



Section 4:

Business Management

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Learning Objectives:

1. Review the basics of business management.
2. Know how to make an informed decision.
3. Develop a comprehensive plan for business, health, and family.
4. Consider how to prioritize needs.
5. Know how to find funding for assistive technology and adaptations for working with a disability.

Ken's Story

When Ken was diagnosed with fibromyalgia and carpal tunnel syndrome, he decided he could not continue tenant farming any longer. As a single dad, he wanted to find a way to support his two young sons, have regular business hours, and retain the ability to schedule work during his pain-free time. He also wanted to remain in the agricultural business. He had always been a “checkbook” farmer, so it was time to develop other skills. What business could he choose that would not make his health issues worse? How would he fund the business? How would he market his product? What opportunities were there in the rural area he lived? Changing careers mid-life was going to be a challenge, but he decided it needed to be done. Change started with a business plan.



Taking Control of Your Situation

As Ken found out, farming and ranching require constant change and adaption. Farming and ranching require constant change and adaptation. As agricultural production has changed, farmers have had to change the way they do business. Fewer children or family members are helping them. Some farmers and ranchers have had to quit their businesses and rent out their land to others, or have had to acquire jobs in town to supplement income, or have gone into alternative farm and ranch businesses with value-added production. Others have increased the sizes of their land, added high technology and production

methods, and have diversified enterprises to remain profitable.

In short, farming or ranching can be a hard business. If an individual can no longer work longer hours, run faster, and go harder what other strategies exist for competing at a decent level? Farming or ranching with a disability requires a double dose of being resilient, a smart businessperson, as well as an excellent self-manager of health conditions related to the disability just to stay competitive amongst peers.

This section does not intend to give financial advice. The section is a review of accepted



agricultural business tools and educational resources every farmer or rancher needs in order to do well in today's agricultural industry. Farming or ranching out of a checkbook remains a business practice, but is not a "best" business practice. If you are taking control of your business situation in light of aging, chronic health condition, or disability it is time to "work smarter, not harder."

How to Make Informed Decisions

Making decisions based on opinions can bias us toward certain products or services that may or may not live up to their marketing hype, whether it is about tractors, seeds, or horse tack. Generally, our daily decisions based on opinions, preferences, or impulse do not have significant or lasting harm. That equation can change when important decisions are required. Individuals need to take the time to learn about the finer points of making decisions based on information from credible sources.

***Informed decisions* are the kind of decisions we make when we have weighed out the pros and cons, considered the sources of our bias, and hash things out based on an objective assessment.** One strategy we can use to make smarter decisions is to assess the credibility and reliability of our sources of information, especially those from the Internet.

For example, we may enjoy listening to a radio personality whose opinions closely mirror ours. The radio personality's opinion may be validating to our ego, be very entertaining, or both. But are the opinions factual? Other sources of biased information may come from blogs,

Internet videos, or a convincing sales pitch. Even though television and newspapers are supposed to deliver balanced news, sometimes they may present information that is more for entertainment, or is more opinion than fact-based. When considering the news, keep in mind that journalists must be able to give the origin or source of the information, the date it was acquired, and key information like who, what, when, where, why and how. If the news story or video does not convey this information, it may not be credible.

Industry magazines and journals usually have articles that contain a detailed bibliography and site-specific resources as evidence for claims and statistics. Extension sources, colleges, and universities strive to give credible and valid information and perform research. Most nonprofit organizations that are set up as public, educational, or charitable resources try to present factual information. Government sources are useful for statistical information and factual reports.

Of course, there are always exceptions. Be alert for bias if there are advertisements for products related to the topic on printed materials or websites. Are there credentials and contact information for the person authoring the information? When was the information created? Was it a decade ago? Even if it was credible and reliable information then, does the information still hold true today?

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Steps you can take to make informed decisions:

- 1 What is the issue I am considering? Define the issue.
- 2 From what sources can I get credible and reliable information?
- 3 Contact the sources: Get the name of the person you talk to and their title. Take notes from the information source (Do not rely on memory or recollection alone). Ask them where they got their facts. Do not argue the facts; just report them in your notes.
- 4 Once you have heard arguments for and against your issue, write a sentence that accurately reflects your opinion about the issue.
- 5 List/describe the emotions that contribute to the formation of your opinion.
- 6 List the two strongest arguments for your opinion, and provide the facts that support your opinion.
- 7 List all the options available. Weigh and compare them. What are costs/benefits associated with each choice?
- 8 Make an informed decision.
- 9 Make a plan for implementing your decision.
- 10 Evaluate the decision.

Remember:

- You can always change your mind about a decision you have made.
- There is probably no one right choice and few decisions are completely wrong.
- Deciding is a process. If you get new information, weigh it out.
- All decisions have an element of chance and risk.
- Think of the worst outcome that could happen because of your decision. Could you live with it?
- Indecision is a decision NOT to decide. There are also risks involved in not making a decision or taking action.
- Try to avoid either/or thinking; usually there are more than two options.
- Consult others for information, but ultimately you have to make up your own mind.
- What does your gut tell you? What feels right?
- If you are making a decision that can have long-term consequences, take your time. Do not rush coming to a good decision.

Developing a Plan for Business, Health, and Family

John Ikerd, professor emeritus in agriculture from the University of Missouri, believes a farm or ranch should be managed like a living organization. According to Ikerd, living organizations have a natural, healthy rate of growth and a healthy, mature size. Growing too fast, too large, too slow, or too small can lead to unhealthy or unsustainable organizations.



Farming and ranching cost money. There are inflows and outflows of cash, risk, and issues of liquidity and solvency. Today's agricultural business environment demands sound financial management practices. However, farms and ranches also continue to be a way of life, culture, and ongoing family heritage for the majority of small farms and ranches. Thirdly, farmers and ranchers continue to strive to have a safe and healthy workplace for themselves, family members, and hired workers. It takes planning and tenacity to keep it growing right.

Fortunately, there are many resources to implement planning and management for each of these elements (business, health, and family). However, it requires the farmer or rancher to recognize the dynamics between these elements and integrate each segment into a comprehensive farm plan. A reduction in available cash for the business will affect the ability to maintain health and safety aspects, or reduce the economic quality of life of the people living on the farm or ranch.

Lastly, but just as important, the health of the family unit will affect the business, nature of relationships, and the physical and mental health of its members. We will talk about family quality of life in a later section, but for now, keep it in mind as you think about your basic farm business.

Basic Business Plan

According to the University of Minnesota-Center for Farm Financial Management (CFFM), a basic farm business plan has five required elements:

a strategic plan, operations plan, marketing plan, personnel plan, and financial plan. The CFFM reminds farmers and ranchers that the goal of business planning is to help improve management of the business through planning. They report it is especially important for a farm or ranch business to create a plan when getting ready to start something new, start a non-traditional or alternative enterprise, or expand the business. Be sure to include developing a business plan or revising your existing plan if you, a key team member, or your spouse has a significant health status change that will affect the business. The business plan is also something that needs to be done by the managers, not borrowed from someone else. Every farm or ranch is a unique enterprise with a specific set of values, visions, and goals for the business.



Strategic Plan

The ***strategic plan*** describes where you want to go in life, what you want to accomplish, and your goals. What is the dream you hold for your farm or ranch? It is more likely you will reach this desired future if you document?

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Strategic planning may be an opportunity to build the dream with others, such as your family members.

The first thing to do is describe the mission of your business. According to Inc.com, the **mission statement** is a **blend of realism and optimism**. They recommends five steps in creating your mission statement:

1. Keep it brief.
2. Consider whether to focus on the short-term or long term (but not both).
3. Test ideas about the mission statement with others.
4. Revisit your mission statement often.
5. Include the four key elements found in an effective mission statement: value, inspiration, plausibility, and specificity.

If you are working on a family or team business plan, be sure to incorporate ideas and feedback from the other team members.

Ohio State University Extension says a well-written mission statement should describe the business accurately and provide inspiration to employees. The mission statement aligns what the business says it does, what it actually does, and what other believes it does. An example of a mission statement might be:

“Our mission is to produce a healthy and safe food product, maximize profitability, and maintain our rural heritage.”

-- OR --

“We are a family-owned and operated grain farm and plan to ensure this opportunity to the next generation.”



Ohio State University suggests answering the following questions to get the information you need about a mission statement:

- Why do I/we farm or ranch?
- What do we do? What is our purpose?
- Who are our customers? What do they want?
- How do we accomplish our purpose? What practices do we use and who is responsible for what?
- What beliefs and values do we hold?



Targeting family goals may include questions like:

- What do I want to accomplish during my life?
- What goals do we have for our children?
- What do we want to do for others?
- What would I like to do before I'm too old to do it?
- What quality of life goals do we want to achieve?



Developing farm or ranch business goals may include questions like:

- How much money do we want to generate for our family living?
- Do we want to make a living focusing on production, managing people, or by developing people and marketing skills?
- What kind of work environment do we want to have regarding safety or team roles? Or are you the sole proprietor?
- What jobs or tasks do I not enjoy?

Worksheet #5: Developing Your Mission Statement

After considering the questions, try writing a draft of your mission statement:

Write down some potential family goals:

1. _____

2. _____

3. _____

4. _____

Write down some potential business goals:

1. _____

2. _____

3. _____

4. _____

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SWOT Analysis

The next step in creating your strategic plan is to complete a SWOT analysis. A SWOT analysis looks at the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats found in a business. According to the USDA-Risk Management Agency:

- **Strengths** are considered mostly internal. What do you, family members, employees, or managers bring to the business?
- **Weaknesses** are also mostly internal factors that you will need to address to run your business effectively. For example, you may want to start a new venture, but may not have the practical

know-how yet. A temporary weakness could be adapting to a new condition of disability or the time and expense it takes to implement solutions and adaptations that allow you to continue working. Or perhaps you have a hard time finding hired help.

- **Opportunities** are mostly external. An example might be taking advantage of start-up loans or grants to help pay for a business feasibility study.
- **Threats** are also mostly external, and could be anything from adverse weather, changing interest rates, or competition.

Take a moment to think about your SWOT.

Worksheet #6: My SWOT Analysis

Strengths

Weaknesses

Opportunities

Threats

SWOT Analysis adapted from the USDA-RMA



Once completed in full, a SWOT analysis will assist you in understanding some of the issues you need to address. You may discover you need to free up time by hiring a bookkeeper who is bonded, purchase additional insurance, hire key personnel, etc. It all depends on what you have identified in your analysis, whether strengths balance out weaknesses, and what resources you have or need to reduce your risk.

Farmers or ranchers with a disability may also want to consider answering questions like:

- What is my primary role in the business? Mentor? Teacher? Niche operator? Laborer? Decision-maker?
- What modifications, adaptations, technologies, or resources are available to support my role in the business?
- What steps will I take to maintain or improve my health?
- What are the risks to the farm or ranch if I am unable to fulfill my role because of changes in my health? What options do I have to manage that risk?

Operations Plan

The CFFM describes **operations planning as the description of what you produce and how you produce it and is one of the most important aspects of running a business**. The operations plan helps consider things like cost of production/yield, determine where cost reductions can be attained, production schedules (when to plant, etc.), and critical operational procedures. If you are starting a new segment in your existing farm business, you will need to visit a similar

business to identify operational factors. Start thinking about business operations by completing **Worksheet #7** on the following page.

Marketing Plan

The University of Minnesota Center for Farm Financial Management (CFFM) also recommends developing a marketing plan. The **marketing plan** includes: **describing market conditions, products, buyers, sales potentials, contract terms and pricing strategies, promotion and distribution ideas, and resources**. This plan is especially important if you are considering increasing the value of production into specialty commodities, value-added products, agricultural services, or alternative distribution like direct sales.

Your marketing plan will help you price the product, promote it, and determine how to store and transport the product. You will be able to consider questions about the volatility of the market, test your assumptions, and research your market.

If you are a farmer or rancher with a disability you will want to consider the physical demands or stress a new marketing venture will have on your body, whether it is long-term or short-term demand, whether to delegate functions of marketing, etc. You will want to account for this in your planning efforts to become a good self-manager of your health as well.

Worksheet # 7: Operations Planning Table

Products on this Farm	Production System
Quantity to be Produced	Production Schedule
Resources Available	Resources Needed
Permits or Regulations	Risk Management Plan
Quality Control	Production Improvements to Implement
Market Opportunities Available? <i>(traditional)</i>	Need to develop markets? <i>(niche/value-added)</i>



Personnel Plan

A **personnel plan** determines who will be managing the business, labor, and how the work will be done. In other words, do you have the management and personnel to run the business or a plan to obtain the personnel? The transition from being a sole-proprietor to sharing responsibilities is a big change, but may be a strategy you employ to increase the viability of your farm business. What steps will you need to take to transition from a one-person operation? Do you need to upskill in learning to manage individuals? How will labor be divided on your team? How will your team be trained to do the job?

Financial Plan

The financial plan you create is essential to success, and your lender will certainly want to have this information. A **financial plan evaluates the farm organization's viability from three perspectives according to the University of Minnesota CFFM: solvency, profitability, and liquidity.**

Solvency compares what you own with what you owe, *profitability* measures earnings, and *liquidity* estimates cash flow and repayment ability.



If this discussion has generated interest in doing more business planning to achieve a “working smarter, not harder” philosophy on your farm or ranch, you may want to look at the University of Minnesota CFFM website at: www.cffm.umn.edu or other knowledgeable farm or ranch business resources. Software tools like FINPACK, and other initiatives are able to help with business planning, agricultural business transitions, and marketing that are widely used in and out of the state. See the resource page at the end of this section for business-planning resources in Oklahoma.

Health Plan

The Canadian Agricultural Safety Association (CASA) has developed a planning document to enhance farmer health and safety. It can be downloaded online in its entirety at: www.planfarmsafety.ca

To summarize, this document details the steps needed to protect you, family, and employees from injuries and illness on the farm or ranch. Adopting a safety attitude makes sense as the agriculture industry becomes increasingly regulated and more hired employees who were not raised within the industry become involved in operations. This is the new reality. Striving for a safe and healthy farm or ranch is a good business practice as well as the right thing to do.

Of course to make the plan effective, CASA recommends establishing a budget for your health and safety work. It may be difficult to estimate the right budget at first, but it can be honed with experience. CASA also recommends anticipating using the budget in two main areas:

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time for training, meetings, record keeping, and routine inspections; and making repairs or replacing hazardous equipment, materials, and facilities. You will also want to budget for disability-related modifications that you may make to buildings or equipment as well as tools and supplies used to accommodate your disability.

For tax purposes you can normally categorize replacing machinery guards and safety modifications under equipment repair. Personal protective equipment would be identified as small tools, or other expenses. CASA also suggests adopting a health and safety culture for everyone who works or visits the farm or ranch.

At minimum, CASA states you can develop and communicate an overall health and safety policy. The policy should state your health and safety philosophy, commitment, objectives, who is accountable, and responsibilities workers have to protect their own health and safety and that of co-workers.

Next, develop an operational policy that includes details on standard operating procedures for key tasks, training documents, first aid records, working alone procedures, emergency plans, and incident follow-up. Also, do not forget to display appropriate safety hazard signage.

The next big step is to identify the existing hazards on your farm such as animals, machines, processes, chemicals, environmental conditions, and personal lifestyles. Lifestyle hazards include activities like smoking or drinking alcohol on the job, being overweight, having poor nutrition, sleep, and stress management.

Other steps in creating a health safety plan include starting an inspection schedule as well as prioritizing the repair, maintenance, or replacement of existing hazards.

Farmers or ranchers that have a disability also need to consider the limitations of their bodies when creating a plan for a healthier and safer work environment. They may need additional personal protective equipment, assistive technologies, emergency power for medical devices, evacuation plans, extra food and water on hand, and other considerations. Many farmers and ranchers with disabilities continue to work alone, so it is important to establish and follow work policies.

Prioritizing Needs

Farming and ranching with a disability requires planning. It may involve considering a business plan for the first time or revising an existing plan to re-envision how the business will look going forward. It will likely involve consultation with others, talking to family, and strengthening relationships with lenders and vendors.

Determining priorities utilizes many of the same skills you have been reading about: gathering credible and reliable information, weighing pros/cons, and making decisions. Priority items are higher on the list, and will be addressed first. Making a schedule and timeline for completing a priority item is also recommended. When you are ready, list your priorities in **Worksheet #8** and rank their importance on the following page.



Worksheet #8: Priorities List

Item	Priority (high, medium, low)

Now, make your rank ordered list, schedule the amount of time needed to work on the item, and a proposed finish date.

Item	Schedule	Finish Date

It is OK if priorities change, sometimes that happens. For example, you can re-adjust the list if you get new information that changes a decision. On the other hand, you can promote other items up the list if they become more pressing.

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RESOURCES

Farm Financial Management Resources

✓ **Oklahoma State University - Department of Agricultural Economics**

308 Ag Hall • Stillwater, OK 74078

Phone: (405) 744-6161

E-mail: jgrizzl@okstate.edu

✓ **University of Minnesota - Center for Farm Financial Management**

University of Minnesota • 130 Ruttan Hall

1994 Buford Avenue Street • Paul, MN 55108

Phone: (612) 625-1964 or toll-free: (800) 234-1111

E-mail: cffm@umn.edu

Alternative/Sustainable Farm Enterprises

✓ **The Samuel Roberts Noble Foundation**

2510 Sam Noble Parkway • Ardmore, OK 73401

Phone: (580) 223-5810

E-mail: Ag-Helpline@noble.org

✓ **The Kerr Center for Sustainable Agriculture**

24456 Kerr Road • P.O. Box 588 • Poteau, OK 74953

Phone: (918) 647-9123

E-mail: mailbox@kerrcenter.com

Farm Health and Safety

✓ **Canada FarmSafe Plan**

3325 C Pembina Highway • Winnipeg, Manitoba Canada

Phone: (877) 452-2272

E-mail: info@casa-acsa.ca

