

**AGRICULTURAL MANAGEMENT INSTITUTE
AGRICULTURAL ADAPTATION COUNCIL**

**Assessment of Farm Business Management
Needs of Farmers and Training Needs for
Farm Advisors**

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Executive Summary

Overall our research indicates that the majority of farmers utilize a farm business advisor at some level. There are, however, several significant barriers that prevent many farmers from adopting different farm business management practices or from using farm business advisors (FBAs).

The main barriers to adopting new practices or utilizing FBAs are:

- lack of perceived need to change farm business management practices
- lack of understanding of the benefits and value of using farm business advisory services
- the culture of farmers is a self-reliant and independent one, therefore some farmers do not readily use the services of FBAs
- lack of understanding of what a FBA is and what farmers should expect from an advisor

While many of the farmers surveyed indicated they do not plan to start using a FBA for additional services, there is a sizeable opportunity for business and succession planning advisory services. Over one-third of farmers indicated that are considering using a FBA for succession planning. This can be attributed both to the current demographics of the farm population and to the educational efforts over the past few years. In addition, 20% of farmers indicated they are considering using a FBA for business planning or strategic planning, which represents both a positive outlook for the industry and a sizeable opportunity for advisors.

Our recommendations to overcome these barriers, improve accessibility of farm business management resources and improve farm business advisory services are as follows:

- Continue marketing efforts designed to drive the need, promote the benefits and create a farm business management culture.
- Increase the understanding of FBAs by defining what farmers can expect from a FBA and by promoting the benefits of utilizing advisory services.
- Provide training opportunities for FBAs, namely:
 - o Marketing and Sales Training
 - o Effective Communication Training
- Identify information gaps and develop data for each sector to ensure that detailed cost of production, benchmarking and information on best management practices are available for farmers and FBAs.

Introduction

The Agricultural Management Institute has identified a need to survey farmers and farm business advisors to assess the current level of farmers' awareness and accessibility to farm business management resources. The assessment will also identify any gaps between available resources, farm business advisors training and farmers' expectations. Results will provide the basis for creating specific training materials and communication tactics to bridge any gaps.

Project Goals

The goals of the assessment, analysis and recommendations are as follows:

- Improve accessibility of farm business management resources for farmers and advisors
- Improve farm business advisory services (awareness, participation, utilization of tools, greater satisfaction)
- Increased awareness of farmers utilizing these advisory services
- Identify farmer expectations of farm business management advisors
- Identify potential training areas for farm advisors

Project Methodology

Issues & Insights approached this project by conducting interviews with FBAs, farmers across various agricultural sectors, and other industry stakeholders and experts. The interview findings, observations and conclusions have been documented in an actionable report including final recommendations.

This approach consisted of the following steps:

- 1) Discussion Guide and Surveys – Development of discussion guides and surveys for use with FBAs, farmers and industry stakeholders.
- 2) Interviews / Surveys – Issues & Insights conducted several phone interviews with FBAs and received 15 written surveys via Canadian Association of Farm Advisors (CAFA) chapters and Canadian Farm Business Advisory Services (CFBAS) advisors. Telephone surveys were conducted with 100 farmers in January 2008. In-person or phone interviews were completed with 10 industry stakeholders including representatives from Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Agriculture and Agri-Food Canada (AAFC), Canadian Farm Business Management Council (CFBMC), Ontario Federation of Agriculture (OFA), L'union des cultivateurs franco-ontariens (UCFO), as well as several producer organizations.

- 3) Observations, Conclusions and Recommendations – Issues & Insights utilized the information gathered during the interviews to develop observations and create recommendations to help achieve the project goals. These recommendations were developed to be practical and actionable, including strategies to bridge the communication gap between FBAs and farmers.

Findings from Survey of Farmers:

The following is observations and highlights gathered from the survey of 100 Ontario farmers asking about their use of FBAs and their understanding of the role that an FBA could play in their operation.

- The majority of farmers currently use an advisor for accounting or tax-related management services.
- The majority of farmers **do not** utilize an advisor for other advisory services such as risk management, business planning or succession planning
- Overwhelmingly, farmers who are currently using an advisor plan to continue using an advisor for that particular service.
- The majority of farmers, who are not currently using an advisor in a particular area, do not plan to start using an advisor in the future. There is, however, a sizeable opportunity for business and succession planning advisory services
 - The main areas in which farmers are considering to start using advisory services in the future are:
 - Farm succession planning (36%)
 - Business planning or strategic planning (20%)

Advisory Service	Currently Use an Advisor	If yes, do you plan on continue using an advisor?	If no, are you considering using an advisor in future?
Bookkeeping or accounting	68%	100%	6%
Filing tax returns or govt. program applications	84%	98%	0%
Tax planning	59%	100%	15%
Insurance or risk management	27%	96%	8%
Business plan or strategic plan	13%	85%	20%
Planning for farm expansion	5%	80%	15%
Succession planning of farm transfer	25%	92%	36%

- The main reason stated as to why farmers do not plan to use new or different advisory services in the future is lack of perceived need.
 - Don't need these services in my operation
 - I can do it myself; I do not need outside help
- Farmers are generally satisfied with the FBAs they are currently using. (77% are satisfied or extremely satisfied.)
 - “They do an amazing job, they came with great recommendations.”
 - Mean score of 4.08 out of a possible 5.0 for satisfaction
 - Farmers with gross revenue higher than \$500,000 were less likely to say they are extremely satisfied with their FBA, than farmers with gross income less than \$100,000

Farmer Satisfaction: Farm Business Advisor Performance by Farm Size
(based on Gross Revenue)

	Under \$100K	\$100-250K	\$250-500K	\$500-750K	Over \$750K	Total
Dissatisfied		4%				1%
Neutral	25.8%	16%	20%	16.7%	21.4%	22%
Satisfied	32.3%	60%	40%	50.0%	50.0%	45%
Extremely Satisfied	41.9%	20%	40%	33.3%	28.6%	32%
Total	100%	100%	100%	100%	100%	100%

- Farmers feel that their current FBA is sufficiently knowledgeable to provide advisory services for their operation
 - 74% responded that their FBA has enough knowledge
 - 29% responded that they would like to see their FBAs to be more knowledgeable in certain areas
- When asked how their FBA could improve, farmers responded with a wide range of comments. Three main themes emerged, as follows:
 - Provide more information and advice (21%)
 - A little more information in general
 - More strategic planning
 - Take a little more interest in the business and give more advice

- Be more responsive (21%)
 - Be more prompt in responding to questions
 - Make themselves more available
 - More proactive. Said they would help if asked but would like them to offer advice earlier on

- Be more aware of sector / my business (15%)
 - Be more aware of the actual business
 - Be more familiar with various sectors
 - Keep up to date

- When looking for an FBA, 51% of farmers look to other farmers (word of mouth) and 19% look to referrals from their current advisors. Commodity groups, input suppliers and government representatives all scored below 5% of responses

Findings from Farm Business Advisor and Industry Stakeholders

The following information was collected from interviews and written surveys with FBAs as well as interviews with industry stakeholders.

Barriers

Barriers preventing farmers from utilizing the services of FBAs include:

- Lack of time, money, perceived value, language skills and the self-reliant culture of farming are all barriers to farm advisor usage
- Cost. There is still a major challenge in front of us to educate farmers as to Return on Investment (ROI) on advisory services
- Many producers still have the idea that farm business advice should be 'free' as in the days of provincial extension services
- Lack of knowledge about what is being offered
- Lack of interest/understanding in farm business management
- Farmers do not readily use an advisor unless they have a problem or a specific need (i.e. tax return, succession plan)
- Strategic and business planning is perceived by the stakeholders as a very important service, but very few farmers have an advisor in this area
- Different people have different definitions of farm advisor as well as farm business management
- Raising awareness and educating farmers of the benefits of having an advisor is necessary. Get farmers talking to farmers about the benefits is key.
- There is not one clear source for finding farm business management information or farm business advisors

Benefits

Main benefits FBAs communicate to clients regarding advisory services:

- Proof (Dr. David Kohl's work) that the Return on Assets (ROA) is greater among those producers who use advisory services compared to those who don't
- Providing an unbiased, objective opinion of how the business is performing
- Third-party, non-partisan opinion and experienced outsider look at your business

Role of FBAs

FBAs are seen as being most effective when they are part of the farm management team with their clients. They provide valuable, unbiased advice to clients to aid in the farm business planning. FBAs also indicate that providing facilitation with banks and other organizations that the farmer deals with is of value. Comments from interviews include:

- Bring not only a broader base of knowledge to the table, but also an unbiased, more objective perspective

- Align yourself as part of their management team
- Ask relevant questions that may challenge the thinking of the farm manager
- Make suggestions on other things to consider in the operation
- Provide an outside perspective about the operation and about the industry and where it is headed
- There are certainly services that the client would like us to provide, so as to 'short cut' cost, but there are legal and professional standards one must abide by
- Trust is an essential element of a successful farmer/farm advisor relationship

Services

Beyond core services such as accounting, tax returns, and legal advice, the most commonly requested services (ranked in order of popularity) are:

- Succession planning – request for help planning the transfer of the farm business or developing a plan to retire from the farm business
- Business and strategy planning
- Human resources management (in certain sectors)
- Farm expansion or diversification planning
- Marketing and a value-added approach (beyond grain marketing skills)

Additionally, there appears to be enough farm advisors in the financial/taxation area as well as in the farm succession planning field. The industry can benefit from more advisors who can provide a proactive, strategic and holistic look at farm businesses.

Training of Advisors

In general, it's perceived by industry stakeholders that FBAs don't always know enough about agriculture, which can negatively impact their credibility.

FBAs by in large do not feel there is a need for additional training. They believe they are well-versed in the industry and provide the services that farmers want and need. However, when asked if they are interested in further tools and resources to enhance their skills and business, the responses are as follows:

- The advisors indicated they currently make use of OMAFRA factsheets and seminars.
- Courses on each part of the industry including production cycles, costs, etc.
- Cost of Production (COP) studies, 10-year income and expenses for various sectors, resource list of financial management information
- Provide the consultant with more statistics, trends, changes in government policy etc. in the different sectors

- The biggest weakness I see today is lack of ‘business management data’. We need good benchmarking, solid information for budgeting, Cost of Production information has lagged behind the technology.
- Timely overviews of money market conditions would be of value
- Cross information from other sectors of the agribusiness community, eg. legal, accounting, lending, management
- Improved communication skills – clarity in the communication lines between the producer and the advisor

Training format

FBA's are flexible in the way they would like to receive new industry information and training. Most indicated they would participate in courses presented as self-directed online learning, in a webinar and in-person resources.

- Webinar/on-line courses/distance education was rated as the most preferred method for training
- Seminars or in-person courses are recommended, however, timing and location are an issue for some. It was noted that September to November and January through April would not be suitable times for courses
- Networking opportunities with other FBA's was also rated highly as a learning opportunity

Promotional Needs

FBA's also indicated areas that would benefit from more promotion.

- Need to motivate the clients to do financial, retirement, estate and succession planning
- Increased use of a referral network
- Specific industry benchmark can change from one year to the next
- Regional workshops on specific industries in the local marketplace can be very helpful

General Observations:

1. Barriers Limit Adoption of Farm Business Management Practices

Overall the most significant barriers to adopting farm business management practices or to using FBAs are the lack of perceived need and the lack of understanding of the benefits. Secondly, the culture of farmers is self-reliant and independent. As a result, farmers do not readily use the services of FBAs.

Cost / Perceived Value / Perceived Need

There is a lack of understanding of the benefit and value of farm business management and using FBAs. This is expressed either as a cost objection, a statement that farm business management services are not needed in their operation, or a statement that the farmer has no time.

- Perceived high cost for advisory services (especially when hourly rate for consulting is quoted)
- I've got to pay lot of money, but what am I going to get back?
- There's a lack of awareness/education about how business planning can help your business.
- Too busy to set aside time for planning (not valuable enough to make time for)

Culture

There is a lack of willingness to adopt new farm business management practices and reluctance to pay for advice because of the self-reliant culture of farming.

- Farmers don't think anyone else can understand their farm or their intentions
- I can do it by myself attitude
- In private business, it's standard practice to hire specialists as you need them. Farmers tend to be more self-reliant.

2. Lack of Understanding Related to FBAs

There is confusion with farmers and the industry as to what an FBA is, and what farmers should expect from an FBA.

The majority of advisors provide accounting and tax-related advisory services; farmers tend to be unaware of additional services that could be provided by the advisor or the value of that advice. They don't know what to expect beyond what they are doing today. Furthermore, farmers tend to only look for help when a problem or situation arises (i.e. farm succession).

There is a need to define what an FBA can do in order to promote the benefits of utilizing advisory services. The relationship between FBAs and their clients needs to be proactive – rather than reactive or transactional.

3. Farm Business Advisor Approach

Farmers who are currently using an FBA plan to continue using an advisor and are generally satisfied with the services/knowledge provided.

The following are observations related to how FBAs approach their clients and market their advisory services.

Trust – Trust is an essential element in the relationship between the farmer and advisor. Building that trust and credibility takes time, but is a key ingredient required for success.

- Farmers are sometimes reluctant to share personal information
- Advisors should be knowledgeable about the sector their client operates in
- Trust is a big one. They don't trust advisors...that are not coming from a farm background.
- They're looking for pretty sensitive information. They've got to have that trust developed.

Hourly Rates – Hourly consulting rates are an issue with many farmers. It is natural to compare an hourly consulting rate to an hourly wage they pay for farm labour.

- “Sticker Shock” leads to many farmers with the feeling that consultants and advisors are over-paid and not worth it
- I must have 20 individuals a year who ask what it would cost to have me as an advisor. When you tell them the services you provide and billing rate per hour, 19 don't call back.

Agricultural knowledge – In-depth knowledge of the sector as well as the farmer's individual operation is key to client satisfaction. Staying current with the industry information and future trends is also important so that advisors can provide an objective viewpoint, bring a broad perspective and are focused on the future.

- They have to understand my business more
- Agricultural mindset. Not just money

Communication – Communications between the farmers and their advisors is an area for improvement. An accountant, for example, may explain the financial numbers to a farm client, but the client may not understand the information or the implications for their operation.

- It wasn't a matter of lack of knowledge, but rather just the presentation of the knowledge that needs some work
- Make the farmer understand better. Communicate better with the farmer.

Word of mouth – Word of mouth and referrals are the main methods that farmers and FBAs use to locate each other.

4. Information Requirements

Cost of production and benchmarking information is needed to help FBAs with properly assist their clients. Currently the information for some sectors is viewed as being to high level. Information needs mentioned are:

- Cost of production data (up to date, detailed COP data)
- Benchmarking information for each specific sector
- Key management decisions and best practices of successful operations

Farmer participation in data collection was identified as a barrier to creating cost of production and benchmarking data.

5. Opportunities for Succession and Business Planning

One third of farmers indicate that they are considering using a FBA for succession planning and twenty percent of farmers indicate that are considering us a FBA for business planning.

Recommendations

1. Drive the Need, Promote the Benefits and Create a Farm Business Management Culture

- Develop a marketing campaign (or continue the current marketing efforts) to promote farm business management practices and the need for farmers to consider changing how they manage their operation.
- Develop key messages and specific case study examples that show the benefits and value of improving farm business management practices. Showing positive financial results or ROI information is ideal (whenever possible).
- Create a farm business management culture through public relations and advertising efforts. Farmers look to print publications and electronic publications for production information that can improve their operation. By increasing the frequency of farm business management topics in the editorial content of the main publications and electronic news sources, we can speed up the shift towards a culture that values business management.
- Create farmer-to-farmer and farmer-to-FBA interaction opportunities. Peer-to-peer communication on the topic of farm business management can be an effective way to share positive stories and reinforce the value of farm business management. Presentations by farmer advocates and by FBAs can be made at events such as:
 - Innovative Farmers of Ontario conference
 - Farm Smart Conference
 - Meetings in conjunction with Soil and Crop Improvement Association
 - Meetings in conjunction with producer organizations

2. Increase Understanding of FBAs

- Define what an FBA is and what farmers can expect from an FBA. By creating a clearer picture of what an advisor is, what added-value services they offer and how best to work with an advisor, farmers will be more apt to utilize advisory services and to see the added value.
- Raise the profile of FBAs by using success stories. Create success stories and profiles of positive experiences between farmers and advisors.

- Increase the credibility of FBAs by strengthening and promoting the CAFA. Farmers are familiar with professional accreditations (such as Certified Crop Advisor) and, while a professional accreditation is not the main decisions criteria when selecting an advisor, it can help to raise credibility and increase trust between a farmer and an advisor. By introducing CAFA to farmers, it will help to promote the use of FBAs and legitimize the need for advisory services.
- Strengthening CAFA's continuing education requirements in the future will also help to improve the quality of CAFA advisors and credibility of the CAFA accreditation.

3. FBA Training Opportunities

Based on the observations, some farm business advisors can benefit from changing their approach with farm clients, and by marketing the value they bring to farm operations. We recommend creating the following training opportunities for FBAs:

Marketing and Sales Training

Develop a training seminar(s) and/or training modules that will help improve FBA sales and marketing skills of FBAs. Advisors have indicated they are flexible in terms of the method of delivery for training, thus these modules can be developed to be online self-learning, webinars or in-person seminars.

Marketing and sales topics will include:

- Marketing your advisory services (showing the value, benefits and ROI to your clients)
- Pricing your services in a customer-friendly manner (avoiding the sticker shock of hourly consulting rates)
- Referrals (building your FBA services based on referrals)
- Building credibility and trust with farm clients

Effective Communications Training for FBAs

Develop a training module to improve communication skills of FBAs. Effective communications training will enhance the client relationship. This material can be utilized in conjunction with existing seminars and conferences, such as the OMAFRA Farm Tax Seminar, CAFA Annual Conference, CAFA Chapter meetings and possibly the Institute of Chartered Accountant Seminars.

Communication topics will include:

- Encouraging clients to ask questions
- Clarifying that clients understand
- Reducing financial jargon and telling the story
- Creating a path forward for farm clients

Agricultural Knowledge

Staying current with agricultural issues and having a solid understanding of the

various sectors is important. FBAs should be reminded of this, but we do not recommend any further resources be developed. There are already many existing resources and information sources available. It is recommended that updates continue to be provided during existing seminars and conferences, such as the OMAFRA Farm Tax Seminars and CAFA Chapter meetings.

4. Information Requirements Gap Analysis

Cost of production data and other key metrics were identified as needs by several FBAs, however some of this information does currently exist for specific sectors. An inventory should be taken of the current data available and a gap analysis of missing information should be completed.

Once information gaps have been identified, producer organizations for these specific sectors should be approached to determine if they are interested in developing better data for their producer member, and will encourage their members to participate in data collection.

5. Opportunities for Succession and Business Planning

FBA should be made aware through CAFA, that succession planning as well as business and strategic planning were identified as opportunities, but that a more proactive, consultative approach is needed to uncover these needs.

Appendix

Farmer Survey Demographics

The following defines the demographic make-up of the farmers interviewed for the assessment.

Primary business area

Response	Frequency	Percent
Field Crop	59	59%
Dairy	13	13%
Egg	1	1%
Livestock	22	22%
Fruit and Veg	4	4%
Greenhouse / Nursery	0	0%
Other	1	1%
<i>Total</i>	100	100%

Full time / part time

Response	Frequency	Percent
Farm Full time	78	78%
Have secondary jobs	14	14%
Farming is my second job	8	8%
<i>Total</i>	100	100%

Gross Revenue

Response	Frequency	Percent
Under \$100,000	31	31%
\$100 to \$250	25	25%
\$250 to \$500	15	15%
\$500 to \$750	6	6%
Over \$750,000	14	14%
Refused	9	9%
<i>Total</i>	100	100%

Age

Response	Frequency	Percent
Under 35	3	3%
35-44	14	14%
45-54	28	28%
55-64	28	28%
65 and Over	22	22%
Refused	5	5%
<i>Total</i>	100	100%

Describe your business

Response	Frequency	Percent
Plan on expanding	21	21%
Keeping things the same	53	53%
Plan on reducing	11	11%
Plan on retiring	15	15%
<i>Total</i>	100	100%