

Gear Up for "Someday"

A long-range business plan is key to success **BY ED CLARK**

For most farmers, developing a long-range business plan is about as exciting as fixing fence. Few tasks have more bearing on success, though, than a 10-year plan.

Master planner and innovator Bill Gates said: "We always overestimate the change that will occur in the next two years and underestimate change that will occur in the next 10. Don't let yourself be lulled into inaction."

Consider the following eight tips when devising a long-term plan:

1 Think scenarios, not prices. "It's not prices per se we're interested in," says Michael Boehlje, ag economist at Purdue University. Rather, it's identifying possible scenarios and thinking through how you will change your business if they occur. "It's called contingency planning," he says, and includes both optimistic and pessimistic possibilities. Ideally, it's best to develop four response strategies for each scenario.

2 Be flexible. The goal of long-range planning is not to pick which contingency will be right but to develop

flexibility to respond to changing business conditions, Boehlje says. One benefit of thinking through a 10-year plan is that your less likely to respond emotionally to shifting conditions.

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3 Key considerations. Danny Klinefelter, Texas A&M University ag economist, says developing a contingency plan must take into account: biotech breakthroughs; changes in on-farm technology; energy independence; and changes in the global political and economic environment.

4 Keep your options open. Because it's impossible to know which contingency will play out, it might make more sense to lease facilities, for example, rather than build for the time being, Klinefelter advises. You can invest later when you have a firm direction.


5 Long horizon line. A long-term game plan is critical when making asset purchases such as farmland,

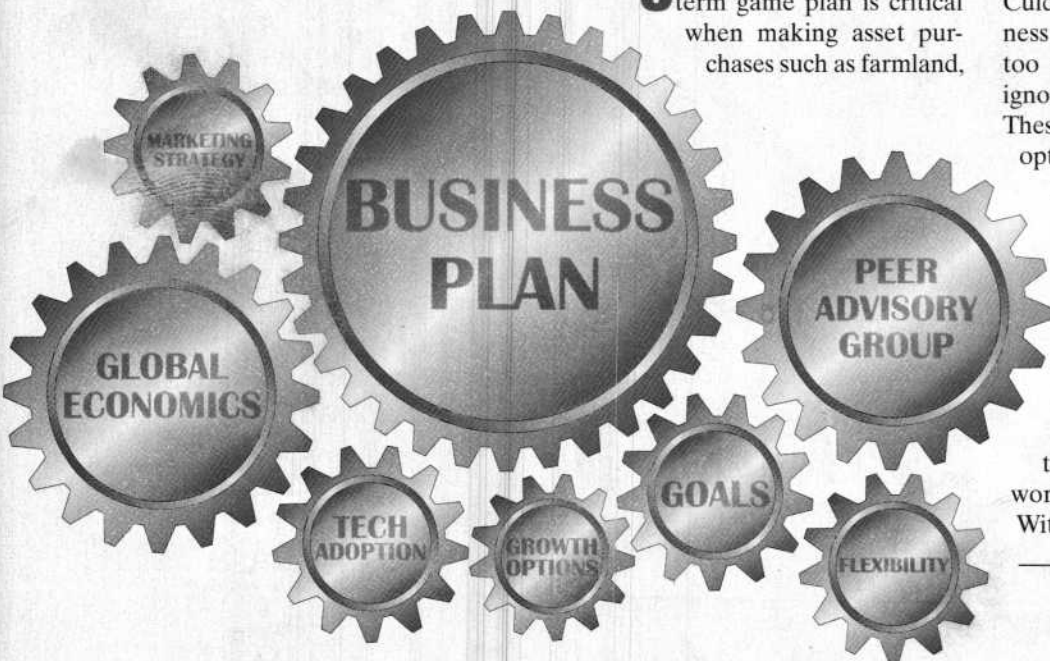
which requires a long horizon line. When contemplating high-dollar purchases, consider the effects of an investment if conditions change, Boehlje advises. For instance, run a potential \$20,000 per acre land purchase through various market conditions.

6 Network and read. Become involved with a peer advisory group. It's a great source of ideas, Klinefelter advises. Track changes occurring outside of the ag industry and how other sectors are responding to change.

7 Think global. Factor in political and economic shifts in China and the fact that Brazil and Argentina have embraced policies to keep foreign investors from owning farm assets. Africa could emerge as a major competitor in the long term, Klinefelter says.

8 Think implementation. Look at the strategic issues critical to your business, drill down on each issue and develop three to five year implementation goals and action plans with checkpoints, says Dick Wittman, a Culdesac, Idaho, farmer and farm business consultant. Most operations focus too much on day-to-day tactics and ignore more strategic issues, he says. These include transition plans; growth options; changes in tillage systems; optimal business structure and entity design; technology adoption; networking; and outsourcing versus in-sourcing.

"We tend to avoid [long-term planning] because it's easier to go to the shop and farm. The strategic thinkers who can also execute hard thoughts are often the survivors in the competitive world within which we operate," Wittman says. 



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