

# Give your business a health check.

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## Key points

- The right enterprise mix is essential
- Workshops based on growers requests
- Opportunity to give business a health check

Experience shows that farmers who know their business, plan and attend to areas of risk are better able to trade into a stronger business position in the future. With this in mind the Eyre Peninsula Grain & Graze project and the Eyre Peninsula Farming Systems project are collaborating on implementing the delivery of Farm Profitability workshops to growers across EP.

“The workshops have been developed in response to growers requests at our Annual Grower Meetings,” explained Alison Frischke, EP Coordinator for Grain & Graze.

“Growers want to know ‘What is the right mix of profitable enterprises for my farm? Having the ‘right mix’ was also identified in a survey of growers in 2005 as the key to profitable growth in the future.”

Local consultants Brenton Lynch, Lynch Farm Monitoring, and Ed Hunt, Ed Hunt Consulting, have been commissioned to develop and run the workshops. They have been busy collecting business and production information data from successful farming businesses across EP.

Using this data and their personal experience, a series of key financial indicators have been identified. These indicators best represent the financial position of a farm business. They can be used as benchmarks to identify the impact of changes applied to a business, including changes to the enterprise mix. They can also be used as a measure of performance against other producers in areas with similar soil and rainfall characteristics.

The workshops will give any grower on EP the support to carry out their own business health check. Firstly, farmers will use their own data to produce the key indicators for their business.

The second step will be the production of a sensitivity analysis to evaluate what is the best enterprise mix for their soil and rainfall conditions and to meet their personal objectives.

Indicators that will be produced will include:

- Debt levels (including equity, debt servicing per tonne of grain and kg wool and/or meat)
- Machinery investment levels (machinery invested per tonne of grain produced or kg wool /meat produced)
- Farm drawings (the family cost of living)
- Annual cash surplus and annual profit from different mix and size and enterprise
- The level of risk attached to differing levels of each of the above criteria.

“This is a great opportunity for any grower to tap into Brenton’s and Ed’s experience and understanding of EP farming businesses”, explained Alison.

“All information will remain confidential and participants will be supported with a ‘tool kit’ to help them continue to use the indicators in their business after the workshop.”

The first Farm Profitability workshops will be delivered to those grower groups who identified the issue as one of their top priorities at the Annual Grower Meetings. The workshops will build on the Livestock Production workshops held earlier this year (where farmers benchmarked their livestock performance, and discussed ways to increase production). These groups will be contacted soon.

Given the significance of the data, workshops may be arranged for other groups next year.

When developed, the information sheets that make up the ‘Tool Kit’ will be available from Minnipa Agricultural Centre and will be included in the Eyre Peninsula Farming Systems Summary 2006, due out next March.

“Farm businesses have taken a ‘hit’ this year with cash short and extra borrowings likely. This makes it is an ideal time to have a “business health check” and to use their own data to look at some “what if scenarios” in planning for 2007 and beyond”, commented Brenton Lynch.

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