



Growing Forward

TAKING STOCK



**A Farm Business Planning Workbook
For The Beginning Farmer**

Canada 

 BRITISH
COLUMBIA
www.gov.bc.ca

Acknowledgements

This material has been modified for use in British Columbia from the original developed by the Saskatchewan Ministry of Agriculture, Regional Services Branch, Farm Business Management Services. This material is based on the original 'Growing Your Farm Profits' workbook created by the Ontario Ministry of Agriculture and Rural Affairs in co-operation with the Government of Canada and the Agricultural Adaptation Council.

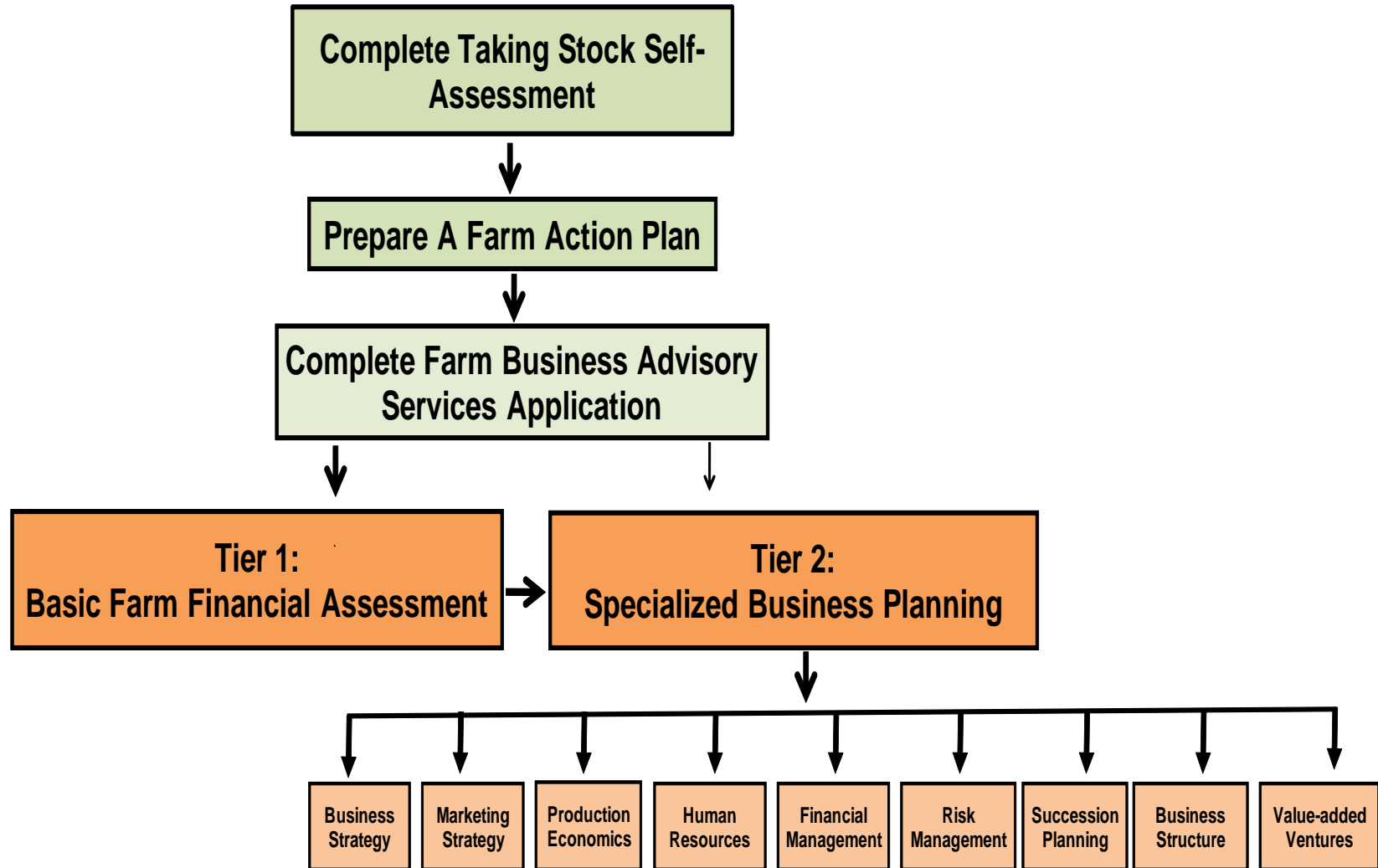
The British Columbia version was prepared by the British Columbia Ministry of Agriculture Business Development Team that are delivering the Growing Forward Agri-food Business Development Program.

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This program is funded by *Growing Forward*, a federal-provincial-territorial initiative

**B.C. FARM BUSINESS ADVISORY SERVICES PROGRAM
PROCESS BEGINNING FARM OVERVIEW**



INTRODUCTION TO 'TAKING STOCK'

VALUE OF PLANNING

Where do you want your farm to be 5, 10, or 15 years from now? What do you want your farm business to look like? How do you go from where you are today to where you want to be in the future? What level of profit will you need to accomplish your business and personal goals? As you will learn through this process, planning is a necessary part of maintaining and increasing your farm profits.

Farmers are no strangers to planning. You cannot have future crops without planting and pruning in advance. There would be no future livestock without a breeding plan. On a day to day basis, farmers keep an eye to the sky, making sure they are prepared with alternate work plans, come rain or snow.

While excellent production is important to the farm business, there are also a number of business management skills required to help farmers successfully meet their business and personal goals.

The first step in an orderly planning process is a self assessment of farm business management practices. These practices include the nine identified areas listed below:

1. Business Strategy
2. Marketing Strategy
3. Production Economics
4. Human Resources
5. Financial Management
6. Social Responsibility
7. Succession Planning
8. Business Structure
9. Risk Assessment

As you go through the workbook you will:

Assess your farm management systems, knowledge, and skills; **Understand** how planning provides the framework for effective decision making; **Set and Prioritize** goals for the farm's future; **Identify** resources that can help meet these goals; **Build** on your strengths; and **Create a Farm Action Plan** to improve your farm management skills and knowledge.

HOW TO USE THIS WORK BOOK

The Taking Stock Farm Business Planning Workbook involves answering a series of questions to help you identify strengths and weaknesses in your new or existing operation in nine farm business management areas. Completing this self assessment and the subsequent farm action plan is intended to prepare you to make the most efficient use of the Farm Business Advisory Services program funding and your farm business advisor.

Each section contains an introduction to help you answer the self assessment questions. Possible answers are provided for each question to guide you in assessing the situation for your farm, and are rated according to a traffic light: **green (strength)** means you understand and are dealing with the issue; **yellow (caution)** means that some improvements should be made (proceed with caution); and a **red (weakness)** answer implies that you need further understanding and that specific action is required. If the question does not apply to your operation; indicate this in the **blue (not applicable)** box.

Once you have selected the most appropriate answer then indicate whether this issue is a **high, medium** or **low** priority for your farm operation.

At the end of each section there are two worksheets. The first worksheet is used to list the high priority strengths, cautions and weaknesses for your farm. The second worksheet is to develop action statements to address the high priorities for that area of farm business management.

Prior to completing your Farm Action Plan you will transfer the most important action items from the worksheets in each of the 9 sections to the Taking Stock Summary – Action Items on pages 57 and 58. In addition, we recommend you also conduct a brief review of external opportunities and threats and identify your key business and personal goals (pages 59-62).

When the Taking Stock workbook for the Beginning Farmer and Farm Action Plan are completed, you are then eligible to access the B.C. Farm Business Advisory Services Program funding to employ a farm business advisor for Tier 1: Basic Farm Financial Assessment or Tier 2: Specialized Business Planning. The Farm Action Plan will provide the basis of your discussion with your farm business advisor in addressing areas in your farm business and management practices that you have identified as important in developing your farm enterprise..

1. Business Strategy

What do you hope to accomplish with your business?

Business strategy planning is the first step down the road to successful farm management.

As a business owner, having a set of business goals gives you the power to steer your business activities in the same direction as your hopes and intentions. This forward way of thinking can be compared to planting a field: inexperienced farmers will often focus on what is going on with the planting behind them, only to end up with a very crooked seed row. With some coaching, an inexperienced farmer will learn to pick out a tree or a landmark in the distance that he can line up with the tractor's muffler. Suddenly the rows are straighter, and the new farmer is able to complete the job faster than before. Similarly, business managers need to have a clear vision of the future to create a business that is in line with their strategic goals. This vision could include things such as machinery or land purchases, new ventures or expansion plans and should include when you would like to achieve them.

What can you do to help make your new farm enterprise or small farm expansion a success?

Follow your passion

A characteristic of successful farmers and other small business owners is often a passion for what they are doing. This shows through in your product and helps you persevere when addressing the challenges that will inevitably arise.

Focus on your strengths and key success factors

If you like to grow plants or look after livestock then focus your work on that and get someone to help with marketing. If you enjoy meeting people and selling your product then get help in the production side. Do what you do best and get help with the rest.

Know where you want to be— your business goals

Take the time to look forward. Know whether you want to understand your production and accounting statements, change your focus, expand your business or increase your value-added activities. You must be specific about your business goals, so that you travel in the direction you want to go.

Set Measurable Steps or Goals to get you there

Understanding how you are going to achieve your business goals is as important as having the goal in the first place. Sometimes it becomes difficult to see the steps needed to reach your business goal. Start on the path towards this goal by establishing a series of manageable steps, build in flexibility, and re-evaluate as each step is completed. Make sure to consider all elements in the business including risks.

Know how to tell when you are there

It is entirely possible to pass your business goals without knowing you have achieved them. Each of your goals must have at least one clear objective, so that you can recognize when you reach success. A business goal to improve your efficiency is a good target, but without a defined objective, like reducing the number of labour hours per acre farmed from one hour per acre to half an hour per acre, you will have no idea when you have arrived at this target.

Look for that tree on the horizon! Look back only to make sure you have benchmarks and are aware of your strengths and weaknesses. Otherwise, focus your attention on those activities that take you from where you are, towards the end you have in mind.

Business Strategy Assessment Questions

Business Strategy assessment (Goals for the business and family)

1) Why have you chosen to start a farm business or develop your farm?

Green	Yellow	Red	Self Assessment	Priority
<i>We can easily list reasons why we are interested in starting a farm business.</i>	<i>We do not know how to describe the reasons for wanting to start a farm business.</i>	<i>We do not know why we have decided to start a farm business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do your business goals support your family goals?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we can identify how our interest in starting a farm business supports our family goals.</i>	<i>We can identify our interest in starting a farm business but we are not sure how this will impact our family goals.</i>	<i>No we keep our business activities separate from our personal activities and do not see the relationship between them.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you know what type of farm you want and/or what you want to produce?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we decided to produce by considering the market our interests, skills, abilities, farm assets, and how the farm would fit with the family's interests.</i>	<i>I have always had an interest in producing _____.</i>	<i>I have not yet decided what type of farm I want.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

If Yellow or Red, consider using the BCAGRI *Guide to Starting a New Farm Enterprise* <http://www.al.gov.bc.ca/scregion/> to help identify the type of farm and farmproduct that best matches your skills, abilities and interests and farm location.

4) Unless you sell your product as a commodity through a marketing system, your success will depend on establishing a special characteristic that differentiates your product from others.. Do you have clear understanding of what makes your product different than your competitors product?

Green	Yellow	Red	Self Assessment	Priority
<i>We have a clear understanding of what makes our product unique.</i>	<i>We have discussed what makes us different but are not totally clear on what unique characteristics will attract customers to our product over others</i>	<i>We have no idea what makes our product different from the product produced at other farms.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Have you established a plan on how you will achieve your farm business goals?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have identified goals and have a plan.</i>	<i>We can identify some goals, but have not established a plan.</i>	<i>We have not set any goals for our farm business or family.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Business Strategy Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Business Strategy. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Business Strategy Strengths	
1	
2	
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High Priority Business Strategy Cautions	
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High Priority Business Strategy Weaknesses	
1	
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Business Strategy Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to business strategy to your Summary - Action Items on Page 66.

2. Marketing Strategy

Why is marketing vital to the overall success of your farm business?

If you are selling into a regulated marketing system, central selling desk or marketing co-op then the important consideration for your farm business is to maximize output at minimum cost. It is important to monitor global trends in commodity prices as they may impact production decisions, i.e. hand harvesting vs. machine harvesting of raspberries or blueberries.

If you are not selling an undifferentiated commodity through a formal marketing organization then marketing is a critical component of your farm success.

Market needs create business opportunities,
not the other way around!

Changing economic conditions, changing tastes, changing demographics all impact the demand for farm products. It is therefore very important to have the knowledge and information you need to make informed decisions about what the market is demanding and how to meet that demand.

In order for your business to thrive, it is crucial that you understand your buyers' needs, taking into consideration whether you are dealing with local (farmers' markets), regional, national, or international distributors and retailers. Knowing what your buyers' needs are and where you can provide for those needs is becoming

increasingly important and will keep you one step ahead of your competition.

The three areas of self-assessment in Marketing are General, Commodity and Direct Marketing. Whether you are trying to expand your current business, or are looking to start a new venture, assessing your marketing skills and abilities will help you determine what areas of marketing you need to examine and develop.

What can you do?

- Constantly work to understand your buyers' needs and what affects your market.
- Identify market opportunities
- Look for ways to use marketing experts.
- Develop and follow a written marketing plan.

MARKETING STRATEGY

Marketing Strategy General - General

Marketing strategy assessment

1) Do you, your business partner or someone in your family have the interest and skills to market your product?

Green	Yellow	Red	Self Assessment	Priority
<i>We have a strong background and training in marketing and use this skill in our daily business.</i>	<i>We have some background and training in marketing and try to use this skill in our daily business.</i>	<i>We have very little training or background in marketing and have little desire to use this skill in our business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Have you estimated your unit cost of production (COP) to inform your pricing options?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have estimated the unit COP for our new farm business.</i>	<i>No, but we have a good idea of the range that it will fall in.</i>	<i>No.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Have you determined what marketing restrictions may apply to your products, for example quota, permits, health or slaughter regulations?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a detailed understanding of the regulations that impact the marketing of our products</i>	<i>We have an understanding that there are marketing restrictions but do not know how they will specifically affect the marketing of our product</i>	<i>No.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Direct Marketing – (If Applicable)

1) Have you investigated the different types of direct farm marketing (u-pick, on-farm retail, farmers’ markets, etc.)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we plan to use one or more of these in our new farm operation. We are also looking for and researching new ways to market our products.</i>	<i>We have a limited understanding, but we have not researched how these can support our new farm operation.</i>	No.	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Have you included the time it will take to market your product into your work schedule?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have estimated the time needed to market our product and considered it in our work plan.</i>	<i>We recognize that marketing will take time but have not included it in our work plan.</i>	<i>No, we have not considered the time needed to market our product.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Do you know if the product you plan to produce is in demand by the market place?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have followed the local markets and are aware of the products valued by the target customers.</i>	<i>We have followed the local markets and have some sense of the products valued by the customers.</i>	<i>No, we are not aware of the products valued by the market.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you know your products' quality characteristics that are valued by your customers and the management practices that impact those characteristics?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we know the different quality characteristics and the management practices that impact our product.</i>	<i>We have an idea of what is special about our product but do not understand the direct connection between the quality characteristics and management practices.</i>	<i>No.</i>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; justify-content: space-between;">Red<input type="checkbox"/></div> <div style="display: flex; justify-content: space-between;">Yellow<input type="checkbox"/></div> <div style="display: flex; justify-content: space-between;">Green<input type="checkbox"/></div> <div style="display: flex; justify-content: space-between;">N/A<input type="checkbox"/></div> </div>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; justify-content: space-between;">High<input type="checkbox"/></div> <div style="display: flex; justify-content: space-between;">Medium<input type="checkbox"/></div> <div style="display: flex; justify-content: space-between;">Low<input type="checkbox"/></div> </div>

Marketing Strategy Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Marketing Strategy. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Marketing Strategy Strengths	
1	
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High Priority Marketing Strategy Cautions	
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High Priority Marketing Strategy Weaknesses	
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Marketing Strategy Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to marketing strategy to your Summary - Action Items on Page 66.

3. Production Economics

How can you improve your production system and your cost of production?

Why should you be concerned?

Making and delivering your product or service to the market captures the profit opportunity for your business. Product quality shows the value the customers want. Production systems, facilities and equipment, and purchasing skills all affect the quality, the yield, and the cost of production. In a commodity market especially it is increasingly important to manage and maintain a low cost of production.

In business, there never seems to be enough hours in the day to get production done, so it is important that the production system is as organized as possible.

An organized production system helps to:

- Create time to manage the other aspects of the business such as marketing, financial, human resources, business direction, and structure; and
- Create time for personal, family, and community activities.

Areas of production or service focus discussed in production are:

- Product or service quality
- Production system
- Benchmarking
- Cost of production
- Facilities and equipment

- Transportation systems
- Purchasing and supplier relationships

What can you do?

- Set production, service and quality goals.
- Have a record system that provides cost of production, yield and quality information in a timely manner.
- Compare your results to your past records and to industry benchmarks where available.
- Develop positive relationships with your suppliers so they can provide product information, production advice, training, market trend information and market referrals.

Production Economics Assessment Questions

Production Economics assessment

1) Have you set annual goals for the level of production of your product?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have set annual production goals.</i>	<i>We have an idea of what we think we can produce but have not set specific goals.</i>	<i>No, we have not set production goals.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Have you set up a system to record your production?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a system to keep complete production records.</i>	<i>We plan to keep some production records but they are not complete.</i>	<i>No, we do not have a system in place to keep production records.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Are your production records designed to inform/improve your production management?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, production records are designed to inform operations, for benchmarks, and to track both costs and sales figures.</i>	<i>Our records are just designed to give final numbers and not necessarily inform farm operation decisions.</i>	<i>No, we do not have a system in place to keep production records.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Do you know your cost of production for each commodity?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, input costs are directly tied to production records showing profit/loss for each commodity.</i>	<i>Some specific production costs are known and others are based on the entire operation. We do not know which commodities have higher production costs.</i>	<i>No, we do not know our cost of production.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Have you used the services of production advisors in developing your farm plan (i.e. suppliers, agrologists, B.C. Ministry of Agriculture, consultants)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have used these services to develop our farm plan.</i>	<i>We plan to use advisors if we have any problems.</i>	<i>No, we do not plan on using advisors.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

6) Do you have a plan for equipment and facilities replacements?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a plan for equipment and facilities maintenance, repair and replacement.</i>	<i>We recognize equipment will need to be maintained and replaced but have no specific plan in place.</i>	<i>No, we have no specific plan for repair and replacement.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

7) Does your product need to meet quality assurance or certification programs (Identity Preserved Grains, Beef Breed Identification, Quality Assurance, Certified Organics)? Do you meet the standards?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, all products have minimum standards that must be met. We are set up for regular inspections to ensure standards are being met.</i>	<i>Some quality and traceability standards exist but there are no regular inspections set up.</i>	<i>No, we are not set up to meet quality assurance programs.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

8) Are you planning to incorporate new production technology demonstrated to be effective in your area?

Green	Yellow	Red	Self Assessment	Priority
<i>We plan on keeping in touch with the new technologies and adopting those that work for our farm operation.</i>	<i>We plan on adopting new technology once proven in our area.</i>	<i>We are not particularly interested in new technology.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

9) Does your farm plan include a production schedule designed to meet delivery commitments or requirements for the market you are selling to (e.g. inventory management, timeliness of production)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, our production plan has specific production targets designed to meet our marketing requirements.</i>	<i>We have a production plan but it is not necessarily tied to marketing requirements.</i>	<i>We produce what we can and hope that our product sells.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Production Economics Assessment - High Priority Summary

From your assessment, list the high priority strengths, caution and/or weaknesses for your farm with respect to Production Economics. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Production Economics Strengths	
1	
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High Priority Production Economics Cautions	
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3	
High Priority Production Economics Weaknesses	
1	
2	
3	

Production Economics Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to production economics to your Summary - Action Items on Page 66.

4. Human Resources

How can you organize and motivate people to achieve your farm goals?

Why should you be concerned?

An input cost that farm business owners often overlook is the cost of labour. Depending on the type of farm, labour costs can account for as much as 70 per cent of the total cost of production. Availability of labour is becoming a major problem on many farms.

Human resource planning will encourage you to do a self-assessment as part of a needs assessment for your operations. A human resource plan will identify gaps and needs in training plans as well as in the overall requirements of the farm. The needs assessment will also let you know when you need new staff, considering any future expansion plans for your business.

Human resource planning is a valuable tool for ensuring the health and safety of employees and farm family members. Today's modern farm operates under regulations dealing with all aspects of farming from health and safety to the environment. A human resource plan will make sure all applicable regulations under the *Occupation Health and Safety Act*, the *Employment Standards Act*, and payroll regulations are followed.

As with any other part of a good business plan, spending some time creating and implementing a human resource plan will help maintain a profitable and successful farm business.

Written job descriptions can be very valuable for family, employees and owners. Pay grids and compensation packages will eliminate misunderstandings. Training needs and plans are identified and agreed to by all affected parties.

What can you do?

Implementing good human resource planning will not only reduce your costs, but it will also give you peace of mind throughout the year. Staffing mistakes such as too many or too few workers will impact on the net profits of any farm business.

One of the keys to running a successful farm business is knowing your requirements regarding types of skills, number of workers and lengths of employment. Staff turnover can create major problems (this always seems to happen at critical times such as planting or harvest).

Self-assessment and understanding your management style will help you to make the right decisions when hiring employees and setting policies for your business. Understanding your management style will also ensure that you get the right "mix" of people to suit your personal needs.

Human Resource Assessment Questions

Human Resource assessment

- 1) Have you clearly defined the responsibilities of each family member, business partner and employee?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written job description for each family member, business partner and employee. They understand their responsibilities and our expectations.</i>	<i>We do not have a written job description because our family members and employees know their job.</i>	<i>No, they are advised on a need to know basis.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 2) Do you have a plan to obtain and retain employees if applicable?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a human resource plan in place that includes when, how many, how long, skills, training, and wage grid for employees of our operation.</i>	<i>We know that we will need employees at peak production periods, but we do not take steps to plan for recruitment, training, and retention.</i>	<i>We rely on "word of mouth" to recruit and depend on family members to "pick up the slack".</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Have you taken steps to ensure a suitable work/family balance for self, family members and staff?

Green	Yellow	Red	Self Assessment	Priority
<i>We have a work/life balance for family and employees that includes time with family and friends as well as scheduled holidays.</i>	<i>Spending time with family and friends away from the farm business happens only on rare occasions when farming activities permit the time away.</i>	<i>Spending time with family and friends away from the farm business is never a priority.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Human Resources Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Human Resources. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Human Resource Strengths	
1	
2	
3	
High Human Resource Cautions	
1	
2	
3	
High Priority Human Resource Weaknesses	
1	
2	
3	

Human Resources Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to human resources to your Summary - Action Items on Page 66.

5. Financial Management

How can you help your farm business be financially stable?

Why should you be concerned?

Most farm business owners would agree that financial management is an important part of managing a business. This is particularly true for the developing farm. Having a plan to monitor cash flow and debt in the early years when the debt to equity and risks can be higher can mean the difference between success and failure. Many would also agree that the process of recording, gathering, and analysing their financial information is sometimes a tedious job that they at times even neglect. Financial decisions however, are much easier to make when you have information about the performance of your business. So even though it can seem to be an unproductive task when compared to a host of other pressing and urgent issues that require your attention, financial management is a critical component of your business.

If financial management is not your passion, then you should consider working with a financial advisor who is able to gather and organize your business information for you.

The financial management of a business has several components:

- Regular recording and monitoring financial transactions;
- Analysis of past and current performance;
- Forecasting future performance, including cash flow and debt service; and

- Setting and monitoring financial goals.

Financial management is important to other aspects of the business as well. It allows you to establish a cost of production, which in turn helps you determine your marketing strategies. Financial management allows you to monitor debt service and to decide if a succession plan that includes working with additional family members is possible.

Financial management starts with the development of a suitable financial information system. This will allow you to analyze the information and establish financial goals, which are required to set future performance benchmarks.

Financial management is the backbone of any successful business. This section looks at a number of key areas that business owners must focus on:

- **Cash flow** – *the availability of money to meet requirements to pay your bills and living expenses.*
- **Profitability** – *the ability of the business to generate a return after expenses.*
- **Taxation** – *businesses should strive to pay the minimum level of tax.*
- **Capital investment** – *businesses strive to allocate available capital to the best use.*
- **Records** – *without good records, analysis and financial goal setting is impossible.*
- **Risk management** – *identifying financial risks is the first step in managing them.*
- **Resources and skills** – *knowing your strengths and skills helps you manage the finances of the business. Understanding your weaknesses allows you to find alternatives*

What can you do?

- Evaluate your current record keeping system.
- Determine what information you need.
- Assess your skill level for analysis and if needed, get training or help from a trusted advisor.
- Set goals/develop budgets and risk strategies
- Monitor your financial progress on a regular basis to determine if you are meeting your financial goals and to make course corrections

Financial Management Assessment Questions

Financial Management assessment

- 1) Have you researched or developed projected costs and returns for your new farm or new farm enterprise(s)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, I have identified a specific investment amount and time frame which I review regularly to ensure I am meeting my profitability target.</i>	<i>Not really, as long as the farm business grows financially every year I am satisfied.</i>	<i>No.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 2) Are you planning to use a financial record keeping system for your farm operation?

Green	Yellow	Red	Self Assessment	Priority
<i>We have selected a detailed financial record keeping system. We will be able to monitor the progress of the farm business at any time.</i>	<i>We plan to enter our information into a record keeping system whenever we have time and take this information into the accountants at the end of the year.</i>	<i>We measure our financial success by how much money is left at the end of the year after paying all expenses.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Do you plan to evaluate the net worth of the farm enterprise and your personal net worth regularly?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we monitor our personal equity regularly and insure that our debt is structured to allow for maximum growth of the farm business.</i>	<i>We do not know the exact amount of our equity in the farm business.</i>	<i>We have no idea what our equity is in the farm business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Have you considered the income tax implications in your farm and family’s financial plans?

Green	Yellow	Red	Self Assessment	Priority
<i>We consult with our tax advisors on a regular basis and constantly revise our plan to minimize tax implications over time.</i>	<i>We recognize the importance of tax implications but only review them annually with our accountant.</i>	<i>No, we take our financial information into our accountant every year with instructions to do whatever is necessary to limit our tax.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Financial Management Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Financial Management. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Financial Management Strengths	
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High Priority Financial Management Cautions	
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High Priority Financial Management Weaknesses	
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Financial Management Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to financial management to your Summary - Action Items on Page 67.

6. Social Responsibility

How can your farm business create a positive interaction with the natural environment?

Why should you be concerned?

Environmental stewardship

A farm business shares the landscape, ground and surface water, and air with the local community. In most cases, the farmer's and/or employees' families also live in the community. Stewardship of the natural resources creates an advantage for both the farm and the community.

Assessing your farm's environmental stewardship management can help:

- maintain and improve the land, water, air, woodlands, and wildlife resource bases;
- ensure compliance with regulations;
- manage the impact risk of farming practices on neighbours; and
- create business opportunities.

Social Responsibility

In many areas of the province farming is conducted in close proximity to urban areas and farming areas have many non-farm residents. It is important when developing a farm plan to consider any potential impacts on your neighbours. Besides being socially responsible, showing reasonable consideration for your neighbours makes

good business sense. Neighbours that feel that they have been impacted by your farm operation can draw you into lengthy and expensive legal processes.

What can you do?

Environmental stewardship:

- Incorporate best management stewardship practices to improve and maintain the land, water, air, woodlot and wildlife resource bases.
- Meet regulations and industry standards.
- Manage the impact risk of farming practices on neighbours.
- Maximize business opportunities through environmental stewardship activities.

Social Responsibility:

- When siting buildings that may store materials with offensive odours, locate in a way to minimize the impact on your neighbours
- If your farm activities involve noise, odour or dust try to organise them to minimize the impact on neighbours.
- Get to know your neighbours, hire their children, and give them some samples of your product. The more they get to know you and your farm operation the more they will understand and accept the small inconveniences the farm may create.

Community involvement and industry level involvement:

- Get involved in community and provincial farm organizations this provides a stronger voice for all farmers on social and environmental issues.
- While benefiting your community and industry by taking part in events and organizations, look for ways to improve your business and individual skills.

Social Responsibility Assessment Questions

Social Responsibility assessment

- 1) Have you considered applying to do an environmental farm plan if you are eligible?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have applied for an environmental farm plan.</i>	<i>We have considered applying for an environmental farm plan but have not done so.</i>	<i>We have not considered applying for an environmental farm plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

IF GREEN MOVE TO NEXT SECTION

- 2) If your local government area maps environmentally sensitive areas, are you aware of any of these areas on your property?

Green	Yellow	Red	Self Assessment	Priority
<i>We have checked with our local government office to see if we have a mapped environmentally sensitive area on our property.</i>	<i>We are not certain if we have a mapped environmentally sensitive area on our property and have not checked with the local government office.</i>	<i>We are unaware of any environmentally sensitive area on our property.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Have you identified environmentally sensitive areas on your farmland and ways to mitigate farming activities around them? For example, land clearing, timing and quantity of manure application, farming activities near a water body.

Green	Yellow	Red	Self Assessment	Priority
<i>We have identified the potential environmental implications and adjusted our farm management practices to minimize potential impacts.</i>	<i>We are aware of some potential environmental implications but have not adjusted our farm management practices.</i>	<i>We are unaware of potential environmental impacts of our farming operation.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 4) Have you considered developing a farm record system to enable traceability of your farm products (organics, herd verification, etc.)?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we plan to keep detailed farm records that enable traceability of our farm products.</i>	<i>We may be able to trace some of our farm products, but we have never really considered this important</i>	<i>We do not plan for traceability and do not see the importance of it.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 5) Does your proposed farm plan meet all the local bylaws and zoning regulations?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have checked the local bylaw and zoning regulations and our farm plan meets all the requirements.</i>	<i>We are in a farming area and assume our plan meets the local government requirements.</i>	<i>We do not know what the local zoning is for our farm property.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 6) Are you aware of the farm, marketing and commodity organizations in your community and the services they offer, such as liability insurance, cooperative purchasing and mentorship?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we are members of our local farm organizations.</i>	<i>We are aware of the farm organizations in our community but are not members.</i>	<i>We are not aware of the farm organizations in our community.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Social Responsibility Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Social Responsibility. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Social Responsibility Strengths	
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High Priority Social Responsibility Cautions	
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High Priority Social Responsibility Weaknesses	
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Social Responsibility Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to social responsibility to your Summary - Action Items on Page 67.

7. Succession Planning

Getting into business is easy, anyone can do that. It's knowing when to get out of business that's important.(paraphrased from) Will Rogers

There are two basic questions that all farm businesses need to ask:

- 1) If you plan to pass the farm on to the next generation, do you have a succession plan?
- 2) If not, how do you plan to wind down the farm operation; and in winding down have you considered transitioning the farm to a new young farmer?

Every business, whether a farm business or not, needs to consider how the business will be operated in the future or how it will wind down. Current choices on business structure (section 8) can impact the taxes paid and the ease of transition in the future.

A succession plan describes how to transfer management, labour and ownership to the next generation or to another farmer. Every farm business and farm family is different and therefore, every succession plan/transition plan is different.

What can you do?

The most important thing is to start the conversation. You should be thinking strategically about how to position the business for the future. Is there an obvious successor? Are they ready? How will you transfer labour, management and ownership? How will you treat the farming and non-farming children? Issues to discuss include planning for various contingencies like death, disability, divorce, disagreement and disaster.

This self-assessment will take you down the path that best fits your particular situation.

Succession Planning Assessment Questions

Succession Planning assessment

1) Do you have a current Will and power of attorney updated to reflect your new farming assets ?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, our Will and power of attorney documents are up-to-date.</i>	<i>We have recently updated one of either the Will or power of attorney documents or have at least put some thought into doing so.</i>	<i>No, neither our Will nor our power of attorney documents are up-to-date.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

If you have entered farming later in life when the time comes do you plan to sell your farm or pass it onto the next generation?

I. Selling the farm

1) Are you aware of the tax issues related to disposing of the farm assets?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we know the tax rules surrounding the disposal of farm assets and have structured our business to deal with this issue when the time comes.</i>	<i>We are aware that if we dispose of our farm assets there will be income tax consequences and will deal with it at that time.</i>	<i>We are unaware of the tax issues related to the disposal of our farm assets and it is not a concern for us at this time.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

II. Passing on the farm

1) Have you considered the succession of your farm business?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, our farm has a understanding on how succession will be addressed and a written plan on the transfer of management and ownership is in place.</i>	<i>We have started a succession discussion but there is not yet a written succession plan. We still have many questions.</i>	<i>We do not have a written succession plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Are you aware of the tax issues related to transferring farm assets to the next generation?

Green	Yellow	Red	Self Assessment	Priority
<i>We are aware of the tax issues and have consulted with a tax advisor.</i>	<i>We have a general awareness of some of the tax considerations relative to succession but have not considered this in detail</i>	<i>No, we don't know how taxes might affect farm transfer.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

3) Have you developed contingency plans for such things as death, divorce, disability, disagreement and disaster?

Green	Yellow	Red	Self Assessment	Priority
<i>We have discussed and know how we would deal with issues such as divorce, death, disability, disagreement and disaster.</i>	<i>We have developed contingency plans for some issues, such as death and disaster but some topics are too sensitive for us to discuss.</i>	<i>We deal with issues as they come up and don't have time to plan for events that may never happen.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

4) Have you fully discussed with family members how farming and non-farming children will be treated fairly?

Green	Yellow	Red	Self Assessment	Priority
<i>We have fully discussed how the farming and non-farming children will be treated and have addressed the issues of how to achieve fair treatment for all children.</i>	<i>We have had some discussion of how the farming and non-farming children will be treated, but we aren't sure how we will achieve fair treatment for all children.</i>	<i>There has been no discussion of how farming and non-farming children will be fairly treated. Our children may be able to work this out on their own.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

5) Have you structured your business in such a way to consider and facilitate succession?

Green	Yellow	Red	Self Assessment	Priority
<i>The business has been structured to consider and facilitate succession and all business owners have an understanding of how ownership is acquired and how new participants would gain ownership.</i>	<i>There has been some discussion around how the business structure would facilitate succession; however, there is no clear plan as to how this process would occur.</i>	<i>We haven't thought about business structure and don't know how we would even go about changing it.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Succession Planning Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Succession Planning. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Succession Planning Strengths	
1	
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High Priority Succession Planning Cautions	
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High Priority Succession Planning Weaknesses	
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Succession Planning Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to succession planning to your Summary - Action Items on Page 67.

8. Business Structure

How can you achieve your ideal legal structure for your farm business?

Why should you be concerned?

The structure of a business is important for many reasons. While taxation is often a prime concern for business owners, it should not be the primary reason to consider a particular legal structure. For example, other important considerations include succession planning goals. Some business owners may think simple is best; others may consider the flexibility in implementing a succession plan as the top priority in choosing a particular legal structure.

Deciding on a business structure when first starting a new farm operation provides greater opportunities for financing options and tax considerations. Each kind of legal structure has advantages and disadvantages. As a business grows or business goals change, a particular business structure may become more or less attractive.

Legal structure

The legal structure refers to the legal business entity under which the business operates. The three most common business structures are sole proprietorship, partnership, and corporation. Joint venture is a less common entity, but is useful in certain circumstances.

The type of structure that a business owner chooses will decide for example, how decisions are made, who will report the income of the business, who will pay the taxes, or who is legally responsible for the business. The legal structure also influences the control of the business and

the method of transferring the business.

Ownership structure

The ownership structure of a farm business refers to how the assets are owned. While ownership may appear to be obvious, it is not always the case in a farm business, especially if a second generation is working in the business. It is not uncommon to encounter farm businesses where some assets are owned by the individual and used by a corporation that operates the business. Partnerships sometimes own very few assets, while partners retain direct asset ownership. Understanding the ownership of assets is critical for tax planning, financing, succession planning, and exiting or changing the business structure (such as when a business partner wishes to leave the business).

Written agreements should clearly document the contributions of assets to the business and explain if and how the owner of the assets will be compensated for the contribution of the assets to the business. Agreements clarify how someone may enter or exit the business structure in the future. Agreements also outline a process in the event of death or illness.

What can you do?

- Understand your current business structure.
- Consider if your current structure fits your business goals.
- Understand the pros and cons of other business structures.
- Discuss different structures with your advisors.

BUSINESS STRUCTURE

Business Structure Assessment Questions

Business Structure assessment

- 1) Does your proposed business legal structure (sole proprietor, partnership, corporation, etc.) meet the goals of your business?

Green	Yellow	Red	Self Assessment	Priority
<i>Our business legal structure meets all of the business goals, and the business structure is reviewed periodically.</i>	<i>Our business legal structure meets some of the goals for the business.</i>	<i>We do not know if our legal business structure meets the goals for the business.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 2) Do you have written business and lease agreements?

Green	Yellow	Red	Self Assessment	Priority
<i>We have written up-to-date business and lease agreements, all of the business owners understand the agreements and how they apply to the business.</i>	<i>Written business and lease agreements have been developed initially and most of the business owners have a general understanding of the agreements.</i>	<i>There are no written business or lease agreements for the farm.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) Do you have a plan on how and when you will obtain productive assets to operate your farm, purchase and lease ?

Green	Yellow	Red	Self Assessment	Priority
<i>There is a plan on how and when we will buy or lease the assets we need to run a successful operation.</i>	<i>We know we will have to purchase or lease productive assets but we have no clear plan on how or when we will do this..</i>	<i>No we will make arrangements as needed.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Business Structure Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Business Structure. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Business Structure Strengths	
1	
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High Priority Business Structure Cautions	
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High Priority Business Structure Weaknesses	
1	
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Business Structure Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to business structure to your Summary - Action Items on Page 67.

9. Risk Management

How do you handle risk to secure your farm operations?

Risk can occur in various aspects of your farm business operation. As a new operation you should develop an overall risk management plan that includes the following areas:

Production Risk

How well do you follow good production practices such as timely operations, disease prevention and pest management, machinery readiness for operation, and labour availability? Do you manage the production Risk Management through government Programs (AgriStability, AgriInvest and Production Insurance) for the maximum benefit of your operation?

Market Risk

Do you have a written market risk strategic plan and knowledge of marketing tools? Do you receive current and accurate market information? Can you identify trends in prices? Do you know the breakeven price for all your commodities? Are you able to assess if future pricing opportunities (deferred delivery, contracts, hedges, options) are advantageous to your business?

Financial Risk

How secure are your financial arrangements with lending agencies? Do you meet with them regularly to discuss your business plan? Will the current levels within your production Risk Management Programs meet your cash flow requirements? What is the worst case scenario for production loss?

Human risk

Do members of your farming operation understand the business model? Would your operation be at risk if any one member became ill or disabled? Will you be able to find and train capable employees? Could an accident or death of a family member or employee affect the viability of your farm?

Policy Risk

Are there national or international policies that will negatively affect your markets or your ability to operate the farm?

Environmental and Food Safety Risk

Are there areas in your farm business that may be impacted by or have an impact from environmental or food safety issues?

What can you do?

- Categorize risk as production, market, financial, human, policy or other areas.
- Address each area of risk. Decide if the risk is a high or low possibility and a strategy to mitigate that risk.
- Be sure all members of your operation are knowledgeable of the risk considerations.

Risk Management Assessment Questions

Risk assessment

1) Do you have a plan to deal with production risk?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a plan to manage our production risk by following good production practices such as timely operations, disease prevention and pest management, machinery readiness and labour availability. When it is financially feasible, we take advantage of production risk insurance.</i>	<i>Yes, we try to follow good production practices and take advantage of production insurance whenever we can.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

2) Do you have a plan to deal with market risk?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written market contingency plan.</i>	<i>We have a general idea on how to use marketing tools.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 3) If you are financing your new farm operation do you have a plan to manage an increase in interest rates or a decrease in income?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we understand the sensitivity around interest rates and income risk and have a plan to deal with these scenarios.</i>	<i>We have identified the range of interest rates and income fluctuations we can handle but don't have a plan if either goes beyond that range..</i>	<i>No, we assume everything will remain stable.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 4) Do you have a plan to deal with the loss of labour or management skills?

Green	Yellow	Red	Self Assessment	Priority
<i>Yes, we have a written human resource contingency plan. We have alternate resources available.</i>	<i>We have options available but have never discussed these with family or employees.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/> N/A <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

- 5) Do you have a plan to deal with government policy change?

Green	Yellow	Red	Self Assessment	Priority
<i>We plan to be involved with our industry and volunteer for boards and committees that advise government.</i>	<i>We plan to monitor domestic government policy and try to use it to our advantage whenever possible.</i>	<i>No, we do not have a plan.</i>	Red <input type="checkbox"/> Yellow <input type="checkbox"/> Green <input type="checkbox"/>	High <input type="checkbox"/> Medium <input type="checkbox"/> Low <input type="checkbox"/>

Risk Management Assessment - High Priority Summary

From your assessment, list the high priority strengths, cautions and/or weaknesses for your farm with respect to Risk Management. On the following page identify specific action goals to address these priority issues. At the end of the workbook you will use these action goals to develop an overall farm action plan.

High Priority Risk Management Strengths	
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High Priority Risk Management Cautions	
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High Priority Risk Management Weaknesses	
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Risk Management Assessment – Action Plan Items

Priority Description (indicate whether a strength, caution or weakness)	Action Statement (goals)

Transfer your action plan items with respect to risk management to your Summary - Action Items on Page 67.

TAKING STOCK – GETTING TO THE FARM ACTION PLAN

Now that you have completed the self assessment questions, you will proceed through a few more steps before you develop your farm action plan.

1. Transfer the action items identified in each farm business management section to the Taking Stock summary table.
2. Assess potential external opportunities and threats that may impact your farm you may consider as part of the planning process.
3. Determine your key personal and work goals.
4. Develop a Farm Action Plan.

Taking Stock Summary Instructions

Your responses to each of the proceeding sections should now be carried forward to the **Taking Stock Summary – Action Items** on the following pages (see example page).

To complete the Taking Stock Summary:

1. Start with Business Strategy, the first of the farm business management areas within the self assessment. By referring back to this area, bring forward the high priority items that require your attention.
2. Identify what action statements or goals are most important for you to improve your farm business management practices in this area:
 - The action statements address areas requiring follow-up from your responses to the questions in each business section.
 - You do not need to create action statements or goals for high priority farm business management practices that you are already implementing.
 - You are not required to create action statements for all farm business management areas. You decide what areas you feel are important and require some action to support improvement.
3. Assign priorities for each action area (i.e. what is the level of urgency to complete that action – high, medium, or low).
4. You have now completed the summary for the Business Strategy area. Continue with steps one through three for all the other farm business management areas.

SUMMARY, GOALS AND ACTION PLANS

Taking Stock Summary Instructions (CONTINUED)

5. Once you have summarized all nine farm business management areas, proceed to looking at external opportunities and threats as well as developing key business and personal goals. Follow the instructions in each of these areas.
6. The final step in this process is to develop your Farm Action Plan.
7. A completed Farm Action Plan is required to access funding support for Farm Business Advisory Services from the B.C. Ministry of Agriculture's Farm Business Advisory Services program.

Taking Stock Summary- Action Items (Example)

Farm Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (goals)	Priority (High/Medium/Low)
1) BUSINESS STRATEGY			
2) MARKETING STRATEGY			
3) PRODUCTION ECONOMICS	<i>Limited information on cost of production (caution)</i>	<i>Gather detailed information on production records and input costs for each commodity we produce</i>	high
4) HUMAN RESOURCES	<i>Job descriptions lacking (weakness)</i>	<i>Create job descriptions for family members and hired positions</i>	medium
5) FINANCIAL MANAGEMENT	<i>Enhance financial record keeping and analysis (caution)</i>	<i>Improve my knowledge of my financial records and monitor business progress</i>	high

NAME: _____

DATE: _____

Taking Stock Summary – Action Items

Farm Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (goals)	Priority (High/Medium/Low)
1) BUSINESS STRATEGY			
2) MARKETING STRATEGY			
3) PRODUCTION ECONOMICS			
4) HUMAN RESOURCES			

Summary, Goals and Action Plans

Farm Management Area	Priority description (indicate whether a strength, caution or weakness)	Action Statement (goals)	Priority (High/Medium/Low)
5) FINANCIAL MANAGEMENT			
6) SOCIAL RESPONSIBILITY			
7) SUCCESSION PLANNING			
8) BUSINESS STRUCTURE			
9) RISK MANAGEMENT			

Identifying External Opportunities and Threats

Opportunities to Capture

What changes or trends in the world outside of your farm do you see as providing the greatest opportunities for your farm's future over the next five to ten years? List these changes or trends and tell what opportunities they create for your farm.

1. _____

2. _____

3. _____

Threats (Risks) to Avoid or Protect From

What changes or trends in the world outside of your farm do you see as providing the greatest potential threats for your farm's future over the next five to ten years? List these changes or trends and tell what threats they pose for your farm.

1. _____

2. _____

3. _____

My Key Goals

INSTRUCTIONS

Step 1 Describe where you want your farm to be in five to ten years time. What type of farm business will it be? How big? Who will be involved in the farm and in what way?

Step 2 Identify three to five Key Goals. What needs to be done to make this five to ten year future picture or vision of your farm a reality?

As you set your goals consider:

- Your High Priority Strengths and Weaknesses that you have identified.
- Personal and Family Goals.
- The Opportunities and Threats to the farm that you have identified.
- Growing Forward cost-share opportunities.
- State your three to five Key Goals and how each supports where you want your farm to be in five to ten years time.

Step 3 Using the tick boxes provided, indicate if achieving this goal will (identify all appropriate):

- Build on business strengths;
- Turn weaknesses into strengths;
- Capture an opportunity; and
- Reduce or avoid a Threat (risk).

Creating Action Plans to accomplish goals

Once you have completed your top three to five Key Goals the final step is to complete an Action Plan for each. In the Action Plan your Key Goals will become more refined to include action steps needed to implement these goals.

My Key Goals Example

Where do you want your farm to be in five to ten years from now? Describe below:

Same size of operation unless great opportunity for expansion presents itself. Increase Jason and Susan's involvement in managing the farm operation. Increase profits by \$25,000. Develop Succession Plan.

MY KEY GOALS

What are the Key Goals needed to make your five to ten year picture or vision of your farm a reality? As you set your goals consider:	Achieving this goal will help strengthen or address: (mark all that apply)
<ul style="list-style-type: none"> • Your business and personal goals. • The Taking Stock Summary Action Items you identified on pages 57 and 58. • The Opportunities and Threats to the farm that you have identified. <p>State your Key Goal and how it supports where you want your farm to be in five to ten years time.</p>	
<p>1. <i>Increase Profits by \$25,000. This will help with family members' increasing salary needs and assist with debt payment capacity for future expansion or possible succession planning buyout of parents.</i></p>	<input checked="" type="checkbox"/> Strength <input checked="" type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>2. <i>Improve cost of production records for each farm enterprise. This will help control costs and identify the areas where we make the most profits and identify ways to improve profit margins. Good way for Jason and Susan to learn more about running the farm business while using their computer skills.</i></p>	<input type="checkbox"/> Strength <input checked="" type="checkbox"/> Opportunity <input checked="" type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>3. <i>Restructure debt to regain greater operating credit line. This will improve profitability by allowing more flexibility in purchases and more flexibility in marketing sales.</i></p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input checked="" type="checkbox"/> Weakness <input checked="" type="checkbox"/> Threat
<p>4. _____ _____</p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat
<p>5. _____ _____</p>	<input type="checkbox"/> Strength <input type="checkbox"/> Opportunity <input type="checkbox"/> Weakness <input type="checkbox"/> Threat

Capacity to Implement: Next, as you develop your Action Plans to address these goals, consider if the farm has the following capacities to successfully implement these Key Goals. If not, then addressing these capacities might be action steps required to meet these goals.

Knowledge and Skills / Resources including finances / Farm Team members committed to the Goal / Motivation / Is this the right time to pursue this goal?

My Key Goals

Where do you want your farm to be in five to ten years from now? Describe below:

MY KEY GOALS

What are the Key Goals needed to make your five to ten year picture or vision of your farm a reality? As you set your goals consider:

- Your business and personal goals.
- The Taking Stock Summary Action Items you identified on pages 57 and 58.
- The Opportunities and Threats to the farm that you have identified.

State your Key Goal and how it supports where you want your farm to be in five to ten years time.

1. _____

Achieving this goal will help strengthen or address: (mark all that apply)

Strength Opportunity
 Weakness Threat

2. _____

Strength Opportunity
 Weakness Threat

3. _____

Strength Opportunity
 Weakness Threat

4. _____

Strength Opportunity
 Weakness Threat

5. _____

Strength Opportunity
 Weakness Threat

Capacity to Implement: Next, as you develop your Action Plans to address these goals, consider if the farm has the following capacities to successfully implement these Key Goals. If not, then addressing these capacities might be action steps required to meet these goals.

Knowledge and Skills / Resources including finances / Farm Team members committed to the Goal / Motivation / Is this the right time to pursue this goal?

Farm Action Plan

Instructions

The Farm Action Plan is designed to prompt you to identify the most important farm business management issues on your farm (from the Taking Stock Summary - Action Items worksheet on pages 57 and 58) and set some goals for improvement in these areas. There are three main steps in transferring the items from your summary sheet to the Farm Action Plan:

1. Decide which are the most important items to you on your summary worksheet and transfer them to the farm action plan. The questions denoted as a weakness and high priority would likely take precedence over those considered a low priority and a strength or caution. However it is up to you to prioritize. The example below has chosen three, you can choose as many as you feel necessary.
2. For column three – action statement- you need to add a statement explaining how you are going to address the issue. In the example below for priority two the action statement has been expanded from *improve my knowledge of farm financial reports* to *improve my knowledge of farm financial reports by taking a continuing education course*.
3. The Farm Action Plan also needs a planned completion date. Enter the planned completion date in column four and when you review your Farm Action Plan in the future the actual completion date can be filled in. If there are multiple operators on your farm also indicate who is responsible for each action.

Summary, Goals and Action Plans

Taking Stock - Farm Action Plan (Example)

Name: *John Smith*

Date: *January, 20XX*

Priority	Farm Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action
1	Production Economics	<i>Improve my record keeping system by ... implementing a tracking system.</i>	<i>March 20XX</i>		
2	Financial Management	<i>Improve my knowledge of my farm financial reports by taking a continuing education course.</i>	<i>November 20XX</i>		
3	Human Resources	<i>Get family members to write their job descriptions and create ones for hired positions.</i>	<i>February 20XX</i>		

Taking Stock – Farm Action Plan

Name: _____

Producer Copy

Date: _____

Priority	Farm Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

Taking Stock – Farm Action Plan

Name: _____

Producer Copy

Date: _____

Priority	Farm Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

Taking Stock – Farm Action Plan

Name: _____

Application Form Copy

Date: _____

Priority	Farm Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

Taking Stock – Farm Action Plan

Name: _____

Application Form Copy

Date: _____

Priority	Farm Management Area	Action Statement (Goals)	Planned Completion Date	Actual Completion Date	Responsible for Action

APPENDIX A - Glossary of Terms

BUSINESS STRATEGY - Terms you need to know for Business Strategy

Action: A specific step needed to implement a goal, preferably including who will do it, by when, and at what cost (e.g. John to look at electronic record keeping systems available and make recommendation by December 31st, considering the benefits and disadvantages, expense, training needs, and the cost of training).

Action plan: A collection of actions, which you have committed to complete, in order to fulfill a goal.

Business goal: A key achievement that will fulfill an organization's purpose or mission (e.g. improve profitability; maximize net income by increasing revenues and controlling costs).

Core competency: What you and your business are capable of doing well (e.g., producing high quality breeding stock, cost control in a greenhouse vegetables operation, grain marketing).

Mission: A statement of the overall purpose of an organization. It describes what you do, for whom you do it, and the benefits of doing it (e.g. to provide consumers with high quality, price-competitive, services and products that meet their personal, business, and recreational needs).

Priority: A way of ranking potential actions based on your judgment of how much of an effect they will have in fulfilling your goals. In this program, ranking an action with a high priority increases the likelihood that it will be included in your priority lists.

Strategy: A high-level plan or approach to achieving a desired result(s).

Vision: A description of the ideal of what you want your business to look like in the future. A Mission Statement will describe how you will make your vision become reality.

PRODUCTION ECONOMICS - Terms you need to know for Production

Benchmarking: The process of comparing results on your farm with your own farm's past results or with results from other farms producing the same products or services.

Cost of production: The cost of producing one unit of product or one unit of service. The cost of production is divided by the amount of products made expressed in dollars per unit of production (e.g. \$4.50 per bushel of corn, \$68.00 per HL of milk).

Production advisor: A person who provides technical advice on the production of crops and livestock.

Production system: The inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the products delivered to your customers.

Production standards: These can include yield standards such as yield per acre or per animal, regulatory licenses or certificates such as Grower Pesticide Safety Course, industry or market traceability, and bio-security requirements.

Production technology: This includes any machinery, knowledge skill set, and system of steps or methods used to turn inputs into the products delivered to your customers.

Quality: This describes the desired characteristics of a product or service.

Service: This refers to work provided for a customer for pay.

Service system: This system is the inputs, equipment, people, order of steps, standards, and evaluation procedures required to turn the purchased inputs into the services delivered to your customers.

Suppliers: These people sell inputs to your farm business.

MARKETING - Terms you need to know for Marketing

Agri-tourism: Agri-tourism is when consumers visit a farmer's fair or market while traveling; visiting a pick-your-own farm or participating in a harvest; staying at a working farm or guest ranch.

Basis: The difference between the local commodity cash price and the specified nearby futures price of the same commodity. $\text{Basis} = \text{Local cash price} - \text{Nearby futures price}$.

Commodity marketing: Agricultural commodities are generic, undifferentiated products that, since they have no other distinguishing and marketable characteristics, compete with one another based on price. A commodity marketing system encompasses all the participants who are involved in the flow of the commodity from the initial input to the final consumer.

Direct farm marketing: Direct farm marketing allows the producer to assume the accountability and rewards of delivering quality agri-food products directly to the consumer through a variety of marketing channels (such as farmers' markets, farm gate sales, or on-farm stores).

Farmers' market: Farmers' markets are common facilities or areas where several producers gather on a regular basis to sell various food products such as meat, fruit, vegetables, and other food directly to consumers. These are also for the benefit of the urban consumer who values quality, variety, and freshness in their food.

Forward contracting: A forward contract is an agreement between two parties (such as a wheat farmer and a cereal manufacturer) in which the seller (the farmer) agrees to deliver to the buyer (cereal manufacturer) a specified quantity and quality of product (wheat) at a specified future date at an agreed upon price.

Futures contract: An agreement through a futures exchange, to buy or sell a commodity sometime in the future. The quality, quantity, delivery time, and delivery location are specified and the price is discovered on an exchange trading floor.

Hedging: In futures trading, a hedge is a future position that is equal and opposite to a position held in the cash market. The objective is to minimize the risk of an adverse move for the cash position.

Marketing boards: Marketing boards play an important coordinating role in the marketing or selling of commodities. Marketing boards may provide market information and support research and promotion to their producer members, while others also negotiate with processors to determine the price paid to growers. Some other marketing boards manage supply for domestic and export markets. These marketing functions all lend stability and predictability to the market for producers and the buyers of their commodities.

Marketing plan: Your marketing plan outlines the steps you will take to match your customers' needs with the best products and services you can provide. Your marketing plan will help you decide how to spend your marketing budget and is a part of your overall business plan.

Market research: Market research links the consumer to the marketer through informal and formal analysis of a product, service, or market segment. Market research gives you the knowledge to maximize customer response and uptake of the product or service you are selling or promoting.

Options: An option contains a right, but not an obligation to either buy (call option) or sell (put option) an underlying futures contract at a specific price (strike price) for a cost (premium).

FINANCIAL MANAGEMENT - Terms you need to know for Financial Management

Accrual statement: A financial statement that matches the revenue earned and expenses incurred for a specific time period, regardless of when the cash transaction took place.

Arrears: A legal term for a type of debt that is overdue after missing an expected payment.

Assets: Refers to property that the business either owns or controls. Assets include items such as cash, equipment, buildings, and land. They can be valued on a "fair market value" or on the basis of "cost less depreciation".

Balance sheet: A statement of financial position showing the assets, liabilities, and equity of a business on a specific date.

Benchmark: A measurement of a particular financial or production indicator that serves as a standard by which a business can be measured or compared.

Breakeven price: The price a producer must receive for a product in order to recover all of the costs associated with producing the product.

Capital: Financial capital refers to the funds provided by lenders (and investors) to businesses to purchase real capital like equipment for producing goods and services. Real capital may include land, equipment, buildings, or other assets.

Capital budget: This provides an estimate of the feasibility of making investments in long-term assets.

Capital investment strategy: A strategy aimed at maximizing the return and efficiency of the capital invested in the business based on the analysis of cash flows and desired return on investment.

Cash flow: An accounting term that refers to the amounts of cash being received and spent by a business during a defined period, sometimes tied to a specific project.

- Cash statement:** A statement that records the revenue and expenses when the cash is actually received or paid, regardless of when the agreement to sell or purchase may have taken place.
- Debt servicing capacity:** The ability of the business to make payments of money owed after considering the cash revenues and expenses of the business, personal living costs, and taxes.
- Debt structure:** The proportion of short-term debt when compared to long-term debt.
- Depreciation:** An annual non-cash expense to recognize the amount by which an asset loses value due to use, age, and obsolescence.
- Enterprise budget:** Provides a listing of the direct income and expenses associated with a particular enterprise. It is used to estimate the profitability of an enterprise, to compare the profitability of various enterprises on a farm, and as an aid in preparing whole farm or cash flow budgets.
- Equity:** An interest in property or the monetary value of the property less any outstanding liabilities.
- Net income:** Equal to the income that a business has after subtracting all costs and expenses from the total revenue. Net income for a sole proprietorship must cover family living expenses, taxes, and principal payments on debt. It is sometimes referred to as profit or just income.
- Profitability:** The ability of a business to generate income (or profit) in a business undertaking, after all expenses and costs have been met.

HUMAN RESOURCES - Terms you need to know for Human Resources

Conflict Management Styles: The following are five styles of conflict management as outlined by Kenneth Thomas and Ralph Kilmann.

Avoidance: The individual does not pursue his or her own or the others' concerns. This usually results in a lose-lose solution.

Accommodation: The individual has a high concern for others' concerns and neglects his or her own, in order to satisfy others' needs. Here the individual loses and the other people win, resulting in a lose-win solution.

Competition: The individual is only concerned with his or her own interests and pursue them at the expense of others. Here the individual wins but the other people lose, resulting in a win-lose solution.

Compromise: The individual is equally concerned with his or her needs and others' needs. Compromise never fully takes care of anyone's needs and results in a no-win, no-lose solution.

Collaboration: The individual has high concern for both his or her needs and others' needs. Using this style, the individual works with the other people to find a solution that is acceptable to all, resulting in a win-win solution.

Human resource management plan: This is a plan where you assess your present and future needs in the area of human resources. It is also an opportunity to examine your strengths and weaknesses as a manager, and to design and implement a plan to address your unique characteristics.

Management style: Every farmer has a management style that is unique to his or her own business. Styles can range from a "hands on" situation (where the farmer works alongside his employees) to where the farmer relies on verbal and written instructions to convey what they expect from their employees. It is important to recognize that your management style is shaped by your own experiences and personality

Regulations: (the following Acts are mandatory if you have paid workers).

Canada Pension Plan: This is under the jurisdiction of the federal government. Everyone who works in Canada must pay into this pension fund as it provides disability payments as well as a pension when you retire.

Employment Insurance: Federal legislation to provide insurance payments should a worker become disabled or lose their employment. There are also allowances for maternity and paternity benefits in the Act. Employers must make deductions and remittances under this Act.

Employment Standards Act: A provincial Act that deals with wage legislation, vacations, public holidays, hours of work, and overtime.

Occupational Health and Safety Act: A provincial Act that explains and defines employers' and employees' rights and obligations for safety in the workplace. It contains a set of guidelines for both employers with paid workers, and employees to follow.

Workers Compensation Act: Provincial legislation that covers all workers in British Columbia. Employers must pay into this fund if they employ workers. *The Workers Compensation Act* provides payment and benefits to workers should they become injured on the job or are involved in a fatality

SOCIAL RESPONSIBILITY - Terms you need to know for Social Responsibility

Community involvement: Community involvement can include activities in your local municipality, school, faith, sports and recreation, business, or other shared interest group.

Industry level involvement: Industry level involvement can include attending farm organization or industry meetings, serving on farm organization or industry boards, and taking part in farm organization or industry led projects to find solutions to issues or promote success stories to consumers or to the public.

Industry networks: Industry networks are organizations or associations that provide contacts for people in the same or related industries.

Environmental Farm Plan: A voluntary education and awareness program designed to help British Columbia farmers prepare confidential and self-administered environmental risk assessments for their farms. Action plans are developed to deal with the identified concerns.

Environmental stewardship: Environmental stewardship is the responsibility to take care of our natural resources to ensure that they are managed in a sustainable way for current and future generations.

Nutrient Management Plan (NMP): A NMP is a document prepared for a farm that gives an evaluation of which application rate is appropriate for the land base and what other standards for application must be met.

Nutrient Management Strategy (NMS): A NMS is a document prepared for a farm that shows how much manure or prescribed materials is being produced yearly, how it is stored, and where it is used.

Value added market opportunities: Value added market opportunities refer to the additional value added to a product or service through image and marketing (e.g. organic produce).

SUCCESSION PLANNING - Terms you need to know for Succession Planning

Family business dynamics: This deals with the impacts, influences, and roles that families and family members in business together have on each other and on the overall performance of the business. It mostly relates to the links between family, ownership, and management (the Taguiri-Davis 3-circle model below helps to describe this). Family business dynamics is critical in succession planning as it influences things like management styles, conflict resolution, communication, and other such issues.

Readiness factors: These issues need to be addressed and resolved so that the family and business are ready to proceed with succession. These factors include stage of family-business life cycle, family dynamics, communication, size and financial viability, identification and development of a successor, and vision-mission-goals.

Stages of family-business life cycle: Many families and businesses have three parallel stages they pass through: (1) entry; (2) growth; and (3) exit.

(1) Entry has two main steps: (i) testing whether family member(s) want to be in the business; and (ii) establishment. (2) Growth also has two main steps:

(i) expansion; and (ii) as time progresses, possible consolidation. (3) Exit addresses: (i) retirement; and (ii) transfer.

Succession planning: A continuous process involving the advanced planning for and implementation of strategies to transfer the labour, knowledge, skills, management control, decision-making, and ownership of the farm business to the next generation (within family or not) Succession planning is based on personal, family, and business goals and objectives.

Successor: The person planning to gain greater management and/or ownership control of the farm business.

BUSINESS STRUCTURE - Terms you need to know for Business Structure

Business agreements: Documents that describe the details surrounding the formation of a business. Examples are partnership agreements and shareholder agreements. Business agreements describe items such as the formation of the business, asset contribution, how it will operate, and how it will dissolve.

Corporation: A legal entity that is separate from its owners, the shareholders. No shareholder of a corporation is personally liable for the debts, obligations or acts of the corporation.

Fair market value: A term to describe an appraisal based on an estimate of what a buyer would pay a seller for any piece of property.

Fair market value balance sheet: A statement of financial position showing the assets, liabilities, and equity of a business on a specific date valued at their fair market value (see definition of fair market value).

Joint Venture: A business structure that closely resembles a partnership but lacks one or more of the essential elements of a partnership.

Legal business structure: Refers to the type of business structure that a business uses to operate. The most common structures are sole proprietorships, partnerships, and corporations.

Ownership structure: Describes how the business is owned by the individuals involved. Ownership of assets may be structured differently than the prevailing business structure. For example, a shareholder in a corporation will own shares that represent ownership of all the assets of the corporation. However, they may also own land personally (such as a sole proprietor would) and rent that land to the corporation.

Partnership: An agreement where two or more persons carry on a business with a view to make a profit. All members share the management of the business and each is personally liable for all the debts and obligations of the business. This means that each partner is responsible for and must assume the consequences of the actions of the other partner(s).

A partnership has the following characteristics:

- an agreement to share the profits and losses of a business exists;
- the ability of each partner to contractually bind the other partners;
- joint ownership of property (although it is common to hold some property outside of the partnership);
- the use of the words "partner" and "partnership" in any written documentation (i.e. how the relationship is perceived by third parties);
- the use of a partnership name, joint bank account, joint accounting, single financing, etc; and
- formal registration as a partnership.

Sole proprietorship: This is generally the simplest way to set up a business. A sole proprietor is fully responsible for all debts and obligations related to his or her business. A creditor with a claim against a sole proprietor would normally have a right against all of his or her assets, whether business or personal. This is known as unlimited liability.

Succession: The process of planning and executing the transfer of the business to a successor.

RISK MANAGEMENT - Terms you need to know for Financial Management

Private risk management: Includes the use of private insurance, commodity marketing strategies such as hedging, and other strategies such as diversifying production and customer base.

Public risk management: Includes government run programs such as production insurance and income stabilization programs.

Risk management: A process of identifying risk, assessing its impact, and developing management strategies. Strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk. Financial risk management focuses on when and how to hedge using financial instruments to manage costly exposures to risk.

APPENDIX B – Resources

Business Strategy

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

AGRIBUSINESS eCAMPUS

<http://www.agribusinesssecampus.com>

- Strategic Business Planning: The First Step to a Successful Business

George Morris Centre

www.georgemorris.org

- Executive Development Program
- Canadian Total Excellence in Agricultural Management

Farm Credit Corporation (FCC)

Agri Success Training Programs

Tel. 1-888-332-3301

www.agrisuccess.ca

- Vision and goal setting workshop

Purdue University Agricultural Economics Department

www.agecon.purdue.edu/planner/login.asp

- Business Planner

Advanced Agricultural Leadership Program (AALP)

Tel. 1- 519-826-4204

www.aalp.on.ca

Community Future Development Corp

<http://www.communityfutures.ca/provincial/bc/>

Marketing Strategy

Marketing – General

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

- Agri- Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

buyBC program

<http://www.bcac.bc.ca/buybc/index.html>

Canadian Farm Business Management Council

Tel. 1-888-232-3262

www.farmcentre.com

Community Future Development Corporation

<http://www.communityfutures.ca/provincial/bc>

AgriBusiness eCampus

www.agribusinesssecampus.com

- Marketing Concepts and Overview
- Niche versus Brand Management
- Managing Market Information to Manage Market Risk
- Global Marketing
- Commodity Marketing

Commodity Exchanges

Chicago Board of Trade (CBOT)

www.cbot.com

Chicago Mercantile Exchange (CME)

www.cme.com

Kansas City Board of Trade (KCBT)

<http://www.kcbot.com/index.asp>

Minneapolis Grain Exchange (MGEX)

<http://www.mgex.com/>

RESOURCES

New York Mercantile Exchange (NYMEX)

<http://www.nymex.com/index.aspx>

Global Commodity, Currency, Credit and Equity Index Markets

Commodity Marketing

<https://www.theice.com/about.jhtml>

- Replaced Winnipeg Commodity Exchange website

Commodity Marketing

Daily Livestock Report

<http://www.dailylivestockreport.com/>

DTN

<http://www.dtn.com/>

Farm Forward

<http://www.farmforward.ca/>

BC Farm Industry Review Boards

http://www.firb.gov.bc.ca/boards_comm.htm

George Morris Center

www.georgemorris.org

Farms.com

Tel. 1-877-438-5729

www.farms.com

CANFAX

<http://www.canfax.ca/Main.aspx>

Farm Credit Corporation

Tel. 1-888-332-3301

www.fcc-fac.ca/en/index.asp

Other Resources

Sell what you Sow! The Grower's Guide to Successful Produce Marketing, Eric Gibson, New World Publishing, 1994

Organizing Your Roadside Market, Bob Cobbledick – Consultant to the Ontario Farm Fresh Marketing Association

Production Economics

Production System

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

BCAGRI Industry Competitiveness

<http://www.al.gov.bc.ca/indcomp/>

Canadian Farm Business Management Council

(Organic field crop and livestock handbooks)

www.farmcentre.com

Product Quality

BCAGRI Food Safety and Quality

<http://www.al.gov.bc.ca/fsq/>

BCAGRI Livestock Health Management and Regulation Unit

<http://www.al.gov.bc.ca/fsq/branch/regulatory.htm>

BCAGRI Plant Health - Pest Management

<http://www.al.gov.bc.ca/fsq/branch/regulatory.htm>

Pesticide Wise

<http://www.al.gov.bc.ca/pesticides/index.htm>

Cost of Production and Record Keeping Systems

BCAGRI - Business Management

<http://www.al.gov.bc.ca/busmgmt/index.htm>

- Planning for profit enterprise budgets, Business plan guides, HR, Business structures

CanWest DHI

Tel. 519-824-2320

www.canwestdhi.com

Other Resources

Certified Crop Advisers™

www.prairiecca.ca/

BC Veterinary Medical Association

<http://www.bcvma.org/cfm>

Canadian Association of Farm Advisors

www.cafanet.com

AGRIBUSINESS eCAMPUS

<http://www.agribusinesssecampus.com>

Human Resources

Assessment

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

The Centre for Rural Leadership

www.farmchoices.ca

Canadian Farm Business Management Council

www.farmcentre.com

- Managing People on Your Farm

Advanced Agricultural Leadership Program

<http://www.aalp.on.ca/>

The Canadian Agricultural Safety Association

<http://www.casa-acsa.ca/english/>

Training and Regulatory Compliance

Farm and Ranch Safety and Health Association (FARSHA)

Toll Free: 1-877-533-1789

Phone: (604) 881-6078

Fax: (604) 881-6079

Email: farmsafe@farsha.bc.ca

www.farsha.bc.ca

BCAGRI – Agri-Business Management

<http://www.al.gov.bc.ca/busmgmt/index.htm>

Labour Management & Human Resources

Worksafe BC

<http://www.worksafebc.com>

Services Canada

www.servicecanada.ca

BC Agriculture Labour Market and Skills Development Initiative (ALMSDI)

http://www.ardcorp.ca/index.php?page_id=31

Canadian Agricultural Human Resource Council

<http://www.agritalent.ca/>

AGRIBUSINESS eCAMPUS

<http://www.agribusinesssecampus.com/>

- Managing People on Your Farm
- Farm Safe: Creating a Safety Culture for your Farm Operation

Canada Revenue Agency

www.cra-arc.gc.ca

Staffing, Compensation, and Family Dynamics

Farm Workers Fact Sheet – BC Ministry of Labour and Employment Standards

http://www.labour.gov.bc.ca/esb/facshts/farm_worker.htm

Agricultural Labour Pool website

<http://www.agri-labourpool.com/>

University of California Berkeley

www.cnr.berkeley.edu/ucce50/ag-labor

Alberta Agriculture and Rural Development

Human Resources and Leadership Publications.

[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex4770](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex4770)

Youth and Community Development Programs (and 4-H Program)
http://www.al.gov.bc.ca/indcomp/youth_dev_pgm.htm

Other Resources

Managing for High Performance

Agri Success Training Programs – Farm Credit Corporation (FCC)
 Tel. 1-888-332-3301
<http://www.fcc-fac.ca/en/LearningCentre/>

Department of Agricultural Economics Kansas State University
www.agmanager.info

BC Agriculture Council
BC Agriculture Labour Market and Skills Development Initiative
<http://www.bcac.bc.ca/programs.htm>

Financial Management

Financial Management – General

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri- Food Business Information On-line , BCAGRI

BC Ministry of Agriculture (BCAGRI)
<http://www.gov.bc.ca/al/>

BCAGRI Industry Competitiveness
<http://www.al.gov.bc.ca/indcomp/>

Canadian Farm Business Management Council
 Tel. 1-888-232-3262
www.farmcentre.com

Canadian Association of Farm Advisors
 Tel. 1-877-474-2871
www.cafanet.com

University of British Columbia
Faculty of Land and Food Systems
<http://www.landfood.ubc.ca/>

University of the Fraser Valley
<http://www.ufv.ca/>

Kwantlen Polytechnic University
<http://www.kwantlen.bc.ca/home.html>

Thompson Rivers University
www.tru.ca/

Alberta Agriculture and Rural Development
<http://www.agric.gov.ab.ca/app21/lcalc?calcid=109>

- Farm management decision making tools

Canadian Agricultural Human Resource Council
<http://www.agritalent.ca/>

Farm Credit Corporation (FCC)
 Agri Success Training Programs
 Tel. 1-877-474-2871
www.agrisuccess.ca

Financial Performance, Cashflow, Profitability, Recordkeeping and Capital Investment

Canadian Farm Business Advisory Services
 Tel. 1-866-452-5558
www.agr.gc.ca/renewal

BCAGRI - Business Management
<http://www.al.gov.bc.ca/busmgmt/index.htm>

- Planning for profit enterprise budgets
- Business plan guides
- HR
- Business structures

Other Resources

Canadian Farm Business Management Council
www.farmcentre.com

- Farm Financial Records (a guide to managing for success)
- Building Effective Farm Management Systems

AGRIBUSINESS eCAMPUS

<http://www.agribusinesssecampus.com>

Taxation

Canada Revenue Agency

Tel. 1-800-959-5525

www.cra-arc.gc.ca

BC Ministry of Finance

<http://www.gov.bc.ca/fin/>

BCAGRI - Business Management

<http://www.al.gov.bc.ca/busmgmt/index.htm>

George Morris Centre

www.georgemorris.org

- Introduction to Commodity Risk Management Using Futures and Options

Canadian Farm Business Management Council

www.farmcentre.com

- Managing Market Risk

<http://www.al.gov.bc.ca/busmgmt/index.htm>

Social Responsibility

General – Social Responsibility

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

Environmental Stewardship

Canada - BC Environmental Farm Plan Program

http://www.ardcorp.ca/index.php?page_id=40

Community Involvement

Farm Fresh B.C. Products

<http://www.al.gov.bc.ca/farmdirect/index.html>

Community Future Development Corp

<http://www.communityfutures.ca/provincial/bc/>

Farm Practices Protection / Planning for Agriculture

<http://www.al.gov.bc.ca/resmgmt/sf/>

Industry Level Involvement

BCAC Agriculture Council (BCAC)

http://www.bcac.bc.ca/who_we_are.htm

National Farm Animal Care Council (NFACC)

<http://nfacc.ca/>

Investment Agriculture Foundation of BC

http://www.iafbc.ca/about_us/default.htm

For more Taking Stock resource information contact:

BCAGRI – Agri-Business Development Initiative - 1-877-702-5585

<http://www.al.gov.bc.ca/busmgmt/index.htm>

Succession Planning

Farm Succession – General

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

BCAGRI – Agri-Business Management

- Succession

<http://www.al.gov.bc.ca/busmgmt/index.htm>

Canadian Farm Business Management Council (CFBMC)

Tel. 1-613-237-9060

Tel. 1-888-232-3262

www.farmcentre.com

Canadian Association of Farm Advisors (CAFA)

Tel. 1-877-474-2871

<http://www.cafanet.com>

Farm Credit Canada

Agri Success

www.agrisuccess.ca

National Farm Transition Network (NFTN)

www.farmtransition.org

Family Business Dynamics and Communication (soft issues)

Centre for Family Business (Waterloo)

Tel. 1-519-749-1441

www.familybizcentre.com **Managing the Soft Issues in Succession Planning**

University of Waterloo, Centre for Family Business

<http://farmcentre.com/english/conference/2002/pdf/fast.pdf>

Other

AGRIBUSINESS eCAMPUS

<http://www.agribusinessecampus.com>

Business Structure

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/busmgnt/index>

- Agricultural Cooperatives: A Start Up Guide
- Financing Agricultural Cooperatives: An Overview
- Farm Business Partnerships in British Columbia
- Sample Clauses For Farm Partnership Agreements
- Dairy Lease Agreement

- Grain Lease Agreement pdf
- Livestock Lease Agreement pdf
- Orchard Lease Agreement pdf
- Pasture Lease Agreement pdf
- Vegetable Lease Agreement pdf

Certified General Accountants

<http://www.cga-bc.org/>

Certified Management Accountants

<http://www.cmabc.com/>

Canadian Farm Business Management Council

www.farmcentre.com

- Agriculture and Agri-Business Structures: A Practical Guidebook
- Agribusiness Operating Agreements

AGRIBUSINESS eCAMPUS

<http://www.agribusinessecampus.com>

Risk Management

InfoBasket

<http://infobasket.gov.bc.ca/portal/server.pt>

Agri-Food Business Information On-line, BCAGRI

BC Ministry of Agriculture (BCAGRI)

<http://www.gov.bc.ca/al/>

Risk Management

Agriculture and Agri-Food Canada

www.agr.gc.ca/brm

Business Risk Management programs under Growing Forward have been designed based on ideas put forward by producers. They are simple, responsive, predictable and bankable. The programs work together by providing protection for different types of losses, as well as cash flow options

- AgriInvest
- AgriStability
- AgriRecovery
- AgriInsurance
- Advance Payments Program

Business Risk Management - BCAGRI

<http://www.al.gov.bc.ca/rm.htm>

For more Information contact

***BC Ministry of Agriculture, Agri Food Business
Development Program***

Telephone - 1-877-702-5585

<http://www.al.gov.bc.ca/busmgmt/index.htm>

“Good plans shape good decisions. That’s why planning helps to make elusive dreams come true.”

Lester R. Bittel

The Nine Master Keys of Management