

Business Plan

For

WE R Farmers Ltd

RD 3

Southland

Date

Business Plan

Mission Statement:

To operate a highly profitable business, based around attention to detail to get the optimum output from our resources to give us an above average return on our capital.

Purpose Statement:

Other than making money, the purpose of our business is to provide a strong base for ourselves and our family whilst providing us with an enjoyable lifestyle with choices around time and money.

Values:

- Financial independence.
- Family.
- Balance.
- High standards.
- Respect.
- Personal development.

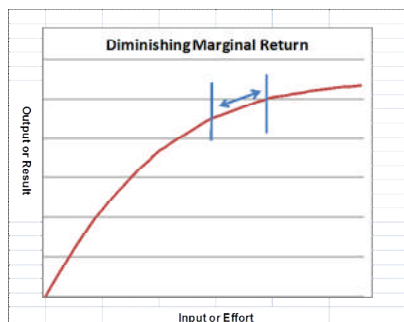
Definition of Success:

- Financial independence.
- High EFS/ha
- Helping our family to take the right opportunities to allow them to grow.

Hedgehog Concept:

What we can be the best in the world at:

Producing an optimum level of production, through attention to detail and operating within the “zone”.



What we are deeply passionate about:

Producing an efficiently high level of production

The ratio that drives our economic engine:

Economic Farm Surplus/total ha, as measured by CashManager.

Vision of the Ideal Business:

- Strong profitability.
- High return on capital.
- All investments should be growing and providing a good return.
- Some diversification.
- Less reliance on William.
- Delegating more responsibility to Fred and Andy.
- No sacrifices.
- We would have good people within the business.
- We would have the right people within the business.
- We would be hiring on attitude, rather than skill.
- We would have a strong balance sheet.
- There would be sufficient cash to allow for choices on how we spend our money.
- Have the ability to help our children, equally and fairly.
- We would be well organised.
- We would have effective communication within the management team.
- We would have strong discipline around our governance.
- We would have some non-farming assets. This could include a holiday home.
- Close monitoring of our cash position.
- Good decision making.
- At least one day a year to be spent on redefining our vision.
- High performing stock.
- All assets to be fully developed.
- Continuing “professional development”.
- The business performing at an optimum level.
- The ability to take the right opportunities outside of the business.

Our Existing Business:**People:**

William and Rachel Farmer

Andy Farmer

Fred and Mavis Farmer

Sally Farmer

Young Farmer

Ownership:

Stock and Plant	-	WE R Farmers Ltd
Land	-	Farmer Family Trust

Management:

William, Rachel, Andy and Fred Farmer

Allotter Knowledge	-	Farm Consultant
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Governance:

William, Rachel, Andy and Fred Farmer

Belle Ancesheet	-	Accountant
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Peter Flannery	-	Farm Plan
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Stacks O'Cash	-	Banker
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Physical:

Land				
Block Farm	Total Area	Effective	Land Use	Ownership
Home Block	620	580	Breeding & Finishing	Family Trust
Smith Block	385	350	Breeding & Finishing	Family Trust
Jones Block	320	300	Finishing	Family Trust
	1,325	1,230		

Stock Numbers Wintered		
	Nos	SU
MA Ewes	7500	7,500
Ewe Hgts	1800	1,440
MA Cows	300	1,800
R2yr Hfrs	90	450
R1yr Hfrs	135	540
R1yr Strs	500	2,000
R2yr Strs	100	500
		14,230

Production Ratios				
	Jun-10	Jun-11	Jun-12	Budget
Effective area	1,230	1,230	1,230	1,230
SU/ha	13,750	13,980	14,230	14,500
Lambing	137%	131%	140%	140%
Ave Lamb Wgt	16.9	17.1	17.5	18.0
Kg Wool/SSU	5.5	5.8	5.7	5.8
Calving	88%	87%	91%	90%
Steer Wgts	305	315	322	320

Financial

WE R Farmers Ltd & Farmer Family Trust

Historic Financial Results				
	30-Jun-10	30-Jun-11	30-Jun-12	Budget
Income	\$ 1,966,250	\$ 2,348,640	\$ 2,063,350	\$ 2,247,500
FWE	\$ 1,219,075	\$ 1,291,752	\$ 1,444,345	\$ 1,281,075
Charges	\$ 589,875	\$ 563,674	\$ 515,838	\$ 561,875
Personal	\$ 83,256	\$ 79,652	\$ 84,569	\$ 85,000
Tax	\$ 12,606	\$ 86,507	\$ 697	\$ 67,001
Pre Capital	\$ 61,438	\$ 327,055	\$ 17,902	\$ 252,549
Capital Introduced	\$ -	\$ -	\$ -	\$ -
Capital Expenditure	\$ 354,168	\$ 156,981		\$ 100,000
Plant Replacement	\$ 65,234	\$ 95,842	\$ 32,954	\$ 50,000
Net Result	-\$ 357,964	\$ 74,232	-\$ 15,052	\$ 102,549

Pre Capital Adjusted Result				
	30-Jun-10	30-Jun-11	30-Jun-12	Budget
Net Result	-\$ 357,964	\$ 74,232	-\$ 15,052	\$102,549
Add Back Capital	\$ 419,402	\$252,823	\$ 32,954	\$150,000
Pre Capital Result	\$ 61,438	\$327,055	\$ 17,902	\$252,549
But allow for plant replacement	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Adjust for change in stock numbers	\$ 32,560	\$ 42,014	\$ 87,000	\$ 36,521
Pre Capital Adjusted Result	\$ 43,998	\$319,069	\$ 54,902	\$239,070

Key Ratios				
	Jun-10	Jun-11	Jun-12	Budget
FWE/GFI	62%	55%	70%	57%
Interest & Rent/GFI	30%	24%	25%	25%
Drawings/GFI	4%	3%	4%	4%
Tax/GFI	1%	4%	0%	3%
Total	97%	86%	99%	89%
GFI/SU	143.00	168.00	145.00	155.00
FWE/SU	88.66	92.40	101.50	88.35
Interest Cover	1.07	1.57	1.11	1.43
EFS/total Ha	\$ 33	\$ 241	\$ 41	\$ 180
Return on Equity	0.3%	2.2%	0.4%	1.7%

The last three years has shown mixed results. This has been on the back of improving carrying capacity, production and strong commodity prices but some lax attention to spending.

Capital expenditure in 2010 and 2011 was a new home for William and Rachel, which allowed for Andy and Mavis to move into the original homestead.

Lambing percentage was down in 2011 due to the 2010 spring storms at lambing.

Underlying stock performance and carrying capacity has been improving, but still below where it should be.

Expenses were up in 2012 due to high R&M and increased fertiliser application.

Debt servicing as a percentage of income has been reducing as income has increased and interest rates reduce.

Financial results have been okay, but with mediocre EFS/ha and Return on Equity each year. To achieve our goals, we need to drive this higher.

Financial Position

Existing Financial						
			Land	ha	\$/ha	Total
Bank Debt		\$ 9,442,941	Home Block	620	\$ 12,355	\$ 7,659,790
			Smith Block	385	\$ 14,825	\$ 5,707,779
			Jones Block	320	\$ 24,709	\$ 7,906,880
			Unit			
			Total			\$21,274,449
			MA Ewes	7,500	\$ 180	\$ 1,350,000
Total	40%	\$ 9,442,941	Ewe Hgts	1,800	\$ 150	\$ 270,000
			MA Cows	300	\$ 800	\$ 240,000
			R2yr Hfrs	90	\$ 800	\$ 72,000
Hire Purchase		\$ 45,326	R1yr Hfrs	135	\$ 500	\$ 67,500
			R1yr Strs	500	\$ 600	\$ 300,000
			R2yr Strs	100	\$ 1,000	\$ 100,000
			Total Stock			\$ 2,399,500
Current Account		\$ -	Plant and Machinery			\$ 275,000
Total Debt	40%	\$ 9,488,267	Cash			\$ 36,890
Equity	60%	\$ 14,497,572				
Total Liabilities		\$ 23,985,839				\$23,985,839

An adequately geared balance sheet at 60% equity. However if we can drive our EFS/ha higher, we can leverage off our asset base to allow for future growth for the whole family.

Current Reality of Our Business

- Heavy reliance on William.
- Potential within our business is not being fully captured.
- Lambing percentage is at least 10% below where it should be.
- Lamb weights are at least 1 kg below where they could potentially be.
- There is more opportunity to grow our business within the boundary fence than outside it.
- A good business, but it could be better.
- We need soundly based business growth to fairly and equally cater for the needs of the whole family.
- Constrained by our ability to take on significantly more debt to allow for business growth.

- Our cash monitoring has been lax.
- Our management communication has been unorganised.
- Governance has not been well planned.

Brutal Facts That Need To Be Addressed To Bridge The Gap:

- William to be more willing to “let go”.
- Andy and Fred to take more ownership of both Governance and Management.
- Stock performance needs to be improved.
- Carrying capacity needs to be improved.
- Better focus on cash monitoring.
- Decision making to be better aligned with financial performance.
- Better communication within the management team.
- More effective and disciplined governance.

SWOT Analysis:

Strengths

- Good scale.
- High level of equity.
- 60% level of equity to total assets.
- Ability to produce surplus cash results.
- A mix of youth and experience.
- Able to finish all stock.
- Good soil fertility levels.
- Trading cattle give safety valve.
- Saleable assets.
- Reliable farming district.
- Good knowledge within the business.
- Good support network.

Weakness

- Monitoring of cash position.
- Decision making not always aligned to financial performance.
- Heavy reliance on William.
- Stock not performing to potential.
- Business not performing to potential.

Opportunities

- Potential to lift stock performance.
- Potential to lift carrying capacity.
- Unleash the keenness of the next generation.

Threats

- Inability to take future opportunities.
- Inability to cater for the full family, equally and fairly.

Goals: Goals need to be SMART

- Specific
- Measureable
- Achievable (but with stretch)
- Realistic
- Time Line Based

Specific Goals:

Goal 1:

Lambing %

To consistently achieve 150% lambing by FY 2017.

How

- Review our sheep breed.
- Review our ram breeder.
- Buy better quality rams.
- Strategic use of nitrogen to ensure better pre tup feeding.
- Specialist lamb fattening area and pasture species to shorten average lamb kill date, which will allow for better feeding of ewes in the autumn.
- Continuing professional development for all staff.
- Employ an extra labour unit to allow for better timing.

Goal 2:**Lamb Weights**

Increase lamb weights to 19.0 kg by FY 2017.

How

- Develop a specialist lamb finishing area.
- Better feeding of ewes during lactation.
- Install a fully reticulated stock water system.
- Use of specialist lambing finishing crops.
- Use of more winter crops to better feed ewes and increase rate of pasture renewal.
- Better use of new grass species.

Goal 3:**Effective Management**

To have at least 40 “weekly” effective management meetings per year.

How

- Aim to have a management meeting every Monday morning.
- Meetings to be held unless formally postponed.
- Meetings to be run in accordance with a generic agenda.
- Tasks to be prioritised in terms of importance vs urgent. (Refer time management matrix)
- Effectiveness of meetings to be reviewed quarterly.
- Meetings to be no longer than 30 minutes.
- Meeting 1st, breakfast 2nd.
- Meetings to be run and organised by either Andy or Fred.

Goal 4:**Effective Governance**

To have 12 “monthly” effective governance meetings per year.

How

- To be held on the 2nd Monday of every month.
- Cash position to be reviewed against budget.

- Budget to be updated in CashManager on a monthly basis to take into account timing and changing circumstances.
- Farm Plan to sit in on 4 meetings per year.
- Bank and accountant to be invited as appropriate.
- One meeting per year to be devoted to redefining the vision.
- Vision and goals to be monitored and plan changed as appropriate.
- No adhoc spending decisions over \$10,000 to be made without being discussed at a Governance meeting.
- Meeting to be run and organised by Rachel.

Goal 5:

Economic Financial Surplus/Ha

To achieve \$500/ha by FY 2017 and \$600/ha by FY 2020

How

- Run the correct Sheep/cattle ratio for our property.
- To be fully stocked at all times.
- Lift stock performance.
- Better use of science around fertiliser use.
- Improve pasture species.
- Achieve the above goals.
- Non family staff members to complete 20 hours/year of personal development.
- Family employees to complete 40 hours/year of personal development. This includes reading agricultural journals and magazines.