Red Sky FARM MANAGEMENT PLANNING

The following process is the method by which you should build or test a new farm management plan. Prior to commencing you should already have completed the entry of one or more years of existing performance. You would then normally roll the most recently completed year forward so that this includes your present income and cost structure.

Then you would decide the key parameters of the management plan that you wish to test. For dairy farming this might include the number of cows that could be farmed and the amount of milk that you believe will be produced from these cows. For sheep, beef and other farming this would also include the number of stock and their predicted level of performance.

STAGE ONE

Copy or Rollover the farm and rename the Year, make it Budget Scenario, and change the size of farm if this is part of the proposed management plan.

Go to Livestock/Stock (type) and change the Peak or Total Numbers Farmed. If you are confident that the adjusted numbers are part of a likely plan then also alter the owned numbers of mature stock.

Go to Production & Pricing and enter the production anticipated from these livestock.

Should more feed be required then decide how much additional pasture could be grown from either nitrogen applications or the adoption of improved management techniques. This should be confirmed as the new goal pasture harvest and it would be accepted that additional supplements will need to be purchased if the goal pasture harvest is below the pasture harvest figure evident under Feed/Calc/Consumption.

The cost of either the additional nitrogen or the improved management techniques should be entered under Financial/Accounts/Expenses.

The most appropriate supplements should then be selected on cost, availability and composition for filling any further feed gap (or for removal from feed costs if less supplement is required). Additional feed should continue to be added (or removed) until the goal pasture harvest is attained.

At this point the intent should be to only get the pasture harvest roughly correct as there are further adjustments required with youngstock prior to the final quantities of supplement being confirmed.

Take calculated supplement amounts and copy these into Financial/Accounts/Expenses. Check through each supplement screen and confirm that Actual and Calculated amounts tally.

First Review – View reports at this point to assess whether the management plan under review is indicating a significant improvement in profit. If the plan includes an increase in livestock numbers then it is important that the review includes a significant lift in profit at this point as there will be a wide number of expenses that still need to be increased on a per cow or stock unit basis. If the plan does not show a significant lift in profit, and if as an alternative there is no substantial reduction in the risk profile of the business, then you may consider abandoning the plan at this point.

Adjust both youngstock numbers and mature stock numbers so that the management plan that you are testing is sustainable. This may include adjustments to time on/off farm for grazing/agistment. Ensure that any change in numbers to those grazed/agisted off the farm result in an adjustment to the cost of grazing/agistment under Financial/Accounts/Expenses.

Review livestock values (opening and closing) so that these accurately represent the situation.

Review livestock income and expenses under Financial/Accounts/Income & Expenses to ensure that these accurately represent the changed management plan.

Move back to Feeds and fine tune these so that pasture harvest is set as required.

Take calculated supplement amounts and copy these into Financial/Accounts/Expenses. Check through each supplement screen and confirm that Actual and Calculated amounts tally exactly.

Review staffing requirements under Land & Adjustment/Other Adjustments/Staff. Ensure that any change to the animals per full time staff ratio can be justified. Adjust staff costs under Financial/Accounts/Expenses.

Review the reports headed Operating Profit per Area and Operating Profit per Stock. Ensure that the cost structure is relatively unchanged unless you have good reason to believe that the relative performance will alter under the new management plan. Make adjustments to Financial/Accounts/Expenses as necessary.

Second Review – View reports at this point to assess whether the management plan under review is indicating an improvement in profit. If it does not, and if there is no reduction in the risk profile of the business, then you may consider abandoning the plan at this point.

Add any land, livestock, industry shares, farm development or other capital costs that need to be purchased to the relevant heading under Financial/Accounts/Assets.

Adjust the capital values of land & buildings and all relevant capital items under Financial/Asset (Land&Buildings) and Financial/Asset (Plant&Other).

Determine how much additional capital is required both for capital purchases as well as to cash flow the management plan. Ensure that this is funded through adjustments to liabilities under Financial/Accounts/Liabilities.

Adjust interest costs as required under Financial/Accounts/Expenses and adjust principal repayments under Financial/Accounts/Assets.

Third Review – Review all the reports on a comparative basis with previous years to observe where performance has changed while checking to ensure that the changes are "real". If there is either a sound improvement in profit and/or a reduction in the risk profile of the business, then this new management plan could move forward.

STAGE TWO

Make several copies of this farm, renaming the Year and ensuring it is Budget Scenario. Then you can run a sensitivity analysis with varying product prices (both higher and lower), varying feed prices, varying pasture harvest figures, or by varying any other key parameter.

These should be compared to both past performance as well as benchmark performance to gauge the likelihood of success as well as the areas of highest risk.

STAGE THREE

If the new management plan appears to be a sound option for the future, then the final stage is to examine the transition from present performance to this future 'sustainable' performance.

This could result in a potential further draw on capital where performance does not immediately reach the goal performance but the capital requirements result in an additional draw on cash flow.