



Setting Goals and Managing Risk

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Stepping Back

- What's driving your business?
- Values
- Mission statement
 - Brief statement of the purpose and underlying values of your farm
- Goals
 - Where do you see the business short-term and long-term?
- Note: There is variability in how to craft and assemble these aspects.



Small farms are family businesses

- Who is involved?
- What are their wishes?
- How do you balance family demands?
- How do you communicate?
- How do you make decisions?






Photo: Remsburg



I want to farm because . . .

- I want to have my own business
- I want to work outdoors/on the land
- I inherited family land
- I want more family time





Values should direct your farm

- Personal
 - What makes you happy?
 - Relationships
- Economic
 - Money—how much, debt, security
- Environmental
 - What do you want the land to be like? How will your management affect it?
- Community
 - How do you want others to see you? What role for your business?



Aspects of mission statement

- A soundbite for your farm
- A few sentences
- Philosophical, not technical
- Communicates core values

Aubrey's questions

- Innovation vs. improvement?
- Niche? Quality, service, customization?
- Why in the business? Planning to grow or stay small?
- Who are your customers?
- Family involvement?



Mission statement

- *Example (AZ): "It is our mission at Snowdrift Farm to cultivate an organic community that encourages the creation and use of handcrafted soaps and body care products, and other handmade and small batch products. We strive to operate our company honorably, with creativity and profitably, and with the utmost respect for those our products and services touch."*



Setting goals: S.M.A.R.T.

General statements of mileposts

- Specific
 - Measurable
 - Attainable
 - Rewarding
 - Time-bound
 - (Consider product, labor, income, lifestyle, family)
- Example: *By December 1, 2019, I will have planted, harvested, and successfully sold 2 acres of mixed vegetables.*



Prioritizing Goals

- Which goals are most important for family well-being?
- Which are short-term goals?
- Which short-term goals conflict or impede long-term goals?
- Which short-term goals do not support any long-term goals?
- Which goals are so important that they should be attained even if it prevents reaching other goals?

From: Doye, OKState



Avoiding Goal Pitfalls

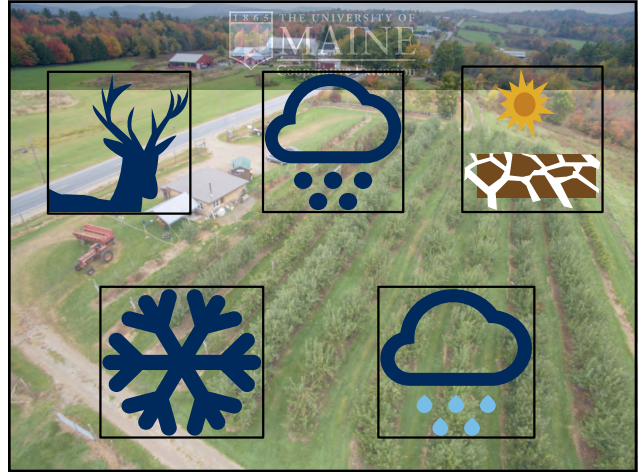
- Try not to:
 - Make goals too lofty.
 - Do too many things at once.
 - Overemphasizing quantitative aspects.
 - Leave yourself vulnerable to unexpected events.
 - Fail to use all information.
 - Make goals without including all decision makers.
 - Ignore good plans once you develop them.

From: Doye, OKState





Risk Management for New Growers

Slides adapted from Erin Roche



SWOT Analysis <small>UNIVERSITY OF MAINE Extension</small>	
Strengths Your advantages	Weaknesses Factors to improve
Opportunities Market trends, technology, policy	Threats Weather, competition

How do you offset Threats?

	
Frost	Irrigation?

How do you offset Threats?



Hail



Diversification?

What if you can't offset all of your threats?



Crop Insurance?



Stabilizes financial returns



Pays loans



Maintains your customer base



Assists with family living expenses



Enables farming year after year



Types of Risk (5)

- Production
- Marketing
- Financial
- Legal
- Human Resources

Production risk
Weather, insects, disease, and wild animals

Production risk management strategies:


- Enterprise diversification
- Crop insurance
- Evaluating new technologies (precision ag., etc.)

Marketing risk
Variability of selling price

Marketing risk management strategies:

- Direct sales
- Storage – avoid seasonally low prices
- Contracted production- assures reliable cash flow



Financial Risk
Cost and availability of capital, ability to meet cash flow needs, maintain and grow equity, and to absorb financial shock.

Potential strategies:

- Well-maintained financial records
- Lower debt to asset ratio to control interest rate risk
- Insurance planning – life, crop, health

Human Resource Risks
Ability to keep all people involved in the business safe, satisfied and productive.

Human resource risk considerations:

- Goal setting with stakeholders
- Regular performance reviews
- Do you have a will?
- Do others have access to important documents such as wills, titles, property, banking and investing records?
- Estate planning



Legal Risk

Can overlap with other types of risk.

Reduce legal risk by:

- Reviewing property & liability insurance
- Be aware of legal obligations as farmers (tax reporting, wages, hours & safety requirements, food safety, etc.)
- Outsource jobs you aren't trained to do (i.e. payroll, accounting, etc.)



Risk Management Planning

1. Identify your farm risks
2. Measure the risks
3. Determine your capacity to bear these risks
4. Set risk management goals
5. Identify risk management tools
6. Get professional help
7. Make a decision, implement, and evaluate the plan

Questions?



