

FUTURE DROUGHT FUND SUBMISSION

FEEDBACK to the Act on behalf of the Farm Owners Academy

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Date Thursday 12th December 2019.

Please see our responses to the questions posed within your formal survey:

1. To what extent do you agree or disagree with the Funding Principles listed?

Strongly Agree

- We strongly support the funding principles underpinning the FDF Act 2019.
- Importantly, the principles will ensure a somewhat pre-emptive and proactive approach to funding the rural sector – a critical improvement on the current model of providing funds reactively and only in times of real need.
- It is relevant and appropriate also in it's focus on projects that deliver on:
 - the skills advancement / business management capacity of our farm business owners,
 - innovation and critical thinking underpinning greater industry and individual resilience,
 - more forward-thinking and sustainable farming systems,
 - social and community considerations,
 - environmental considerations,
 - global competitiveness considerations and
 - long-term environmental considerations.

2. To what extent do you agree or disagree with the objectives and actions under the Plan's Strategic Priority: Economic resilience for an innovative and viable farming sector?

Strongly Agree

- The focus on overall resilience is very relevant and important. The strategic priorities being economic, environmental and social are appropriate for our industry.
- At Farm Owners Academy, and as you rightly outline, we believe this starts with education and cutting-edge development of the business management and leadership capacity of our farm owners and their families.
- Strong business analysis and rigorous planning – financial, operational, risk and technical – are all vital to supporting farming businesses to be more proactive and more effectively responsive to drought and our changing climate.
- Business models and farming systems have to change. We have to be more proactive and our enterprises more agile, more cost-effective and more flexible within and between each impending season.

- There are some great examples of new-generation thinking in this space now, and a deeper investment in R&D and extension with a focus on resilience can support this.
- As a business, Farm Owners Academy exist to help farming businesses analyse their current reality, establish more meaningful and risk-aware business plans, and then support them ongoing to create more robust businesses and farming systems. We help farmers proactively uncover hidden opportunities and also reduce and even mitigate their exposure to drought through good planning and innovative management practices – driving profitability and performance.
- Our results (benchmarked) confirm our clients are exceeding the industry average (in terms of return on assets employed) by some 400%.

3. *To what extent do you agree or disagree with the objectives and actions under the Plan's Strategic Priority: Environmental resilience for sustainable farming landscapes*

Strongly Agree

- Enhancing the public good with a focus on performance, natural resource management and social well-being is multi-faceted and appropriate.
- With trends toward greater consumer awareness in their purchasing, each of these will ensure our national and global reputation as an ethical and sustainable agricultural producer can be best preserved, then enhanced.
- We feel the Funds acknowledgement of the importance of all three areas is well-founded and entirely appropriate.

4. *To what extent do you agree or disagree with the objectives and actions under the Plan's Strategic Priority: Social resilience for resourceful and adaptable communities*

Agree

- Farming is about by people, families and their communities. Drought consistently has a dire effect on all involved – directly and indirectly.
- Again a proactive and pre-emptive approach as proposed will play an important part in better managing the overall exposure of all stakeholders to the adversity incurred by drought.
- Involving the community and an awareness of the well-being of all stakeholders as a priority across all projects is highly appropriate and relevant.
- The important consideration here is that funds are readily released in support of this, in a responsive and thoughtful way. Accessing funds in the past has been cumbersome and problematic and this needs to be improved in order to actually deliver results for communities.
- Farming communities know the impact that drought has, and I feel will really get behind new initiatives, education and projects
- Importantly, support of small businesses affected directly and indirectly by drought will be important, and we ask that you clarify how this is to be achieved by the FDF Act 2019.

Comments in support of the Drought Resilience Funding Initiative

There are common themes running through the entire Drought Funding Plan. These are

1. The need to improve the financial and business management skills of farmers.
2. The need to educate farmers in financial risk management.
3. The critical need for comprehensive and accurate farm financial performance data across all regions.

1. Improving the financial and business management skills of farmers.

A high-level seminar was hosted by the NSW Royal Agricultural Society in 2000 and chaired by the Hon. Tim Fischer MP. This seminar rapidly identified the main constraint to agricultural productivity as the lack of financial training at secondary level in schools. This problem now extends to a rudimentary level of training at the tertiary level.

- *Improving the level of financial education at the tertiary level should be a priority for the Drought Funding Initiative*

Two private schemes have addressed this problem at the farmer level. The Farm Management 500 program consisted of small group training of farmers, facilitated by practicing farm management professionals. It reached 300 farming families in NSW, Victoria and South Australia and lasted for 26 years, beginning in 1986. FM500 developed a unique set of financial benchmarks for farm businesses, based on financial data collected from its members over this period; it also introduced the concept of water-use efficiency as a benchmark of crop production efficiency.

An evaluation of this program by RIRDC is published at

<https://trove.nla.gov.au/work/15879934>

The Farm Owners Academy (FOA) has over the last 6 years improved and updated this concept with the use of web-based benchmarking for individual farming businesses. (farmownersacademy.com). In addition, FOA offers business coaching and business advancement training to farmers wanting to play in the Top 20% of the agricultural sector. FOA presently offer to over 200 farm business clients:

- free podcast, webinars, social media and email education (to a database of over 16,000 farmers),
- a 2 Day TOP Producer Conference (with over 200 businesses attending 3 times annually,
- a 5 week self-paced, on-line farm Financial Literacy training program,
- a 10 week, 5 module self-paced, on-line business mastery training series helping farmers review all aspects of their core business and set the foundations to take control and achieve tangible transformation and more sustainable growth, and
- a 3-year Business Masterclass including farm benchmarking, consulting, business coaching, structured learning, strategic planning, financial forecasting and much more in order to support farms take control, build resilience, improve productivity and profitability, and then financial and physical freedom, and
- involvement in an engaged and entirely supporting online community of like-minded, growth-oriented farm business peers.

This program focuses equally on personal development and building individual resilience and self-reliance and on business resilience and risk-aware long-term performance.

The following table of results illustrates the success of this program for Return on Asset Managed (ROAM).

Comparison of Return on Assets Managed (ROAM) for 2016/7			
	ABARES average	Holmes & Sackett	Farm Owners Academy
Average ROAM	2.3%	4.2%	6.9%
ROAM mixed farms	2.2%	4.6%	6.8%
ROAM grazing farms	2.4%	3.9%	7.1%
ROAM top 20%		8.2%	11.5%

These results support the success of this model in upgrading farmer's management skills, which has resulted in a ROAM 300% above the ABARE average.

Client results and case studies are significant and readily available on our website.

- *This type of model should be central to the delivery of the goals of the Drought Resilience Funding Plan.*

2. The need to educate farmers in financial risk management.

Risk management analysis is key to understanding resilience, which is a core goal of the Drought Resilience Funding Plan. It is an important and complex topic, which is poorly understood or practiced by the industry. Both FM500 and the Farm Owners Academy have developed tools which are being used by farmers, but the topic needs further development, using tools such as Monte Carlo analysis, as used in other, less risky industries.

- *Developing farm-friendly methods of risk analysis should be a priority for the Drought Resilience Funding Plan.*

3. The critical need for comprehensive and accurate farm financial performance data across all regions.

An in-depth analysis of the ABARES Agsurf farm financial database, currently being prepared, suggest that the data is unreconciled and inaccurate and that there are errors in the calculation of many benchmarks.

Properly reconciled data from this database shows that average farms in the ten largest broadacre regions of southern Australia have consistently increased their debt for every year since 1990. This analysis also shows that farms need to show an average 5% to 7% Return on Assets to stabilise debt.

Over this period costs have exceeded income by an average of 5%. This is not reflected in ABARES publications, because their analyses rely on the Farm Cash Income benchmark, which does not include capital or living costs and under-estimates cash costs by approximately 25%.

The Farm Owners Academy current benchmarking database is in the top 3 for size in Australia presently. FOA followers / database spans in excess of (an estimated) 8,000 farming members who could (benefit from and) contribute accurate data.

- *A priority of the Drought Resilience Funding Plan should be to develop an extensive and accurate database of farm financial performance.*
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Thank you.

Jeremy Hutchings
CEO, Farm Owners Academy