# Growing Your Farm Profits Business Assessment Tool

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## Introduction

### Growing Your Farm Profits: Planning for Business Success

Owning a farm a business in Ontario in the 21st century is a tough but rewarding way of life. Besides the changeable weather, you face rising costs, volatile markets and the threat of pests or disease. You also deal with several other pressures:

* Buyers are looking to keep costs low
* Consumers want inexpensive food that comes from crops grown in an environmentally friendly way and/or from animals they know are humanely treated
* The internet has opened a whole new world of opportunity, but has also brought potential threats to the way business is done
* Climate change is and will continue having both positive and negative effects on farm businesses and their owners’ way of life
* Family responsibilities and community obligations need constant nurturing and attention, too

As a farmer, you probably don’t go ‘home’ at the end of a working day. Your business is your home. This sets you apart from other kinds of businesses.

You want your business to be successful now, providing a good living for you and your family. You also want to be able to sell it or pass it on as a profitable enterprise when you’re ready to move on. As much as possible, you want to manage the risks and take advantage of the opportunities that come your way.

The Growing Your Farm Profits Online Assessment Tool will help you meet these many demands with a logical, practical plan that is flexible enough to fit your needs. It will guide you in your efforts to achieve your business and personal goals.

Specifically, by taking this online farm business self-assessment, you will:

* **Learn** about current farm management practices, systems, knowledge, and skills
* **Understand** how effective planning can help you make good decisions
* **Set and prioritize** your farm business goals in order of importance
* **Identify** resources that can help meet these goals
* **Build** on your farm business' strengths
* **Write** an action plan to improve the profitability and success of your farm business

After the Online Assessment Tool, you, your family and staff (if you have them) will be able to clarify the plan and put it into practice so that it is useful as your business expands and changes.

Feel free to complete the Online Business Assessment on your own. Alternatively, you can complete the Assessment with members of the family and farm team. Or, other members of the family and farm team can complete the Online Business Assessment on their own, and the Assessments can be compared. Comparing Assessments can lead to positive discussions regarding the future of the farm and ensure everyone’s perspective is taken into account.

You are encouraged to come back and complete the Online Business Self-Assessment on an annual basis to help respond to changes within the agricultural industry and your farm business to ensure your plans reflect the accomplishments and changing needs of the farm.

By the end of the Online Assessment Tool, you will have an Action Plan to achieve your goals.

By submitting your Action Plan Summary to the Ontario Soil and Crop Improvement Association for validation, you may eligible for cost-share opportunities under Growing Forward 2.

**Attend a Growing Your Farm Profits Workshop**

The Growing Your Farm Profits workshop is a two-day free workshop that takes place in various locations around Ontario throughout the year. You will complete your Business Assessment and Action Plan in a group setting with a qualified instructor. Members of the family and farm team are welcome to join you in this workshop.

**Take the Growing Your Farm Profits (GYFP) eLearning Course**

With ever-growing to-do lists and schedules that seem to be filling by the minute, many farmers are finding that they simply don't have the time to attend workshops or in-person classes.

The Growing Your Farm Profits eLearning modules will provide you with the ability to learn at your own pace and on your own terms, providing you with the option to move to the next module when it is most convenient to you at a place of your choosing.

### The Value of Planning

The Growing Your Farm Profits Online Business Assessment Tool will guide you in your efforts to achieve your business and personal goals by creating a practical plan that is flexible enough to fit your needs.

Planning is one of those tasks that, while you may not immediately see the benefits, will pay off over time - in profitability and peace of mind.

Going through the planning process helps you focus on what’s important and makes you think about the possibilities for growth as well as the potential risks to your operation.

Creating a plan means setting goals, figuring out the best ways to achieve them and finding the right resources and actions to get there. Most important, when you write it all down, you can show other people - your family, staff, lenders, business partners, advisors - what you envision for the future of your farm.

A baseline study commissioned by the Agri-food Management Institute in 2010 said that “there are two groups, Planners and Developers, who are most likely to be engaged in farm business planning and are also more likely to have reported increased sales over the past five years.”

Having a plan works on a number of levels. It:

* Helps guide your business through the inevitable ups and downs that will happen
* Keeps you on track if you check in once a quarter or every six months
* Documents the way you want your farm operated, should you get sick or injured
* Is essential if you ever need to engage lenders or investors
* Brings a common vision and path to other people who are, or become, involved in your business

**How to Plan**

To make sure something gets done you must write down:

* What you want to do
* Why you are going to do it
* When you are going to do it
* How you are going to do it
* Who is going to do it
* How success will be measured

Some will come out of a planning process with a detailed plan for succession or expansion. Others might be more concerned about how to expand production, create a better work-life balance or restructure debt. Whether you do it yourself, or take your ideas to a farm business advisor, the plan has to fit with your own situation, needs and desires.

“No farming business can hope to achieve higher levels of success without the right approaches to managing capital, marketing, people, and relationships.”

~ Conference Board of Canada 2013 Report “Seeds for Success: Enhancing Canada’s Farming Enterprises”

The Online Business Assessment Tool provides the first step in the business planning process. Producers come away with a comprehensive assessment of their farm business practices, priorities, key goals and ultimately, an Action Plan as a starting point towards the farm’s business plan.

For additional information and assistance with business planning, visit [Pledge to Plan](http://www.PledgetoPlan.com) (www.PledgetoPlan.com).

###

### Part 1 Assessing Where Your Farm is Now

The seven Business Assessment Areas below allow you to assess a variety of business aspects of your farm operation. Each business section contains an introduction and a glossary to help you answer that section’s self-assessment questions.

1. Production Management
2. Marketing
3. Financial Management
4. Human Resources
5. Social Responsibility
6. Succession Planning
7. Business Goals

Each business area contains an introduction, business assessment questions, key contacts and helpful resources.

Remember, a glossary is available through the navigational menu to help you answer that section’s self-assessment questions.

#### Self-Assessment Questions

There are two steps to completing the self-assessment questions. Business Strengths Rating and Priority Rating. You can complete the Strengths Rating and Priority Rating at the same time for each question.

**Step 1: Business Strengths Rating**

Possible answers are provided for each question using a green, yellow, or red rating. Questions can address farm business practices (how things are done on the farm), or address farm business knowledge and management skills.

Pick the answer that best reflects the situation on your farm by clicking on the corresponding box: green, yellow or red.

* A **green response** indicates that this best management practice happens on the farm. For farm business knowledge and skill type questions, a green response indicates that farm team members have the business knowledge/understanding and skills identified. Green responses indicate business strengths.
* **Yellow responses** indicate some but not all of this best management practice happens on your farm or your farm team members have some but not all of the business knowledge/understanding and skills identified. Yellow responses indicate areas for improvement.
* **Red responses** indicate that this best management practice does not happen on the farm. For farm business knowledge and skill type questions, a red response indicates that farm team members do not have the business knowledge/understanding and skills identified. Red responses indicate business weaknesses.
* If the question does not apply to your business record it as **Not Applicable** (N/A)

**Step 2: Priority Rating**

After you have finished assessing the business strengths, assess each question as a high, medium or low priority for your farm.

Note: You can complete the Priority Rating at the same time as the Strength Rating for each question.

* **HIGH** should be considered/monitored on a regular basis. It’s a key success factor to your business now and in the future.
* **MEDIUM** is important but may not always be critical for ongoing success.
* **LOW** has little to no impact on the success of your operation.

From the assessment questions, the High Priority Summary will become populated to help track your priorities and any unanswered questions. The High Priority Summary is accessible through the navigational menu at the bottom of the page.

#### Key Contacts and Reference Section

In addition to the assessment questions, each business section has a ‘My Key Contacts’ listing - a place to record the contact information of farm members and outside advisors responsible for this area of the farm business.

Finally, each business section contains a ‘Resources’ listing of further contacts and information.

### Part 2 My Top Priorities

From the high priority strengths and weaknesses identified in your assessments worksheets you will select your top priorities to address.

Identifying opportunities and threats to your farm business also helps to identify top priorities to address.

### Part 3 Setting Goals

You will identify up to five key goals for your farm based on:

* Your top priorities
* Opportunities and threats facing your farm
* How your short-term goals support your long-term goals
* Other business considerations

### Part 4 Action Planning

The final step is to complete an Action Plan for your top three to five key goals. An action plan provides you with the goals and steps needed to make the changes you desire.

### Part 5 Next Steps

Once your Action Plan is complete, you can download, print and email it.

By submitting your Action Plan Summary to the Ontario Soil and Crop Improvement Association for validation, you may eligible for cost-share opportunities under Growing Forward 2.

Additional information on Growing Forward 2 and cost-share funding is also available.

## Business Assessment Areas

### Production Management

Making and delivering your product or service efficiently and effectively to the market captures the profit opportunity for your business. The quality of your product attracts customers. Your production systems, facilities and equipment, and buying skills all affect the product quality, your yield, and the cost of production.

Four key components of production planning are:

#### 1. Record, Measure, and Compare

You need to measure and compare if you want to improve your productivity. There are two ways to do this. Benchmarking against your own farm’s past performance helps you make improvements within your own operation and is key to meeting and surpassing your goals. Benchmarking against other farms points out areas where you could make improvements to your operation. You can benchmark production yields, quality, costs of production, and production margins.

##### The steps involved in benchmarking are:

* Decide what the key information is that would help you make the best decisions regarding yields, quality, cost of production, and margins
* Set up a record-keeping system that provides this key information in an accurate and timely way
* Compare your records with previous years to track improvements within your operation
* Where possible, compare your operation with other similar farm operations to look for areas to improve your production system

#### 2. Focus on production activities for which customers will pay

Working smart is better than working hard, and making sure the work you’re doing pays off is important. First, ensure that your production activities meet regulations and are aligned with industry norms. Second, ask yourself if there are unnecessary steps in your production system that cost you money but do nothing for your customer. For example, could changing work patterns or streamlining inventory storage cut your costs? Whatever changes you make in terms of increasing quality or capturing new markets shouldn’t cost more than what you’ll make in increased revenues.

##### To evaluate your production system:

* Make a list of what your customer values in the products or services your farm produces
* Make a list of the steps you take in your production system
* Identify how each step contributes to what the customer values
* Look for ways to create greater value or the same value at less cost
* Eliminate the steps (and their costs) that do not create true value

#### 3. Adopt Technology

Adopting new technology to move your business forward can be a smart decision. Robotic dairy milking, GPS tracking systems and genomic testing for livestock are just a few of the many advances that farmers have taken on in the past few years.

Smartphones and tablets and a whole host of software packages and applications can give you instant access to production data so you can make better decisions for your farm. Many technological innovations save you time, increase productivity and boost profitability. But they need to fit your needs.

Adopting new technology can be expensive, so research is key. Whether you are an early adopter who likes to help researchers work out brand new technology, or a later adopter who likes to wait until all the bugs are worked out, the solution has to fit your business model. You want to ensure that you will be rewarded for your investment in technology with increased returns or reduced costs.

More than half the 500+ farmers surveyed in a 2014 study by the Canadian Federation of Independent Business said they would be adopting new innovative technologies and practices in the next three years.

##### Successful farmers:

* Stay on top of innovation trends
* Test the technology on their farms in ways that reduce the cost risk
* Try something different each year (usually on a small scale basis)
* Weigh all the costs and benefits
* Adopt the technology in a way that gives the most advantage to the farm

#### 4. Balance production with other business and life needs

In the farming business, there are never enough hours in the day to get all your production work done, so it is important to be as organized as possible.

Being organized means you can more fully participate in personal, family and community activities. It also means you can pay better attention to the other aspects of your business.

No one is perfect at everything, so if production is your passion, consider getting outside help for the areas of your business where you’re less skilled or comfortable. There are qualified professionals and organizations who can help with financials, managing people, and marketing.

##### What you can do:

* Set production, service, and quality goals
* Have a system that captures and reports on production details in a timely manner
* Compare your results to your past records and to industry benchmarks
* Know where you can get product information, production advice, training, market trend information, and market referrals
* Test new technologies and techniques on your farm and adopt the ones that support your farm goals and provide a return on investment

#### In this section, the areas you’ll explore are:

* Production systems
* Cost of production
* Facilities and equipment
* Transportation systems
* Purchasing and supplier relationships

To answer the assessment questions, please refer to the Production Management tab in the GYFP Assessments Excel document.

#### Production Management Resources

The Ontario Ministry of Agriculture, Food and Rural Affairs provide a wide range of information on all aspects of managing and leading your farm business. Go to [Agricultural Business Management](http://www.ontario.ca/agbusiness) (www.ontario.ca/agbusiness) and click on the production section.

You can also access a wide variety of publications, including factsheets and books about managing your business. Discover our resources at [Business Management - Product Catalogue](http://www.ontario.ca/cib1)  (http://www.ontario.ca/cib1).

The Agricultural Information Contact Centre can also provide you with general agricultural information.

* Telephone: 1-877-424-1300
* Email: ag.info.omafra@ontario.ca
* Website: [Agricultural Information Contact Centre](http://www.ontario.ca/accessomafra) (www.ontario.ca/accessomafra)

##### General Farm Organizations

* [Christian Farmers Federation of Ontario](http://www.christianfarmers.org/) (www.christianfarmers.org)
* [l'Union des cultivateurs franco-ontariens](http://www.ucfo.ca/) (www.ucfo.ca)
* [Ontario Federation of Agriculture](http://www.ofa.on.ca/) (www.ofa.on.ca)
* [National Farmers' Union](http://www.nfuontario.ca/) (www.nfuontario.ca)

##### Production Management

* [Certified Crop Advisors](http://www.ccaontario.com/) (www.ccaontario.com)
* [Canadian Association of Farm Advisors](http://www.cafanet.com/) (www.cafanet.com)
* [Farm and Food Care](http://www.farmfoodcare.org/) (www.farmfoodcare.org)
* [Farm Management Care](http://www.fmc-gac.com/) (www.fmc-gac.com)
* [Farm Credit Canada (FCC)](http://www.fcc-fac.ca/) (www.fcc-fac.ca)
* [Food Safety and Traceability](http://www.ontario.ca/foodsafety) (www.ontario.ca/foodsafety)
* [Farm Start](http://www.farmstart.ca/) (www.farmstart.ca)
* [Grain Farmers of Ontario](http://www.gfo.ca/Production/Production) (www.gfo.ca/Production/Production)
* [Ontario Veterinary Medical Association](http://www.ovma.org/)  (www.ovma.org)
* [University of Guelph Food Agriculture Resource Economics (FARE)](http://www.uoguelph.ca/fare/institute) (www.uoguelph.ca/fare/institute)
* [University of Guelph, Ridgetown College](http://www.ridgetownc.uoguelph.ca/) (www.ridgetownc.uoguelph.ca)
* [Value Chain Management International](http://www.vcm-international.com/) (www.vcm-international.com)

### Marketing

Properly marketing your product or service directly affects your overall business success. Marketing is the ongoing process of understanding your customers/buyers needs and striving to fulfill those needs better than your competition. It is everything that happens before and after a sale that makes more sales to your current and future customers possible.

Gone is the era when farmers just grew or provided a product or service and people came to buy it. Changing consumer demands, local and global competition, and other market forces have resulted in the business of agriculture moving from being production-focused to market-focused.

To successfully sell your products, you should focus on the objective(s) you want to achieve in your marketing plan. Marketing planning includes what and how much you produce, when it will be available to market, where it will be sold, how it will be promoted, and how it will be priced. All these factors affect the business through cash flow, the price relative to the cost of production, and the risk involved. A clearly defined marketing plan demonstrates how you plan to deal with different price situations to manage risk.

Understanding the marketplace is the first step in positioning a successful product or service for profit. Market analysis and research is vital before starting a new business, introducing a new product or service, maintaining your existing business, or discovering why the demand for your product or service is declining.

Knowing and anticipating your customer/buyers’ needs is becoming increasingly important to keep you one step ahead of your competition.

Whether you have been in business for several years, are trying to expand your current business, or are looking to start a new venture, assessing your marketing skills and abilities will help determine the areas of marketing you need to develop.

#### Here are a few marketing tips:

* Continually make an effort to understand the consumer/buyer’s needs and what forces are affecting the marketplace.
* Seek expert advice and resources to help make wise marketing decisions.
* Adhere to a written marketing plan that includes the 5 Ps of marketing and how they affect your farm business:
	+ Product: How does your product/service meet the consumer/buyer’s needs?
	+ Positioning: What is unique about your product or service compared to your competitor and how does this make it better for your target market?
	+ Place: How and where are you going to make your product or service available to the consumer/buyer?
	+ Price: What price point will give your customer the value he/she is looking for, give you the profit you need and is competitive with other products/services in the same category?
	+ Promotion: What is the right mix of advertising, personal selling, sales promotion and public relations to promote your product or service?

#### What you can do:

* Gain and maintain a current understanding of how your market operates: how price is set, the trends, and what affects it.
* Make sure there is a market and/or market potential for your product or service.
* Explore and evaluate alternative or new market opportunities.
* Assess your marketing skills and knowledge and if needed, obtain training or hire a marketing specialist.
* Determine your cost of production.
* Understand your buyer’s role in the marketplace and their market drivers.
* Develop, follow, and monitor a written marketing and risk management plan.
* Build strong business relationships with buyers, distributors, retailers, and consumers. This is a valuable investment of time and energy that gives you an edge in terms of where industry opportunities exist or in anticipating threats to your existing business.
* Benchmark (compare) your current sales against your past years and get feedback from the marketplace to see if you are on the right track or if you need to contract additional marketing expertise to grow the business.
* Develop and use a network of market information resources and services.
* Increase your understanding of the commodity futures market and the marketing tools it provides. Assess its potential use in your marketing and risk management plan.

#### In this section, you’ll explore:

* Marketing Planning
* Commodity Marketing
* Direct Marketing

To answer the assessment questions, please refer to the Marketing tab in the GYFP Assessments Excel document.

#### Marketing Resources

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* [Ontario Federation of Agriculture](http://www.ofa.on.ca/) (www.ofa.on.ca)
* [National Farmers' Union](http://www.nfuontario.ca/) (www.nfuontario.ca)

##### General and Commodity Marketing

* [Agri-Food Management Excellence](http://www.agrifoodtraining.com/) (www.agrifoodtraining.com)
* [Agri-Food Management Institute](http://www.takeanewapproach.ca/) (www.takeanewapproach.ca)
* [Beef Farmers of Ontario](http://www.ontariobeef.com/markets/about-marketinfo.aspx)(www.ontariobeef.com/markets/about-marketinfo.aspx)
* [CME Group](http://www.cmegroup.com/)(www.cmegroup.com)
* [Daily Livestock Report](http://www.dailylivestockreport.com/)(www.dailylivestockreport.com)
* [Farm Credit Canada (FCC)](http://www.fcc-fac.ca/) (www.fcc-fac.ca)
* [Farm Management Canada](http://www.fmc-gac.com/) (www.fmc-gac.com)
* [Farms.com](http://www.farms.com/)(www.farms.com)
* [Grain Farmers of Ontario](http://www.gfo.ca/Marketing)(www.gfo.ca/Marketing)
* [Guelph Food Technology Centre](http://www.gftc.ca/)(www.gftc.ca)
* [Ice Futures Canada (Ice)](http://www.theice.com/futures-canada)(www.theice.com/futures-canada)
* [Minneapolis Grain Exchange (MGeX)](http://www.mgex.com/)(www.mgex.com/)

##### Ontario Agricultural Commodity Council,

* Telephone: 1-519-821-3564
* [Ontario Pork](http://www.ontariopork.on.ca/Price-Reporting/Daily-Market-Outlook)(www.ontariopork.on.ca/Price-Reporting/Daily-Market-Outlook)
* [Ontario Sheep Marketing Agency](http://www.ontariosheep.org/MARKETINFORMATION.aspx)(www.ontariosheep.org/MARKETINFORMATION.aspx)
* [Ontario Veal Association](http://ontarioveal.on.ca/producer-information/market-information/)(http://ontarioveal.on.ca/producer-information/market-information/)
* [List of Marketing Boards in Ontario](http://www.omafra.gov.on.ca/english/farmproducts/factsheets/factsheet_index.htm)(www.omafra.gov.on.ca/english/farmproducts/factsheets/factsheet\_index.htm)
* [The Progressive Farmer](http://www.dtn.com/) (www.dtn.com)
* [Small Business Enterprise Centre and Community Based Provider Locations](http://www.ontario.ca/business-and-economy/smallbusiness-enterprise-centre-locations)(www.ontario.ca/business-and-economy/smallbusiness-enterprise-centre-locations)
* [University of Guelph, Ridgetown College](http://www.ridgetownc.uoguelph.ca/agrilink/)(www.ridgetownc.uoguelph.ca/agrilink/)

##### Direct Farm Marketing

* [Ontario Farm Fresh Marketing Association (OFFMA)](http://www.ontariofarmfresh.com/)(www.ontariofarmfresh.com)
* [Community Futures Development Corporation](http://www.ontcfdc.com/)(www.ontcfdc.com)
* [Farmers' Markets Ontario (FMO)](http://www.farmersmarketsontario.com/)(www.farmersmarketsontario.com)
* [List of municipalities in Ontario (sign bylaws)](http://www.mah.gov.on.ca/Page1591.aspx)(www.mah.gov.on.ca/Page1591.aspx)
* [Municipal Property Assessment Corporation](http://www.mpac.ca/)(www.mpac.ca)
* [North American Farm Direct Marketing Association (NAFDMA)](http://www.nafdma.com/)(www.nafdma.com)
* [Ontario Ministry of Finance](http://www.fin.gov.on.ca/en/tax/) (www.fin.gov.on.ca/en/tax/)
* [Service Ontario](http://www.serviceontario.ca/)(www.serviceontario.ca)
* [Social media marketing for small businesses](http://www.ontario.ca/business-and-economy/socialmedia-small-business)(www.ontario.ca/business-and-economy/socialmedia-small-business)
* [Tourism-Oriented Directional Signing Program (TODS) (business signs along provincial roadways)](http://www.mtc.gov.on.ca/en/tourism/tods.shtml)(www.mtc.gov.on.ca/en/tourism/tods.shtml)

### Financial Management

The financial management of a farm business, in its most simple form, means using your assets, revenue and investments in a way that maximizes your return or profit. Some basic financial knowledge and skill is needed to do this well.

Most farmers know that financial management is an important part of managing their business. Many also think that the processes of recording, gathering, and analyzing their financial information are not the most exciting tasks, especially when there are more pressing jobs to do on the farm.

In order to be successful, you do, however, need to have a good grasp on how much money is coming into and going out of your business, whether it’s being spent wisely, and what your business is worth. Sound financial management is one of the most critical aspects to ensuring your business continues to be as productive as you want it to be.

If you know that being your own farm financial manager is just not a job you want to do, it’s a good idea to hire a professional advisor so you can get on with the parts of the business you like/are good at.

#### Good financial management allows you to:

* Figure out your cost of production and from that, develop marketing strategies
* Find out how much debt you can carry
* Decide if a succession plan that includes working with additional family members is possible

A Cornell University study from 2000 of New York dairy farms showed that “Farmers who conducted detailed financial analyses were substantially more profitable than the farmers who did them “in their head” or did not make the calculations.”

#### Here’s what needs to be done under good financial management:

* Set and monitor financial goals
* Regularly record and monitor financial transactions
* Analyze past and current performance
* Forecast future performance

#### Financial Records

Good financial management starts with good financial records and other supporting information such as inventories and crop and livestock production data. Farm business decisions are much easier to make when you maintain a complete record-keeping system and learn to use it to measure the performance of your business. Without complete records, it is very difficult to set business goals and know if you have met those goals.

##### Good record-keeping systems keep track of:

* Income and expenses, preferably on commodity-specific level
* Inventories – cash, livestock, crops, supplies, machinery, real estate, accounts receivables and payables
* Crop and livestock production information

Good financial management brings this information together into a format that you can use to track your financial progress. There are a number of smartphone and tablet applications on the market that can help you keep track of your business and financial transactions wherever you are, at the touch of a button.

##### What you can do:

* Evaluate your current record-keeping system
* Determine what information you need
* Assess your skill level for financial analysis and if needed, get training or help from a trusted advisor
* Monitor your financial progress on a regular basis to determine if you are meeting your financial goals

This section looks at a number of key areas that business owners must focus on:

* Improving cash flow – paying your bills and living expenses
* Increasing profitability – generating a return after expenses
* Taxation – striving to pay fair taxes
* Capital investment – making the most of the money you have
* Records – good records make analysis and financial goal setting possible
* Risk management – identifying financial risks is the first step in managing them
* Resources and skills – knowing your strengths and skills helps you manage the finances of your business

In a 2014 survey of more than 800 farmers, Farm Credit Canada found:

* 76 per cent of Canadian producers own a smartphone and 54 per cent own a tablet.
* Of the producers who own a smartphone and/or a tablet, nearly four in 10 (35 per cent) use ag-related apps and 27 per cent regularly use banking apps.
* Larger producers are more likely to use ag-related apps (47 per cent) than small producers (29 per cent).

To answer the assessment questions, please refer to the Financial Management tab in the GYFP Assessments Excel document.

#### Financial Management Resources

The Ontario Ministry of Agriculture, Food and Rural Affairs provide a range of information on all aspects of managing and leading your farm
business. Go to [Agricultural Business Management](http://www.ontario.ca/agbusiness) (www.ontario.ca/agbusiness) and click on the Financial Management section.

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##### Financial Management

* [Agri-Food Management Institute](http://www.takeanewapproach.ca/) (www.takeanewapproach.ca)
* [Agricorp](http://www.agricorp.com/)(www.agricorp.com)
* [Agriculture and Agri-Food Canada](http://www.agr.gc.ca/)(www.agr.gc.ca)
* [Canadian Association of Farm Advisors](http://www.cafanet.com/)(www.cafanet.com)
* [Canadian Imperial Bank of Commerce (CIBC)](https://www.cibc.com/ca/small-business/articletools/farm-biz-planning-guides.html)(https://www.cibc.com/ca/small-business/articletools/farm-biz-planning-guides.html)
* [Certified General Accountants of Ontario](http://www.cga-ontario.org/)(www.cga-ontario.org)
* [Certified Management Accountants](http://www.cmaontario.org/)(www.cmaontario.org)
* [Canada Revenue Agency](http://www.cra-arc.gc.ca/) (www.cra-arc.gc.ca)
* [Ontario Ministry of Finance](http://www.fin.gov.on.ca/)(www.fin.gov.on.ca)
* [Farm Credit Canada Learning Centre](http://www.agrisuccess.ca/)(www.agrisuccess.ca)
* [Farm Management Canada](http://www.fmc-gac.com/)(www.fmc-gac.com)
* [FarmStart](http://www.farmstart.ca/)(www.farmstart.ca)
* [University of Guelph Food Agriculture Resource Economics (FARE)](http://www.uoguelph.ca/fare)(www.uoguelph.ca/fare)
* [College of Management and Economics (CME)](http://www.uoguelph.ca/business)(www.uoguelph.ca/business)

### Human Resources

Human resources management is about encouraging the best performance from the people who work in your business, whether they are family or hired staff. Having high-performing people who work effectively as a team is one of your greatest assets in achieving your business goals.

Labour can be the highest cost for a farm business - in some cases, it can mean three-quarters of the business’ total annual expenses. That’s why good human resource planning is a critical step in moving your farm business forward. Among several other things, a self-assessment will help you understand:

* Whether you need more or fewer workers
* Health and safety and other regulatory requirements
* Payroll obligations
* The value of recruitment, orientation and training
* The importance of having job descriptions, so everyone knows his/her role
* The need to help workers (family or staff) balance work and life

As with any other part of a good business plan, spending some time creating and implementing a human resource plan will help you maintain a profitable and successful farm business.

Managing conflict is perhaps one of the trickiest parts of managing people - especially if they are family. Doing it effectively will keep your workers happy and productive and your business on track. While there is no one “right” way to manage conflict, there are a few methods that have proven useful. Please see the Resources section for more details on this.

#### What you can do:

Putting into practice a solid human resource plan will not only reduce your costs, but it will also give you peace of mind throughout the year. Not having one can lead to staffing mistakes such as having too many or too few workers, which affects the bottom line of your business.

One of the keys to running a successful farm business is knowing what types of skills you need, how many workers it takes, and how long they should work for you. Frequent staff turnovers can create major problems - and it always seems to happen at critical times such as planting or harvest season.

Assessing your situation and understanding your management style will help you to make the right decisions when hiring employees and setting policies for your business. Understanding your management style will also ensure that you get the right “mix” of people to suit your personal needs.

#### In this section you’ll explore:

* Farm labour health and safety regulations
* Recruitment, orientation and training
* Communications
* Payroll
* Work/life balance

#### Human Resources Resources

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* [National Farmers' Union](http://www.nfuontario.ca/) (www.nfuontario.ca)

##### Human Resources

* [Canada Revenue Agency](http://www.cra-arc.gc.ca/) (www.cra-arc.gc.ca)
* [Canadian Agricultural Human Resource Council](https://www.cahrc-ccrha.ca/)(https://www.cahrc-ccrha.ca/)
* [Canada Pension and Benefits](https://www.canada.ca/en/services/benefits/publicpensions.html) (https://www.canada.ca/en/services/benefits/publicpensions.html)
* [Department of Agricultural Economics, Kansas State University](http://www.agmanager.info/)(www.agmanager.info)
* [Farm Management Canada](http://www.fmc-gac.com/)(www.fmc-gac.com)
* [Foreign Agriculture Resource Management Services](http://www.farmsontario.ca/)(www.farmsontario.ca)
* [Manitoba Agriculture, Food and Rural Initiatives](http://www.gov.mb.ca/agriculture/businessand-economics/business-management/humanresources.html%29)(http://www.gov.mb.ca/agriculture/businessand-economics/business-management/humanresources.html)
* [Ministry of Labour](http://www.labour.gov.on.ca/english/es/pubs/factsheets/fs_agri.php)(www.labour.gov.on.ca/english/es/pubs/factsheets/fs\_agri.php)
* [Service Canada](http://www.servicecanada.ca/)(www.servicecanada.ca)
* [The Rural Ontario Institute](http://www.ruralontarioinstitute.ca/)(www.ruralontarioinstitute.ca)
* [Workplace Safety and Prevention Services](http://www.wsps.ca/Farm-Safety-Training/FarmSafety.aspx)(http://www.wsps.ca/Farm-Safety-Training/FarmSafety.aspx)
* [University of California Berkeley](http://www.cnr.berkeley.edu/ucce50/ag-labor)(www.cnr.berkeley.edu/ucce50/ag-labor)

### Social Responsibility

Your farm operation affects, and is affected by a number of influences that aren’t always obvious. For example, how and when you spray your fields or spread fertilizer affects the natural environment. Being actively engaged with your local community could help you be aware of, and provide input into, new government policies. And the way you treat your animals can make or break a lucrative contract with a buyer.

Analyzing the environmental, social and financial benefits and costs, when making your business decisions is a good way to make sure you’ve covered all the bases.

For the purposes of this workshop, you will be examining environmental stewardship, community involvement, and industry involvement.

#### Environmental Stewardship

Your farm business shares the landscape, ground and surface water, and air with the local community. In most cases, you and your employees’ families also live in the community. That is why taking good care of natural resources makes so much sense. The way you manage your farm can improve or compromise soil structure, water quality and wildlife habitat. The most important thing to remember is that long-term farming depends on meeting today’s needs without compromising the ability of future generations to meet their own needs.

##### Assessing your farm’s environmental management can help you:

* Maintain and improve the land, water, air, woodlands, and wildlife resource bases
* Ensure compliance with regulations
* Manage the impact risk of farming practices on neighbouring properties
* Manage risks associated with climate change
* Create business opportunities

#### Community Involvement

Farmers have a long tradition of being involved in the community - whether it’s the local church, service organization or charity. There’s a good reason for it - giving back, even when there’s so much work to be done on the farm, is a key activity that will reward you with many benefits.

**Getting involved in the local community:**

* Creates goodwill for the farm business
* Provides business opportunities
* Reduces risks to the farm
* Creates training opportunities for farm team members in decision-making, organizational management, and people management

#### Industry Involvement

By actively participating in commodity or agricultural organizations, value and supply chains, and other business organizations, you and your farm team members can learn from and contribute to resolving industry-wide issues and moving the industry forward. These can be anything from staying on top of changing buyer requirements and consumer preferences to learning first about the latest technological advances.

**Getting involved with the industry:**

* Helps you monitor and act on trends and issues that can affect the future of your farm
* Can mean discounts on products and services
* Provides networking and business opportunities
* Provides you with a stronger voice and presence with the public
* Reduces risks to the farm
* Creates training opportunities for farm team members in decision-making, organizational management, and people management

#### What you can do:

##### Environmental Stewardship

* Incorporate best management and good stewardship practices into your operation to improve and maintain the natural environment
* Research technologies, production methods and management practices that make the most efficient and environmentally responsible use of the farm’s resources
* Meet government regulations and industry standards
* Manage the risk of farming practices negatively affecting neighbours’ properties
* Maximize business opportunities through environmental stewardship activities

##### Community involvement and industry level involvement

* Be transparent with your method of farming, including how you adhere to environmental rules and codes of practice for the care and handling of animals
* Strike a balance between the time you take with your business and with the industry and community
* Create goodwill in the community and with your customers to draw on when you need to deal with their concerns
* Communicate how your farm benefits the community through a media spokesperson, by hosting tours, by sponsoring events, or by installing signage like an Environmental Farm Plan gate sign
* Take part in events and organizations - not only will you positively affect the industry and community; you can improve your business and interpersonal skills

#### In this section, you’ll explore:

* Environmental planning and regulations
* Monitoring community issues
* Encouraging community involvement
* Business networks
* Industry networks
* Codes of practice

To answer the assessment questions, please refer to the Social Responsibility tab in the GYFP Assessments Excel document.

#### Social Responsibility Resources

The Ontario Ministry of Agriculture, Food and Rural Affairs provide a range of information on all aspects of managing and leading your farm
business. Go to [Agricultural Business Management](http://www.ontario.ca/agbusiness) (www.ontario.ca/agbusiness) and click on the social responsibility section.

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* [National Farmers' Union](http://www.nfuontario.ca/) (www.nfuontario.ca)

##### Social Responsibility

The Ontario Ministry of Agriculture, Food and Rural Affairs provide a wide range of information on environmental management and nutrient management for your farm business. Go to [Nutrient Management](http://www.omafra.gov.on.ca/english/agops/) (www.omafra.gov.on.ca/english/agops/) and click on the tabs.

* [Dairy Farmers of Ontario](http://www.dairyfarmers.ca/)(www.dairyfarmers.ca)
* [Environmental Farm Plan Workshop Ontario Soil and crop Improvement Association](http://www.ontariosoilcrop.org/)(www.ontariosoilcrop.org)
* [Insurance Bureau of Canada](http://www.ibc.ca/on/business/risk-management%29)(www.ibc.ca/on/business/risk-management)
* [Local Community Futures Development Corporations](http://www.ontcfdc.com/)(www.ontcfdc.com)
* [Ontario Grower Pesticide Safety Course](http://www.opep.ca/index.cfm/farmers1/gpsccertification/)(http://www.opep.ca/index.cfm/farmers1/gpsccertification/)
* [Rural Ontario Institute](http://www.ruralontarioinstitute.ca/)(www.ruralontarioinstitute.ca)
* [Office of the Ontario Fire Marshall](http://www.ofm.gov.on.ca/english/FireMarshal/OFMLanding/OFM_main.html)(www.ofm.gov.on.ca/english/FireMarshal/OFMLanding/OFM\_main.html)
* [Workplace Safety and Prevention Services](http://www.wsps.ca/Farm-Safety-Training/Farm-Safety.aspx)(http://www.wsps.ca/Farm-Safety-Training/Farm-Safety.aspx)

**Other Resources**

* Board of Trade
* Local Chambers of Commerce
* Business Improvement Associations
* Municipal Economic Development Offices
* General Farm Organizations and Associations

### Succession Planning

Succession planning is another tough but necessary part of making sure your farm business continues as a thriving enterprise. Basically, it’s the process of making arrangements for someone else to take charge when you are ready to retire or move on to other pursuits.

Thinking about, planning for and implementing activities that set up the end game now will give you peace of mind when you do decide to make the transition.

There are many ways to structure your succession plan, whether you have family you want to pass the business on to, have or are thinking of taking on a business partner, or are selling to a third party. It can be carried out over years or decades. The choices are yours, and this workshop will help you identify and work through them.

A study conducted for the U.S. Department of Agriculture in 2012 said that, for farm businesses, “succession plans have a positive and significant effect on financial performance, both in terms of higher profit margins and returns to equity.”

#### What you can do:

The most important thing is to start the conversation. Issues to discuss include planning for various contingencies like death, disability, divorce, disagreement, and disaster. You should also be thinking strategically about how to position the business for the future.

This self-assessment will take you down the path that best fits your particular situation.

#### Among the considerations you will explore in this section are:

* Contingency plans: Do you have an up-to-date will and power of attorney? Have you considered what would happen to the business in cases of death, divorce, disability, disagreement, or disaster?
* Business profitability: Is your business big enough or flexible enough to support the next owner (successor)? Are there plans in place to increase profitability? Is your business structure appropriate to your succession plan?
* Taxes: Have you considered the tax implications of selling or passing on your business? Have you discussed these with a potential successor?
* Identifying successor: Do you know of more than one person who would be interested in taking over the business? Do you have a process for picking one?
* Skills and knowledge: Does the person you’ve chosen have all the skills they need to run the business? If not, is there a training plan in place and enough budget to cover the costs?
* Communication: Have you talked to everyone who might be affected by the succession plan, including the successor, family and staff? Do you have a strategy for resolving any conflicts that may occur?

To answer the assessment questions, please refer to the Succession Planning tab in the GYFP Assessments Excel document.

#### Succession Planning Resources

The Ontario Ministry of Agriculture, Food and Rural Affairs provide a range of information on all aspects of managing and leading your farm
business. Go to [Agricultural Business Management](http://www.ontario.ca/agbusiness) (www.ontario.ca/agbusiness) and click on the succession section.

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* [National Farmers' Union](http://www.nfuontario.ca/) (www.nfuontario.ca)

##### Succession Planning

* [The Agri-Food Management Institute](http://www.takeanewapproach.ca/)(www.takeanewapproach.ca)
* [Canadian Association of Farm Advisors (CAFA)](http://www.cafanet.com/)(www.cafanet.com)
* [Centre for Family Business (Waterloo)](http://www.familybizcentre.com/)(www.familybizcentre.com)
* [Certified General Accountants of Ontario](http://www.cga-ontario.org/)(www.cga-ontario.org)
* [Certified Management Accountants](http://www.cmaontario.org/)(www.cmaontario.org)
* [Cornell University](http://www.cceoneida.com/agriculture/familyfarming/) (http://www.cceoneida.com/agriculture/familyfarming/)
* [Farm Credit Canada (FCC), FCC Learning Centre](http://www.agrisuccess.ca/)(www.agrisuccess.ca)
* [Farm Management Canada](http://www.fmc-gac.com/)(www.fmc-gac.com)
* [Farm Link](http://www.farmlink.net/)(www.farmlink.net)
* [National Farm Transition Network (NFTN)](http://www.farmtransition.org/)(www.farmtransition.org)
* [University of Waterloo Centre for Family Business](http://farmcentre.com/english/conference/2002/pdf/fast.pdf)(http://farmcentre.com/english/conference/2002/pdf/fast.pdf)

### Business Goals

As a business owner, having a set of goals means being able to focus on the future and bring together the necessary skills, resources and services to get there. It’s kind of like planting a field: if you focus on what’s going on in the tractor and with the planter behind you, you’ll end up with a very crooked row of corn. However, if you pick out a tree or a landmark in the distance that you can steer towards, your rows are straighter, and you’re able to complete the job faster than before. Having clear goals for your business makes everything run straighter and more smoothly.

#### Five steps to making good business goals

##### 1. Think about where you have been

The successes and failures of the past give you valuable knowledge to help plan your future. By examining your successes and failures, you can determine your strengths and weaknesses. Are you better at production and talking to people? Do you put off doing the books? Figuring out what went wrong as well as what went right - with business transactions or relationships with people or anything else - goes a long way to helping you find your own strengths.

##### 2. Know where you are

Taking stock of your business right now will help you develop your goals for the future. Whether you are struggling to make monthly payments or are ready to expand your operations, you need to know what you do well in order to set goals that are reachable. Core competencies are the combination of knowledge, skills and technical capacity that distinguish your farm from the competition. What do you have or are really good at that makes you stand out? Whether you have unique breeding stock genetics, superior customer service, low capital costs, high productivity, a really motivated staff or flair for marketing, you need to recognize the core competencies that you can build on.

##### 3. Document where you want to be – your business goals!

If you take the time to look forward and write down at least three goals for your business, you can start figuring out how to achieve them. Your goals should be tied to your core competencies and to your vision of what kind of business you want to run - whether it’s expanding your current business, changing your focus, becoming more environmentally sustainable, going into value-added production or making more money. Make sure the goals you set are S.M.A.R.T. - Specific, Measurable, Attainable, Realistic and Timely.

##### 4. Learn how to get there

Having an understanding of how you are going to achieve your business goals is as important as having the goal in the first place. Knowing or learning how outside influences like the state of the economy, government policies and consumer preferences can affect your business is just as important as monitoring commodity prices, herd health or staff relations.

A business goal to improve your efficiency is a good target, but without a defined action step, like reducing the number of labour hours per acre farmed from one hour per acre to half an hour per acre, you will have no idea how to go about reaching that target.

Don’t forget your personal goals as well - more community involvement, more family time or healthier eating will help you function better in your business.

##### 5. Celebrate the milestones

It is entirely possible to pass your business goals without knowing you have achieved them. Once you have passed each of the steps on the way to your goal, take a few minutes to congratulate yourself. There’s nothing quite as satisfying as checking the box on a to-do list, and if that list gets you to where you want to be with your business, it’s even more rewarding.

Look for that tree on the horizon! Look back only to make sure you have ticked the boxes on your way to your goals. Otherwise, focus your attention on those activities that take you from where you are, to the end you have in mind.

To answer the assessment questions, please refer to the Business Goals tab in the GYFP Assessments Excel document.

#### Business Goals Resources

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## Assessment Outcomes

### My Top Priorities

After you complete the seven Business Assessment sections you will have identified both the business strengths and weaknesses of your farm business.

The purpose of this section is to help you identify the top priorities you need to address through the development of Action Plans.

#### Instructions

##### Identifying Top Priorities

Looking at the assessment questions that you have rated as high priorities, you will have high priorities rated GREEN, YELLOW, or RED.

* A Green High Priority is a key strength of your farm business that you want to maintain and continue to improve.
* A Yellow High Priority is a weakness in your farm business that you want to improve.
* A Red High Priority is a key weakness in your farm business that you want to rectify.

Ignoring the Yellow and Red High Priorities puts your farm at risk. Ignoring the Green High Priorities can reduce your farm’s current success.

From among the assessment questions you have rated as high priorities, choose your top GREEN, YELLOW and RED High Priorities that you wish to act on.

**Note:** One priority may address several assessment questions from one or several sections.

**Note:** It is recommended that if you do not have a Green assessment response for question “3.2 Are you able to pay bills on time and provide for family living expenses?” or do not have a Green response for any assessment questions asking about compliance to regulations, that you address these issues as priorities.

**Note:** You are not required to list a priority in each section.

##### Reminder: High Priority Summary

You can use the High Priority Summary to see how many High Priority Areas you have selected from the Business Assessment Questions.

##### Identifying Opportunities and Threats

It is important to consider the external forces affecting your farm business. There may be opportunities that you wish to take advantage of and threats that you need to address.

Identifying priorities as a result of identifying your business Strengths, Weaknesses, Opportunities and Threats is called a SWOT Analysis.

#### Identifying Priority Strengths and Weaknesses

The following lists your High Priorities from among the assessment questions you have previously answered.

Choose your top GREEN, YELLOW and RED High Priorities that you wish to act on.

Notes:

* One priority may address several assessment questions from one or several sections.
* It is recommended that if you do not have a Green assessment response for question "3.2 Are you able to pay bills on time and provide for family living expenses?" or do not have a Green response for any assessment questions asking about compliance to regulations, that you address these issues as priorities.
* You are not required to list a priority in each section.

### Key Goals

Now that you have identified your Top Priorities, Opportunities and Threats to the farm, it is time to set Goals to address your priority areas.

#### Instructions

**Step 1:** Describe where you want your farm to be in five to ten years' time. What type of farm business will it be? How big? Who will be involved in the farm and in what way?

**Step 2:** Identify three to five Key Goals. What needs to be done to make this five to ten year future picture or vision of your farm a reality? As you set your goals consider:

* Your Top Priorities (Strengths and Weaknesses) that you have identified
* The Opportunities and Threats to the farm that you have identified
* Your five to ten year Vision for your farm business

State your three to five Key Goals and how each supports where you want your farm to be in five years' time

#### Creating Action Plans to accomplish goals

Once you have completed your top three to five Key Goals the final step is to complete an Action Plan for each. In the Action Plan your Key Goals will become more refined to include action steps needed to implement these goals.

### Action Plan

The point of having a goal is to make your desired change happen in the best way possible.

An effective goal is one that contains the following five S.M.A.R.T. attributes: Specific, Measurable, Accountable, Realistic, and Timely.

By completing the Action Plan you can set S.M.A.R.T. Key Goals and the Action Plan Steps needed to address your Top Priorities and begin to make the changes you desire for your farm’s future.

#### S.M.A.R.T. Goals

**Specific** A goal that is specific has a much greater chance of being successful than one stated in general terms. To set a specific goal you must answer the six “W” questions:

* Who? Who is involved?
* What? What do you want to accomplish?
* Where? Identify a location.
* When? Establish a time frame.
* Which? Identify requirements and constraints.
* Why? Identify specific reasons, purpose, or benefits of accomplishing the objective.

A general goal would be, “get in shape.” A specific goal would say “join a health club and workout days a week.”

**Measurable** Establish concrete ways to measure your progress toward achieving each goal you set. When you measure your progress, you stay on track, reach your target dates, and experience the joy of accomplishment that motivates you to reach your goal.

An effective goal should answer these four questions:

1. What will be measured?
2. What measurements indicate success?
3. When will the measurement be taken?
4. Who will measure?

**Accountable** It takes people to make goals happen. How often have you seen a situation where everyone agreed on a goal and while anyone could have done the work required, nobody did. Each step in the Action Plan needs to be ‘owned' by a person with a clear understanding of what is expected. There needs to be one person responsible for the overall goal that people can turn to for guidance as situations arise.

**Realistic** To be realistic, a goal must be one that you are both willing and able to work toward. There must be a reasonable expectation that the goal is attainable. Only you can decide just how high or low your goal should be but be sure that every goal represents some progress. A high goal is often easier to reach because a low goal comes with a low motivational force. Your goals are probably realistic if you truly believe that you can accomplish them. More ways to know if your goals are realistic is to determine if you have accomplished anything similar in the past. Also, ask yourself what conditions would have to exist for you to accomplish your goals and see if you can create those conditions.

**Timely** All goals should be grounded within a time frame. With no time frame, you will lack any feeling of urgency. If you want to lose 10 pounds, decide when you want to lose it by. “Someday” will not work, but if you give it a timeframe, “by May 1st”, then you have set your unconscious mind into motion working on the goal.

##### **Completing the Action Plan**

Complete an Action Plan capturing at least three of your Key Goals and identify the Action Plan Steps needed.

Start with your overall goal and identify the steps needed to accomplish this goal. For example you might first set a goal to increase profitability and one of your steps might be to improve your financial record keeping system.

## Glossary

### Production Management

Benchmarking:The process of comparing results on your farm with your own farm’s past results or with results from other farms producing the same products or services.

Cost of production:The cost of producing one unit of product or one unit of service. The cost of production is divided by the amount of products
made expressed in dollars per unit of production (e.g., $4.50 per bushel of corn, $68.00 per HL of milk).

Production advisor:A person who provides technical advice on the production of crops and livestock.

Production systems: The inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the products delivered to your customers.

Production standards:These can include yield standards such as yield per acre or per animal. This term may also refer to industry codes of practice, regulatory requirements, licenses or certificates such as the Grower Pesticide Safety Course, traceability and/or biosecurity requirements.

Production technology: This includes any machinery, knowledge skill set, and system of steps or methods used to turn inputs into the products
delivered to your customers.

Quality:This describes the desired characteristics of a product or service.

Service: This refers to work provided for a customer for pay.

Service system:This system is the inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the services delivered to your customers.

Suppliers:These people sell inputs to your farm business.

### Market Development

Agri-tourism:Agri-tourism is when consumers visit a farmers’ fair or market while traveling; visiting a pick-your-own farm or participating in a harvest; staying at a working farm or guest ranch.

Basis: The difference between the local commodity cash price and the specified nearby futures price of the same commodity. Basis = Local cash price – Nearby futures price.

Commodity marketing:Agricultural commodities are generic, undifferentiated products that, since they have no other distinguishing and marketable characteristics, compete with one another based on price. A commodity marketing system encompasses all the participants who are involved in the flow of the commodity from the initial input to the final consumer.

Direct farm marketing:Direct farm marketing allows the producer to assume the accountability and rewards of delivering quality agri-food products directly to the consumer through a variety of marketing channels (such as farmers’ markets, farm gate sales, or on-farm stores).

Farmers’ markets: Farmers’ markets are common facilities or areas where several producers gather on a regular basis to sell various food products such as meat, fruit, vegetables, and other food directly to consumers. These are also for the benefit of the urban consumer who values quality, variety, and freshness in their food.

Forward contracting: A forward contract is an agreement between two parties (such as a wheat farmer and a cereal manufacturer) in which the seller (the farmer) agrees to deliver to the buyer (cereal manufacturer) a specified quantity and quality of product (wheat) at a specified future date at an agreed upon price.

Futures contract:An agreement through a futures exchange, to buy or sell a commodity sometime in the future. The quality, quantity, delivery time, and delivery location are specified and the price is discovered on an exchange trading floor.

Hedging: In futures trading, a hedge is a future position that is equal and opposite to a position held in the cash market. The objective is to minimize the risk of an adverse move for the cash position.

Marketing boards:Marketing boards play an important coordinating role in the marketing or selling of commodities. Marketing boards may provide market information and support research and promotion to their producer members, while others also negotiate with processors to determine the price paid to growers. Some other marketing boards manage supply for domestic and export markets. These marketing functions all lend stability and predictability to the market for producers and the buyers of their commodities.

Marketing plan: Your marketing plan outlines the steps you will take to match your customers’ needs with the best products and services you can provide. Your marketing plan will help you decide how to spend your marketing budget and is a part of your overall business plan.

Market research:Market research links the consumer to the marketer through informal and formal analysis of a product, service, or market segment. Market research gives you the knowledge to maximize customer response and uptake of the product or service you are selling or promoting.

Options:An option contains a right, but not an obligation to either buy (call option) or sell (put option) an underlying futures contract at a specific price (strike price) for a cost (premium).

### Financial Management

Accrual statement:A financial statement that matches the revenue earned and expenses incurred for a specific time period, regardless of when the cash transaction took place.

Arrears:A legal term for a type of debt that is overdue after missing an expected payment.

Assets:Refers to property that the business either owns or controls. Assets include items such as cash, equipment, buildings, and land. They can be valued on a “fair market value” or on the basis of “cost less depreciation”.

Balance sheet: A statement of financial position showing the assets, liabilities, and equity of a business on a specific date.

Benchmark:A measurement of a particular financial or production indicator that serves as a standard by which a business can be measured or compared.

Breakeven price:The price a producer must receive for a product in order to recover all of the costs associated with producing the product.

Business agreements:Documents that describe the details surrounding the formation of a business. Examples are partnership agreements and shareholder agreements. Business agreements describe items such as the formation of the business, asset contribution, how it will operate, and how it will dissolve.

Capital: Financial capital refers to the funds provided by lenders (and investors) to businesses to purchase real capital like equipment for producing goods and services. Real capital may include land, equipment, buildings, or other assets.

Capital budget:This provides an estimate of the feasibility of making investments in long-term assets.

Capital investment strategy:A strategy aimed at maximizing the return and efficiency of the capital invested in the business based on the analysis of cashflows and desired return on investment.

Cashflow: An accounting term that refers to the amounts of cash being received and spent by a business during a defined period, sometimes tied to a specific project.

Cash statement:A statement that records the revenue and expenses when the cash is actually received or paid, regardless of when the agreement to sell or purchase may have taken place.

Corporation:A legal entity that is separate from its owners, the shareholders. No shareholder of a corporation is personally liable for the debts, obligations or acts of the corporation.

Debt servicing capacity: The ability of the business to make payments of money owed after considering the cash revenues and expenses of the business, personal living costs, and taxes.

Debt structure:The proportion of short-term debt when compared to long term debt.

Depreciation:An annual non-cash expense to recognize the amount by which an asset loses value due to use, age, and obsolescence.

Enterprise budget: Provides a listing of all income and expenses associated with a particular enterprise. It is used to estimate the profitability of an enterprise, to compare the profitability of various enterprises on a farm, and as an aid in preparing whole farm or cash flow budgets.

Equity: An interest in property or the monetary value of the property less any outstanding liabilities.

Fair market value: A term to describe an appraisal based on an estimate of what a buyer would pay a seller for any piece of property.

Fair market value balance sheet:A statement of financial position showing the assets, liabilities, and equity of a business on a specific date valued at their fair market value (see definition of fair market value).

Joint venture: A business structure that closely resembles a partnership but lacks one or more of the essential elements of a partnership.

Legal business structure: Refers to the type of business structure that a business uses to operate. The most common structures are sole proprietorships, partnerships, and corporations.

Net income: Equal to the income that a business has after subtracting all costs and expenses from the total revenue. Net income for a sole proprietorship must cover family living expenses, taxes, and principal payments on debt. It is sometimes referred to as profit or just income.

Ownership structure: Describes how the business is owned by the individuals involved. Ownership of assets may be structured differently than the prevailing business structure. For example, a shareholder in a corporation will own shares that represent ownership of all the assets of the corporation. However, they may also own land personally (such as a sole proprietor would) and rent that land to the corporation.

Partnership: An agreement where two or more persons carry on a business with a view to make a profit. All members share the management of the business and each is personally liable for all the debts and obligations of the business. This means that each partner is responsible for, and must assume the consequences of the actions of the other partner(s). A partnership has the following characteristics:

* an agreement to share the profits and losses of a business
* the ability of each partner to contractually bind the other partners
* joint ownership of property (although it is common to hold some property outside of the partnership)
* the use of the words “partner” and “partnership’ in any written; documentation (i.e., how the relationship is perceived by third parties)
* the use of a partnership name, joint bank account, joint accounting, single financing, etc.
* formal registration as a partnership

Private risk management: Includes the use of private insurance, commodity marketing strategies such as hedging, and other strategies such as diversifying production and customer base.

Profitability: The ability of a business to generate income (or profit) in a business undertaking, after all expenses and costs have been met.

Public risk management: Includes government run programs such as production insurance and income stabilization programs.

Risk management: A process of identifying risk, assessing its impact, and developing management strategies. Strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk. Financial risk management focuses on when and how to hedge using financial instruments to manage costly exposures to risk.

Sole proprietorship: This is generally the simplest way to set up a business. A sole proprietor is fully responsible for all debts and obligations related to his or her business. A creditor with a claim against a sole proprietor would normally have a right against all of his or her assets, whether business or personal. This is known as unlimited liability.

Succession: The process of planning and executing the transfer of the business to a successor.

### Human Resources

Conflict management styles: This refers to five styles of conflict management as outlined by Kenneth Thomas and Ralph Kilmann. The model organizes five conflict management styles based on two dimensions: assertiveness and cooperativeness.

Avoidance: The individual does not pursue his or her own or the others’ concerns. This usually results in a lose-lose solution.

Accommodation: The individual has a high concern for others’ concerns and neglects his or her own, in order to satisfy others’ needs. Here the individual loses and the other people win, resulting in a lose-win solution.

Competition: The individual is only concerned with his or her own interests and pursues them at the expense of others. Here the individual wins but the other people lose, resulting in a win-lose solution.

Compromise: The individual is equally concerned with his or her needs and others’ needs. Compromise never fully takes care of anyone’s needs and results in a no-win, no-lose solution.

Collaboration: The individual has high concern for both his or her needs and others’ needs. Using this style, the individual works with the other people to find a solution that is acceptable to all, resulting in a win-win solution.

Human resource management plan: This is a plan where you assess your present and future needs in the area of human resources. It is also an opportunity to examine your strengths and weaknesses as a manager, and to design and implement a plan to address your unique characteristics.

Management style: Every farmer has a management style that is unique to his or her own business. Styles can range from a “hands on” situation (where the farmer works right alongside his or her employees) to where the farmer relies on verbal and written instructions to convey what they expect from their employees. It is important to recognize that your management style is shaped by your own experiences and personality.

Regulations: (the following are mandatory if you have paid workers).

Canada Pension Plan: This is under the jurisdiction of the federal government. Everyone who works in Canada must pay into this pension fund as it provides disability payments as well as a pension when you retire.

Employment Insurance: Federal legislation to provide insurance payments should a worker become disabled or lose their employment. There are also allowances for maternity and paternity benefits in the Act. Employers must make deductions and remittances under this Act.

Employment Standards Act: A provincial Act that deals with wage legislation, vacations, public holidays, hours of work, and overtime.

Occupational Health and Safety Act: A provincial Act that explains and defines employers’ and employees’ rights and obligations for safety in the workplace. It contains a set of guidelines for both employers with paid workers, and employees to follow.

Workplace Safety and Insurance Act: Provincial legislation that covers all workers in Ontario. Employers must pay into this fund if they employ workers. The Workplace Safety and Insurance Act provides payment and benefits to workers should they become injured on the job or are involved in a fatality.

### Social Responsibility

Community involvement: Participation in your socio-cultural community. This can include activities in your local municipality, school, faith, sports and recreation, business, or other shared interest group.

Industry level involvement: Participation in industry-oriented initiatives can include attending farm organization or industry meetings, serving on farm organization or industry boards, and taking part in farm organization or industry led projects to find solutions to issues or promote success stories to consumers or to the public.

Industry networks: Organizations or associations that provide contacts for people in the same or related industries.

Environmental Farm Plan: A voluntary education and awareness program designed to help Ontario farmers prepare confidential and self-administered environmental risk assessments for their farms. Action plans are developed to deal with the identified concerns.

Environmental stewardship: Refers to responsible use and protection of the natural environment through conservation and best management practices.

Nutrient Management Plan (NMP): Outlines nutrient applications in farm fields, crop rotation, tillage, projected yields and other management approaches to optimize the utilization of nutrients by the crops.

Nutrient Management Strategy (NMS): Documents issues such as manure generation from livestock, manure type and quantity, adequate storage capacity and acceptable runoff management.

Value-added market opportunities: The enhancement of a product or service through specific processing, quality attributes, image and marketing (e.g. organic produce, pre-washed).

Codes of Practice: A code of practice is a set of written rules which explains how people working in a particular profession should behave, typically developed collaboratively through industry, academia, and community input.

### Succession Planning

Family business dynamics: The impacts, influences, and roles that families and family members in business together have on each other and on the overall performance of the business. It mostly relates to the links between family, ownership, and management. Family business dynamics is critical in succession planning as it influences things like management styles, conflict resolution, communication, and other such issues.

Readiness factors: Aspects of a business or family relationship which require resolution prior to proceeding with a plan. These factors include stage of family-business life cycle, family dynamics, communication, size and financial viability, identification and development of a successor, and visionmission-goals.

Stages of family-business life cycle: Many families and businesses have three parallel stages they pass through:

1. The entry stage has two main steps: (i) testing whether family member(s) want to be in the business and (ii) establishment.
2. The growth stage also has two main steps: (i) expansion and (ii) as time progresses, possible consolidation.
3. The exit stage which addresses: (i) retirement and (ii) transfer.

Succession planning: (also known as transitional planning) A continuous process involving the advanced planning for, and implementation of, strategies to transfer the labour, knowledge, skills, management control, decision-making, and ownership of the farm business to the next generation (within family or not). Succession planning is based on the personal, family, and business goals and objectives.

Successor: The person planning to gain greater management and/or ownership control of the farm business.

### Business Goals

Action: A specific step needed to implement a goal, preferably including who will do it, by when, and at what cost (e.g., John to look at electronic record keeping systems available and make recommendation by December 31, considering the benefits and disadvantages, expense, training needs, and the cost of training.)

Action plan: A collection of actions, which you have committed to complete, in order to fulfill a goal.

Business goal: A key achievement(s) that will fulfill an organization’s purpose or mission (e.g., grow profitability; maximize net income by increasing revenues and controlling costs.)

Core competency: What you and your business are capable of doing well (e.g., producing high quality breeding stock, cost control in a greenhouse flowers operation, grain marketing.)

Mission: A statement of the overall purpose of an organization. It describes what you do, for whom you do it, and the benefits of doing it (e.g., to provide consumers with high quality, price-competitive, services and products that meet their personal, business, and recreational needs.)

Priority: A way of ranking potential actions based on your judgment of how much of an effect they will have in fulfilling your goals. In this program, ranking an action with a high priority increases the likelihood that it will be included in your priority lists.

Strategy: A high-level plan or approach to achieving a desired result(s).

Vision: A description of the ideal of what you want your business to look like in the future. A mission statement will describe how you will make your vision become reality.