



# CONTROL YOUR DESTINY

## Building a Durable Business and Financial Plan

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Planning (short, long, strategic, business) is a management tool that guides your business to better performance

Having a plan will focus your efforts

- Unify your organization in a single direction
- Help guide you through tough business decisions

A strategic plan allows you to

- Define your business and personal goals
- Achieve them
- Have a competitive advantage

Every major company builds and relies on them



## Strategic Plan

- An organizational management activity used to
  - Set priorities
  - Focus energy and resources
  - Strengthen operations
  - Ensure all are working toward common goals
  - Establish agreement around intended outcomes/results
  - Assess and adjust the organization's direction as needed

## Business Plan

- A detailed, written plan [1 to 5 year duration]
  - Describes how the company is going to achieve its goals
  - Generally consists of 3 parts
    - Financial plan
    - Operational plan
    - Marketing plan



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## Paralysis by Analysis Syndrome



“Enough with all the strategic planning.  
Get out there and kill something.”



## #1 – Answer the key questions that drive your business

- Often times called a vision statement
  - Where is your dairy operation headed?
  - What do you want your dairy to be? By when?
- Don't know the answer?
  - You've got some thinking to do!
- Got the answer, but it's trapped in your brain?
  - Get writing!
- Who should know about it?
  - All family members
  - Employees
  - Customers



## #2 – What do you want your business to bring to your life?

- It's your personal vision
  - Personal growth?
  - Early retirement?
  - More time for family and friends?
- Align your personal vision with your company's vision
- Got the answer, but it's trapped in your brain?
  - Get writing!
  - Know the statement inside and out
  - Consider it with every business decision you make
- Who should know about it?
  - All family members



### #3 – Know your business

- Why is this dairy important?
- What does this dairy do best?
- What needs improvement?
- What more could this dairy be doing?
- Conduct an honest “SWOT” analysis

### *What Are Our...*

Internal Strengths	Internal Weaknesses
External Opportunities	External Threats



## An “objective” SWOT analysis

- Best conducted by various stakeholders
- Brainstorming, then...
- A final prioritized version

### Internal Strengths

1. What do we do well?
2. Key internal resources?
3. Comparative advantages?

### Internal Weaknesses

1. In your control detractors?
2. Areas needing improvement?
3. What does your business lack?
4. Limited resources?
5. Poor location?





## An “objective” SWOT analysis

- Best conducted by various stakeholders
- Brainstorming, then...
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### External Opportunities

1. Marketplace opportunities?
2. Perception of your business?
3. Market growth?
4. On-going or time sensitive ops?

### External Threats

1. Existing/potential competitors?
2. Stroke of the pen risks?
3. Unfavorable trends impacting profit?
4. Industry shifts?
5. Consumer shifts?



## #4 – Establish short-term milestones

- Milestones are mini-goals
  - “S.M.A.R.T.” goals (specific, measurable, actionable, reasonable, timely)
  - Examples
    - Cut unnecessary expenses “x” %
    - Improve profits by “x” %
  - Stretch goals, but don’t guarantee failure
  - Don’t tie success to bonuses, but rather rewards/celebrations

## #5 – Layout a strategy to meet your milestones

- Example: “increase profits by ‘x’ %”
  - Determine which input cost can be cut and by how much
  - Determine what processes can be refined/eliminated
  - Determine and execute on a milk marketing plan



## #6 – Take action (the “business plan”)!

- #1-5 are pointless if you don't take some action
  - Needs to be a working document
  - Puts process to your strategy
  - Specifics about what you are doing and when you will do it
  - Who will be accountable
  - What resources will be needed
  - How will the action plan be measured
    - Using the previous example “The dairy manager will be responsible for finding ways to reduce input costs by 2% on or before 12/31/2018.”

## #7 – Result driven communication

- Every communication should be rooted in a specific goal
  - How, where, when, why – every time you deliver instruction



## #8 – Review regularly and modify as needed

- Weekly review of goals, strategies, and action plans
- Schedule time on your calendar

## #9 – Hold yourself accountable

- Business coach or mentor?
- If you have a hard time sticking to the plan, it will be equally hard to meet your goals
- Do not accept underperformance so easily

## #10 – Be adaptable

- Continuous improvement mindset
- Agility allows to jump on opportunities



# Durable Financial Plans



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Plan Development

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"On the bright side, we can stop planning  
our exit strategy."



The business plan is intended to be

- A written summary of what is to be accomplished
- How it is intended to be accomplished

First consideration – who is the audience for the plan?

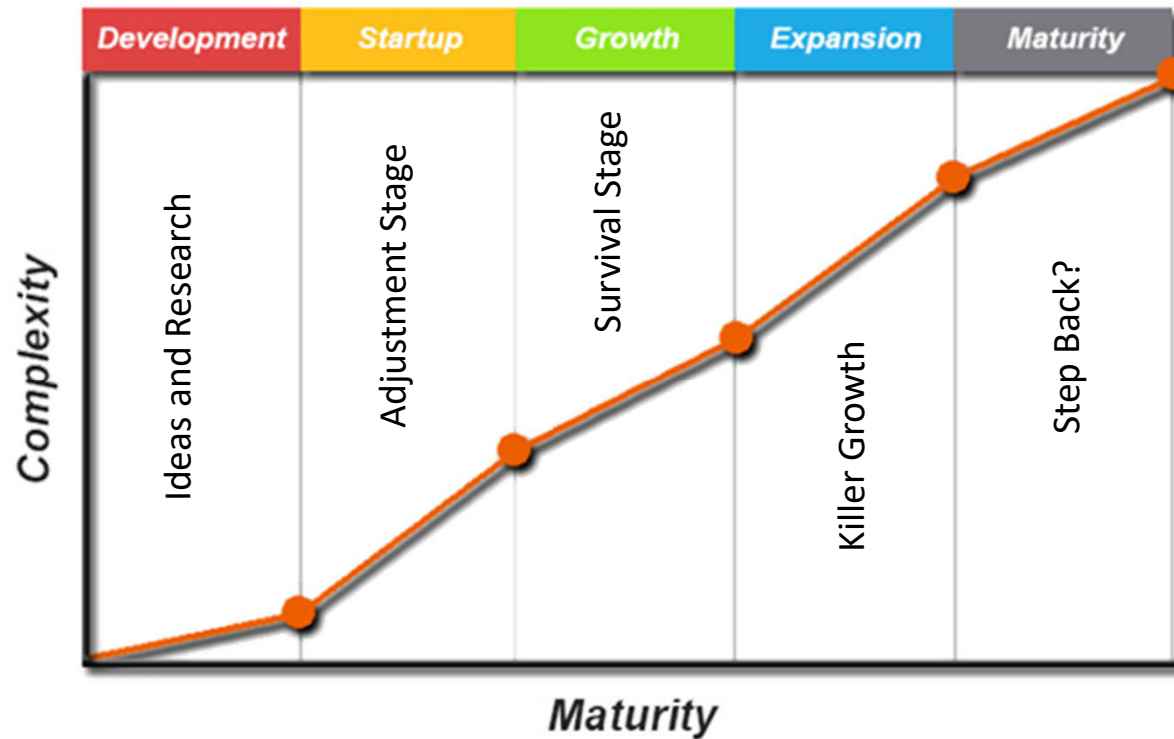
- Always keep the audience in mind!
  - Management – blueprint or roadmap
  - Debt providers (bankers) repayment ability and appetite for financial risk
  - Equity providers (investors) – demonstrate ability to generate acceptable profit levels (return on their investment)
  - Government and other regulatory agencies
  - Create a general or specific plan for each



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## Building a Durable Financial Plan

What is the stage of our business?

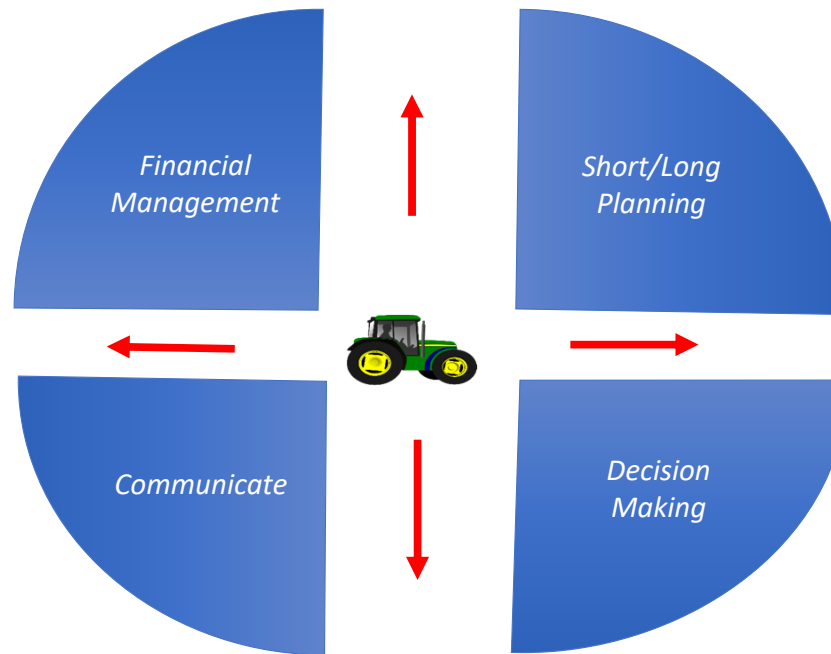






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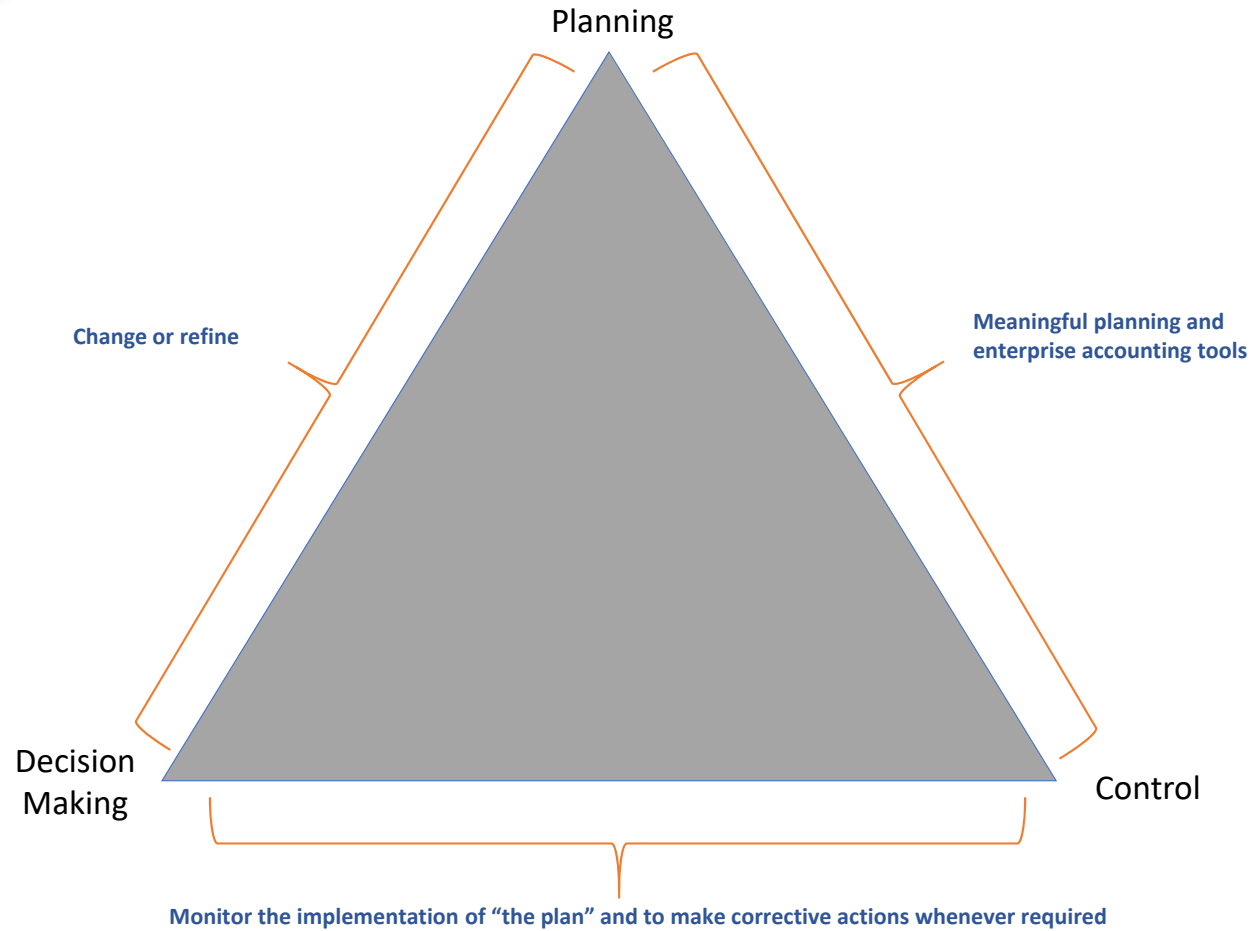
## Building a Durable Financial Plan





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## Basic Planning Skills are Well Executed



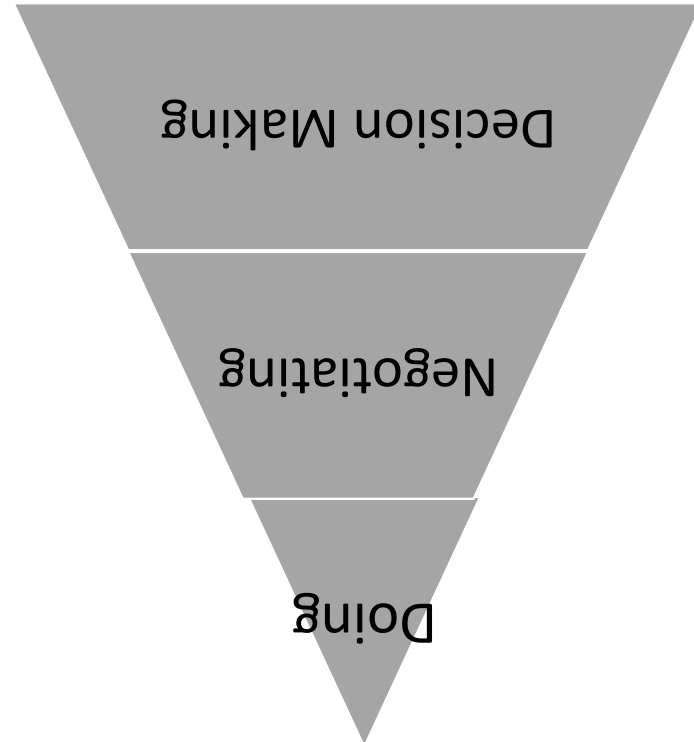


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**Time Appropriately Spent**



**Bad**



**Good**



Top producers plan outside the ordinary

Financial Crisis

Natural Disaster

Technology

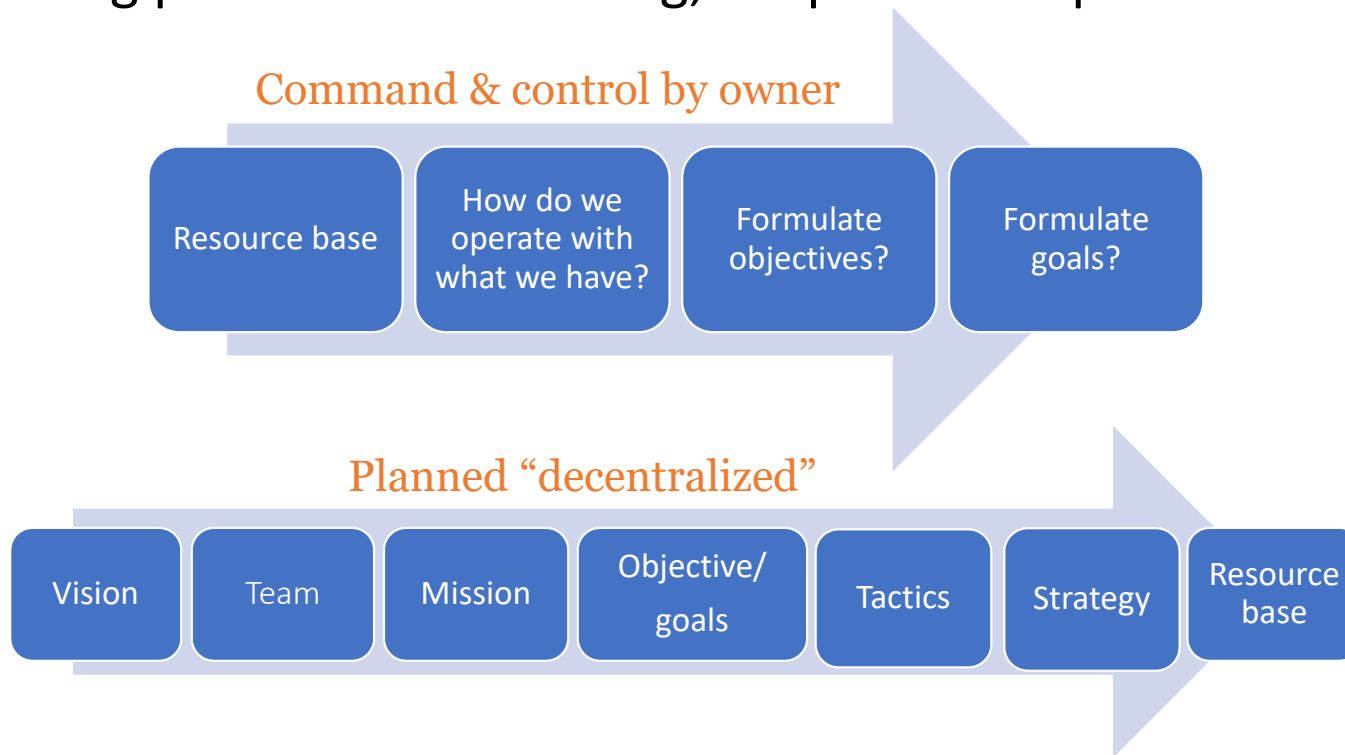
Political/Social



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## Building a Durable Business Plan

The planning process – small to big, simple to complex





Working capital is the first defense against market volatility, so store it in your herd equity during good times.

Leverage kills. Debt is usually purchased during good times, but it gets paid for during the bad times.

Focus on cost control. Look for those you can immediately control (feed and labor as an example).

Happy banker, happy borrower...

- Build a realistic financial plan
- Supportable revenue and expense plan
- Stress test your plan
- Plan for capital purchase plan



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## Plan Building – The Big 3

Assumptions	Actual	Actual	Actual	Projection
	12/31/15	12/31/16	12/31/17	Dec-18
Milking Cows	2,709	2,819	2,875	2,878
Dry Cows	433	426	545	460
Heifers	3,072	3,113	3,226	3,320
Bulls	96	91	98	89
Production/cow/day	62	64	68	72
CWT's of milk	617,747	657,548	711,493	756,338
Lbs. of Pool Quota (CA)	4,811	4,811	4,811	4,811
Milk Price (net)	\$15.45	\$19.09	\$17.11	\$17.55
Herd Turnover Total - Cull Cows + Dead Cows	57%	55%	48%	48%
Death Loss - Cows	7%	7%	6%	6%

Revenue Sources	12/31/15	12/31/16	12/31/17	Dec-18	Per Cwt.
Milk Sales (Net of Hauling & Assoc. Charges)	9,546,870	12,551,542	12,171,335	13,282,054	17.56
Cull Cow Sales	1,105,878	1,149,659	1,146,370	1,145,654	1.51
Bull Calf Sales/Heifers Calf Sales	3,000	4,000	8,500	106,816	0.14
Heifer Sales (Excess)	981,600	693,000	926,500	971,040	
Patronage Dividend	174,127	162,772	121,244	122,000	0.16
Other Income	42,264	19,750	116,108	117,000	0.15
<b>TOTAL INCOME</b>	<b>11,853,739</b>	<b>14,580,723</b>	<b>14,490,057</b>	<b>15,744,564</b>	<b>20.82</b>

FEED	12/31/15	12/31/16	12/31/17	Dec-18	Per Cwt.
Milking Herd Feed Costs (M.C. + D.C.)	5,224,927	7,557,673	9,251,513	8,323,817	11.01
Heifer Raising Costs	1,511,265	1,594,680	1,614,030	1,817,700	2.40
<b>TOTAL FEED</b>	<b>6,736,192</b>	<b>9,152,353</b>	<b>10,865,543</b>	<b>10,141,517</b>	<b>13.41</b>
<b>TOTAL LABOR</b>	<b>992,747</b>	<b>995,000</b>	<b>1,033,524</b>	<b>1,033,000</b>	<b>1.37</b>



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## Plan Building – Minor 2

General Expenses	12/31/15	12/31/16	12/31/17	12/31/18	Per Cwt.
Heifer Raising/Purchase (Non-feed)	972,900	930,510	926,500	971,040	1.28
Utilities	222,095	199,496	190,920	191,000	0.25
Fuel & Oil	133,797	195,156	227,217	228,000	0.30
Trucking & Transportation	13,072	11,324	8,825	8,900	0.01
Veterinary & Breeding	64,774	63,216	86,411	86,000	0.11
Supplies & Medicine & BST	441,151	395,815	428,701	428,000	0.57
Hoof Trimming & Testing	72,329	61,629	70,995	70,500	0.09
Repairs & Maintenance & Corral Cleaning	431,579	501,800	675,744	676,000	0.89
Taxes & Licenses	200,449	198,663	194,571	195,000	0.26
Insurance	161,448	185,031	135,570	136,000	0.18
Accounting & Legal	35,705	51,723	46,160	46,000	0.06
Partner Salary	65,000	60,000	55,000	55,000	0.07
Miscellaneous	81,664	101,001	70,149	70,000	0.09
Rent Only	335,582	353,135	383,741	383,000	0.51
Living Expense	167,535	287,923	101,426	11,600	0.02
<b>TOTAL GENERAL EXPENSES</b>	<b>3,399,080</b>	<b>3,596,422</b>	<b>3,601,930</b>	<b>3,556,040</b>	<b>4.70</b>

SUMMARY	12/31/15	12/31/16	12/31/17	12/31/18	Per Cwt.
TOTAL REVENUE	11,853,739	14,580,723	14,490,057	15,744,564	20.82
TOTAL EXPENSE	11,295,554	14,031,698	15,602,423	14,742,157	19.48
MARGIN BEFORE DEBT SERVICE	558,185	549,025	(1,112,366)	1,002,407	1.33
Your Bank Herd Loans - Principal Only	666,000	680,000	600,000	759,000	1.00
Friendly Land Bank Term Loan - Principal Only	105,000	105,000	105,000	73,000	0.10
Other Loans - Principal Only					0.00
Total Estimated Interest (All Loans)	236,383	239,582	266,322	267,000	0.35
<b>TOTAL DEBT SERVICE</b>	<b>1,007,383</b>	<b>1,024,582</b>	<b>971,322</b>	<b>1,099,000</b>	<b>1.45</b>
<b>TOTAL CASH OUTLAYS</b>	<b>12,302,937</b>	<b>15,056,280</b>	<b>16,573,745</b>	<b>15,841,157</b>	<b>20.94</b>
<b>MARGIN</b>	<b>(449,198)</b>	<b>(475,557)</b>	<b>(2,083,688)</b>	<b>(96,593)</b>	<b>-0.13</b>





## Stress test the big three independently

- Production then price
- Feed cost
- Labor cost
- Most useful on a CWT basis
- Annualized breakeven point in CWT

## As a management tool

- Monthly actual to budget
- Look for areas of improvement in Big 3 and Minor 2

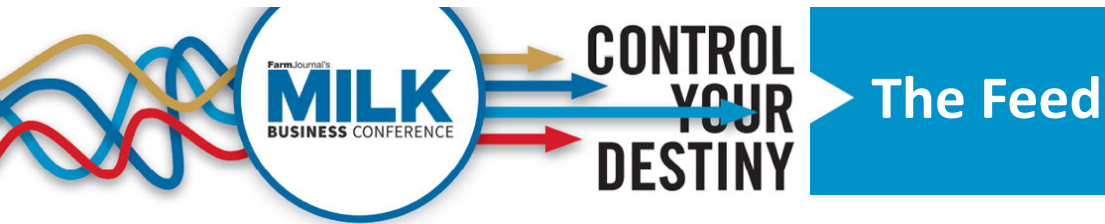


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**One Final Thought**

**NEVER BUY A DOG  
WHEN YOU'RE DRUNK**





- Quarterly publication
- Focus on sectors and stories relevant to the season
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**Thank You**