# Using Financial Planning to Assist in Successful Dairy Farm Development

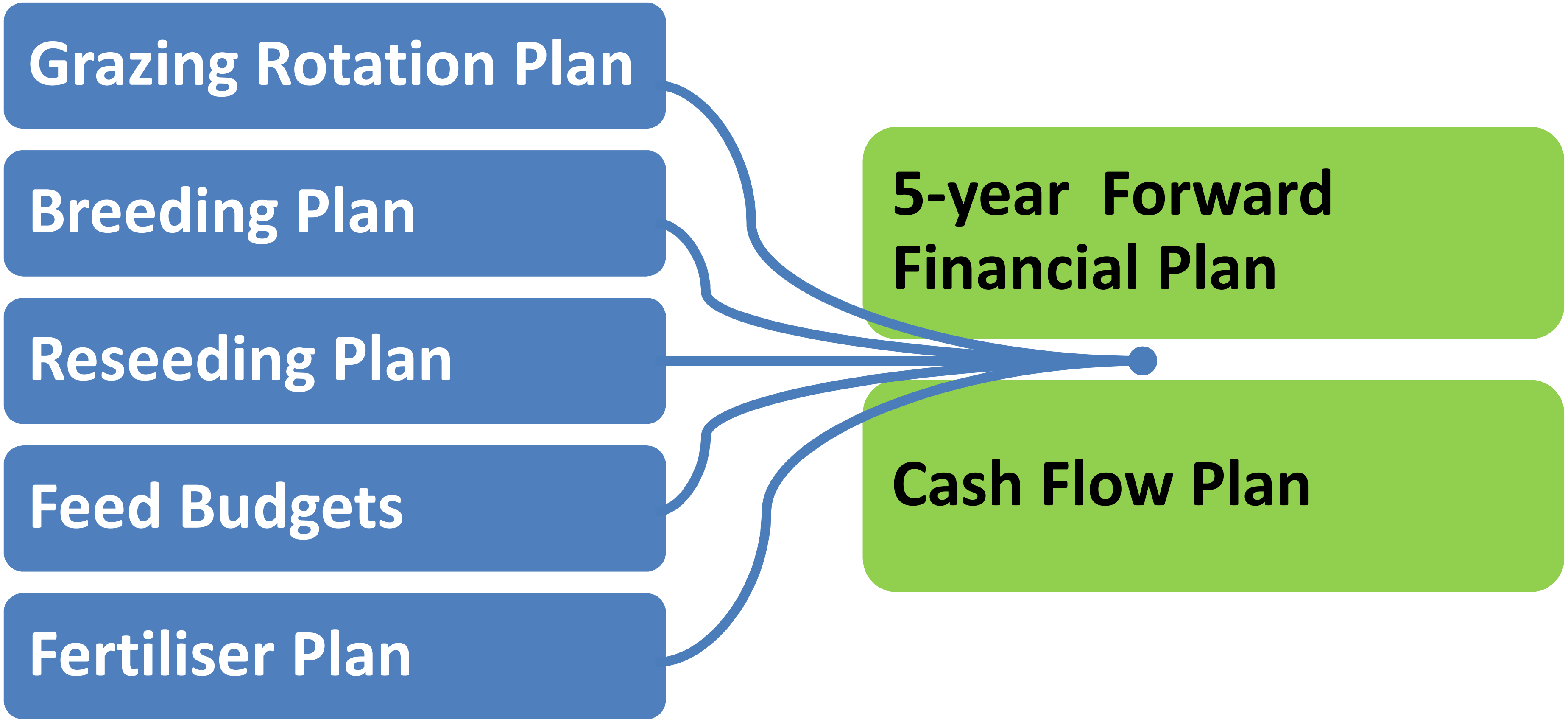

**Kevin Connolly**

**Financial Management Specialist**

**Teagasc Farm Management and Rural Development Knowledge Transfer**

# PLANNING

# Planning at farm level takes many forms



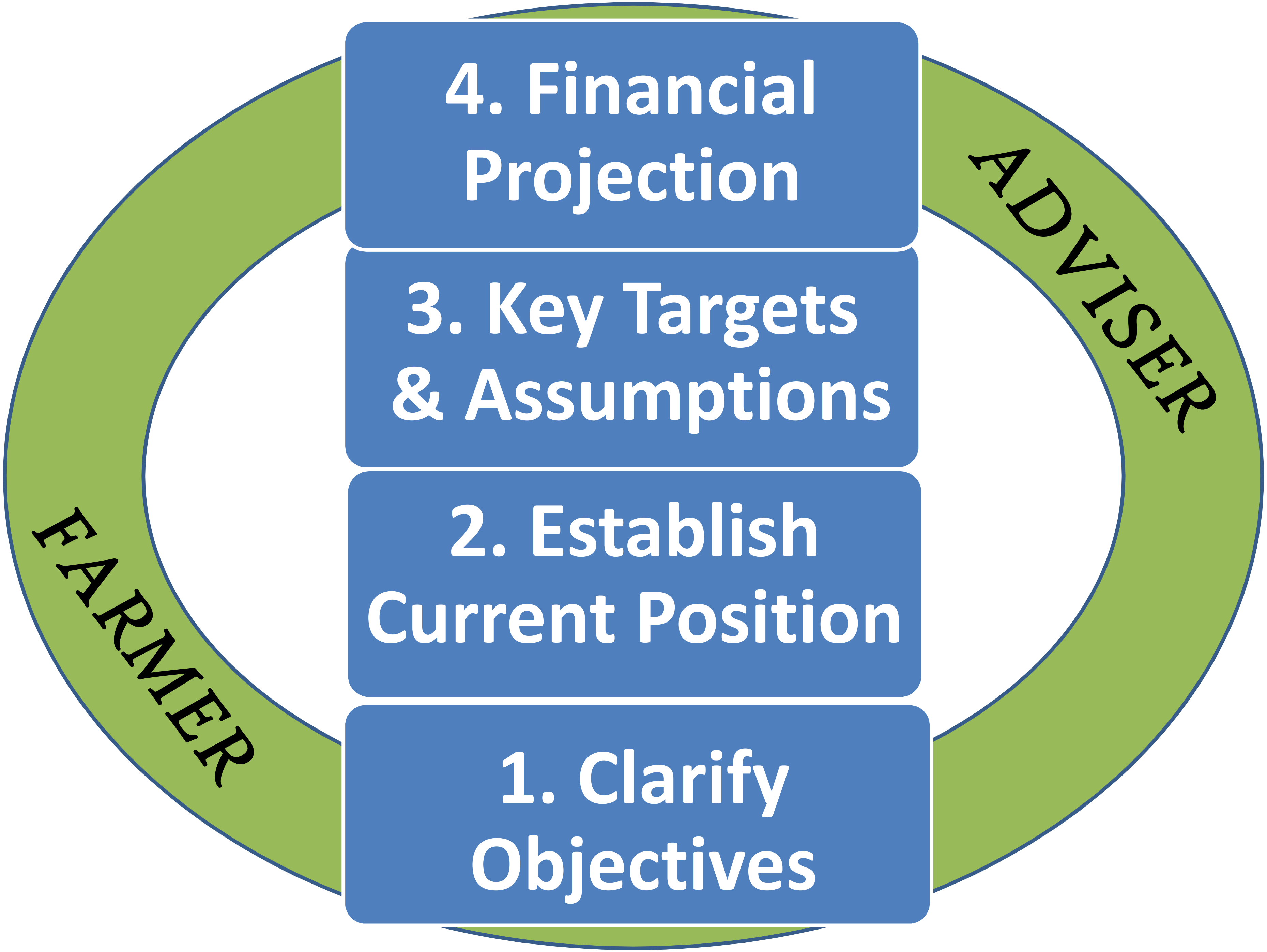
# Business Planning

Provides a structure to engage in

- The thinking process…
- Exploring options
- “Road testing” the options
- Setting targets
- Discussion with 3rd parties

# Adviser's Role in Planning Process

- Challenge the ideas and implementation process
- Assist in finalising requirements
- Set technical and financial targets
- Structure the plan
- Make sure that the farmer understands the plan and the underlying targets/ assumptions used
- Assist in the monitoring and evaluation of progress against the plan


4. Financial Projection
3. Key Targets & Assumptions
2. Establish Current Position
1. Clarify Objectives
FARMER
ADVISER


# Clarify Objectives

- **Personal & family expectations**
- **Income**
- **Building a business**
- **New Challenge**
- **Lifestyle**
- **Succession**

**Clarify Objectives**

## Establish Current Position

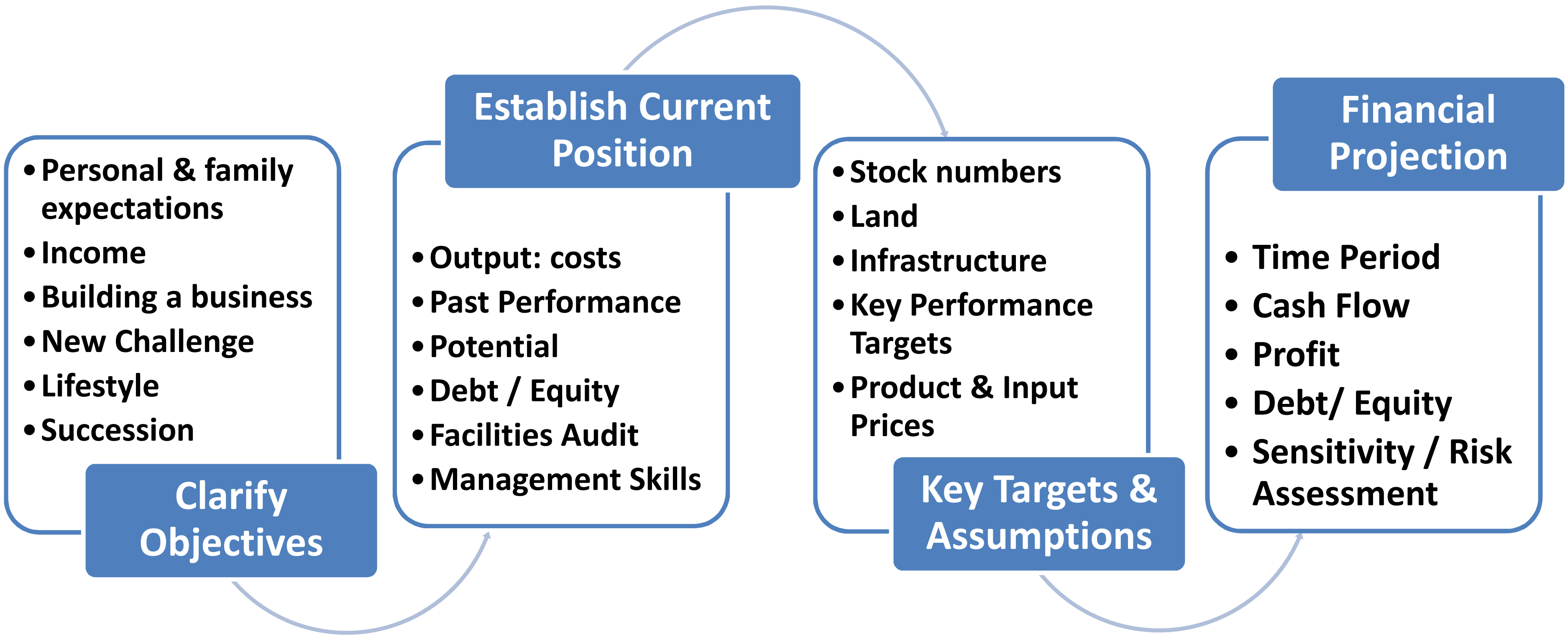
- **Output: costs**
- **Past Performance**
- **Management Skills**
- **Potential**
- **Debt / Equity**
- **Facilities Audit**

- Stock numbers
- Land
- Infrastructure
- Key Performance Targets
- Product & Input Prices

## Key Targets & Assumptions

## Financial Projection

- Time Period
- Cash Flow
- Profit
- Debt/ Equity
- Sensitivity / Risk Assessment




# The Process of Planning

# Teagasc Resources to assist in Financial Planning

- **"My Farm – My Plan"** Worksheets
- Teagasc **eProfit Monitor** (ePM)
- ePM **Profit Projection** – forecast next years ePM
- Teagasc **Farm Business Financial Planner**
- 3 year **Cash Flow Planner**
  – annual cash flow projection
- **Cost Control Planner**
  – for monthly cash recording & budgeting

# My Farm - My Plan

- Worksheets that provide a structure for the business owner to address three key areas
  - Set out **clearly** what it is they are trying to achieve
  - Identifies **what is needed** and the **steps required**
  - Basic **cost-benefit** financial analysis
- Prompts the farmer to think, assess their options & engage with the planning process


# My Farm, My Plan
# - Planning for my Future

# My Farm – My Plan

**Stage 1**

- Why are you farming?
- What are you thinking of doing?
- How is it going to deliver on your reasons for farming?

**Stage 2**

- Where are you now?
- What are the main issues you must focus on?
- What do you have to do to get there?
- When will you make these changes?
- How will your plan affect your working day?

**Stage 3**

- What are the extra costs?
- What extra revenue will be generated?
- What could go wrong?

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# Teagasc
# Farm Business Financial Planner

- Produces Whole Farm Financial plan
  - Base Year PLUS 5 projected years
- Whole Farm Cash Flow & Profit Projection
  - Annual net cash flow (farm + personal)
  - Sensitivity Analysis - price / efficiency variance effects
- Balance Sheet
  - Capital spending and debt/ net worth analysis

# Farm Business Plan

For

JF Farmer
The Grove, Monaghan

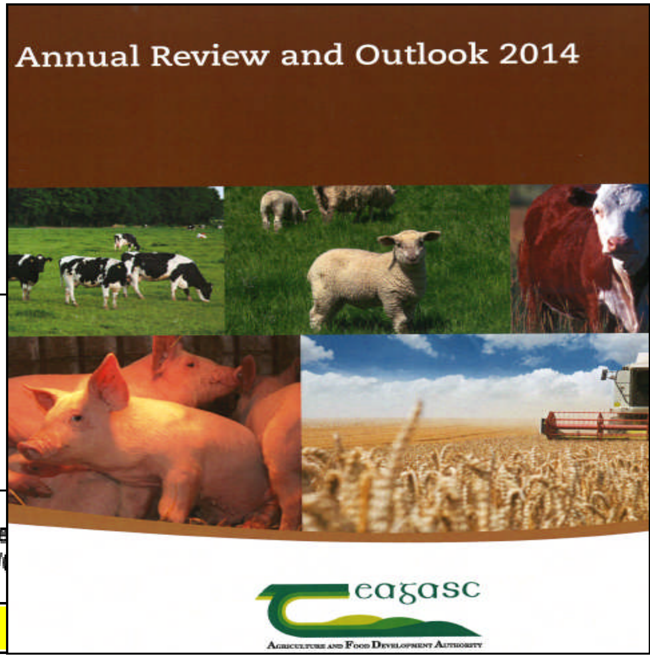
Teagasc Adviser: B Adviser, Teagasc Monaghan

Plan Prepared on the
Teagasc Farm Business Planner
Teagasc © V3.1

# Operating Cost Assumptions

Established Dairy Business

Dairy Business New Entrant




teagasc

Year 2013

eProfit Monitor

Farmer

Cow

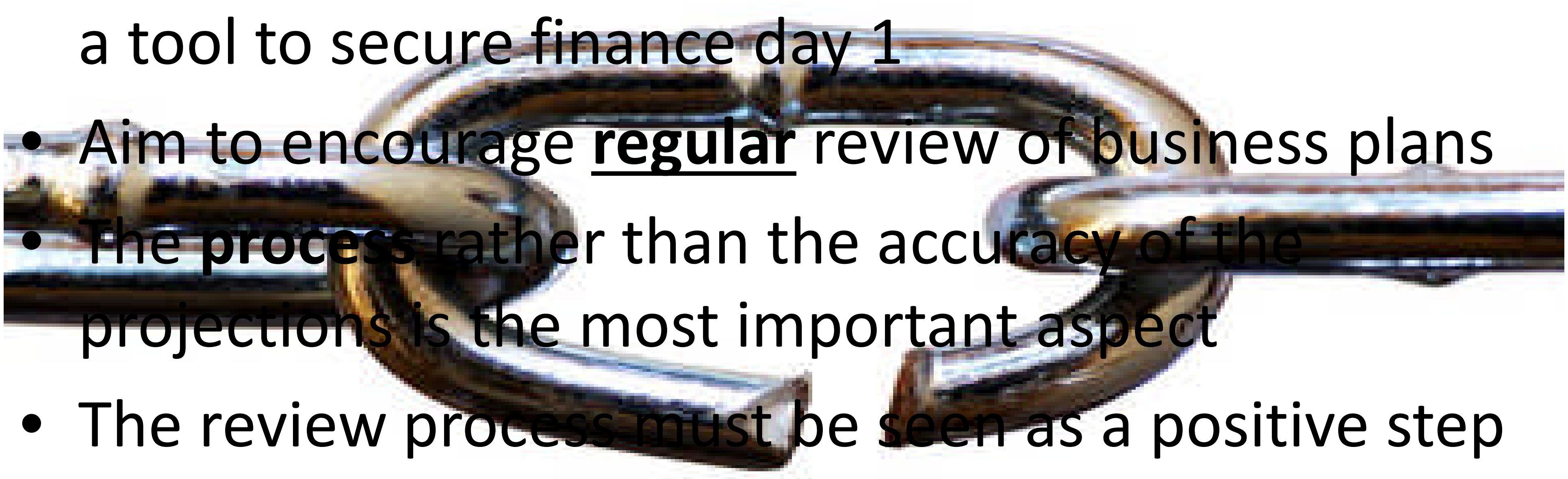
Advisor

| Year | Prod Type | Gross Output €/Cow | Feed €/Cow | Fertiliser €/Cow | Vete... €/... | | | | | ...ross ...argin .../Cow | Machinery €/Cow | Car / ESB/ Ph. €/Cow | Depreciation €/Cow | Hired Labour €/Cow |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average | | 2,255 | 361 | 111 | | | | | | 1,554 | 133 | 76 | 103 | 210 |
| 2013 | 4 | 2,626 | 523 | 205 | 58 | 52 | 26 | 131 | 995 | 1,632 | 145 | 55 | 134 | 273 |
| 2012 | 4 | 2,300 | 361 | 150 | 63 | 69 | 47 | 119 | 809 | 1,491 | 153 | 60 | 153 | 199 |
| 2011 | 4 | 2,432 | 374 | 121 | 72 | 39 | 37 | 118 | 762 | 1,670 | 127 | 61 | 101 | 233 |
| 2010 | 4 | 2,091 | 407 | 89 | | | | | | 1,334 | 104 | 58 | 101 | 177 |
| 2009 | 4 | 1,789 | 373 | 86 | | | | | | 1,072 | 88 | 58 | 135 | 174 |
| 2008 | 4 | 2,593 | 378 | 162 | | | | | | 1,825 | 150 | 85 | 127 | 179 |
| 2007 | 4 | 2,469 | 387 | 110 | | | | | | 1,803 | 164 | 78 | 119 | 245 |
| 2006 | 4 | 2,087 | 375 | 90 | | | | | | 1,391 | 185 | 92 | 75 | 185 |
| 2005 | 4 | 2,075 | 269 | 97 | | | | | | 1,503 | 164 | 75 | 80 | 223 |

icos DairyDigest

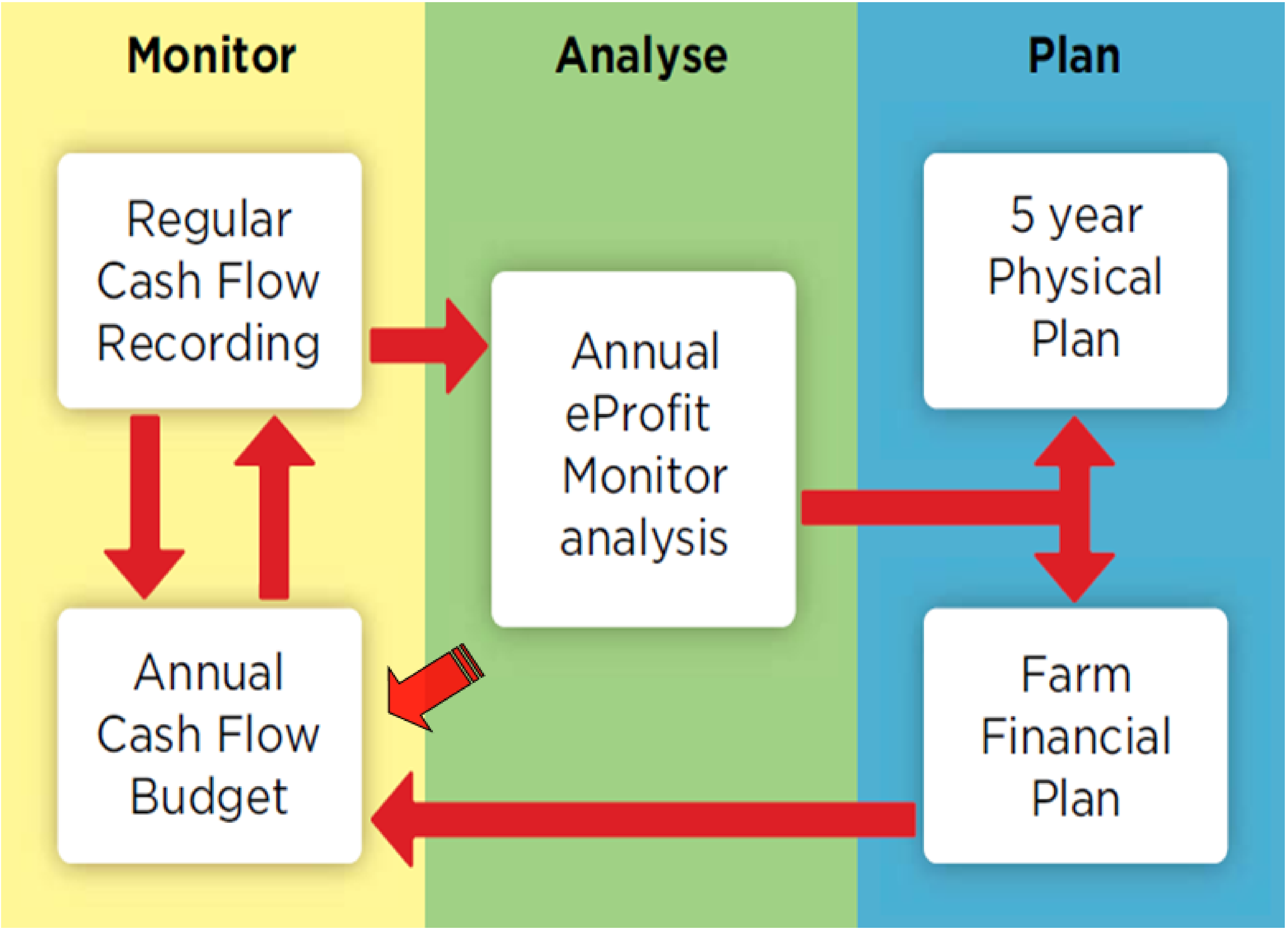
# After the plan is finished…

- Annual monitoring and review of the plan is a weak link in the process
- The business plan has the potential to be more than a tool to secure finance day 1
- Aim to encourage **<u>regular</u>** review of business plans
- The **process** rather than the accuracy of the projections is the most important aspect
- The review process must be seen as a positive step to encourage planning



"If the plan doesn't work
– change the plan but
NEVER the goal"

**The Teagasc Farm Business Monitoring System**



# Getting more farms to use planning

- Move beyond financial planning as a task <u>just</u> for
  - Credit applications
  - Financial difficulty resolution
- Industry focus in promoting regular financial planning as a key element of farm business management
- All stakeholders should get involved
  - Farm level financial planning should be encouraged and rewarded

# Primary Producers in Dairying - Key Traits

- Resilient
- Progressive
- Sustainable

**Planning will help develop these**

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