

# PLANNING FOR SUCCESS

How a business plan can work for you and your farm



## IF BUSINESS IS GOOD, WHY DO I NEED A PLAN?

### You've worked hard to build your farm business.

You're proud of your accomplishments, but need to start looking at how you can make sure the business thrives well into the future. And, while it's a bit unnerving to think about your farm functioning without you, it's also important to make sure you have a well-documented plan in place.

Having a business plan for your farm helps tie together all aspects of your business, and stay on track. A business plan keeps your farm healthy for generations to come.

If there's one thing you as a farmer know about, it's the cyclical nature of the seasons. Planning, too, has a cycle, so thinking of business planning and transition in those terms can make the whole idea a lot less intimidating.

## HOW CAN I FIND TIME TO PLAN?

### Farming is a tough business.

Just managing day-to-day operations and dealing with everyday 'surprises' can take up most of your time. However, establishing a clear business plan can provide a strong sense of direction and increased peace of mind, not to mention much better financial returns.

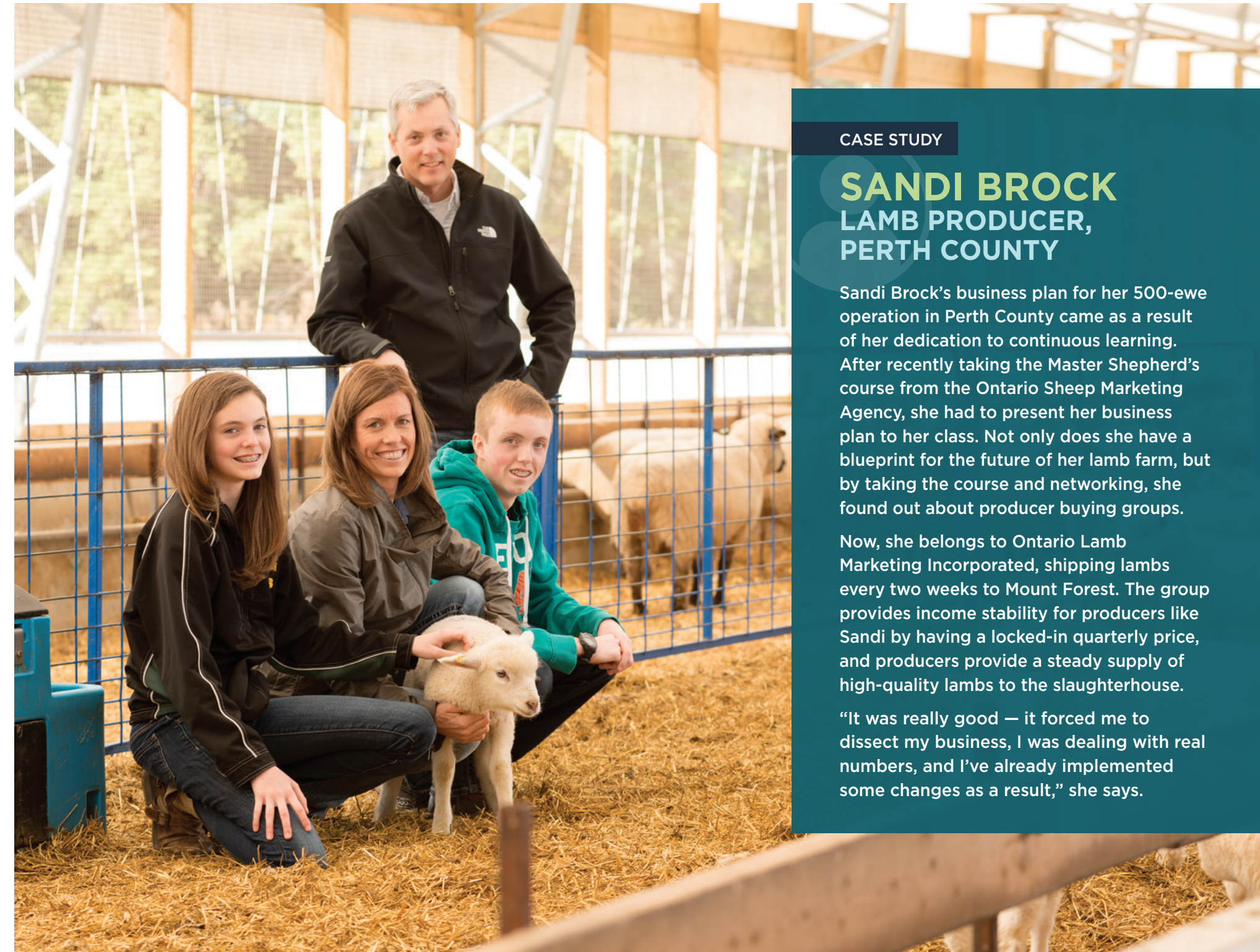
While only 22 per cent of Ontario's farmers have a business plan, an Ipsos-

Reid study conducted in 2015 shows that farmers who have a written business plan they review annually get five times higher return on assets than those who don't.

It's true that there are many components to a business plan, but it doesn't have to be a daunting exercise. You don't have to do it all at once. You can get help from others. The most important thing is to get started.

### A 2015 study by Ipsos-Reid called *Dollars and Sense* identified the top seven things successful farm managers do:

- Never stop learning
- Keep finances up to date to help make business decisions
- Seek the help of advisors/consultants
- Write down their business plan, follow it, and review it annually
- Know their cost of production and what it means for their profits
- Conduct a risk assessment and manage risks
- Develop a budget and financial plan



### CASE STUDY

## SANDI BROCK LAMB PRODUCER, PERTH COUNTY

Sandi Brock's business plan for her 500-ewe operation in Perth County came as a result of her dedication to continuous learning. After recently taking the Master Shepherd's course from the Ontario Sheep Marketing Agency, she had to present her business plan to her class. Not only does she have a blueprint for the future of her lamb farm, but by taking the course and networking, she found out about producer buying groups.

Now, she belongs to Ontario Lamb Marketing Incorporated, shipping lambs every two weeks to Mount Forest. The group provides income stability for producers like Sandi by having a locked-in quarterly price, and producers provide a steady supply of high-quality lambs to the slaughterhouse.

"It was really good — it forced me to dissect my business, I was dealing with real numbers, and I've already implemented some changes as a result," she says.

# WHAT IS INVOLVED IN PLANNING?

Like the seasons, business planning is cyclical.

## 1. ASSESS YOUR BUSINESS

Starting in the late fall after harvest, you can take stock of your business in the context of changes within the agricultural industry at large. Some questions to ask would be:

What are some internal factors that could positively or negatively affect your farm business? For example:

- Do you have a strategy?
- Where are your markets/customers?
- What do you produce and how much?
- What kind of suppliers do you have? Will they be sufficient?
- Do you have a strong financial system?
- Do you have the appropriate information systems?
- Do you/your people have the skills to do the job?
- What are the risks facing your business right now?
- Who has responsibility for what jobs?
- Do you have a succession plan?

What are some of the external factors that could positively or negatively affect your farm business? For example:

- Is weather a significant factor?
- How susceptible is your product to disease outbreak?
- What is the market demanding in terms of products and production practices?
- Do you expect prices to fluctuate for your sector?
- What kind of regulations do you have to adhere to? Do you expect any changes?

**Check out the Farm Business Scorecard at [takeanewapproach.ca](http://takeanewapproach.ca), an online resource that can help you move step-by-step through the business assessment process.**

## 2. PLAN YOUR FUTURE

Now that you have assessed your farm, you can start planning for the future. Winter is the best time for planning and getting ideas down on paper. Some questions to ask would be:

- What is our vision?
- What is our mission?
- What are the values we will uphold in getting there?
- What are our priorities in getting there?
- How will we get there?
- Who will get us there?

Taking some time every week to work on writing your plan — whether you do it with or without a professional advisor — is better than trying to complete it all at once. That allows you to do a bit at a time, leaving room to manage your daily operations. It also helps show how the components of your plan will integrate with everyday operations, allowing you to see how to best implement your ideas.

## 3. IMPLEMENT YOUR PLAN

Spring is great for new beginnings, and you can start the season off right by gathering the team together to put your plan into action. You can do this by hosting a start-up meeting with your family and/or business partners to discuss priority items, timelines and goals set out in the plan. This way, you can make alterations to what you've written based on what's happened with your operation. From your plan, figure out which are the highest priorities for you, your family and/or staff, and for the business. Then pursue them.

Whether it's buying new farm equipment, setting up better information technology to gather production data, purchasing processing machinery to start adding value to your raw product, or expanding your acreage, now's the time to make things happen.

It's also good to remember that your plan is not set in stone. As you move through your day-to-day operations, new opportunities or risks may arise that could warrant revisiting and revising the business plan.

## 4. REVIEW YOUR PLAN

Start the cycle over again in the fall by reviewing your plan and progress made towards achieving your business goals over the past year. It's a good idea to review your plan while your production year is top of mind.

Reviewing your plan can also give you and your team a big boost — an opportunity to celebrate successes!

Ideally, your plan will be refreshed annually with an operational plan in place for the year, and vision moving 3-5 years out from each annual plan.

## REPEAT

After reviewing your plan and how the farm performed, it will be time to start the business planning cycle over again, starting with assessing your business in the context of the changes within the agricultural industry at large.

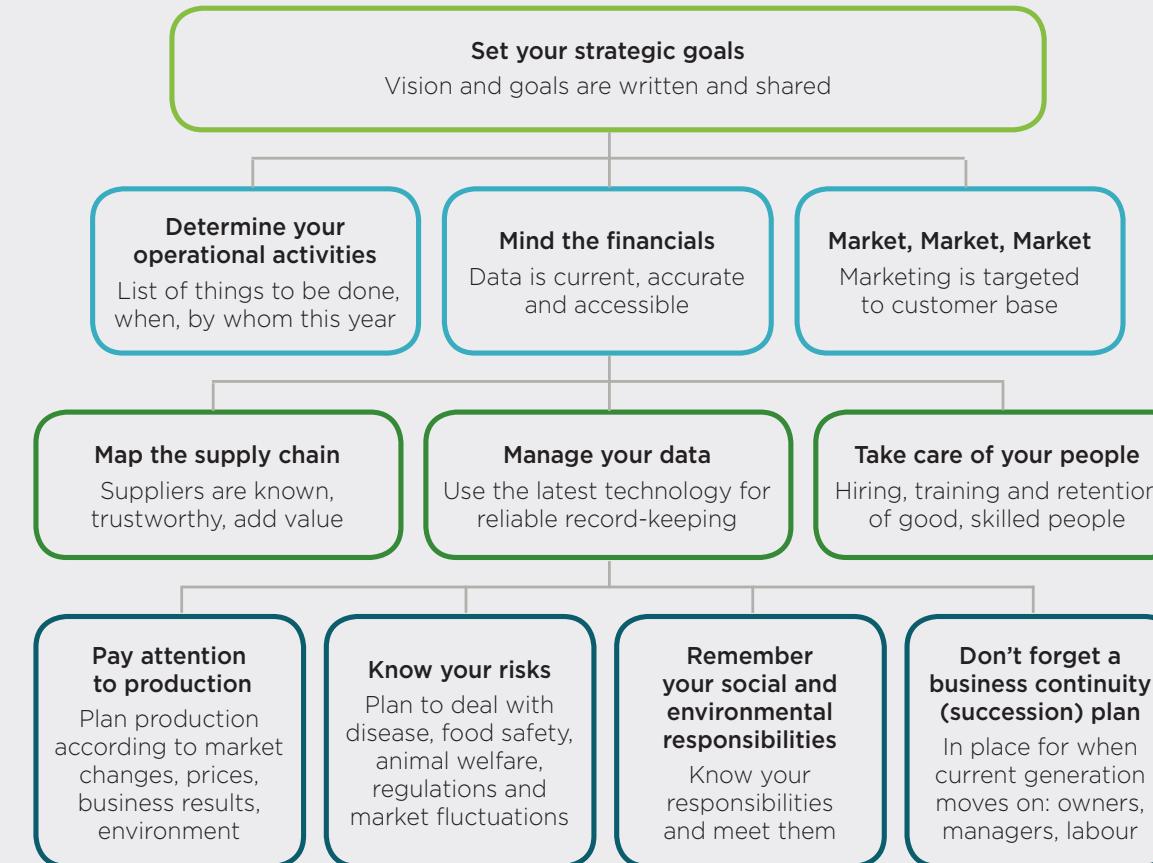
Communication is key when business planning. Your vision of where you want the business to go may not be that of your spouse, son, daughter or corporate partners. It's vital to talk things through, even if you're busy, or it's difficult.



## WRITE IT DOWN!

Having a written business plan is crucial to defining your farm's future, staying on track, and sharing with others. The act of writing the plan down helps clarify your thinking and ensures all aspects of the farm business are taken into account. It also helps get other members of the management team engaged and enthusiastic about accomplishing the goals they were a part of creating.

### COMPONENTS OF BUSINESS PLANNING



### Business transition and continuity: what does the business plan mean for the next generation?

Working with your family, advisors and partners to figure out how you want to transition the farm business to the next generation — whether it goes to children or other successors — doesn't have to be scary. In fact, for those who have gone through the process, it has been proven to strengthen both the farm business and the relationships of the people involved in the business.

CASE STUDY:

## CHARLES STEVENS WILMOT ORCHARDS, DURHAM REGION

**Five years ago, when he was in his mid-fifties, Charles Stevens made it his “key job” to plan for the ownership transition of the successful farm business he and wife Judi had built over 30-plus years.**

“Long-term planning is always the best,” Stevens says. “I’m going to be happy when I’m 90 years old and the business has flourished and done well.”

The Stevens grow apples, blueberries, corn and soybeans on 257 acres. The main crop is apples, which are sold exclusively to a packer, and 95 per cent of their blueberries are Pick-Your-Own. An on-site retail outlet, called Appleberries Café, carries a variety of blueberry baked and canned goods, coffee, tea, cold drinks and ice cream.

Charles Stevens did a lot of research and enlisted the help of many professionals, including lawyers and accountants to make sure his plan was the best it could be.

While his daughter Courtney loves the marketing and retail side of the blueberry business and she’s interested in carrying on the family tradition, she has never focused on production. That’s why, when Charles started planning his transition, he decided to hire someone to work on the production side, to get to know the business inside and out and be able to take over that part of it when the time came.

“I needed three things: someone who was educated, had good human resource skills and had the passion — without the passion, there is no job,” he says.

When Ian Parker came along with a keen interest in fruit production, Charles hired him. As it turned out, Ian had all three traits he was looking for. Parker is now the property manager for the business.

Ian Parker, Courtney Stevens, and a long-time financial manager will become the new business owners. The transition is planned for January 1, 2019, when the estate will be ‘frozen’. Everything, excluding the land, will be valued and that value converted to preferred shares. Charles and Judi will use the return on their preferred shares as part of their retirement income. The younger people will get a percentage of common shares in the company, which will not be worth anything initially, but will build equity as the business continues to grow.

Transitioning the business to the next generation can be to family, business partners, staff or others. It’s good to get started thinking and talking about it early so it can happen gradually, smoothly and over time.



## »» NEXT STEPS GETTING THINGS STARTED

One way you can jump-start your process is by simply committing to doing something that moves you toward the goal of having a robust business plan. Here are some ideas:

- Call a family/farm meeting to discuss everyone's vision for the farm
- Conduct a farm assessment to determine areas of strength, weakness and next steps
- Make an appointment with a farm business advisor
- Seek out business planning publications or other learning material (ex. videos)
- Attend a learning session (workshop, conference, webinar, etc.) to learn more about business planning
- Sign up for a farm business skills development course



## RESOURCES

### Where you can go for business planning help

**Agri-food Management Institute – Business ScoreCard**  
[www.takeanewapproach.ca/Business-Score-Card](http://www.takeanewapproach.ca/Business-Score-Card)

**Ontario Soil and Crop Improvement Association – Grow Your Farm Profits Workshops**  
[www.ontariosoilcrop.org/oscia-programs/workshops-webinars/](http://www.ontariosoilcrop.org/oscia-programs/workshops-webinars/)

**Farm Management Canada – Strategic and Business Planning Resource Centre**  
[www.fmc-gac.com/strategic-business-planning](http://www.fmc-gac.com/strategic-business-planning)

**Advanced Farm Management Program**  
<http://advancedfarmmanagement.ca>

**CTEAM Program (Canadian Total Excellence in Agricultural Management)**  
<http://www.agrifoodtraining.com/for-producers-cteam>

**Finding a business advisor to help you**  
**Ontario Ministry of Agriculture, Food and Rural Affairs - List of Farm Business Advisors**  
[www.omafra.gov.on.ca/english/busdev/farmfamadv-lastname.pdf](http://www.omafra.gov.on.ca/english/busdev/farmfamadv-lastname.pdf)

**Help with setting vision/mission/goals**  
**Iowa State University**  
[www.extension.iastate.edu/agdm/wholefarm/html/c5-09.html](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-09.html)

**Help with environmental farm plans**  
**Ontario Soil and Crop Improvement Association**  
[www.ontariosoilcrop.org/en/programs/environmental\\_farm\\_plan.htm](http://www.ontariosoilcrop.org/en/programs/environmental_farm_plan.htm)

**Help with developing a succession plan**  
**Agri-food Management Institute**  
[www.takeanewapproach.ca/userContent/documents/FTP/farmers/Welcome.html](http://www.takeanewapproach.ca/userContent/documents/FTP/farmers/Welcome.html)

**Help with developing a human resource management plan**  
**Canadian Agricultural Human Resource Council**  
<http://www.cahrc-ccrha.ca/resources/agricultural-hr-toolkit>

**Help with developing a Farm Safety Plan**  
**Canadian Agricultural Safety Association**  
<http://casa-acsa.ca/CanadaFarmSafePlan>



**The Agri-food Management Institute and  
Farm Management Canada have resources that  
can help you get started on your business plan.**

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