

The future of farming Reviving the rural outlook

With farmer confidence plummeting to an all-time low of negative 33 per cent in Rabobank's latest Rural Confidence Survey, what can farmers be investing in during 2020 and beyond to ensure their long-term success?

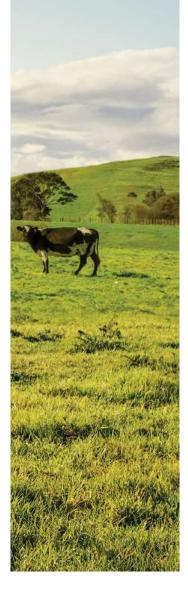


STORY

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"Rural confidence has dropped sharply from the previous quarter with farmers across all sectors now less optimistic about the prospects for the agricultural economy in the year ahead."

RABOBANK RURAL CONFIDENCE SURVEY, SEPT 2019

The downbeat outlook of farmers recorded by the Rural Confidence Survey can be attributed to the financial situations some farmers find themselves in; from previous tough seasons of low pay-outs and/or drought, legislation and compliance issues that are potentially out of their control and, a big factor – the urban/rural divide. These challenges and the state of low confidence in the rural economy are also contributing to significant mental health issues for our farming communities.

While it doesn't look encouraging, there are some key words and ideas to consider when trying to perform CPR to turn this negative position into a positive one. These are: Change, Planning and Resiliency.

The current urban/rural divide issue is being fuelled by social media rhetoric. We know from other examples that people can be quick to believe 'fake news' and take opinion as truth. It's dangerous when people believe propaganda and ignore the truth, failing to do their own research and fact checking. Unfortunately, many farmers have borne this weight on their shoulders and we occasionally hear them saying things like "I am ashamed to tell people what I do." To combat this, we must remain positive and take ownership of the work we do, paving the way to reshape perceptions.

Studies show that the expected population growth over the next 50 years means that the

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world is going to need to produce as much food in the next 50 years as it has from the beginning of time. Production of protein is going to be a massive player in feeding the world, and New Zealand farmers, being some of the most efficient in the world, are perfectly placed to play a big part in this.

Plan for change

I recently heard someone say, "it's not just death and taxes you can be sure of anymore. You can also be sure of change." Change is the new normal, whether it's legislation, market volatility, weather patterns or farming diversity. So, what can farmers do to be ready for change and ensure ongoing success? The simple answer: Plan. Plan for the unexpected. Manage your farm as a business, build and grow financial awareness of your situation, know your position and respond accordingly.

Building resilience

People talk a lot about building resiliency. After having a family and returning to agri-accounting, I didn't really understand the depths of this term 'resiliency' that I kept hearing about. However, I quickly learnt resiliency means getting your business to a point that you can ride out some downturns and tough years, but still have a viable business. In business terms, it is simply about being financially able to cope with the unexpected.

The first steps to building resilience are:

- having a plan for today and every day;
- · having a 'rainy day' plan; and
- · having a long term 'one day' goal.

Everyday resiliency

Meet your everyday obligations and make timely decisions. This means operating within overdraft limits, paying suppliers on time and knowing your reality – being able to explain why a shortfall occurred and knowing how you are going to fix it. Basically, controlling your finances, not letting your finances control you.

We recommend utilising this period of low interest rates and reasonable dairy and stock prices to maximise opportunities and build resiliency into your business.

Rainy day resiliency

Be prepared for the unexpected. Farmers are constantly going through volatile times, through low and heavily fluctuating market prices and drought, and ever-changing legislation. Maintaining good daily behaviours makes rainy day periods easier to navigate. Understanding your risks and how to mitigate them, having a plan, acting quickly, setting up immediate access to funds, and generally just having options is key.

Long term resilience

Have a long term 'one day' goal – setting SMART goals and having a plan in place to reach them. Along the way it is important that you celebrate milestone successes - no matter how big or small. It's about recognising that these plans may change and need to be reviewed from time to time: and that's OK.

With banks facing as many, if not more, legislative changes than farmers, the landscape is changing for investing in farms. Farmers can no longer ride out losses or low profits and interest-only loans in the hope of a big capital gain to retire on.

Building up resilience to be able to cope with the unexpected and enabling business growth means focusing on making sure our farms are successful profitable businesses, not just production factories. We need to focus on continually building and growing our equity which provides the resilience to

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ride out storms and still come out in a good position.

The thought of creating plans, building budgets and setting goals can be a pretty daunting task for many people, so the head often is buried in the sand and we carry on like we always have. She'll be right, right? Not really, and the low confidence in the sector reflects this.

Having a strategy meeting with your trusted business advisors is a great place to start. Figure out what it is that you want to achieve, what are you working towards and if what you are doing right now is going to get you where you want to be. Ask, "will I be happy if I am in the same position in 12-months' time?"

What can farmers do to ensure success for 2020 and beyond?

Be courageous, be proactive, be flexible and adaptive to changing environments. Be inquisitive and passionate, be a lifelong learner. Know your obligations and be ready to tackle them. Manage your farm as a business, build and grow financial awareness of your situation and know your position and your vision.

Plan for the future, plan for change, plan for the unexpected. Monitor your plan closely and get the right people around you so you can utilise all of the tools available to you to achieve a successful outcome.

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