



Business Plan vs Business Planning

and why your farming business needs both!

Someone's sitting in the shade today because someone planted a tree a long time ago.

- Warren Buffett

For many farming businesses, a successful business plan is the stuff of legends. Something you hear a lot about but not actually something you've witnessed with your own eyes. The fact is many farming businesses don't even have a business plan, let alone a commitment to business planning. The reality is to succeed in farming you need both, but what's the difference between a business plan and business planning, and how do you do a good job of both elements?

What is a business plan & why do you need it?

A business plan is like a road map for your business – it will guide you to get where you want to go. It will help you to see the bigger picture, plan ahead, make important decisions, and improve your overall likelihood of success.

Just like maps, you can travel without one but the risk of getting lost is significantly reduced when you don't.

At its core, a business plan states the facts of the business, including assumptions, goals and future projections, and the plans for reaching those goals.

A good plan requires the owner's due diligence in terms of assessing the business opportunity and its reason for being. It asks the business owner to consider why they are in business, their mission, their customer, competitors, strengths, and weaknesses as a business. And it can also outline an exit strategy and resources or supports to turn to in challenging times.

How do you develop a business plan?

Despite the many benefits of having a business plan, some businesses choose to go without a one. In fact, more than 90% of small businesses that engaged with the Rural Financial Counselling Service, having been impacted by bushfires and COVID-19 in Southern NSW, did not have a business plan.

We get it. Developing a business plan can feel daunting and force you to provide answers that are not always easy to determine. It requires research, analysis and planning and that takes time. For some business owners this is too much of a challenge.

But it need not be the arduous task you might imagine. While some business plans can be long and incredibly detailed documents, increasingly smaller plans, even one-page summaries, are being used by businesses to great effect. And there are many services that can assist you to develop your business plan, plus plenty of free templates available from lenders and business support services.

How to determine your target profit

Typically, when the Rural Financial Counselling Service helps with developing a business plan, discussion is focused on the following key elements:

- **Goals** *SMART (Specific, measurable, achievable, relevant and time-based)*

1. Short to long term (five years out)

- **SWOT analysis** *Strengths, weaknesses, opportunities and threats*

1. How do we manage our weaknesses and threats?
2. How do we maximise our opportunities and strengths?

- **Critical Success Factors**

1. What are the non-negotiables? For example:
 - a. Increase yields or productivity
 - b. Reduce debt
 - c. Lower input costs per tonne
 - d. Increase access to irrigation water



- **Risks**

1. What are the risks?
2. How can we manage them?
3. Do we have strategies for dealing with them?
4. What strategies could we employ to deal with these situations? For example:
 - a. Do we have a plan for purchasing or accessing temporary water? Do we have funds available to purchase at any time the price is right? Do have trigger points where we know the price is right for us?
 - b. Do we have a working capital surplus available to purchase livestock, water, fodder, grain, etc. When the price is right?
 - c. Can we pursue opportunities countercyclically? Can we be ready when others aren't?
 - d. What strategies can't we employ because something is lacking in our resources?

Though it may feel tedious or time-consuming, business plans really are critical to business success. It should be the first thing done when starting a new business (or adding a new income stream). And when done well, it will prepare your business for future shocks, competitor activity and natural disasters and ultimately allow you to track your progress as your business grows.

What is business planning and how do you do it?

So, what happens once you've developed your business plan? For too many, once the plan is developed it sits in a drawer somewhere gathering dust. These businesses often find themselves floundering after a few years, uncertain about how they got there and where they need to go next. You see, once you have a business plan, it's not the end of the process, now is the time to use it – it's time for business planning!

Business planning is not just the process of developing the plan in the first instance but the process of constantly reviewing and updating the plan in line with the current business climate, market and operational conditions. Business planning is the business plan in motion. The plan should be treated like a living document – one that you are actively tending to, implementing and updating. A good business plan will outline how achievements will be

measured, and what success will mean for the business. Good business planning will then use that plan as the baseline to measure against. Are your products, and services right? How is the market response? What are your competitors doing? How is the company culture? How are the operations running? And most importantly, how are the finances tracking? Good business planning should also highlight what you need to work on and expose any other outside forces you did not perceive when developing the business plan.

Why you need both?

Most farming business have a plan for the day, the week or season ahead. So, if it's helpful to plan in the short term why would we leave the longer term to chance?

Research has shown that farms with structured business plans are better equipped at managing challenges posed by seasonal/ environmental conditions and market volatility, and maintaining financial stability.

And the difference between an average farm and those ranked in the top 20% for profitability is that the better performing farms consistently conduct business analysis and goal setting, key elements of business planning [reference/link]. Other studies looking into stress show us that 1 in 3 owners of Australian small-to-medium sized business struggle with their mental health. If we accept that the way to manage stress is prevention, business planning based on financial analysis, clear goal setting and risk mitigation can help you move from distress to a successful, financially self-sufficient business by being proactive and getting back in control of your farm.

In farming, the reality is there's no such thing as 'set and forget'. If you want to maintain and grow a successful farming business, you need to keep a plan in motion while strategically navigating ahead and steering your way through both predictable and unknown territory. Having a map to guide you through is a way to mitigate risks, minimise stress and keep you on the best path.

If you would like some support to develop your business plan or to take your business planning to the next level, there are many professionals that can help such as your accountant, lawyer, bank or financial advisor.

And don't forget, you can call Rural Financial Counselling Service today so one of our financial counsellors can step you through the process.