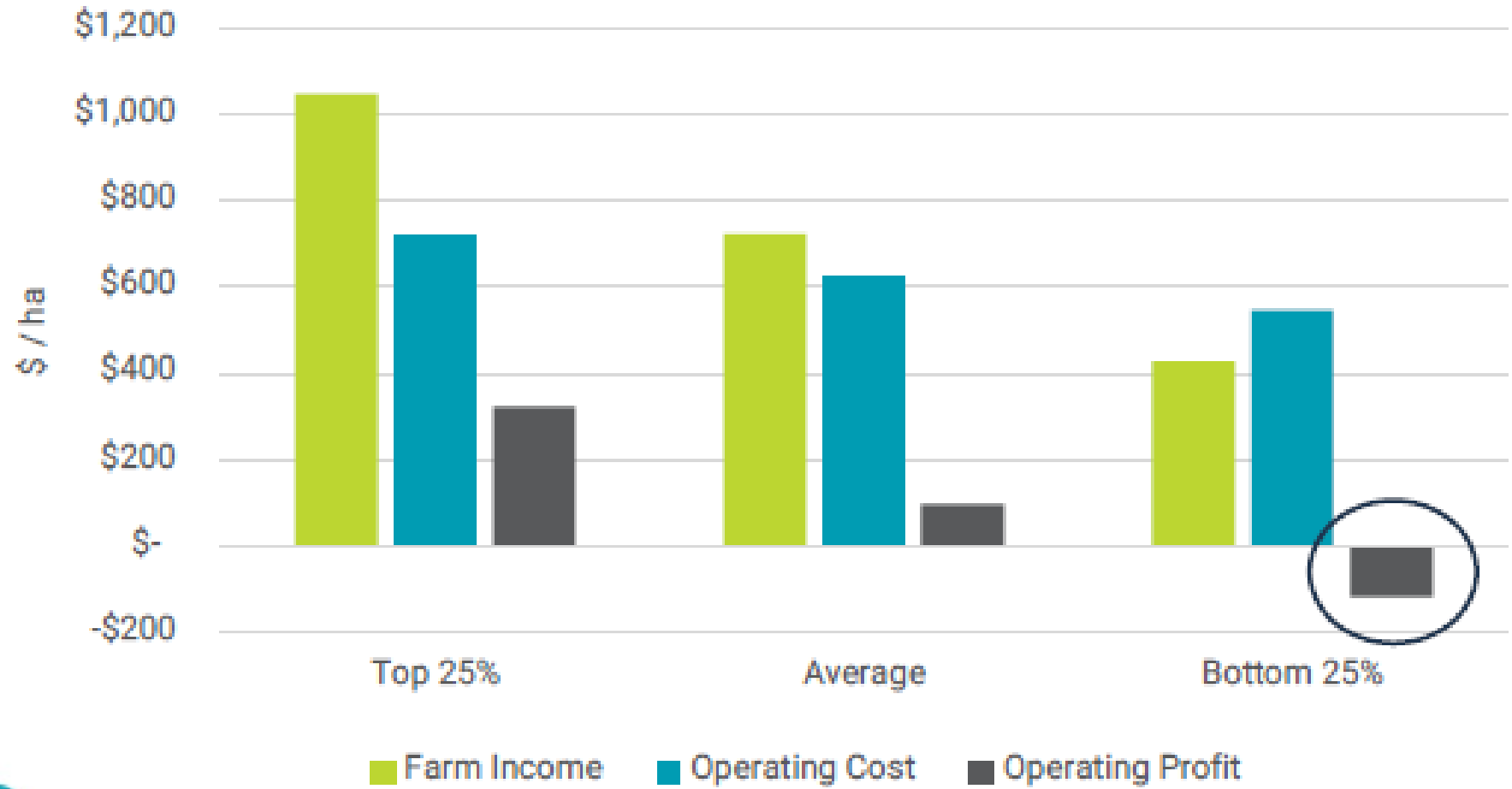
Removes emotion of the most recent season

**Operating Surplus
\$1,400,197**

Farm Costs as a % of \$4m income



Farm Income, Operating Expense and Operating Profit



Key Financial messages

- A financial plan is an essential component of a strategic plan.
- It should reflect short, medium and long term business and personal goals.
- Requires a sound understand the earning capacity, financial performance & variability of the farm operation.
- Provides an objective decision making tool for good financial decisions.



Set the overarching Objectives for your Plan



FARM BUSINESS OBJECTIVES

A key objective would be that the business is operationally sound and has capacity to transition.

- Should align with the business strategy - where the business is headed.
- Set measurable targets so progress can be reviewed (key ratios, benchmarks).
- May include a timeframe e.g. transition completed/financed within 10 years.



FAMILY OBJECTIVES

An objective may be that all family members working in the business are happy and achieving their personal goals.

- Security and independence for retiring generation is assured.
- Security for next generation to operate the business with certainty.
- Provision for non-farming family members and family wealth portfolio management.

SMART Goals

Specific

What do I want to accomplish?
Will achieving this goal have an important impact?

Measurable

The success toward meeting the goal can be measured.

Attainable

Goals are realistic and can be achieved in a specific amount of time and are reasonable

Relevant

A relevant goal will directly contribute to successful results.

Time Oriented

Be realistic and allow opportunities to make adjustments for relevance, specificity and achievability.



VISION

Growing our business, people, and skills to utilise the farm asset base to generate wealth and accommodate our preferred lifestyle.

OBJECTIVES

1. Position the business to be ready for further investment, growth, and review with a ten-year horizon.
2. Maintain an equity above xx% for the Family Business.
3. Lift productivity to achieve a profitable return of \$xxx per hectare.
4. Create equal opportunity and support for family members to participate in the family business.
5. Build up a fund of \$xx m of off farm investment, of which \$xx m will be in superannuation.

STRATEGIES

| | | | | |
|---|---|---|---|---|
| Manage the farm business to optimise the farm production. | Invest in people and developing our management. | Resource farmland asset and environmental management. | Sound governance drives business development. | The Advisory Board directs business growth. |
|---|---|---|---|---|

TACTICS

| | | | | |
|---|---|--|---|---|
| <ol style="list-style-type: none"> 1. Continually improve financial recording and analysis to establish performance benchmarks and improve decision making. 2. Determine the rotational mix and balance with livestock and land management priorities. 3. Conduct an independent review of the two enterprises to challenge our numbers and establish both internal and external benchmarking. 4. Be aware of and analyse to employ the new technologies and science to improve farm productivity. 5. Review machinery requirements / future investment / replacement vs maintenance / infrastructure investment schedule. 6. Set the marketing strategy. Invest in information sources and resources, with regular revision through the season against targets and timelines. 7. Share a calendar of key date trigger points, timing of key operations, with 'late break' and 'no spring' scenario plans. | <ol style="list-style-type: none"> 1. Develop an organisational structure that identifies skill levels and roles that will support future growth. 2. Write job descriptions for the role's directors are currently performing, and build the job descriptions for future manager positions to identify what and how these roles will evolve in the business. 3. Identify labour resource needs, and management of the operational team at seasonal peaks. 4. Implement an HRM plan including performance reviews, remuneration, development, roles and responsibilities. 5. Invest in developing people to make the best decisions. 6. Review OH&S across the operation, assess risk and plan to address these. 7. Plan for future housing needs of staff members. | <ol style="list-style-type: none"> 1. Review infrastructure for future investment to aid short and long term management needs. 2. Develop the farm plan with overlays for future infrastructure development, land management, livestock and crop needs. 3. Invest in secure water resources for livestock, crop and domestic. 4. Monitor sustainability issues (wind erosion, salinity, weed incursion) through soil monitoring, photography, weed mapping, analysis of production data. Use this to assist decision making. 5. Sustainability and regeneration of farmland is a constant investment. A focus for new land on the 3 year down and 3-year recovery cycle. 6. As a business be aware of the need to recognise the changing public interest issues in carbon, social licence, and animal welfare. | <ol style="list-style-type: none"> 1. Establish disciplines and good governance around the Advisory Board process, use an independent director to drive review and scrutiny of business performance and strategy. 2. Review and develop the Family business agreement on an annual basis to meet the changing needs. 3. Be clear and aware of respective Members off farm engagements (Shire, Grower Group, Livestock, sport etc) 4. Identify opportunities for family members to gain new skills and information through access to expertise and PD. 5. Review the farm business services to ensure we are getting value for advice and services. 6. Identify the risk management strategies, and how change and risk is monitored to trigger key decisions. 7. Consider estate planning for all family members – ensure Wills are current, insurance, guardianships, powers of attorney etc. | <ol style="list-style-type: none"> 1. The Advisory Board takes responsibility to understand and identify the nature and value of holdings, describe the portfolio (titles, nature of holding, ownership, description of the property, valuation, costs, security of tenancies, photos, management / legal agreements), and set strategies to achieve growth target 2. Maintain the business in a 'business ready' state of preparedness to take up the next opportunity. 3. Maintain a watch on new opportunities, revisit the land scan. 4. Establish a yearly calendar of farm business meetings, key reporting dates, and Advisory Board meeting dates and deadlines. 5. Ensure the business structure is appropriate for current and future needs and expansion. 6. Investigate other farm related investment opportunities for value adding to current production. |
|---|---|--|---|---|

Action Plan

Strategy 1: Manage the farm business to optimise the farm production.

| | Tactic | Actions - How we will go about it | Who we need to involve / consult | What resources do we need | Finish by date |
|----|--|---|------------------------------------|---------------------------|-----------------------|
| 1. | Continually improve financial recording and analysis to establish performance benchmarks and improve decision making. | Change accounting and management system to Xero. 4 family members to attend training session. Key data held in office with 3 remote access. Review annual Consultant's Report and match KPIs | Accountant, Farm Consultant | Xero subscription | June 30 th |
| 2. | Determine the rotational mix and balance with livestock and land management priorities. | | | | |
| 3. | Conduct an independent review of the two enterprises to challenge our numbers and establish both internal and external benchmarking. | | | | |
| 4. | Be aware of and analyse to employ the new technologies and science to improve farm productivity. | | | | |
| 5. | Review machinery requirements / future investment / replacement vs maintenance / infrastructure investment schedule. | | | | |
| 6. | Set the marketing strategy. Invest in information sources and resources, with regular revision through the season against targets and timelines. | | | | |
| 7. | Share a calendar of key date trigger points, timing of key operations, with 'late break' and 'no spring' scenario plans. | | | | |

How will we use our strategic plan?

- **Make it visible**
 - on the office wall, in the workshop, behind the loo door – so it becomes the business mantra and you're all in tune.
- **Communicate / illustrate your business intent and priorities**
 - with family, advisors, bank manager, staff – use your plan to support your finance reviews, succession planning, staff/family/ advisor inductions, property and business growth and investments.
- **Use it to guide decisions**
 - test ideas, investments, opportunities against your strategy – how will they help you achieve your objectives?
Throw an idea at the plan, if it doesn't stick – it may not help you get where you want to be.
- **Review it often**
 - to check on your progress, realign the effort, reset the priorities. Does your annual budget line up with your plan? Did you get closer to your targets in the past year? Are new opportunities emerging? Do we need to recast the strategy?

When to use your strategic plan

- ✓ **Property and business growth**
 - identify a workable ‘unit’ in Ha, gear, people, location; property scan for future opportunity, set the strategy to be ‘business ready’ to invest if the opportunity arises.

- ✓ **Succession planning**
 - use the strategic plan as a first step of aligning priorities to facilitate management transition over time, and asset ownership over time.

- ✓ **Inducting new family and staff into the business**
 - use the plan to give new people the big picture, show how they fit into the business and what they are helping to build.

Business advisory team – *how can they help us?*

- **Accountant**
Clarifying business structures and asset ownership, options for structural change, timing impacts and options, tax implications and planning, business capacity analysis.
- **Financier**
Business capacity and finance options to facilitate operations, growth and succession.
- **Lawyer**
Legal implications of proposed changes, reviewing legal documents, drafting of a Deed to underpin the intent, asset transfer documents, revision of Wills, Powers of Attorney, Guardianship.
- **Consultant**
Align budgeting, infrastructure and capital replacement plans, and business capacity with the strategic plan.
- **Mentors or 'trusted others'**
Provide an independent sounding board, encouragement, referral.
- **Real estate/livestock agent and valuer**
Source realistic current asset valuations.

Getting the mix right – who's on our team?

1. Being the farmer isn't a right

Expecting children to enter the family business at a certain age, or allowing them to regardless of their skills, can lead to all sorts of issues. Encourage children to explore their own career path and, if their choice includes your business, encourage them to gain qualifications and experience to work their way in.

2. Cultivate respect and open communication

Having genuine respect for each family member, and actively listening to their views, creates a strong culture that can withstand even the greatest challenges in running a family business. If the founders lead by example, every generation entering the business will follow suit and contribute to building a powerful legacy.

3. The community needs you

A family business can take on so much more meaning when the family unites for causes that extend beyond the core enterprise. Be it community involvement, charity or philanthropic initiatives, the drive to do more together for the greater good leaves a lasting impression on everyone involved.

4. Good advisers are gold

Many successful business owners agree that a good adviser is worth their weight in gold. Their objective is to help you achieve your success by being a source of valuable insight and guidance, and a trusted confidant you can rely on at any stage of your business journey.



Successful farm business checklist:

1. **Effective business structures**

As a sole trader, partnership, company, trust or combination, the right structure/s is vital to minimise unnecessary tax, protect assets, and enable smooth succession to the next generation.

2. **Treat your business like a business**

As a modern farm business manager, you either need to invest in building business skills or surround yourself with those who have them. Take the time to establish good governance and implement quality systems, and actively seek ways to drive efficiency and profitability.

3. **Be clear on your purpose – profit, wealth and legacy**

What exactly do you want your business to achieve? Is it to provide an immediate source of income, or to build wealth and leave a legacy?

By being clear on where you're headed, you'll be more confident when making the decisions that will lead you there.

4. **Manage the paperwork – (paperless)**

From policies and procedures to buy/sell agreements, absolutely everything in your business needs to be documented. This not only makes everyday management simpler and supports growth activities, but can prevent family relationship breakdowns in serious situations.

5. **Plan for the best with risk in mind**

To manage risk you may diversify wealth using strategies around asset protection, superannuation, and off farm investments. Take out sufficient insurance so you have peace of mind that if the worst did happen, your family is taken care of.

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