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Steps in Establishing A Successful Agricultural Enterprise

It's no insurance against setbacks, but having a whole-farm plan in place can help your family stay on course when difficulties unfold. "It's often tough to communicate as a family because you tend to focus so much on the day-to-day business operations of producing a commodity," says David Morrison, Ohio State University agriculture-natural resources Extension educator. Having a whole-farm business plan in place helps you stay true to your vision and the mission of the operation," he says. "It helps you stay on course and not get lost in the weeds of not having a plan, especially when you're facing big stressors like crop failures or tractor engines going down.

A whole-farm plan encompasses the breadth and width of your farm family's business. "You might say it gives a perspective of the operation from a distance of 30,000 feet, as opposed to a view from 10 feet away," says Morrison. A whole-farm plan addresses a broad spectrum of components, such as family values and goals, a business analysis and business goals, a business plan, retirement plan, transition plan, estate plan, and investment plan.

"The parts of the whole-farm plan are like spokes in a wheel. All need to work together in harmony for the long-term success of the operation, and all play a role in keeping it operating into the future," he says. The writing of a broad-based plan begins, of course, with the holding of family business meetings. Before the actual writing of the plan begins, the topics of the meetings might facilitate a process of taking stock of the family, individual assets and goals, and resources and goals of the business.

The following Steps are taken to establish an Agricultural Enterprise

1. Take stock of the family.

Look at the history of your family and its farm, and identify family values and family goals. It is valuable for the business to begin the planning process by reflecting on family and farm history," he says. "Valuable lessons can be learned by all the generations involved by examining past disappointments. The underlying values and goals of the family unit should also be determined. While these values and goals often remain unspoken, they have a large impact on how family members treat each other and employees, and how they make business decisions."

2. Assess individuals' goals, strengths, and also weaknesses.

"Each member of the farm business should conduct a self-assessment of his or her communication, financial, production, marketing, and management skills," says Morrison. "This is particularly important when bringing generations back to the farm." This process helps your family determine the areas of responsibility to be allocated to each person. A lack of skill or experience in certain areas could suggest outsourcing some jobs. Or, it could suggest a need for additional education or training. "You should always be looking at ways to help family members and employees improve their skills and strengths," says Morrison.

3. Analyze the business and set business goals.

A business analysis takes stock of available land, labor, capital, management resources, profitability, business structure, operating procedures, and employee management. "After taking a snapshot of where the farm business is currently, the family business team should develop key goals for the future," says Morrison. "It is important that each individual share his or her individual goals and skill-set assessments with the other members of the business during this process. Members can then work together to determine the responsibilities of each team member and to develop goals."

4. Write a mission statement.

A mission statement is a short statement describing the fundamental reason for the business to exist," he says. "It identifies the underlying values that are going to push your family and the business forward."

5. Write a business plan.

The previous steps comprise an internal analysis that can be used to develop plans encompassing the diverse areas of your farm's operation. A business plan helps your family develop a plan of action for production and operation practices," says Morrison. "It also helps develop plans for the financial, marketing, personnel, and risk-management sectors of the business.

This analysis could also examine the strengths, weaknesses, opportunities, and threats in each of these areas.

6. Plan a transition strategy.

This describes how your farm will be transferred to the next generation. It encompasses both the transfer of assets and the transfer of managerial control. It describes how the retiring generation will transfer their knowledge to the younger generation, and how and when managerial responsibilities will be transferred.

7. Make an estate plan.

Farm estate planning determines how your farm's assets will be distributed upon the death of the principal operators," he says.

8. Outline an investment plan.

Investments vary widely by family and farm, typically comprising land, machinery, and livestock. Others have off-farm investments also. Determine how these investments affect future needs.

9. Set goals in all areas.

Setting goals establishes a plan of action for each area of business activity," says Marrison. "Set measurable goals that are short, mid, and long term. At monthly family meetings, you can look back at the goals you set in each major area of planning. Reviewing goals keeps them in focus, even though you might not be able to act on them until a future date."

10. Plan for the unexpected.

In each planning area, work into the plan a what-if scenario. "Look at what unexpected things could happen," he says. "Having conversations about those what-if circumstances no one wants to think about could help you stay on target and not get stressed when bad things happen."