



Five Big Questions

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2011

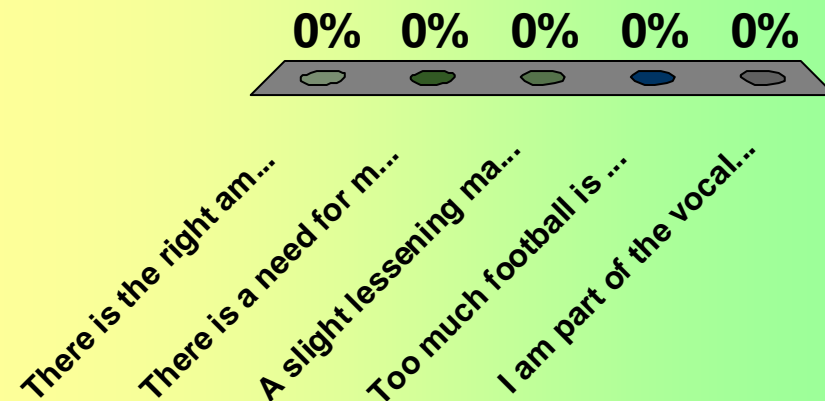


DEPARTMENT OF
PRIMARY INDUSTRIES

farm
services

Football on television

1. There is the right amount.
2. There is a need for more.
3. A slight lessening may be acceptable
4. Too much football is never enough
5. I am part of the vocal minority who want to ruin peoples pleasure and lessen the amount of football on television



Thought exercise

Woke up Jan 1 2000

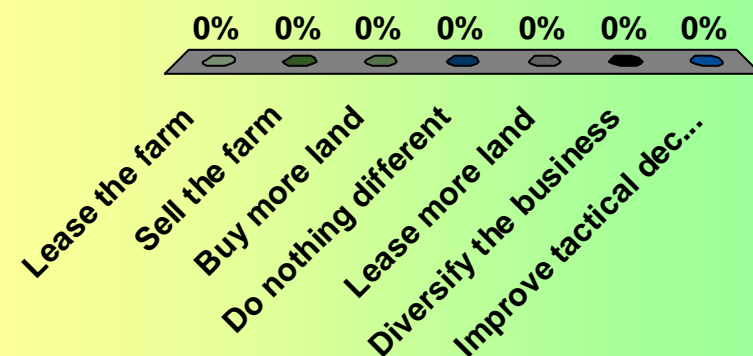
Head thumping (Millennium party) no memory of last 10 years - However you do know you have travelled back in time.

You have no knowledge of commodity prices, land prices etc. lotto numbers

BUT, Back pocket has every bit of climate info you could want until June 30 2011

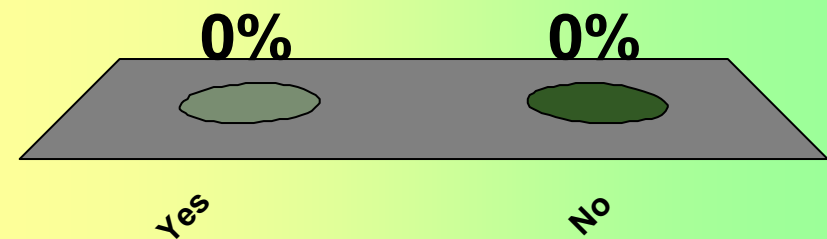
With this climate knowledge in the year 2000, I would first....

1. Lease the farm
2. Sell the farm
3. Buy more land
4. Do nothing different
5. Lease more land
6. Diversify the business
7. Improve tactical decision making



This is different to what I have actually done?

- 1 Yes of
- 2 Sort of
- 3 No



Zoom to present day

It is now 21 July 2011

Is it time to start thinking about

The next 10 years?

Change/s to implement?

The complexity of the change/s?

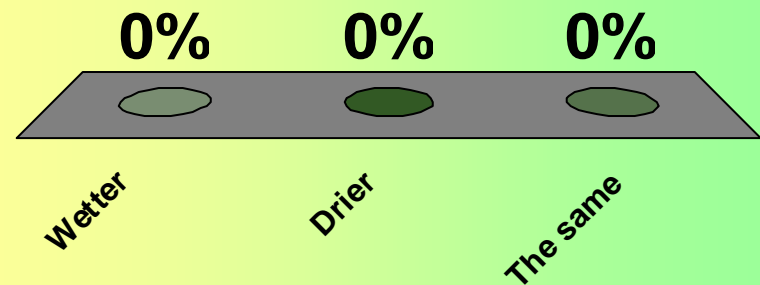
The information and support I'll need to plan?

Do you think the next 10 years will be...

1 Wetter

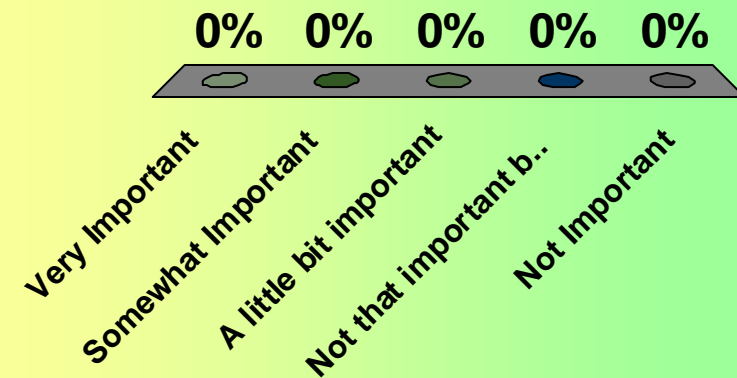
2 Drier

3 The same



How important is climate information when making decisions

- 1 Very Important
- 2 Somewhat Important
- 3 A little bit important
- 4 Not that important
but does play its bit
- 5 Not Important



Some General thoughts

Where does the climate information help?

How much does it help?

Are you going to do anything differently?

How many changes have you made on your farm?

What information assisted?

Is staying the same an option?

Farmers have been doing things better
Have had to change to ensure a profitable
business

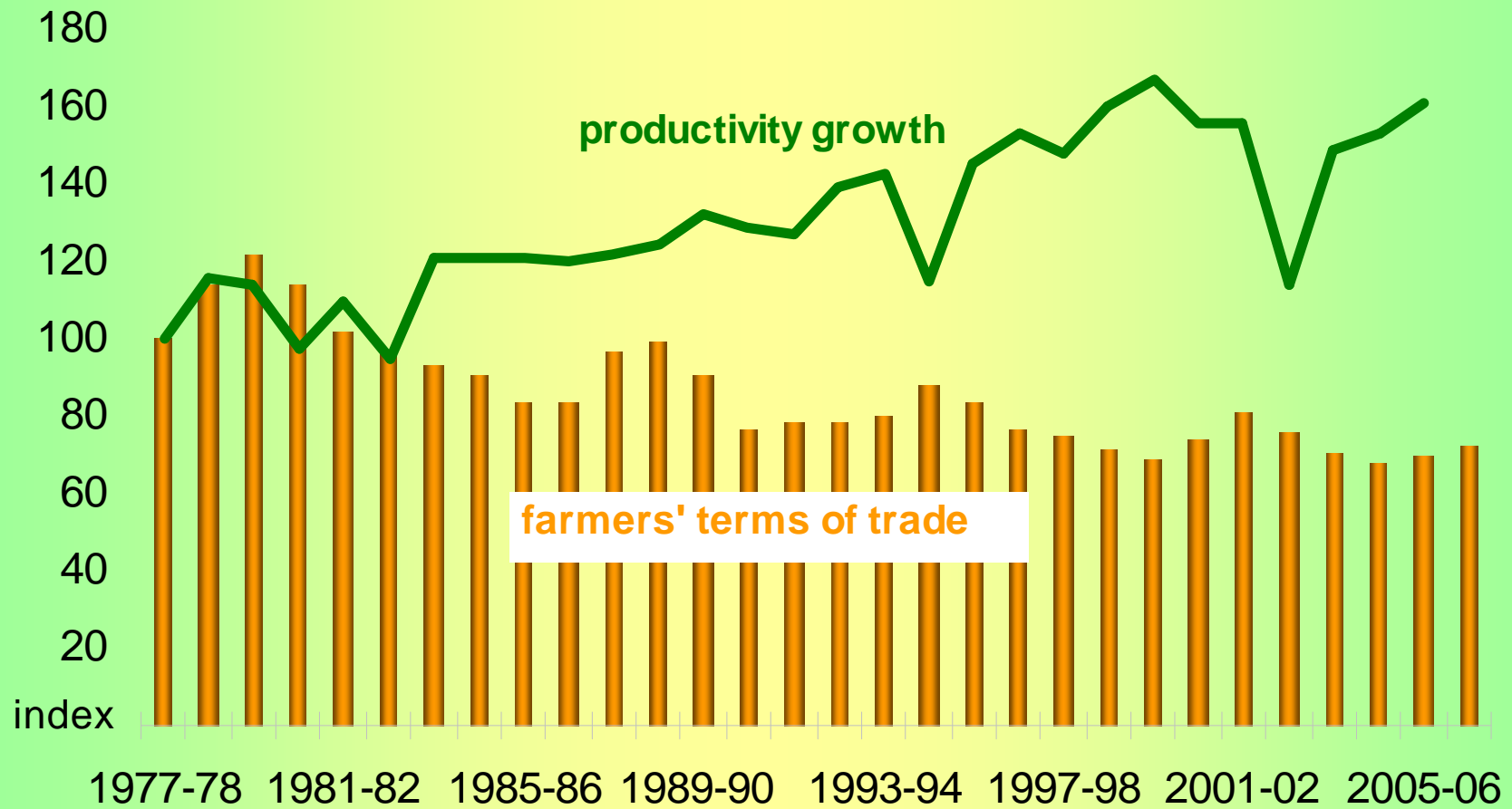
Will doing things better allow the change to
happen fast enough?

Is there any other type of change?

Is change always a good thing?

By ensuring you remain profitable and productive
are there any downsides?

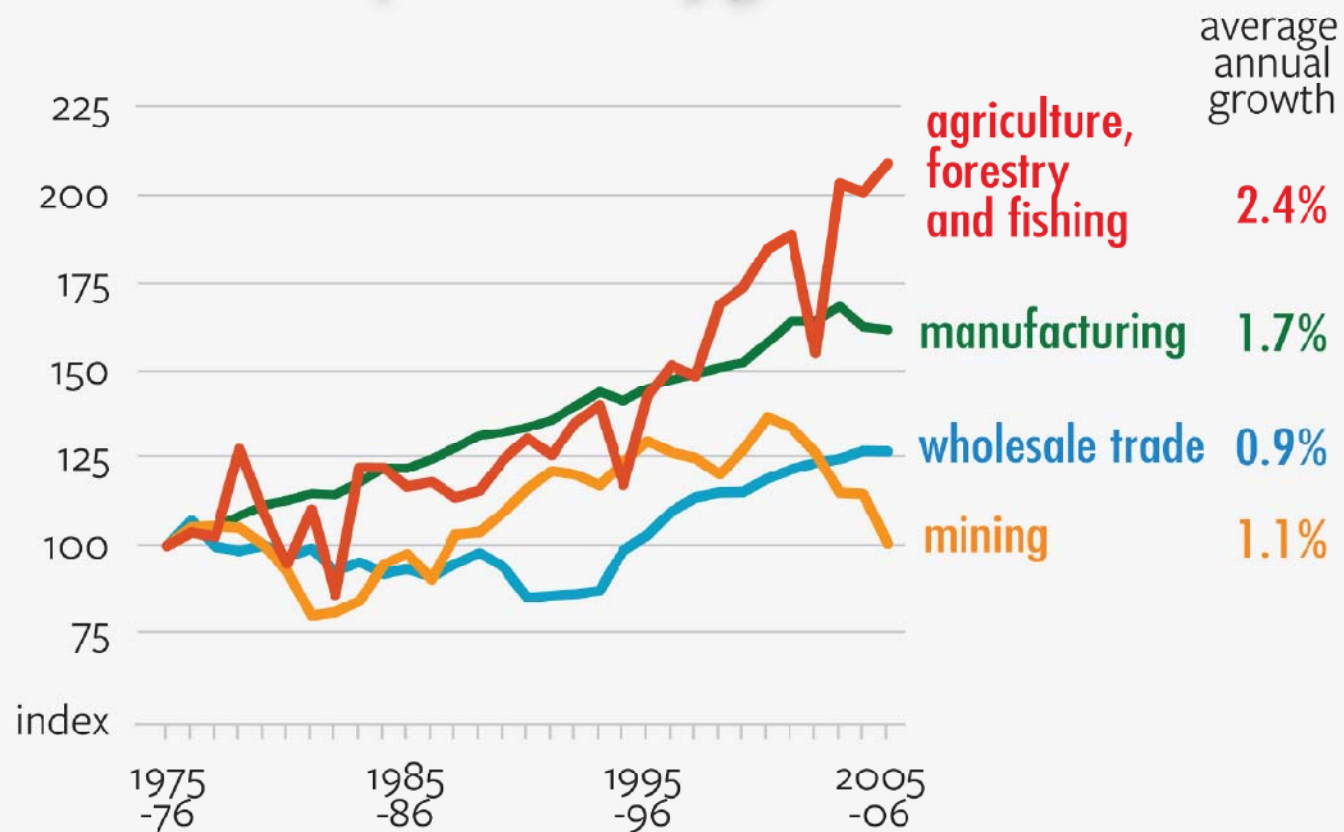
The economics of Change



base year: 1977-78 = 100

In the past, farming has coped better than most with change

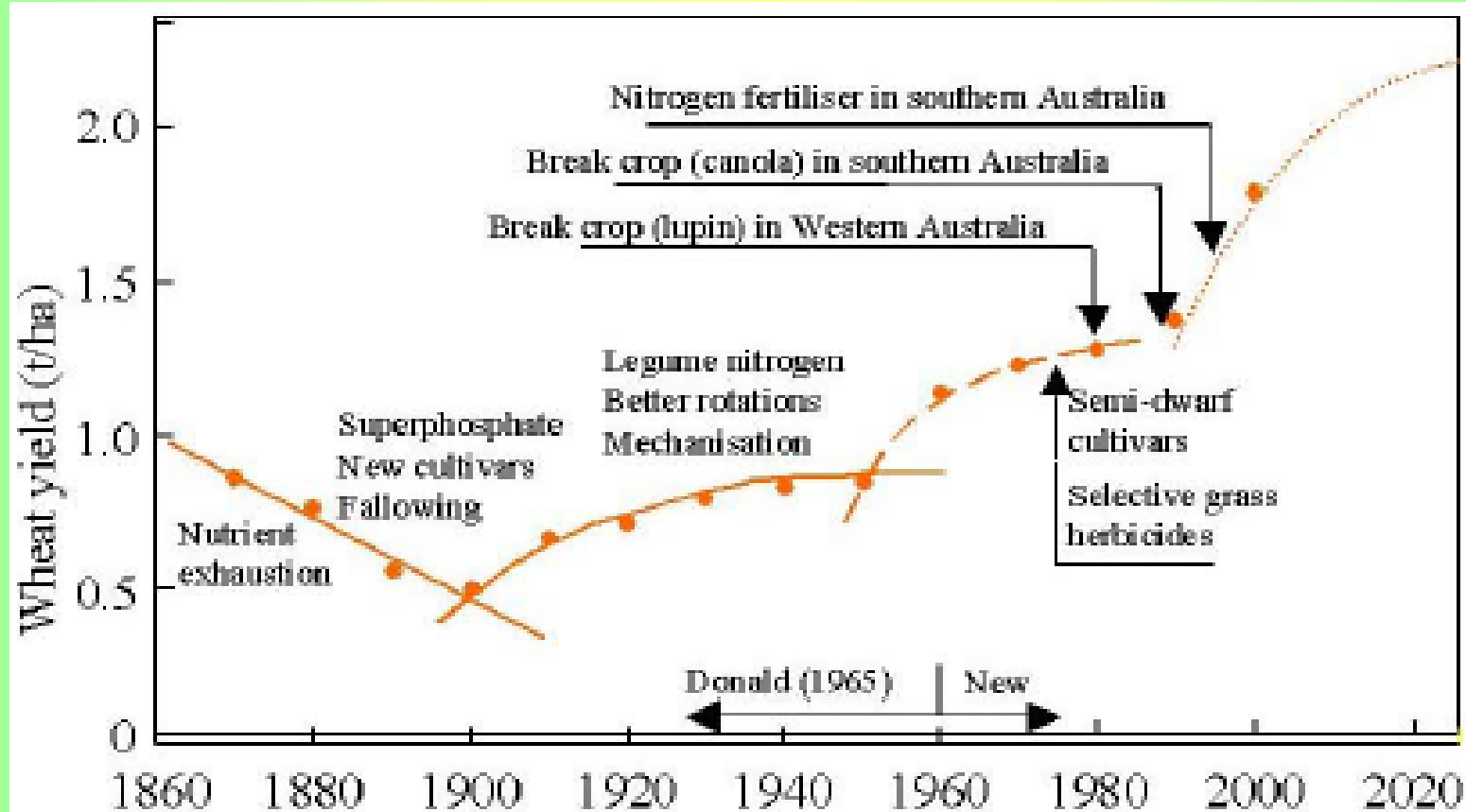
Australian productivity growth



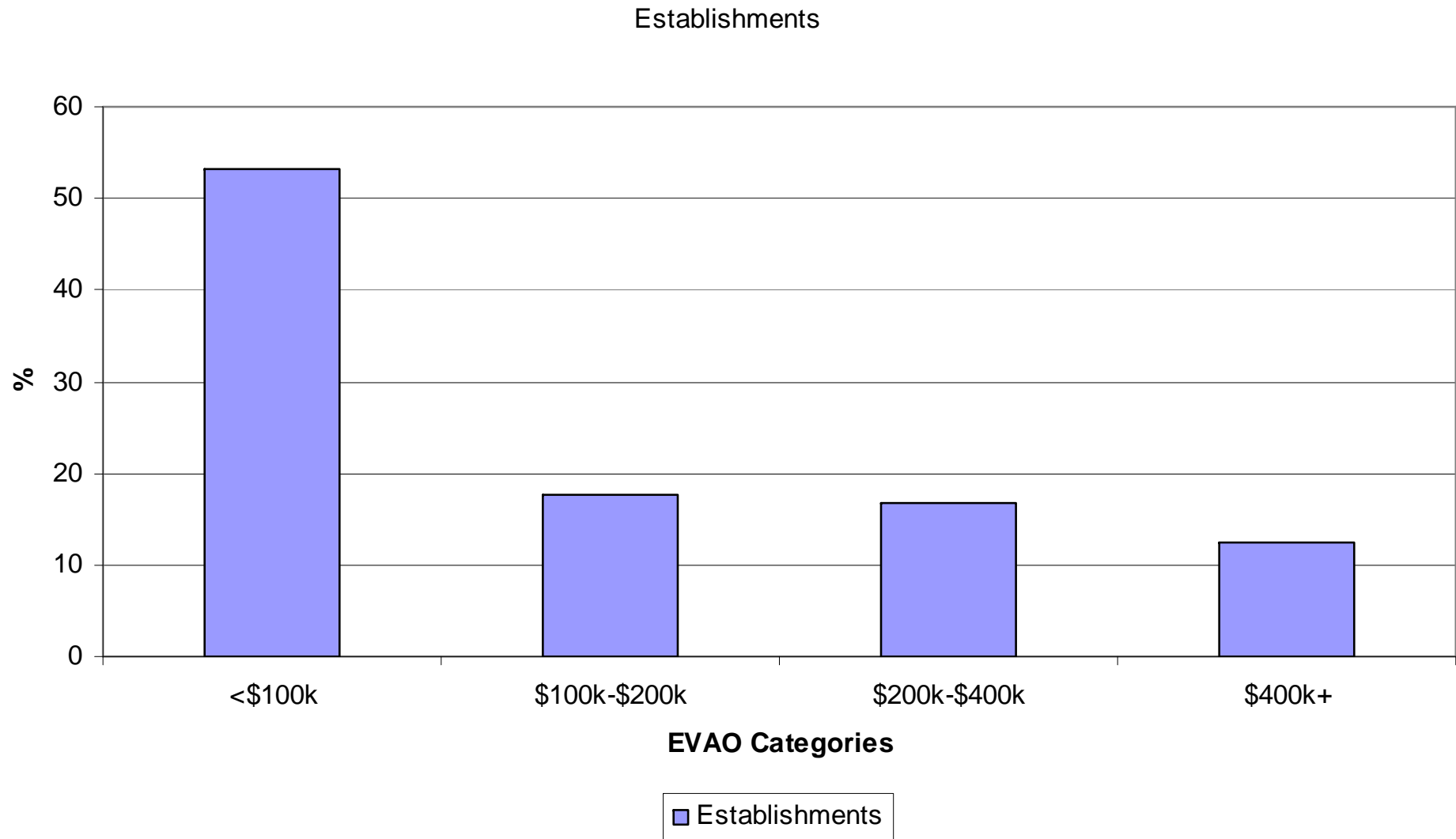
The Drivers of Productivity Gain

Driver 1

Improved farming practices and technologies

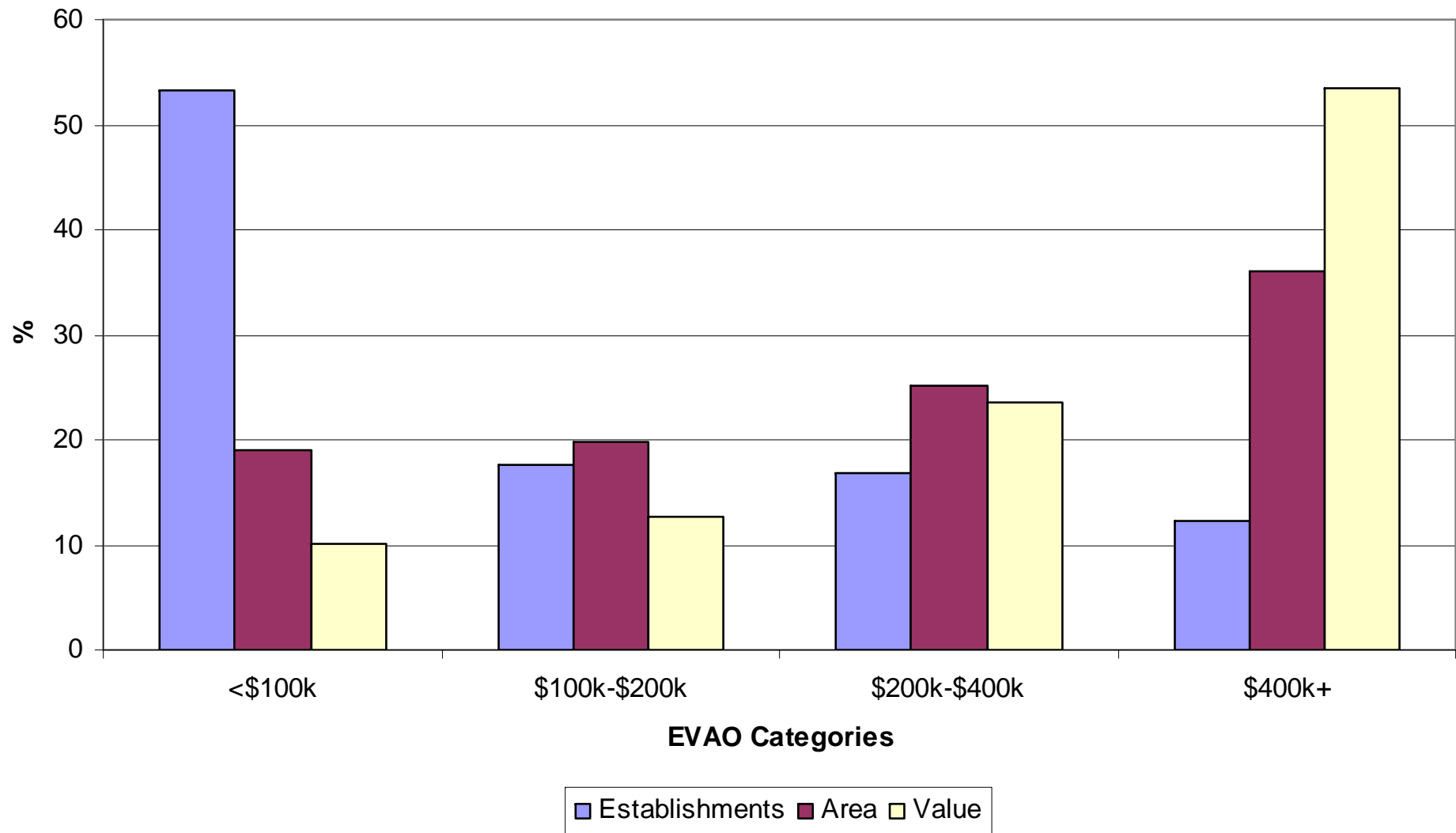


Farm establishments by \$ scale Victoria 2006



Farm establishments, area and value by \$ scale

Victoria 2006



Productivity Gain

Driver 2

Increasing farm size

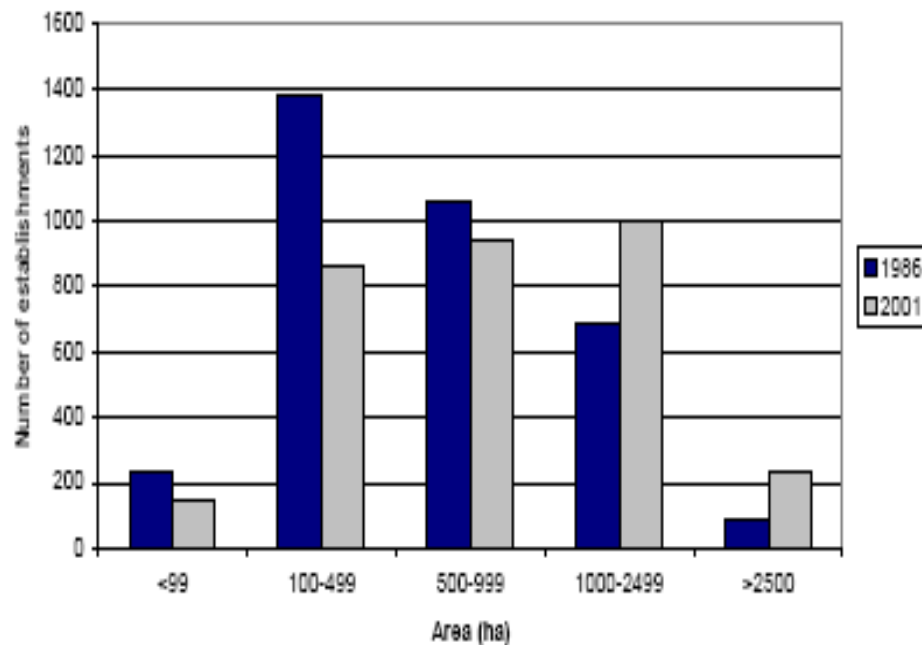
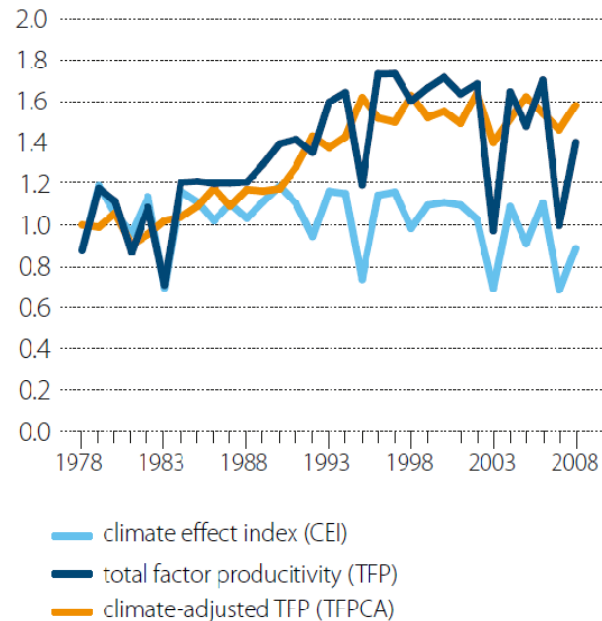


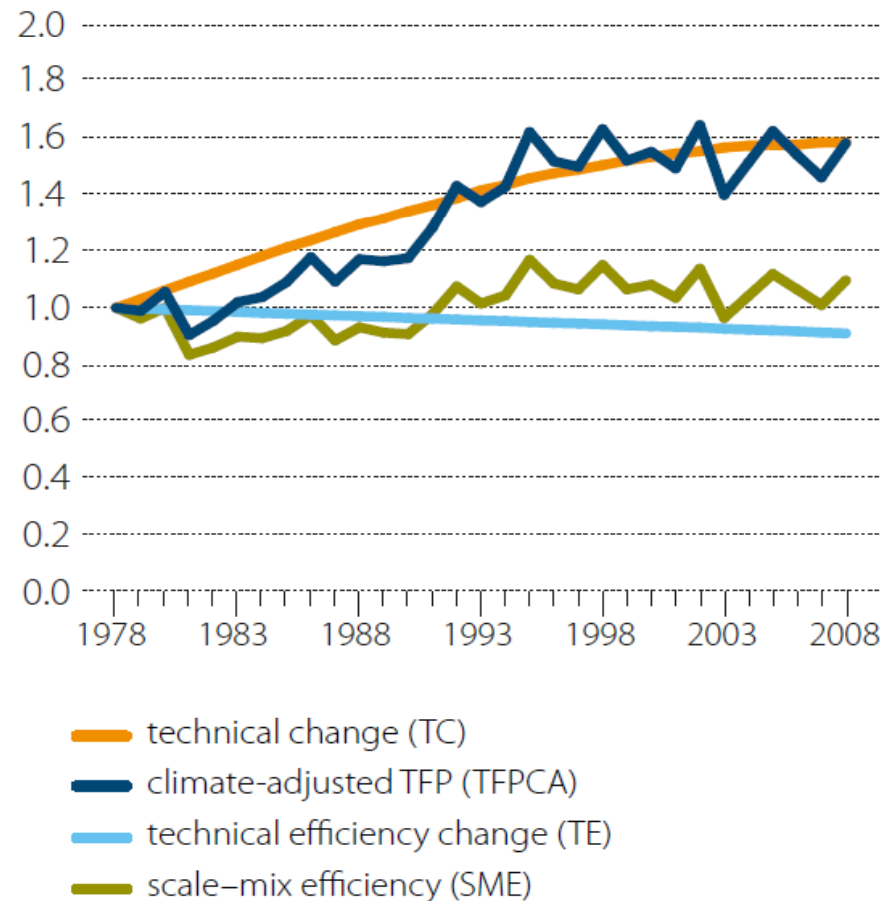
Figure 6 Number of Victorian grains producing establishments by area 1986–2001 (Australian Bureau of Statistics 2003)

Main drag on productivity in grains is gap between the most productive and average farmer is widening.

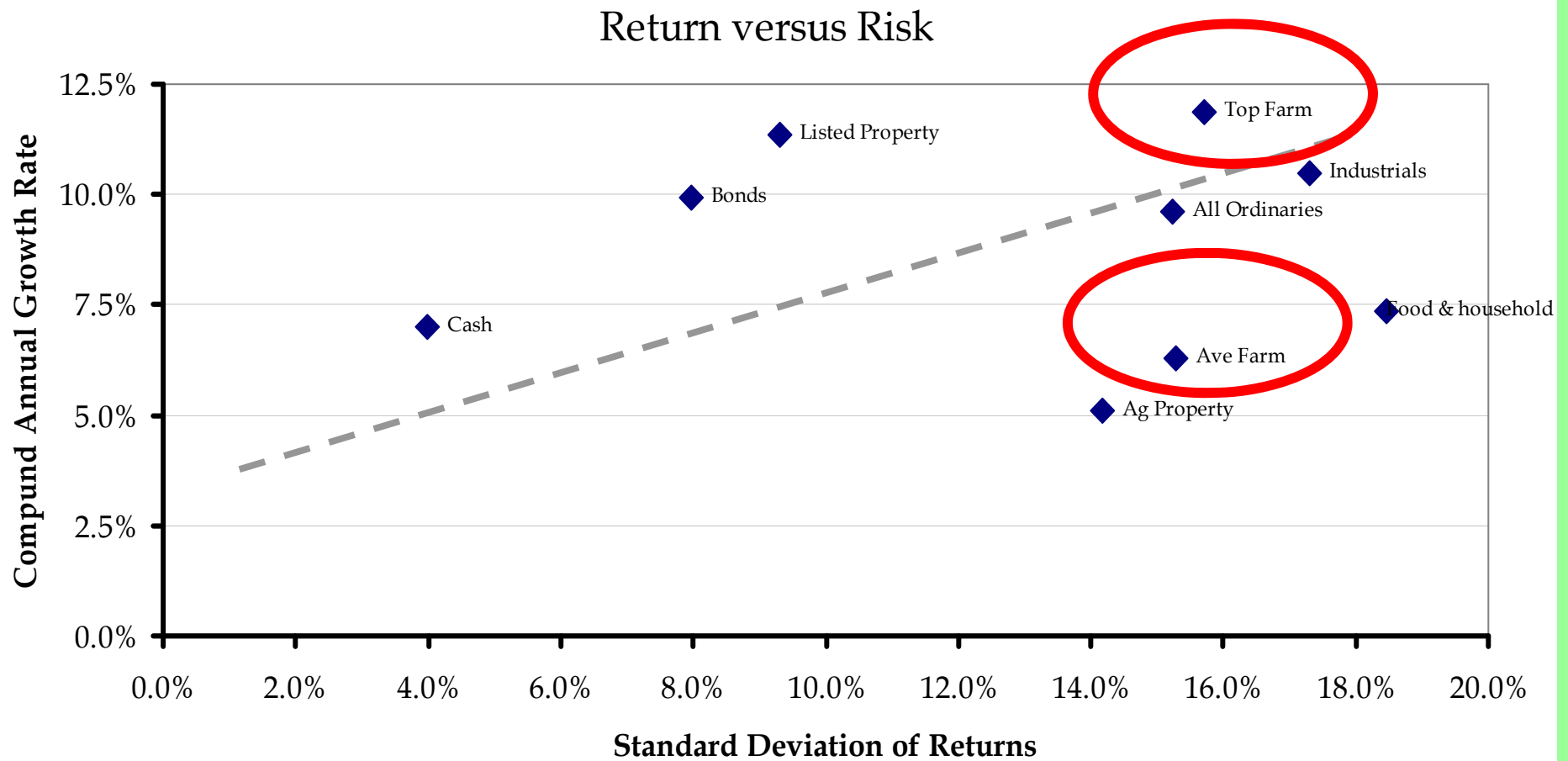
j Climate-adjusted TFP, Australia
1977-78 to 2007-08



k Productivity decomposition, Australia
1977-78 to 2007-08



Farming for some is very profitable with acceptable risk levels



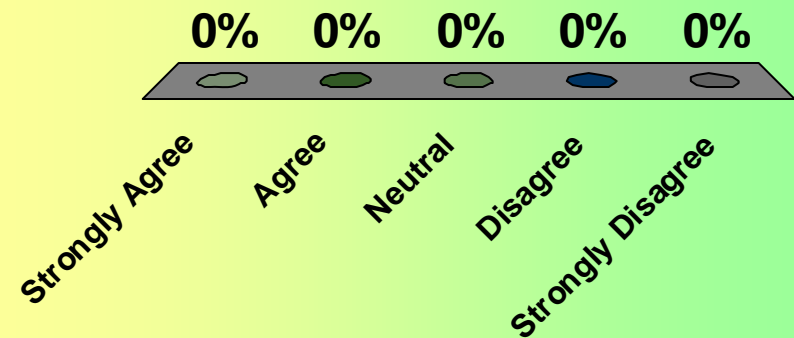
The 5 Big Questions

On a scale of 1 -5
where
1 is a big No
and
5 is a big yes

Can you answer the following
questions

Are you enjoying what you are doing?

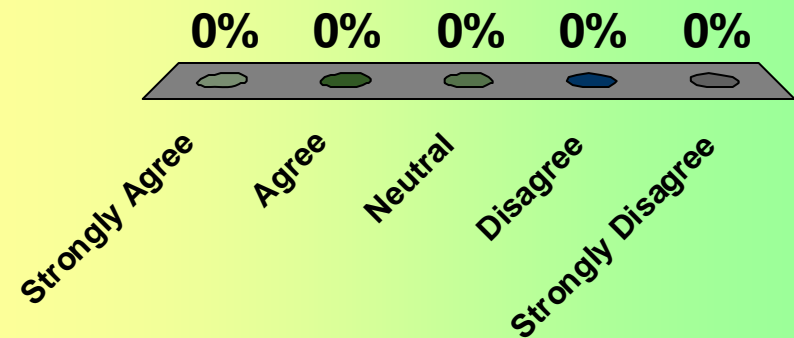
1. Strongly Agree
2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree



Keypad Time

Can you sustain the effort?

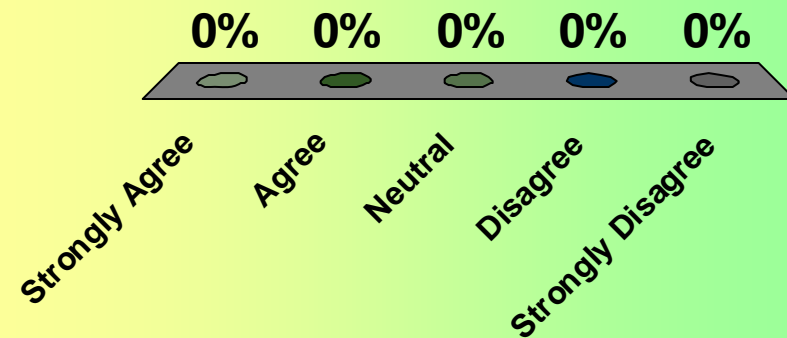
1. Strongly Agree
2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree



Keypad Time

Is your family supporting what you are doing?

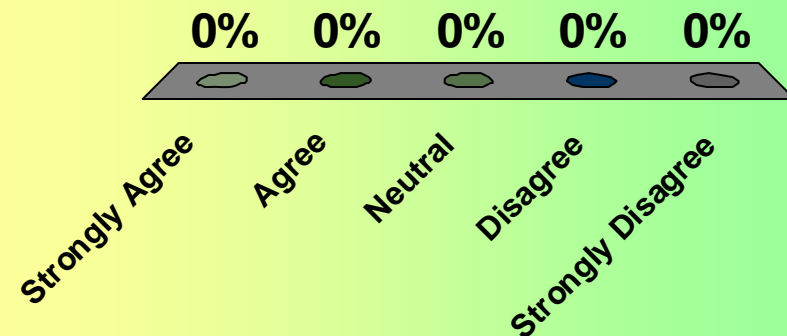
1. Strongly Agree
2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree



Keypad Time

Are you living a lifestyle that you are happy with?

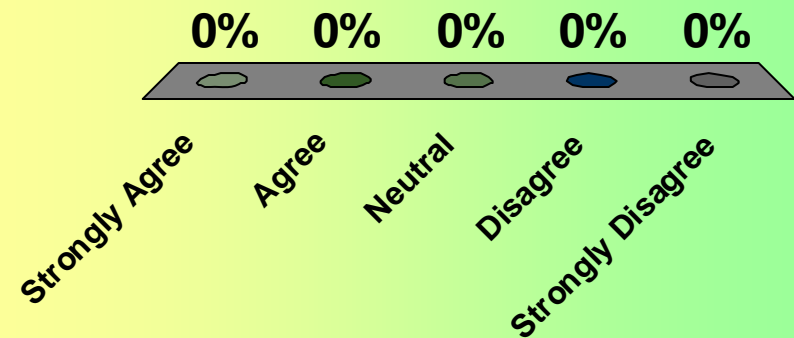
1. Strongly Agree
2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree



Keypad Time

Have you enough to retire on?

1. Strongly Agree
2. Agree
3. Neutral
4. Disagree
5. Strongly Disagree



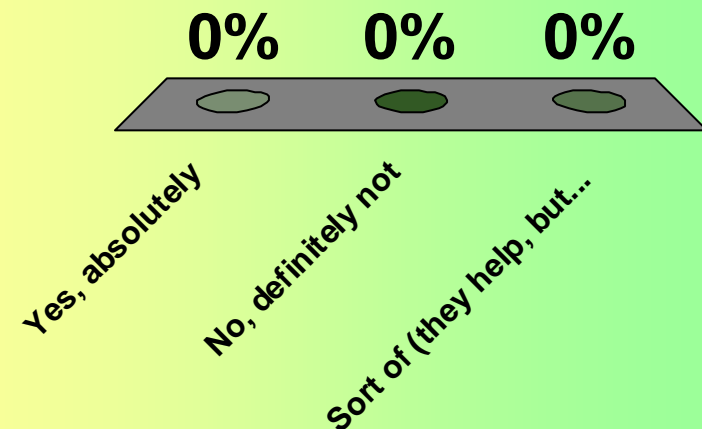
Keypad Time

Does farming success rely on getting the breaks?

Yes, absolutely

No, definitely not

Sort of (they help, but the breaks do not mean success)



A quick brainstorm What happens when....

- It rains?
- Commodity prices rise?
- Interest rates rise?
- Interest rates fall?

- How does the Australia Dollar act during all these changes?
- What about: market access, environment & legislation?

The Golden Year

"I will make those changes when we get a good year."

When was the last one - that last golden year?

Was it you that experienced it?

Was it really that golden?

What major decisions did you make?

The Bad Year

When the pressure is on, big decisions get made
Not really the best environment for these
decisions

- Stress
- Pressure
- Tight timeframes
- Lack of information

Are these the best decisions in retrospect?

Doing something differently

If it is no longer fun then how long can you continue?

Masochistic tendencies

Or do something differently

The options have always been the same when involved in farming

There are five options

- each one is an excellent choice
- at least one will be right for you
- Each option has easy, difficult and

But which one?

If we answer no to one or more of the Big Questions, what options are there to change?

5 Big Options

- Improve profitability
- Change the business structure
- Change enterprise
- Change the capital base
- Exit

All are excellent and viable options, but everyone's situation is different.

1. Improve profitability

- Refine the management system/s
- lower cost structures/increasing production
- Adopt and adapt new technology

2. Change the business structure

- Set up family trust
- Buy out family partner
- Create company

3. Change enterprise

- Either change enterprise mix
- Start new enterprise to compliment existing enterprise
- Exit current enterprise and start new business based on land

4. Change the capital base

- By more land in a current climatic region
- Buy land in a new climatic region
- Move to a new climatic region
- Sell/lease a parcel of land to free labour
- Off-farm income through labour

5. Exit

- But maintain the land (Lease)
- Leave the industry

I propose that farmers are
likely
to do well if they:

Have a shared vision for their future

Communicate often, openly and honestly

Understand their financial situation

Plan often

Make calculated changes to their business

Review their 5 big questions every few years

Thank you