

**CMK**

solving the business puzzle

# 7 STEPS TO PLANNING

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## LACK OF PLANNING

As a result of the distribution of our book “Grow Your Numbers” over recent weeks we have met with a number of Farmers ranging from new to the industry to owning several farms.

There has been a constant theme from our discussions that clearly identifies that there is a need for greater focus on planning amongst farmers.

While many farmers do have a plan in the back of their minds, these are not written down or communicated with all parties involved. Generally, as busy people, farmers are heavily involved with the operational matters concerning running the farm.

In not having a plan we expose ourselves to the following issues:

- Not having all parties aligned and moving in the same direction.
- Frustrations with the lack of communication around the future of your business. This is a common theme in succession.
- Not having a document to refer to when making other decisions in your business that ultimately affects your goals.
- Most decisions on farm therefore become short term solutions.
- Lose the ability to make any changes within your farming system.
- Poor financial reward.
- Lack of short, medium and long term satisfaction.

You wouldn't dream of just getting in the car and driving aimlessly around. You have a route or a plan of where you are going and if you encounter an obstacle or accident along the way then you simply adjust your route and head in a different direction, but still with your end destination in mind. Having a business plan is like having a map, a route to where you want your business to go. One you can follow and one you can adjust along the way in order to get to your destination.

The planning process doesn't need to be complicated and indeed is better when things are broken down into simple manageable steps. Your business plan will provide you with clarity about your future and the future of your business that most people lack.

There are 7 steps to creating a business plan that will set your business apart and let you achieve success in your business.

## OUR FIRST STEP IN PLANNING IS TO UNDERSTAND YOUR CURRENT EQUITY POSITION

This is basically what skin you have in the game. How much you have financially at risk and the stability of the platform that you are working from.

This is one of the first questions that your banker will ask and is used as a measure of resilience.

Knowing your current position will also help you as you plan your next step to business success - be it growth, succession or consolidation.

To complete this, list your assets in one column and your liabilities in another.

Assets		Liabilities	
Land and buildings	\$5,000,000	Term loans	\$2,000,000
Fonterra shares	\$550,000	Over draft	\$100,000
Livestock	\$650,000	Credit cards	\$20,000
Plant	\$150,000	HP	\$50,000
Investments	\$250,000		
Vehicles	\$125,000		
Contents	\$130,000		
<hr/>			
<b>Total</b>	<b>\$6,855,000</b>	<b>Total</b>	<b>\$2,170,000</b>
<b>Equity Position</b>	<b>\$4,685,000</b>		
<b>Equity percentage</b>	<b>68%</b>		

You subtract your liabilities from your assets and this shows your equity.

By dividing your equity by your assets you get your equity percentage.

The higher the equity %, the stronger your position is but there is no right or wrong answer. It is what it is, and it is how we use this information and look after it from this point forward that is the important factor.

## UNDERSTANDING YOUR CASH POSITION

The simplest way for this is to complete a one page 12 month budget. This identifies what your level of sustainability is and allows you to calculate your break even position.

We need to bear in mind that we have little control over payout or interest rates.

Once you know your current position and you know how much money you make, you can now move onto the next part of your planning journey. another.

BUDGET	
<u>Income</u>	
Dairy	
Dividend	\$ 5.00c
Livestock	25c
	25c
F&E	
	\$ 7.50
Int	
\$2,000,000 @ 6%	
Drawings	
Tax	
Capex	
Surplus	
Production 100,000 Kg/ha	
CO2/ha	300
ha EPP	100
Shares	100,000
	\$500,000
	\$ 25,000
	\$ 25,000
	\$550,000
	(\$-350,000)
	\$ 200,000
	(\$-120,000)
	\$ 80,000
	(\$-50,000)
	(\$-10,000)
	(\$-10,000)
	\$ 10,000

## GOALS

What are your aims and aspirations for the next 30 years? You have to have both long and short term goals.

It is important that your goals are not just business orientated and include, family, lifestyle and interests and holidays. These are incredibly important in life and give us balance in our day to day business lives.

These goals need to be written down and it is important to know that goals can change over time. It is good to copy your goals and place them where you can see them so that you can look at them and make them part of you. You can then celebrate them.



*"It is important to keep yourself motivated by setting clear but simple goals. This will give you something to focus on. Each small goal you achieve will give you confidence to set a tougher goal the next week. The key is not to overdo it. A common mistake is for people to set extremely difficult targets at the start, which will usually end up in failure and demoralisation. Congratulate yourself on the small wins and big achievements will follow."*

- BRITISH OLYMPIC GOLD MEDALIST JESSICA ENNIS

## STRATEGIES:

Simply put, this is the method that you set to achieve your goals. These need to be clarified and based on real facts i.e.

**Goal:** *To increase equity.*

**Strategy:** *Reduce debt @ \$1 a KgMs*

This has to be calculated and involves understanding your break even position aligned with the pay out and your interest rates.

<b>Eg:</b>	<b>Pay Out</b>	<b>5.50</b>
	<b>FWE</b>	<b>(3.00)</b>
	<b>Interest</b>	<b>(1.00)</b>
	<b>Draw</b>	<b>(0.50)</b>
	<b>Surplus</b>	<b>1.00</b>

Therefore it is possible to repay \$1 KgMs at this pay out.

## ACTION PLAN

Your action plan is where your strategies come to life and you break them down into a series of manageable tasks and action points that are easy to tick off, and achieve.

This is as simple as writing a job to complete list for the next 90 days.

Here is an example of reducing debt:

- prepare cash flow / budget
- review costs
- discuss options with farm advisor
- review feed inputs
- discuss feed costs with suppliers and options
- update cash flow / budget
- setup quarterly reviews with CMK

Here is an example of creating an annual planner:

- confirm holiday dates
- confirm weekends off
- sort staff roster / relief milkers
- complete calendar of dates
- book holidays / time away

With these action plans and points, it is very important that you break them down into manageable and measurable chunks. You need to do this so that you don't get overwhelmed by the sheer size of the task and then give up. These action points must also be set with your goals and strategies in mind to help you achieve them.

**Goal:** *Have time away from business.*  
**Strategy:** *Create an annual planner that includes weekends off farm*

## **VENUE - WHERE PLANNING SHOULD TAKE PLACE:**

Where your planning takes place is important. It should be held in an environment that is safe and neutral for everyone concerned. It shouldn't be held around the kitchen table at home as during the planning process you are going to have differing views on some subjects. This is especially the case when different generations of families are involved, and these discussions can be healthy. Home is home and should always be kept that way.

In an off-farm venue you are more likely to be at ease and feel able to more freely open up about what you would like to see out of the business.

You will also be free from interruptions in a controlled environment so that you can give it your 100% attention.

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## **BE ACCOUNTABLE**

After completing many planning sessions with clients, the best way to keep on track and consistently growing and developing your business is to sit down and review your plan, monitor and be held accountable for the action points and strategies that we were going to implement.

This is best done every 90 days and again is best done away from the farm and the kitchen table. This should be a simple process and should cover off:

1. Numbers to date
2. Whether we have achieved the previous action points
3. What are we stuck on
4. What are our action plan is for the next 90 days

Your business career and life is a marathon, not a sprint.

Everyone needs some form of help or nurturing along the way to keep motivated and on track.

# CONCLUSION:

It is very apparent that there is a current lack of both general and financial planning within the farming industry. As we have highlighted previously, there are 7 simple steps to setting and writing a plan that will set you and your family apart from many other farming families which are:-

- 1. Know your current position**
- 2. Know your cash position**
- 3. Set your Goals**
- 4. Identify strategies**
- 5. Set an action plan**
- 6. Use a safe venue**
- 7. Have accountability**

We have found this through consultation with clients and non-clients in Taranaki and across the country, that if you follow these seven simple steps you will create and achieve a plan for your business that will stand you in good stead for the future, clarify your direction and ensure that you are all focusing on the same goals.

Over the years we have found that the way that you keep getting traction, growth and development within your business is through carrying on the process and building your plan into your business and regularly reviewing it. This is best done every 90 days. You can review the plan, make sure it is still important and that you can be kept accountable to your strategies and action plans. A solution for this is to bring planning back into your annual calendar.

With the planning process completed, you will know your numbers to a greater degree. You will have a better and more focused business, and a better relationship with your bank.



# WHAT OUR CLIENTS SAY ABOUT CMK

*“ I have thought a lot about how you both helped my business and I believe that you have stimulated me out of my comfort zone so that I addressed the vital issues within my business and wider life choices ”*

*–Grant Johnson*

*“ You helped us set targets and benchmarks for achievement and this taught us to be aware of all the areas within our farm management. ”*

*–Sam and Michelle Radford*

*“ We have been in a partnership with CMK for close to 10 years now and in that time we have continued to grow our business with the help and guidance of John, Andrew and the team at CMK. We have always found them to be a very competent, friendly and helpful group of people. They are a business that cares about our operation on a professional and personal level. Both John and Andrew are openly available for a phone conversation or a visit and their knowledge and expertise is a valuable asset in the running of our business. ”*

*–Gareth & Abbie Edwards*

# ABOUT CMK

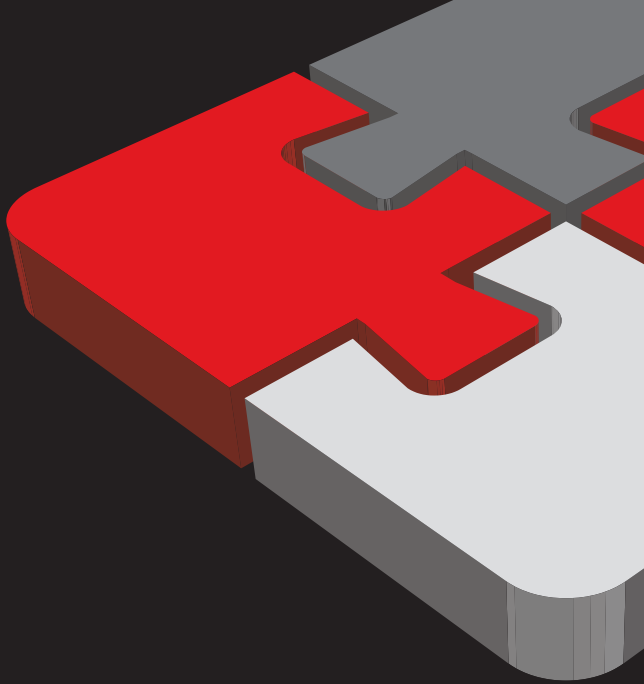
We aim to get inside your head, and your business, to understand how they tick. Only then can we provide you with the best strategic advice, sound recommendations and support. We match our business sector and industry specialists with your business needs to ensure you benefit from their skills and expertise. We live, eat and breathe your business.

We are as hungry for success as you are. We work with owner/operators, executives, business leaders and entrepreneurs across a diverse range of industries.

Our team of dedicated consultants provide innovative systems and solutions to complement existing client processes. Tailored services can be developed in collaboration with clients to drive business growth.

We provide financial advice and the services you need, when you need them, so you can stay focused on what you do best. If you are starting a business, a seasoned business professional or have an entrepreneurial spirit, you require a dedicated business partner.





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