When a plan comes together

There are many different kinds of plans and every farm family should have one

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Farming is a risky business and the best way to manage risks is to plan for them. Some are within our control, and by managing what is within our control, we make the business stronger to meet the challenges from beyond the farm gate.

For example, by using good genetics, we can ensure that when we sell animals, milk or crops that we get an above average price, even if the general price available is poor due to market forces outside our control.

What should a plan look like?

Most farm plans that I have seen are a document that could run to 20 or 30 pages, but plans do not need to be any longer than a few pages. For some, the farm plan is about keeping the farm business going more or less along the same lines, while making regular tweaks to improve profit.

Plans do not have to be ambitious. Many farmers are part-time now. If you fit into this category, your biggest challenge might be achieving a good work/life balance by running the operation with fewer hours. For others, the goal could be a succession plan.

Taxes on transferring assets to the next generation can be very high without good planning, and by delaying making a plan, you could run out of options. So what do you think your plan should look like?

What will this cost me?

Most of us when we hear the words 'farm-planning', think there is a lot involved and that it will be costly. Often, plans are completed as part of a bank loan application, contain lots of figures and are difficult to follow by the untrained eye.

But most plans should not cost anything more than some time, if you have the right tools at your disposal. The main purpose of the plan is to achieve something, so the cost will be more than covered by the return, as the saying goes: "You must throw a sprat to catch a salmon."

Where do I start?

Teagasc has planning tools that you can use to help. You may need guidance on which tools to use or how to use them, depending on the purpose of the plan. This is when you need some help from your advisor, mentor, or family. The plan could be a financial, succession, time management or other.

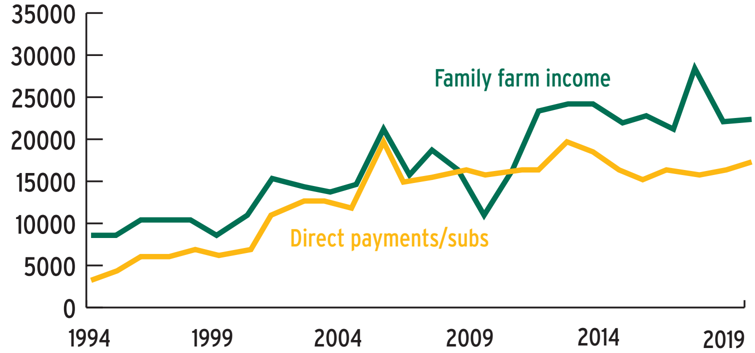
Financial plan

Prior to completing any plan, the first step is to analyse the farm business as it stands now. The requirement here is to look at yourself as a farm manager and ask: "Have I being doing a good job managing the farm?" To answer this question honestly, a set of management accounts is needed.

The Teagasc Profit Monitor can help with this. By getting your business analysed in this way, you can benchmark your farm business against other farms with the same mix of enterprises. This benchmark is your "efficiency level".

Many farm business are not as ef-

Figure 1: Contribution of Direct Payments to Family Farm Income 1994 – 2018 (source NFS). *From 2012 onwards farmers with sales of less than €8000 were excluded from the data



ficient as they could be – if your farm is in this category, your business plan should focus on addressing this.

If the plan is to grow the farm business, then a detailed financial plan is required. The workbook "My Farm My Plan, Planning my Future" is a tool you can use to gather the information to help you and your advisor complete a financial plan.

The advisor can then project forward using a computer programme to figure out what is achievable.

Succession plans

The average Irish farmer is almost 60 years of age, and many have never thought of retirement. Teagasc hosts a number of "Transferring the Family Farm" events each autumn, with the sole purpose of providing information to farmers wishing to put a succession plan in place.

Farm succession is a very complex area. Capital taxes are complex and so too are the dynamics of families. "The Farm Succession and Transfer Guide" is a workbook available from Teagasc offices to help you write a succession plan. Your local Teagasc advisor can also help you with this.

The starting point is to write a will, as this decides what happens your possessions if you pass prior to completing your succession plan. Putting a succession plan together is time consuming, so it needs to be started as soon as you can.

Sometimes people put themselves in a situation, by delaying, where the plan becomes a salvage operation because there is leakage to tax or other costs that were unforeseen. Remember, the farm can be put at risk by doing nothing.

How does a plan reduce risk?

Sometimes, it seems like farming is suffering a death by 1,000 cuts, with weather, price fluctuations, compliance costs with rules and the reducing value of entitlements. Having a plan helps you to cope with these challenges.

If you are finding that farming is becoming an increasingly difficult way to earn income, other options worth considering could be land leasing, farm partnerships, forestry or share farming to name a few.

Most people consider farm income the biggest risk, and for the majority of Irish farmers, the EU support payment (BPS) makes a significant contribution to farm income (see Figure 1).

By the time you read this article, I hope that a new CAP agreement will have been agreed, allowing us advisors to help you plan until 31/12/27, knowing what the direct payments will be.

For most risks, there are things you can to do help, for example, you could take out insurance to provide labour if you get sick. If you are nervous of bulls, don't keep any.

The challenge is to identify the risks. Sometimes we don't even see the risk, despite walking past it every day, so from a health and safety perspective it is often better to get the help of another farmer to check how safe your farmyard really is.

Finally, it is worth putting in the effort to plan, but it can be difficult, so use whatever help you can get.

I will finish on a quote from the 1980s TV show *The A-Team*: "I love it when a plan comes together"