

## **Growing Your Farm Profits 2008 Pilot Project - Developing a Farm Business Management Assessment and Next Steps Action Plan program based on the Ontario Environmental Farm Plan model.**

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### **Abstract**

The 2008 Growing Your Farm Profits Pilot Project proved that the Ontario Environmental Farm Plan model could be successfully adapted to facilitate 118 English and French speaking Ontario farmers assess their current level of farm business management, prioritize farm business management goals and create next step actions to achieve these goals. Farmers completed 162 assessment questions in eight worksheets in Business Strategy, Marketing, Production, Human Resources, Financial Management, Social Responsibility, Succession Planning, and Business Structure. Evaluation respondents indicated that, in regard to planning, the Growing Your Farm Profits process had increased their planning capacity self confidence level, knowledge and understanding, and their opinion of the value of planning in achieving their farm goals. Seventy –one per cent indicated they had identified one or more next step action items for their farm business. Based on the success of the pilot project 30 workshops will be held in 2009.

### **Objectives**

The objective of the Growing Your Farm Profits (GYFP) project was to adapt the successful Ontario Environmental Farm Plan (EFP) model to Farm Business Management in order for participating Ontario farmers to:

- Assess their current farm business management practices, systems, knowledge, and skills,
- Understand how planning provides the framework for effective decision making,
- Prioritize goals for their farm's future while building on their farm's strengths,
- Identify resources and training that can help meet these goals, and

- Develop a next steps Action Plan to improve farm business management knowledge, skills and implementation. Next steps could include researching possible solutions, taking appropriate training, taking direct actions to address the issue, or seeking related consulting advisory services.

It is important to note that the Growing Your Farm Profits process does not result in the development of a conventional business plan.

### **The Ontario Environmental Farm Plan Model**

Piloted in the winter of 1992-93, over 34,000 Ontario farmers have since completed an Ontario Environmental Farm Plan. Through the EFP farmers assess the risk of impact to the environment of various aspects of their farm and farming systems by completing up to 23 topic worksheets. Each worksheet provides assessment questions and each question has four prepared answers covering a range from high risk impact to low risk impact. Farmers identify the response that best matches the situation on their farm. When a farmer identifies a response in either of the two highest risk categories the farmer is required to explain how he or she currently manages the risk or what actions he or she plans to take to manage the risk in the future. The EFP format consists of two one day workshops held about a week apart. Day one consists of addressing the need for and benefits of completing an EFP and the mechanics of completing the assessment and action plan. Day two provides a review of the 23 sections with highlights of on-farm solutions and time to answer individual questions.

The EFP was created by the Ontario Environmental Farm Coalition as a process for farmers to lead in identifying and managing on-farm environmental risks. The partnership of the Ontario Soil and Crop Improvement Association (OSCIA) [www.ontariosoilcrop.org](http://www.ontariosoilcrop.org) and the Ontario Ministry of Agriculture, Food, and Rural Affairs (OMAFRA) <http://www.omafra.gov.on.ca> :

- Facilitated the development of the Assessment Worksheets,
- provides the two day training workshops where farmers learn the history of, the mechanics of, and benefits of completing an EFP, and
- continues to lead the development of resource materials outlining solutions to managing on-farm environmental risks.

The EFP is funded by OMAFRA and Agriculture and Agri-Food Canada with local farm organizations and agribusiness sponsoring lunch for the workshops.

### **Rationale for Creating the Growing Your Farm Profits**

One result of the 2006 Agricultural Management Institute's (AMI) farmers focus groups on farm business management was the farmer participants' response that *"We need to learn more about business planning tools and how business planning can help us meet our farm goals."*

By early 2007 staff in the Business Management Unit of OMAFRA, OSCIA staff, and AMI board members all had simultaneously questioned *"if the EFP model could be adapted for the extension of farm business management to meet the business planning needs of Ontario farmers"*.

Also the Renewal Program Suite of the Federal-Provincial-Territorial Agricultural Policy Framework (APF) agreement provided cost share assistance for farmers to utilize consultants for such farm business planning. In addition to the inherent farm management benefits to farmers by participating in the GYFP, the workshops provided both an opportunity to promote the cost share advisory programs and to increase the effectiveness of these programs if farmers could develop a clearer understanding of their priorities and needs before accessing the advisory programs.

It was hoped that the comfort level with and support that farmers had developed for the EFP experience would increase their willingness to participate in a similar process focusing on farm business management and planning.

### **The GYFP Partnership**

OMAFRA and OSCIA partnered to develop the GYFP pilot project. The Agricultural Management Institute (an APF initiative funded by Agriculture and Agri-Food Canada and OMAFRA) provided funds to develop the workshop assessment manual, workshop design and teaching materials, and to hire a project manager for

the development phase. The CanAdvance (Agriculture and Agri-Food Canada) program funded the seven workshop delivery including the project manager costs.

The GYFP project was co-managed by Clarence Haverson, manager Business Management Unit, OMAFRA and Harold Rudy, Executive Director OSCIA.

OMAFRA Business Management Program Leads Peter Coughler, Carl Fletcher, and Rob Gamble began the GYFP design process in February 2007 and were joined by OSCIA GYFP Project Manager Gerald Renkema in May 2007. David Berman Communications, Ottawa ON was contracted to assist in the manual design and a workshop design patterned on the EFP including plain language and French language translation. Eagles Flight, Guelph was contracted to develop an alternative workshop design using a greater amount of experiential learning activities. The use of two different styles of workshops allowed for workshop design comparisons.

OMAFRA Program Leads took the lead in writing the assessment sheets and with OSCIA Project Manager Gerald Renkema reviewed and approved the contracted workshops designs.

The OSCIA organized the workshop logistics using its network of local field staff who promoted the workshops directly to individual farmers. OSCIA field staff were directed to recruit farmers representing a variety of farm type, a variety of ages, and to encourage multiple farm family members to attend as a management team. Twenty to thirty farmers attended each workshop.

### **The GYFP Manual**

The GYFP Manual consisted of:

1. Planning principles sections covering the overall value of planning and key planning principles for each of the eight business assessment worksheets.
2. Assessment worksheets with introduction, a glossary defining terms used in the assessment, assessment questions and a resources page listing hard copy resources, related training programs and internet resources.

3. An “About My Farm” sheet corresponding to each of the eight farm business assessment sheets allowing farmers to record related farm information, the farm team member responsible for this area of farm management and the contact information of farm advisors.
- 4 Quarterly Action Plans to record and update the number of green (best management practices) assessment responses.
- 5 Sheets to allow farmers to record priority areas they wished to address after having completed the assessment worksheets.
- 6 An action plan for three next step business goals based on SMART - Specific, Measurable, Accountable, Realistic, and Time-bound goals.

### The Assessment Component

Farmers completed 162 Assessment Questions in eight worksheets. For each question farmers made two assessments.

In the first assessment farmers chose the pre-written response that most closely matched the business management practice situation on their farms. The three choices were presented in a traffic light format with a green, yellow and red response choice indicating:

- **Green:** you understand and are effectively dealing with the issue using best business management practices.
- **Yellow:** improvements should be made (proceed with caution).
- **Red:** you need further understanding...action is needed.

The second assessment for each question allowed the farmer to rate this aspect of farm business management as a **high, medium or low priority** to the farm operation. While the traffic light format of the assessment questions identifies the strengths and weaknesses components of a SWOT analysis for the farm’s business management, the second level high/medium/low priority assists the farmer assess the impact of the individual aspect of farm business management to the operation. This increases the buy-in of the farmer to the value of the assessment as all 162 business aspects will not be equally important. For example being able

to pay bills as they come due rates a higher level of importance than say using industry level involvement as a source of project management training for farm members although each has its own merit.

The assessment question headings are:

1. Business Strategy

Past Experiences

Readiness for Change

Setting Business Goals

Business Purpose

Core Competencies

Business Direction (low cost/value added strategy – maintain, expand, diversify, exit)

The External Business Environment

Business and Personal Goals Interaction

2. Marketing

General Marketing

Commodity Marketing

Direct Farm Marketing

3. Production

Product or Service Quality

Production System

Cost of Production

Facilities and Equipment

Transportation Systems

Purchasing and Supplier Relationships

4. Human Resources

Human Resources Management Plan

Training

Compensation

Regulatory Compliance

Family Dynamics

Staffing

Work/Life Balance

## 5. Financial Management

Past Performance

Improving Cashflow

Increasing Profitability

Taxation

Capital Investment

Records

Risk Management

Resources and Skills

## 6. Social Responsibility

Environmental Stewardship

General

Environmental Stewardship practices create business opportunities

Community Involvement

Provide Business Opportunities

Reduce Risks

Provide Training Opportunities

Industry Level Involvement

Provide Business Opportunities

Reduce Risks

Provide Training Opportunities

## 7. Succession Planning

Overall Assessment

Contingency Planning

Succession: Family Business Life Cycle

Business Management, Financial Position, and Profitability

Business Structure

Tax Consideration

Immediate or Future Succession

Identify Successor

Successor Management Knowledge and Skills Development

Family Business Dynamics and Communication

Vision, Mission and Goals

## 8. Business Structure

Business Legal Structure

Business Ownership Structure

Farmers marked the total of their green category responses (business management strengths) in each section and the total number of high priority responses in each section on the appropriate axial rays of the Quarterly Progress Wheel (spider web type) graph. Farmers were then able to compare their level of business management strengths with the level of importance they assessed to that area of farm business management.

### Prioritizing and Next Steps Action Plans

Balancing their business management strengths and weaknesses, the opportunities and threats facing the farm, and windows of opportunity timing, farmers completed a next step action plan by identifying three farm business planning goals based on SMART - Specific, Measurable, Accountable, Realistic, and Time-bound goals.

### **Workshop Format**

*The following comments regarding the workshop format, participants interests, pre and post workshop planning behaviours , impact on participants and participant's demographics, are all quoted from the*



*“Farm Business Planning Self Assessment and Action Planning Workshops –Final Report Aug. 29, 2008 CanAdvance Project –ADV #470” pages 6-12 submitted by the OSCIA to CanAdvance.*

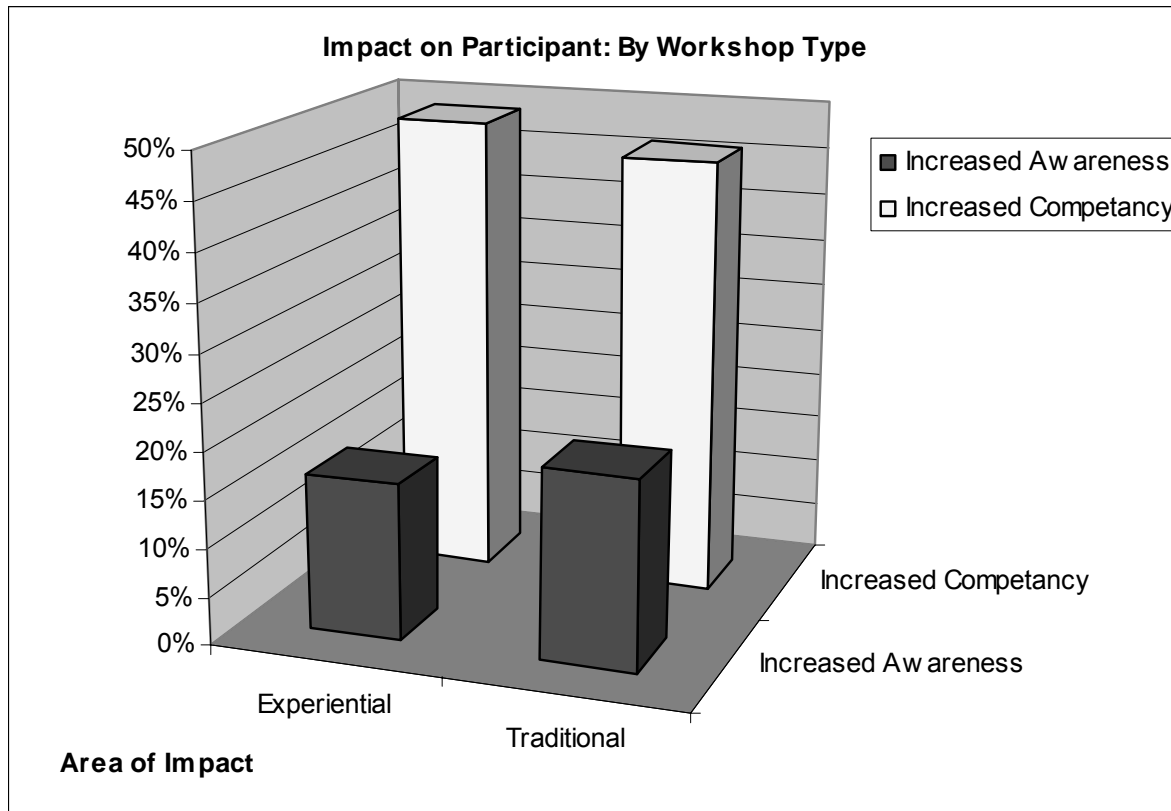
“The standard design of the workshops was a two-day format with each day of the workshop held at least one week apart. Each session ran for approximately five hours. The workshops were to be organized and led locally by two OSCIA workshop leaders. These leaders were supported by the project lead for OSCIA and members of the OMAFRA Business Management Team. In all, between four and five people were present at each session.

### Traditional versus Experiential Workshop Formats

The pilots were divided into two types of workshops: traditional and experiential. The traditional design used the existing EFP workshop leaders to lead the Growing Your Farm Profits pilot workshops. These workshops introduced each topic area and discussed some of the key concepts in each before proceeding to complete the corresponding section of the Taking Stock booklet (self-assessment). Once the booklet was completed, the participants were guided through the process of setting goals, priorities, and action plans for their businesses. The participants were also introduced to further introductory readings on the planning topics, to resources, and to a contingency planning framework in the binder. At the end of the day, the participants left the workshop with the skills needed to complete all sections of the binder and with an action plan that supported their goals.

The experiential design was a slight variation on the traditional style in that it gave the participants their Taking Stock booklet as homework to complete for day two, while day one focused on activities/simulations that demonstrated to participants the value of planning.

One of the objectives of running a pilot was to discover what style of workshop would work best with farmers. The evaluation of the impact on participants of each workshop style shows a significant difference between the two types. The impact of using an experiential format is a 3.3% shift in those participants with whom we only increase awareness to those participants in whom we also increase competency.



Looking at the impact of the workshop, experiential workshops reported an 84% level of satisfaction in the overall experience, delivery and value of the workshop to participants. This level of satisfaction drops to 74% for the workshops that used the traditional design. The satisfaction statistics were also borne out in the evaluation of the facilitator and the planning process that was taught to participants.

The other statistic that stands out is the impact on the value of planning which was reported higher among the experiential participants than for traditional workshop participants, 49% versus 46%. In terms of motivating participants, demonstrating the value of planning to farm businesses success is a critical first step in getting farmers to take action on their farms. Both workshop styles did a good job at affecting participants' motivation to plan, with the experiential workshop doing slightly better than the traditional.

### Participants' Planning Interests

Participants were asked to identify one area of planning that they hoped to learn from the workshop. The two greatest areas of interest were strategic planning and succession planning. These two topics accounted

for 60% of the participants' areas of interest. Notably missing was social responsibility which, when prodded, participants resoundingly emphasized this as a key area to include in the program yet felt they were doing a good job at this already. Some of the underlying reasons for this is the emphasis agriculture has placed on Environmental Farm Plans and the importance of community involvement in the rural areas.

#### Distribution of Participants Pre-workshop Planning Interest

Area of Business	Percentage of Participant Respondents
Business Strategy	33
Succession Planning	27
Marketing 15	
Financial Management	12
Business Structures	9
Human Resources	3
Production 1	
Social Responsibility	0

#### Pre-workshop Planning Behaviors

At the outset of the workshop, farmers identified the planning activities that were already in place on their farms. Sixty percent of farmers are using planning in the main areas of business management (finance, production, and marketing) by using tools such as cash-flow projections, looking for ways to better market their products, and by production planning.

#### Post-workshop Planning Behaviors – Action Plans

After taking the workshop, the participants were asked to identify one to three action items that they intended to carry out as a result of attending the workshop. It is very encouraging to see that:

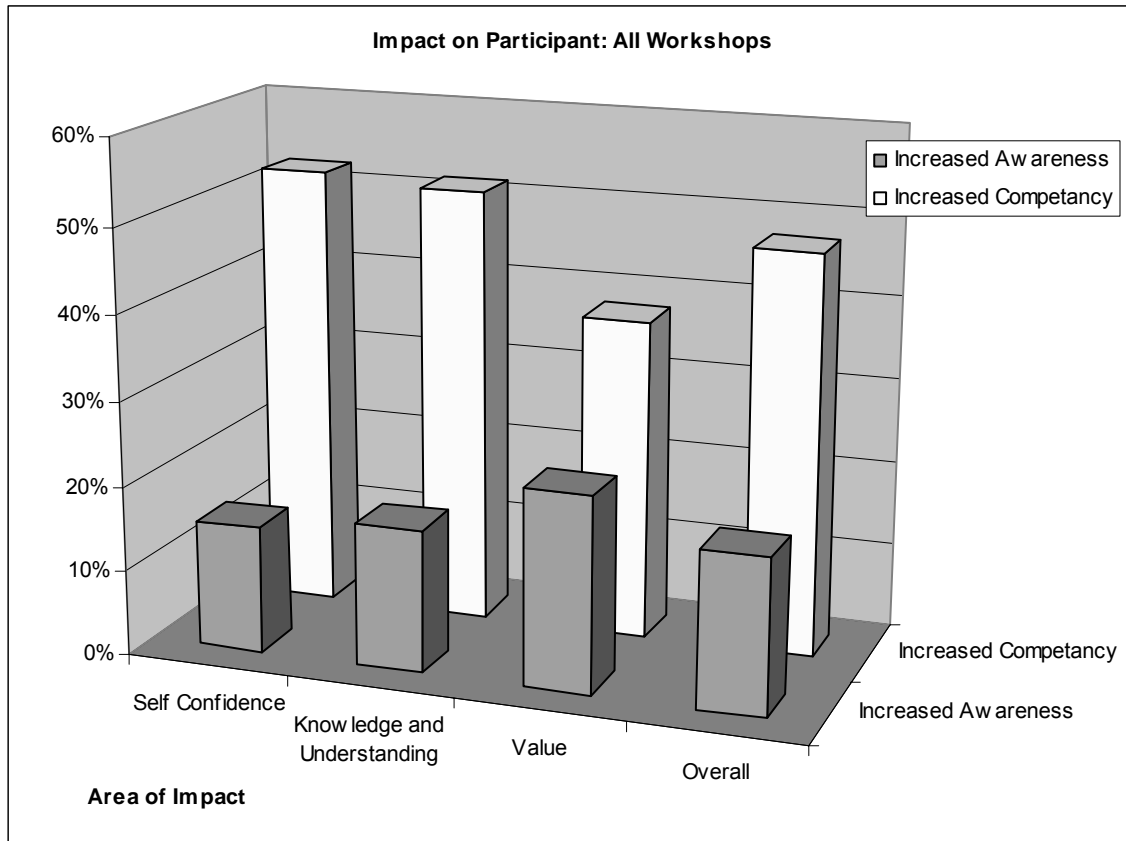
- 71% of participants identified one or more actions
- 64% of participants listed two or more actions
- 47% of participants intended to enact three or more actions

Here is a sample of some of the actions listed:

1. Learn more about effective marketing of commodities.
2. Spell out a written market plan.
3. Get succession plan written down.
4. Improve record keeping to better understand my business.
5. Communication is very important.
6. Evaluate my entire operation for viability. Is the commodity that I am in the most profitable for my farm - in the area that I live?
7. Communicate better with my team.
8. Set a goal, business plan.
9. Sit down with my husband and write down our goals of where we really want to go.
10. Start talking about succession (now).

### **Impact on the Participants**

Participants were asked to gauge their level of confidence, knowledge and understanding, and value for each of the eight areas of competency in business planning. The results of the survey show that the workshop had a very significant effect on participants in each of the three areas with the likelihood of improvement leading towards positive results. Clearly no workshop will help all participants, however to have an average of 45% of participants reporting improvement is very significant. The implications of respondents who rated themselves lower in the post-workshop survey were interpreted as having their level of awareness increased. Since the workshop is centered on creating an awareness (educating) through self assessment, participants may rate themselves higher coming into the workshop than they would exiting once they have a better understanding of the topic areas. Those participants who rated themselves higher in the post-workshop survey than the pre-workshop survey are interpreted as individuals whose level of competency increased having a positive impact on one or more of the three areas of impact. In all cases, participants were very satisfied with the workshops (range of 69%-89%, average 79%).



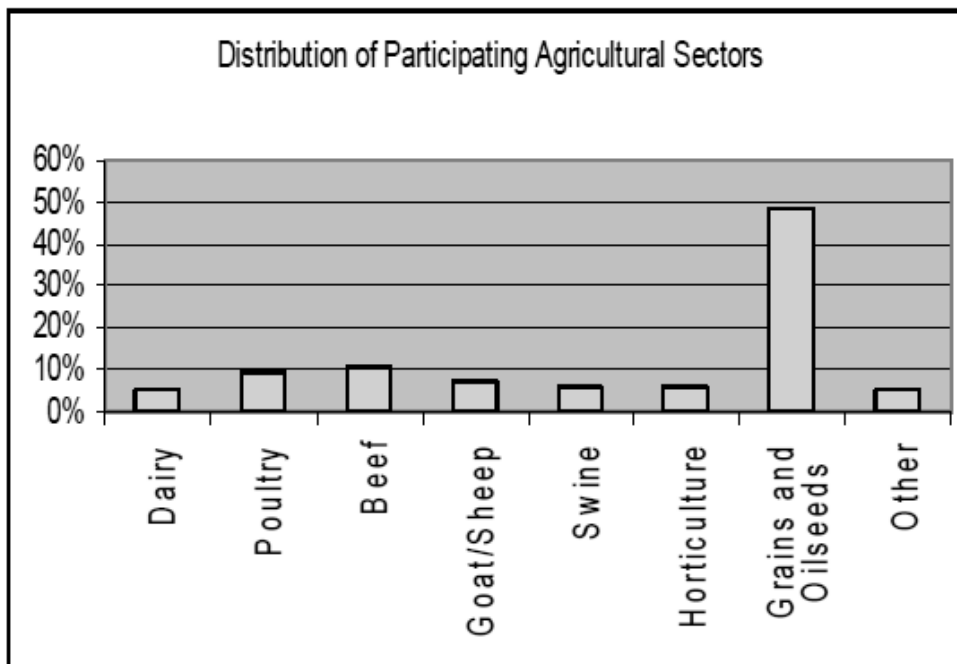
Evaluation Results	
Total number of participants	118
Number of day one respondents Pre- workshop	85
Number of day two respondents Post workshops	66
Completed both pre- and post-workshop surveys	52
Completion rate for pre and post	44%

### Participant Demographics

The demographics of participants reflected those for Ontario farmers in general. Attendees were predominantly male (85%) with 67% of all participants having more than 20 years of farming experience with most in that group in the 50+ age category. Three-quarters of all participants had post-secondary education. This was broken down further to 62% of mature farmers (50+) and 82% for all other age

categories. The level of education is an important point to consider in ensuring the program content and design is meeting the expectations and educational level of the target group.

The other notable point is that 89% of participants identified farming as their primary occupation. This does not take into account “off-farm” income of spouses which anecdotal evidence from the workshops suggests is significant.



Most agricultural sectors were well represented in the workshops and the general opinion from participants was that having a mix of sectors made for interesting discussion yet left ample opportunity to discuss sector specific issues. However, there was interest by participants in having sector specific workshops as well.

Grains and oilseeds was the sector most widely represented but also was cross-represented by participants who were engaged in multi-commodity operations, i.e. there were grains and oilseeds producers who also had livestock. The fact that most producers grew some grains and oilseeds, provided a good foundation for common discussions in the workshops.”

## Conclusions

The results of the seven 2008 Growing Your Farm Profits (GYFP) Pilot Project workshops proved that the Ontario Environmental Farm Plan model could be successfully adapted to provide Ontario farmers with a planning process to assess their current level of farm business management, prioritize farm business management goals and create next step actions to achieve these goals.

118 farmers volunteered to invest two working days to participate in the workshops. Evaluation respondents indicated that, *in regard to planning*, the Growing Your Farm Profits process, 50% had increased their self confidence level in planning, 50% and increased their level of planning knowledge and understanding, and 35% had increased their opinion of the value or importance of planning in achieving their farm goals. By the end of Day 2, of 66 evaluations 71 % indicated they had identified one or more next step action items for their farm business, and 47% had identified three or more action items.

The workshop design comparison showed that:

- Farmers could successfully complete the assessment questions either during the workshop day one or as homework between the two workshop days,
- Farmers were receptive to experiential type activities incorporated into the workshop but the integration was key. When too much time was spent on the activities and the integration was tenuous to the GYFP core messages there was a disconnect to the GYFP project.
- While many farmers were able to complete the workshop with three action plan goals for their farm others expressed a need for one on one coaching to further discuss and assist in the goal setting.

As a result of the 2008 Growing Your Farm Profits Pilot Project the OMAFRA and OSCIA partnership has committed to run 30 GYFP workshops in early 2009 with an updated and streamlined assessment and action plan process. These workshops will combine the best of both workshop designs and provide a one on one coaching post workshop option. Farmers who participate in the GYFP program clarify their farm business management needs which leads to a more effective use of farm business management consultants and training to meet those needs.