

# Farm planning Made easy

[farmfocus.co.nz](http://farmfocus.co.nz)  
Call 0800 888 080



# Farm planning made easy

How to set up, manage and gain the most from a farm plan.

Creating a great working farm plan with minimal effort can be simple and easy - you just need to know where to get started.

In farming, many factors are out of your control but a good plan will enable you to respond quickly to unpredictable climatic conditions or commodity prices.

Well prepared farmers are in a position to take advantage of opportunities as they arise and

when the season isn't running to plan they can make better decisions, much sooner.

A well set up and managed plan creates a level of certainty and control, meaning you can sleep easy at night, have the confidence to make decisions and enjoy the freedom to focus on what you do best - farming.

This guide is designed to give you a better understanding of what you need for a farm planning system.



# Why plan?

## And why manage your own plan?

Basically, a plan is a forecast of what you want to happen on your farm over the next financial year.

Think of it as both a spending plan and an income plan that can be easily updated as new opportunities arise, and balancing the farm needs with what you and your family need.

### Why plan?

The simple reason why many people plan is to secure bank finance, but the benefits of planning go far beyond that.

By far the biggest benefit is the opportunity to experiment with different options for growth in your business. Planning your income and spending gives you the ability to lift productivity and profitability, generating extra income.

Planning can also give you a whole farm view of when and where to spend money for the best return.

For example, if I spend money on pasture improvement, what will it mean for my bottom line?

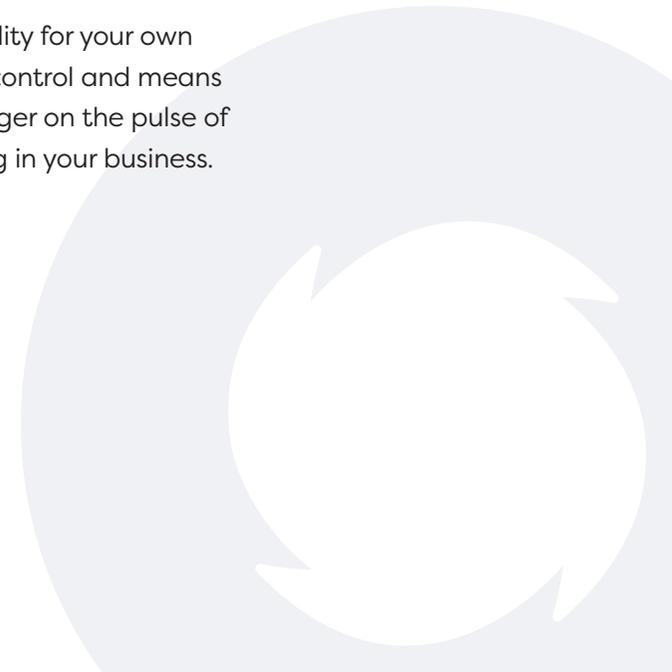
By demonstrating to your bank that you

are in control of your finances you may be able to influence your personal risk interest margin – potentially decreasing your total interest rate by up to 2%.

Managing your plan means owning your plan. When you create it and own it you are committed to it. When someone else creates the plan are you as committed?

Taking responsibility for your own plan puts you in control and means you have your finger on the pulse of what's happening in your business.

*“You have to have ownership of the direction of your business. If you don't know where you stand financially through the season you're throwing a dart. If you're not budgeting you're not planning for success.” Matt and Lynley Wyeth, Spring Valley Enterprises, Wairarapa*



# Choosing the right tool

Great, you've decided to create a plan.  
But what tool is best to get the job done?

To get a complete view of your farm operation you need a software solution that:

- Enables you to update it throughout the year with minimal effort, making future planning easy
- Allows you to change livestock numbers and automatically updates the impact of any livestock sales or purchases on the bottom line – the two are linked
- Gives you the ability to drill down into the detail. Ensure the tool you're using has worksheets that do all the maths, and any variables can be

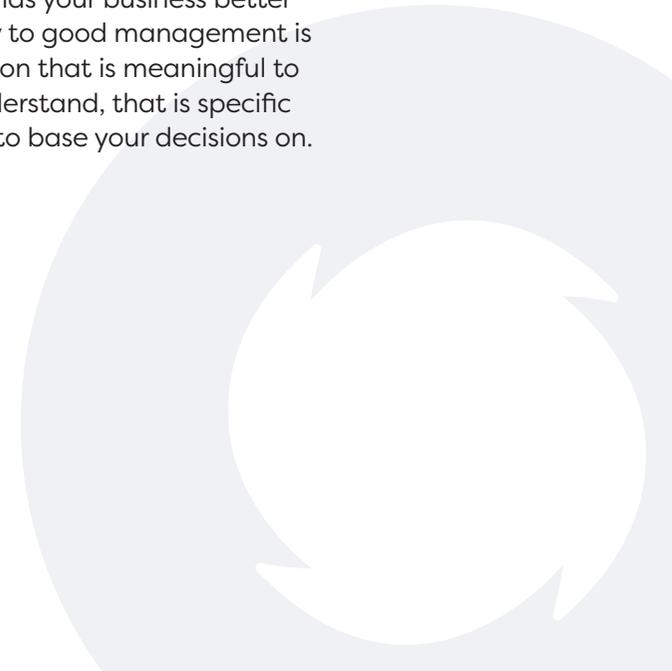
done in a split second. It should tell a story for example "I plan to shear 1000 sheep, each will produce 4kg of wool and that wool is worth \$3/kg".

- Keeps you connected – is cloud-based so you can share your information with others easily and seek advice about your plans when you need it.
- Gives you certainty estimating the number of animals available for sale so you don't run down capital livestock.

The goal is to be able to regularly update your plan with actual data as it becomes available. This is much easier to do when your planning system and recording

system share the same structure and same set of codes. Regular revision is then largely automated and you have an updated view of the whole year at any time.

No one understands your business better than you. The key to good management is to have information that is meaningful to you, that you understand, that is specific to your business, to base your decisions on.



# Where to start

The easiest way to confirm your income and spending predictions is to compare them to last year. Your most valuable asset is last year's figures, they're a great place to start.

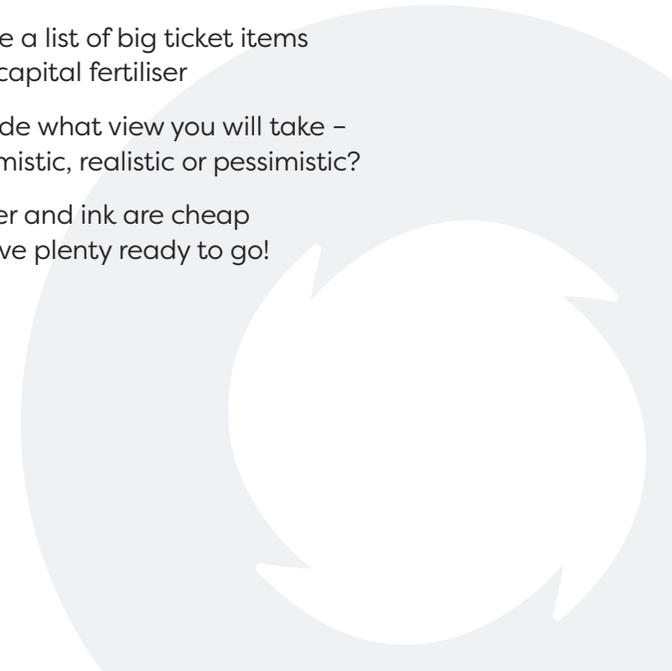
Initially focus on a high level view; don't get bogged down in the detail. A good planning system will allow you to add detail later on without having to start from the beginning.

Don't sweat the small stuff, for a first pass plan it's good enough to guesstimate and round cost estimates to the thousands.

Once you've completed your first pass, sleep on it and come back to it the next day. A new day can sometimes provide much needed perspective.

## This checklist will help you gather all the information you need to start creating your plan:

- ✓ Decide what period your spending plan will cover (usually the financial year)
- ✓ Have your stock numbers on hand, including opening numbers for the year
- ✓ For dairy farmers, print out your payout schedule and have it on hand
- ✓ Have your crop plan and livestock policy handy
- ✓ Make a list of big ticket items e.g. capital fertiliser
- ✓ Decide what view you will take – optimistic, realistic or pessimistic?
- ✓ Paper and ink are cheap – have plenty ready to go!



# Planning for success



## SHARE YOUR GOALS

Share your business aspirations, short and long term, with stakeholders. Focus on land ownership, succession, land and building development, and goals for your family, off farm activities and education.



## DECIDE ON FARM POLICY

With your goals in mind decide on the big policy issues like type and age groups of livestock, selling pattern, stocking rate, feed plan.



## MODEL LIVESTOCK NUMBERS

Set your livestock policies by breaking them down into management topics e.g. an 18-month bull policy could cover when to buy and sell.



## PLAN INCOME

Consider when you expect to receive income e.g. milk cheque, grazing, wool or lamb sales.



## PLAN EXPENSES

Consider what you are planning to spend and when e.g. R&M, animal health, power and rates. Don't forget to include non-negotiable items like debt servicing.



## REVIEW THE PLAN

Once you have a basic outline of your big picture plan you can review and fill in details, if needed. Don't expect to complete a plan in one sitting, spreading it over a couple of days provides fresh insight.



## LOCK AWAY AS ORIGINAL

With the right tool you will be able to save an original plan and make updates as required during the season.

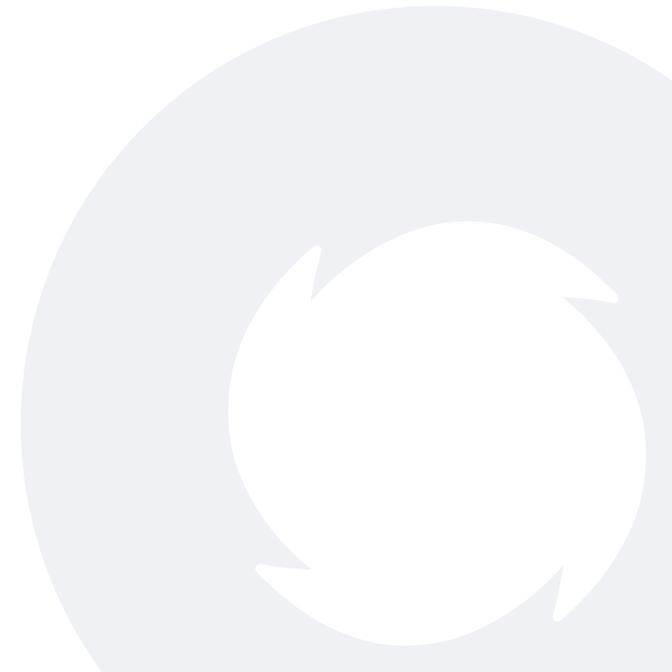
**Use the date when money will arrive into or leave your bank account - this will drive cashflow.**

“

*A plan doesn't have to be perfect,  
there's nothing wrong with a plan  
that needs a little more improvement.  
Any plan is better than no plan.*

”

*Brian Eccles, Wairarapa Farmer of the Year,  
Managing Director Farm Focus*



# Knowledge is power

A plan is a powerful tool, but only when it is put to work and revised regularly. It's no use chucking it in the bottom draw, never to be seen again.

Your plan provides a feedback loop - a way to check and ensure you're on track to achieve your end of year goal.

By keeping your plan alive and reviewing it regularly you know your exact position and can tweak it to make sure you remain headed in the right direction. There are many ways to reach a destination and it's the journey that counts, not how you get there.

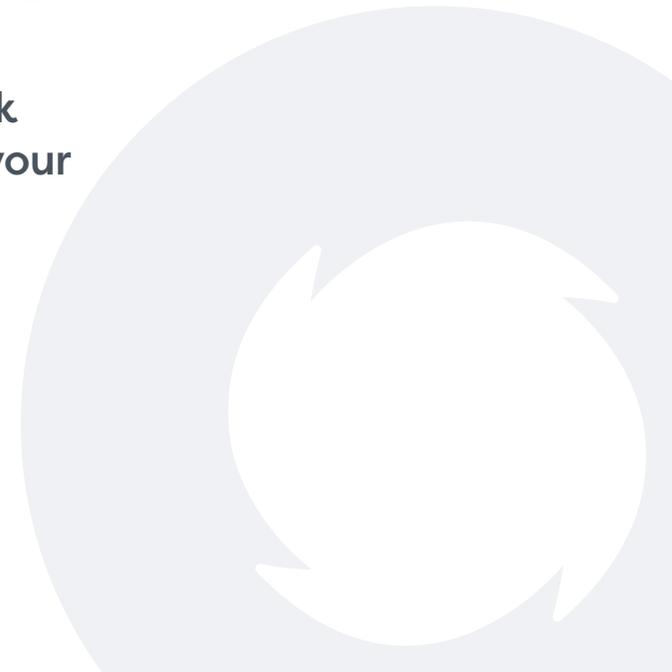
Farmers are conditioned to expect the unexpected. The good news is that by revising your plan regularly you are able to forecast for different scenarios, so you are prepared and able to respond if things change.

Making proactive decisions early on can reduce reactive decisions later.

Another plus is that while billing mistakes do happen, regular revision can help you pick up any errors in billing and invoicing, or missed payments. This could save you significant money.

**Revision means you can lock in your wins and celebrate your successes along the way.**

*"I'm constantly revising my plan from the information I get, be it stock weights, kill sheets or interest rates. I then cut the cloth to fit as the season goes on and as I'm getting more market information on what my prices are going to be." Matt Wyeth*



# When to revise

Revise your plan at least three times a year, according to the season, or when something unexpected happens, like a change in the payout.

## Dairy farming



CALVING

### OCTOBER

Calving is recorded and payout can be updated. Feed inputs are clearer.



FEEDING OUT

### FEBRUARY

Two thirds of production is known, plan wintering and fertiliser costs.



MILKING

### MARCH

12 month actual is easy to predict, make plans for surplus.

## Sheep & beef farming



DOCKING

### OCTOBER

Lambing and calf numbers are known and schedule is clearer.



FEEDING OUT

### FEBRUARY

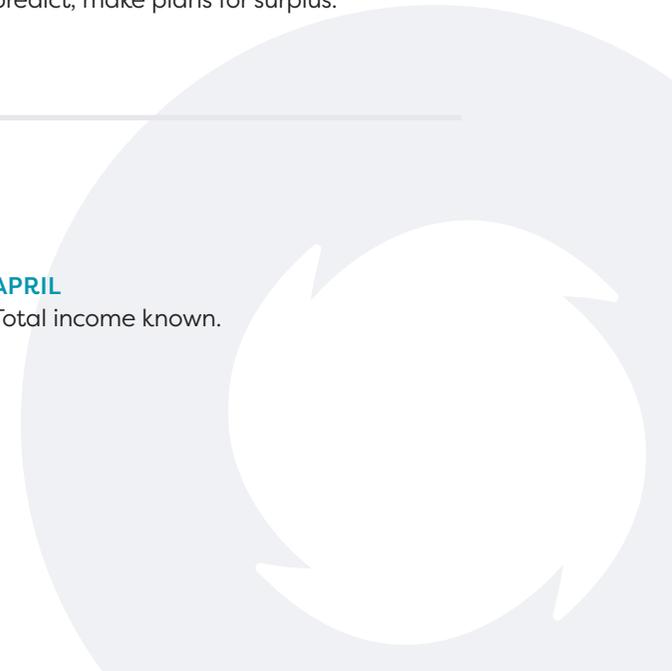
Impact of weather and livestock condition known, plan discretionary spending.



RAM OUT

### APRIL

Total income known.



# Know where you're headed

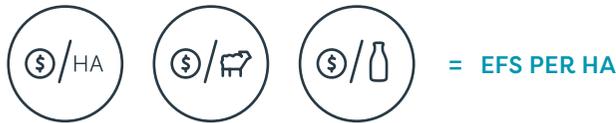
Analysing the financial view of your physical farm model.

## CASHFLOW



Predict the month by month financial peaks and troughs in your business to identify when extra cash is needed or when there is a surplus. The ideal time to spend isn't always when you have the cash. Automated estimation of GST returns and O/D interest ensures you are not caught short.

## EFS PERFORMANCE SUMMARY



Benchmark your farm financial profitability and physical performance by using and comparing current and future budgets with previous or current actuals. Analysing your plans in an industry standard EFS format means you can easily compare your plans and results against industry figures.

## VARIANCE



Identify financial and physical differences between actual, planned or revised outcomes. The size of the variance is reflected in dollar (\$), percent (%) and tally (qty).

# Benefits of great farm planning

When you have a great working farm plan and understand the levers that drive your business, the benefits are substantial.

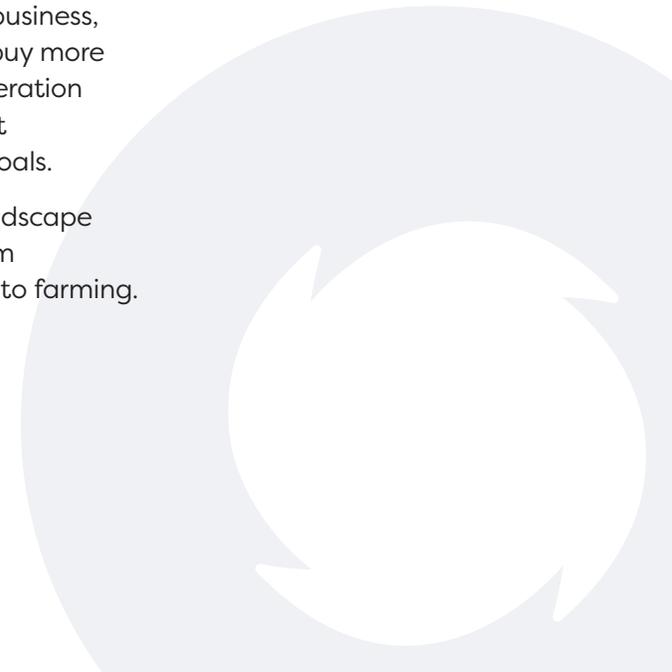
## They include:

- The ability to plan into the future
- Certainty to make decisions with confidence
- A good night's sleep
- Grounds for negotiating more favourable terms with your bank
- Gains in productivity and profitability
- Knowing the business is taken care of gives you the freedom to get on with farming

For many farmers farming is more than just a business, it's a way of life. Whether your aspiration is to buy more land, to successfully pass it on to the next generation or to spend more time with your family, a great working farm plan will help you achieve your goals.

Farm Focus has been a part of the farming landscape in New Zealand for generations, delivering farm management information specifically tailored to farming.

Talk to us today about a free 7-day demo. We will help you get underway.



# Glossary

## CASHFLOW

Focused on timing, it shows a breakdown, month by month, of when you expect to receive income or pay expenses and predicting when extra funds are needed or your business bank account is in surplus. i.e. knowing exactly when you'll pay for fertiliser or repairs and maintenance (R&M) and having the cash on hand to do so.

## PLAN

A spending plan that may not be as detailed as a cashflow, which looks at the 12 month view as a whole. i.e. you may plan an annual spend of \$50k on R&M but you're not sure when the spending will happen.

## WORKING PLAN

A cashflow that displays your actual figures up to a certain date plus your planned figures for the rest of the year.

## ACTUAL

Transaction movement in and out of your bank account.

## FIRST PASS PLAN

A broad overview of your farm's spending plan i.e. rounding cost estimates to the thousands.

## WHOLE FARM PLAN

Considers all areas of the business and the resulting flow on effect from decision making. i.e. grazing on farm vs. off farm and the flow on effect on costs such as animal health, wages etc.

## MANAGEMENT TOPIC

A high level code i.e. R&M or animal health.

## ECONOMIC FARM SURPLUS (EFS) PERFORMANCE

Measures key performance indicators, which analyse revenue and expenditure per cow, kgMS, SU or ha.

## VARIANCE

Track and compare actual, revised or planned cashflow as the year progresses or for a specific period.

## FARM MANAGEMENT TOOL

Software used to monitor aspects of business such as financial, stock, feed and nutrient. Ideally information can be shared among the tools.

## CLOUD COMPUTING

The ability to store and access your farm business information over the internet instead of through your computer's hard drive.

