

A bright future for commercial farmers ... but navigation skills required!



Bruce & Barbie Brown

* Bruce Brown

"The fact is that there are many things that farmers now have to manage, apart from the technical and operational issues that they already manage very well... the current generation now has to work more 'on the business' than in it ..."

The future for South Africa's commercial farmers is bright according to recent information from the Department of Agriculture (NDA). There has been a sustained upward trend in productivity, in terms of the value of gross farming income and everything that is produced by farmers here is consumed locally or exported.

The NDA's statistics show a number of very encouraging trends. Both gross farm income (GFI) and net farm income (NFI) have increased significantly in recent years, and the market value of farmland has increased. Farm debt has increased but the increase has not been at the same rate as the increase in land values. Debt is now a very much smaller proportion of GFI than it used to be, so farming "wealth" or equity has increased.

What is not so encouraging, however, is the continuing decline in the number of commercial farmers. The number of farming units decreases on average by between 1100 and 1200 units every year. How can this be happening when both productivity and margins are increasing?

The fact is that there are many things that farmers now have to manage, apart from the technical and operational issues that they already manage very well. No sooner is "Plan A" up and running than something in the environment changes, and now a "Plan B" is needed instead. This in itself represents a shift in paradigm: "Plan A farming" is in reality a continuous series of Plan B's. Capacity for flexibility and awareness and a posture of anticipation have become the norm.

Keeping up is difficult. In today's environment hard work alone does not guarantee success. Our grandfathers' generation did well through hard work, our fathers' generation did well through advances in technology and improved genetics and varieties, but the rest of the world has caught up. The current generation now has to work more "on the business" than in it, and this is generally not a welcome development!

Crop and animal production is a dynamic system, and it meshes together many different disciplines under the umbrella of farming. A good producer needs to have a sound understanding of all the farming sciences but must also take account of all the external factors crowding in on the farm.

We need to keep up, but is it only a question of attending field days, employing a consultant and attending congresses? How far does incremental change go? The fact is that it has helped considerably,



but perhaps the question should be "what else can we do that we are not doing now?" **Perhaps the objective is to initiate and facilitate transformational change - in addition to ongoing incremental improvements in resources, method and practice.**

If this is true then farming family members must be business-persons first and foremost. To sustain a competitive advantage in today's environment they must be willing to reinforce their natural farming aptitude by deliberately developing their strategic management attitudes, professional skills and baseline knowledge. It does not mean that there won't be winners who get through by the seat of their pants - they will always be around - but for most of us the whole approach must change as the business environment changes. Plan A is not written in stone, there is no such thing as a good plan that never needs to change.

Where we might once have expected that there would be stability and security in farming there is now "permanent whitewater", according to organisational consultant Peter Vail. The "ship", as it were, may be water-tight and sound, but navigation skill becomes a critical issue in permanently shallow and fast flowing "waters". If your intention is to sail then you must be a good "sailor", but now you have to be a confident navigator too.

There are a number of things farmers can do to make the transformational shift and to make their planning more effective. Given that the whitewater is permanent, then the first thing would be to accept and anticipate that methods and practices - and the production focus - will always be changing. The changes may be small and frequent, or big and sudden. The "current", however, is always there to steer against. They could deliberately examine their

choices and options. Then, if they expect farming to provide an acceptable return on the risk of doing it, and the means to provide a good lifestyle for family and staff, they must be certain of its capacity to do so.

We could think of farming from season to season as the “journey” to the preferred future. We could be aware that there are choices of which “vehicle”, or “ship” if you like, will take us there. It may be a different vehicle altogether, or a modification of the one we already have. The point is that the vehicle must be the “right” one for the circumstances, and it must be in good “running order”. Sentiment and a fixed way of “being” in farming often make this very difficult to identify.

Farmers must “know” their business. This does not mean only that they must be on top of the technical and operational issues. Michael E Gerber, in his book “The E Myth”, talks about the difference between working-in-the business on one hand, and working-on-the-business on the other. For example, in the one paradigm, the land and production business (livestock, crops) may well be considered to be one entity, whereas in the other paradigm the land is one business and the production business is another.

Return on investment is a critical issue, especially if the return is not better than inflation. The working-in-the business model seldom outperforms inflation but it is often “justified” by red-herring references to the increase in land value over time. The working-on-the business model, which expects a return from both the land and the production business, aims specifically to beat the effect of inflation on farming wealth.

This is an important realisation for commercial farmers, now, when land values have gone up and debt ratios have come down substantially. Returns on investment in agriculture are generally low, especially if compared to other forms of investment. If sustainability over a generation is to be secured in a farming enterprise then the “whole” farming business must be made to “work”. Underutilised “assets” represent a significant “subsidy” in agriculture.

The opportunity to achieve business growth and lifelong sustainability are often mislaid, owing to a short term technical and operational focus on production / breeding / development targets, and an expectation that “this is what farming is like”. Opportunities are not created. They must be identified and captured when they occur. Preparation and positioning, and the capacity to identify the opportunity, are needed to do this effectively.



An element of this preparedness refers to the capacity to know how well the business is running. Just as it would in any vehicle, this will depend on a good flow of the right information, displayed correctly. This is something that will make the continuous shift in farming easier to achieve and the planning more effective. It is something that commercial farmers can easily do something about. This is not a reference to bookkeeping for tax purposes or the cashflow budgets that are required by the banks. This is a process that clearly identifies real farm economic data (i.e. profitability) separately from financial data (i.e. solvency), in each production cycle. The analysis of this data is not subject to any grey area tax interpretations. It provides a view of the farm business in relation to best practice models, and of the weaknesses that need to be eliminated. The issue here is not the process itself or the means to do it, but rather that many farmers simply do not like this working-on-the-business activity and will avoid it!

Very few commercial farmers will hesitate to service vehicles or equipment when it is needed, and yet very few will go through a process of fine tuning, or servicing their businesses, or deliberately overhauling them completely if that is what is indicated.

Commercial farmers, working periodically in a structured networking and coaching environment for servicing their businesses, can learn from one another more than from any other source. There is an ancient Chinese proverb to describe the value of this exchange: “If you have an apple, and I have an apple, and we exchange them, we each end up with only one apple. But if you have an idea and I have an idea, and we exchange them, we will each end up with two ideas.”

What you do with these ideas is where business and professional development, and better stewardship, begins.

**“My wife and I are owner/directors of RCS(South Africa), based in Harrismith in the Eastern Free State. My wife, Barbara, is South African, born in Grahamstown, and I am a South African citizen born in Zimbabwe. We were farming in Zimbabwe until 2001 when we were forced off our farm 150 km north east of Harare. We began our careers in professional and business development for farming families in Zimbabwe, working with commercial farming communities there during the period leading up to the land invasions. This work took us to Australia where we went to examine the work done by RCS Australia, and we subsequently set up the South African branch of the same company in 2003. Terry McCosker, owner and director of RCS Australia, is a director/shareholder in RCS(SA). The motivation for these investigations and the formation of RCS(SA) comes from a deep conviction that it is imperative for farming families to deliberately “position” for the future in commercial agriculture in Southern Africa. This is a process of stewardship and change over a period of time that people find difficult to accomplish on their own. It is beneficial in terms of the improvement in their effectiveness and their confidence, deliberately managing for a preferred future and not just going with the flow and hoping for the best.”*
Ph: 058 622 1499, Cell 083 781 3441, Fax 086 511 0634, info@rcs-sa.com



Working ON the business

Comments from RCS members



Ignorance is bliss. Often life is “oh so easy” when we don’t know what we don’t know. RCS has been a huge eye opener for me. I have been inspired to get out of my comfort zone and view my business and private life in a new light. I have learnt that a shift in paradigms, and to do things differently is imperative for business and personal growth. In family owned businesses breakthroughs are most often achieved

when soft (inter-personal) issues are successfully addressed, and RCS facilitates this in a very professional manner. Another realization is that working on the business (i.e. spending more time in the office on strategic issues) should not be ignored in preference of the day to day running of the farm business.

Richard Smart



Many consulting services charge their clients a fortune to process their data and then tell them what their (limited!) options are. The heart behind RCS, however, is to empower family businesses to be in control of the whole process themselves. The practical courses that they offer on grazing, economics and investment are excellent, but what really caused me to grow was networking with like-minded

individuals and being constantly pushed to explore new ideas and shift my paradigms. Their board system ensures that businesses are accountable for implementing and following up on decisions made. As a family farming business, RCS has really helped us to understand each other and to learn to deal with the soft (personal) issues. RCS has given us the tools to succeed into the future and to reach our personal and business goals.

Stuart Southey