

Bill Long of Ag Consulting Co has delivered many presentations about decision-making on farms. Grain & Graze 2 asked him about his thoughts on the role of Farm Advisory Boards in helping to make better decisions.

Farm Advisory Boards lead to better decision making

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In recent times we have witnessed greater volatility in the key drivers of farm profitability than we have seen before. Significant swings in the range of grain prices, yields and extremes in weather and climate are becoming more common. Input costs of things like machinery, labour, chemicals and fertiliser continue to climb. These factors in turn can cause risk levels to rise. It is now common to see businesses turning over millions of dollars annually on assets worth millions. The problem is that while we adapt relatively quickly to changes in technology, our use of management systems does not always keep pace.



What influences farmer decisions?

Farmers often determine their actions by 'rules of thumb' and decisions sometimes appear to be made by 'gut feel'. On face value that could be a worry, but experience and analysis over long periods feed the intuitive thought process used by many farmers. People make decisions in different ways. If we are going to think about how, rather than just why, decisions are made in farm families then we need to recognize that good communication is the key driver of successful farm business management.

Large businesses have boards – why not family farms?

Most large businesses across the world use a regular formal meeting process to assist in strategic business management and development. Less than 1% of family farms do this. Businesses set up as companies require directors who, by law, are required to formally meet in order to manage the business. Small farm businesses operate under many legal structures and have regular production discussions with a cropping advisor or a financial advisor such as an accountant. These meetings are often separate and may involve different members of the farming family business.

A Farm Advisory Board is an extension of the process that farmers are already using with advisors to assist in decision making by getting everyone to the table at one time. Farm Advisory Boards provide a better platform for decision-making and discussion to happen on a more formal and regular basis and thereby improve the operational performance, financial performance and resilience of farm businesses through disciplined decision making.

Farming families don't necessarily want to be corporatized but there are some benefits in corporate models that can apply to the family farm. The people you include on your Farm Advisory Board may not have a financial interest in your farm but may have an interest in your financial performance. They are advisors, not

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directors, and you still make the decisions. Imagine assembling the team of people that you already work with, in a room together, and asking, "How can we work a bit smarter?"

Not just for times of crisis

Often, meetings involving all members of the business are held in times of crisis. This may be a looming succession issue, financial pressure caused by drought, or a major purchase decision such as the farm next-door coming onto the market. Making decisions under such pressures can be stressful.

Board meetings provide a structured, disciplined platform to deal with the myriad of production, financial and personal factors that need to be considered when running a business. They provide a regular opportunity for communication between all business partners and for sharing of visions and goals as well as planning for the future.

Just as farmers invest in the machinery to grow the crops and service it well before busy periods, it is equally important to invest in and service the human resources that actually run the business. Faulty decision-making is as damaging to a farm business as faulty and dysfunctional equipment.

Who should be on the board? Where do you start?

People considering the setup of a Farm Advisory Board should look first at the advisors currently servicing their business – the bankers, the accountants, the agronomists and the business management advisor. Why not bring those people to the table to join the family members and have a discussion about a whole range of issues?

The key to a good board is a good chairperson!

Successful boards utilise independent chairs with the skills to facilitate discussion in a way that includes all parties. The usual leader of the farm family group should not take on the role of chairperson. The job requires a particular set of skills, which they may or may not have but they also need to be able to step back from running the meeting in order to think strategically about the business.

An effective chair should have a good understanding of decision-making processes and be able to recognise the influence of bias and prejudice. They might also bring other skills that are important to the business in areas such as finance, production or human resource management. An understanding of the personality types of all the people involved in the board is also useful. This provides an opportunity to recognise differences in the behaviour of individuals, thereby creating an opening to both identify and exploit each other's strengths in order to move forward. Facilitation and interpersonal skills are more important than good accounting or agronomy skills for this task and will improve with practice.

An effective chairperson will let everybody have his or her say and not use an autocratic approach, it about engagement of all members of the group. Choosing the right person should be based on their facilitation skills. You might have a good agronomist but he or she may not be a good facilitator. The same goes for your accountant. You might have to buy in some of that expertise. Look for someone who has demonstrated that they can lead a team of people. The right person can get dialogue happening, reach a consensus, have everybody heard and run a meeting at the same time. You want to achieve the goals and outcomes that your group sets.

A business can fail because people don't want to work in a toxic environment where no one is listening



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to them or others. Being heard is one of the most powerful things in the business process if regular open dialogue is not already happening at the family level.

Talk to your accountant or other advisors. If they don't think they have the skills, they might know someone who has. You'd want them at the table anyway, so you're not threatening them by asking.

Succession?

A typical family owned and run farm without a board structure, sitting on huge assets buoyed by skyrocketing land values, can often run into succession issues because discussions about equitable transition have never been part of the business plan. Gone are the days when the eldest son might be handed a farm that wasn't worth much, accompanied by a broken down tractor. Now, whoever takes over the farm might be looking at a \$25M asset that other siblings may not have access to. This can lead to some serious family harmony issues. Farm Advisory Boards can assist in calmly planning for these transitions.



Imagine a scenario where one son wants desperately to be a farmer and another son wants to do something very different with his life, perhaps become a doctor, but still wants to be part of the family farm. That might mean some discussion around how the son can pursue a medical career and perhaps lease part of the farm. What structures might allow for individual freedom and growth in those circumstances and still have regard for the integrity of the farm? This is the kind of important discussion that Farm Advisory Boards can allow to happen.

The Agenda

The first thing is to set an agenda that suits you. It will likely reflect such things as a seasonal outlook, a machinery inventory and replacement policy, policies around who is doing what in the business, where we want to be in five or ten years and so on.

It all takes time but have the discussion and record it on a white board or butchers' paper. Write down all the names, people's goals and aspirations, and share them amongst the group. That's your team in the room and you'll soon see how it works.

Setting the meeting agenda is important but after a while it becomes a checklist of the key things that you need to discuss on a regular basis. It might include the operational things like, 'how's the season looking?'

A report from the agronomist might say, "well, we're actually sitting on 120mm of PAW at GS31, we've never faced that before. The best we have seen before is 60mm and we've got a long-range forecast saying it's going to be a reasonable finish to the season. We are probably going to need some more nitrogen because the yield potential will be better than average and maybe some more fungicides."

At an advisory board meeting everyone will understand that the cash flow might be stretched but that there is a good reason for it. It will allow mum, dad and grandfather to understand why you are putting on so much

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nitrogen because they are actually involved in that discussion. Your partner might better understand that the two semi-loads of urea you need to order might require her to ring the bank manager to extend the overdraft. The important thing is that everyone in the family knows what is going on.

Grain marketing: setting direction

Having a Farm Advisory Board is an opportunity to avoid the “it’s all your fault” method of grain marketing! If the agronomist’s predictions for the season bear fruit you could be looking at a significant increase over normal production. As a group you can discuss what the market is doing, how sales are going and where the opportunities are.

You can have your grain marketing advisor at the meeting or available on a conference call. As you begin to make adjustments, everyone is involved in the decision and can see how it might relate to the strategy that should already be in place for grain sales. That means that the person who is responsible for the grain sales at least has some direction and buy in from everyone at the meeting. They will feel more confident in what they are doing knowing they have the backing of the rest of the group.

If something goes pear shaped, everyone shares in the responsibility. No one person is to blame because the decision was made jointly to help provide some strategy, direction and certainty in a very uncertain, risky market.

It’s not always about profit maximization

Profits drive business but life is not all about profit maximisation or even optimisation. Many decisions are motivated by personal stage of life issues. Farms can be worth a lot of money, be family owned and operated and sometimes support three generations from the property.

It is important for the board to consider how to achieve family goals and make money along the way. They will often have a strong belief that they are really only custodians of the land that will be passed to the next generation. As a group they can decide to leave it in a better state of health for those to come. That might mean better fencing, machinery and facilities, which can allow the younger ones coming through the opportunity for expansion, perhaps through sharefarming or leasing. Board discussions can be wide ranging and about managing all the business, not just specific aspects of it.

Costs vs. benefit?

Bill Long says that in his experience there are some extra costs to be incurred in running farm advisory board meetings but, like any good investment, those extra costs are soon recovered. The changes and benefits that can be implemented through the process relative to those few extra costs are huge. There are far greater risks and costs to the business if farm advisory boards are not used.

People who are being included and acknowledged for their contribution find it easier to pull in the same direction instead of pulling apart. When people are aligned, their thinking becomes focused and business direction becomes much clearer.

It’s important to recognise the skills you need at the meeting, most importantly a facilitator to run things, someone to organize everyone and someone to take notes. If someone in the family has the skill that’s great



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but if not, getting someone in is worth it. It would pay to have someone in to do the recording just so all family members could participate rather than taking notes themselves. That service is not expensive.

Well run board meetings allow for emotion

Remember that we are talking about family boards and everything is not about finances. Boards provide discipline in decision making by allowing regular discussion with all parties and that regular check in is critical to decision making processes. The process should recognise that people can experience emotions about a decision because of values and beliefs around who they are and how they view their role in the farming system. Decisions can be deferred to allow for this. Sometime people just need time to go away and think about things. A well-run board will consider the emotions and personal decisions of people in a boardroom.

What's the value of group discussion?

Bill Long says, "one of the key benefits I have seen in the advisory boards I work with is that the individual discussions that were being had between husband and wife, the farmer and the banker, the farmer and the accountant or the farmer and advisor can all happen together."

It is amazing to hear the real discussion that is had when you bring people together to talk through a whole range of issues. It has been really powerful for businesses I've worked with. They have changed some business structures and are communicating so that all members of the farm business are contributing and feel a lot more comfortable about what is going on.

People feel more informed, more engaged, more able to offer an opinion and really value the opportunity to hear other family members' goals and aspirations. When we talk at length about some of those goals, aspirations, wants and needs and get everyone to share them with the rest of the family members and business partners, what happens is just amazing. People help the others to get there."

Advisors better understand the group goals

The Farm Advisory Board structure makes it very clear to the advisory support people in the business what that family business wants to achieve. That can potentially change the mindset with which they offer advice and sometimes the nature of that advice. They understand your goals and aspirations because you have stated them and not just because they may have picked up snippets of information in casual one on one conversation.

With that clarity they can go about their job of helping to achieve the business objectives while taking into account some of those personal objectives. Is a farmer motivated to buy an extra bit of land because he likes sitting on the tractor? Maybe he is hoping to get enough income to buy a new boat in a few years time. An advisor can help him get the new boat. It's a different mindset.



A farmer might have an agronomic advisor who is solely focused on achieving the highest yields when

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that might not always be the best goal for the farm and the family business. If that advisor is sitting in your board meeting and understands what you are doing they will hopefully provide advice from a different perspective.

Plan response strategies without the stress

A Farm Advisory Board structure can allow for building skills, or employing those with the skills, to use decision support systems to assist in analytical thinking. These systems can provide opportunities to explore a range of 'what-if' scenarios. Exploring the financial impact of a run of dry seasons, or a run of good seasons provides an opportunity to plan response strategies in advance, without the stress. This allows time to think calmly through how the business might react if that situation was to occur in reality. If such a situation does occur then the response is considered, more automatic and hence less stressful.

Hopefully this has been food for thought. Can your business benefit from the formation of a Farm Advisory Board? Talk to your family and your advisory team to discuss the next step. It could change your business and your life!

Grain & Graze 2 would like to thank Bill Long of Ag Consulting Co for his contribution to this article. For more information Bill can be contacted at:

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