

**BUREAU OF SUGAR EXPERIMENT STATIONS
QUEENSLAND, AUSTRALIA**

**SRDC PROJECT BS136S - FINAL REPORT
FARM BUSINESS MANAGEMENT
FOR THE QUEENSLAND SUGAR INDUSTRY**

**by
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SD99006**

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SUMMARY

Each year, every canefarmer is faced with the challenge of running their business profitably in an increasingly complex and uncertain business and operating environment. Decision making in this environment is proving challenging. In recent times, good decisions have led to canefarmers enjoying profitably and returns on investment levels on par with the very best of Australia's blue chip companies (pers com David Hanlon, RCS). From the project supervisor's farm financial counselling experience, poor decisions lead quickly to business losses and even business failure. The sugar industry's future is dependent on the sustained viability of growers and millers. Better decision-making skills in business management by growers will improve industry viability.

Have Australian canefarmers the business management skills to match the challenges they face? CANEGROWERS has identified a considerable lack of farm business and financial management expertise amongst the majority of canegrowers. BS136S 'Farm Business Management (FBM) for the Queensland sugar industry' was funded by SRDC and contributed to addressing this issue.

The objectives of the project were to:

- ◆ train a core group of sugar industry staff in the principles and skills of FBM;
- ◆ develop appropriate technology for the extension of FBM advice to canefarmers;
- ◆ trial, evaluate and refine the approach in the Proserpine, Mackay and Plane Creek mill areas; and
- ◆ extend the approach to all canefarming areas.

The project was a success as judged against these objectives. Three formal evaluations confirmed this. These were commissioned by SRDC (Internal - December 1997), SRDC and BSES (Future Directions: A Review of the Extension Services provided by BSES to the sugar industry – June 1998) and SRDC, BSES and SRI (Impact Study for Sugar R&D funding – Agtrans, August 1998).

The conclusion of this final evaluation was 'The project has set the stage for a more significant thrust of training in FBM. Courses for both canegrowers and for industry support personnel have been developed and tested. There is a greater awareness among Mackay sugar industry support personnel regarding FBM. The challenge now is to develop delivery mechanisms for such courses across the industry through the private or public sector. It is only when this is achieved, and the costs for such activities accounted for, that firm indications of the value to the industry of greater skills in FBM will be gained.' (Agtrans Research, May 1998)

The greatest challenge and the illusive key to future success of a FBM program is marketing and creating demand. The saying 'anyone can cook a trout, the true challenge is catching one' applies. Canefarmers and sugar industry personnel must want FBM information and training for it to be effective. Over 450 different canefarming businesses industry wide have attended activities (workshops, courses, seminars). There is ample opportunity for at least double these numbers to attend and also for each business to attend more activities. There is also a great potential for sugar industry personnel to increase their access to FBM training.

Intensive market research on a statewide basis has begun involving sugar industry staff (Geoff Anich and Jim Kirchner (Mackay), Duncan Bigg (Innisfail) and Peter McGuire (New South Wales)) and DPI and DNR FutureProfit staff. The aim is to achieve success based on in-depth marketing research and the development of marketing plans for each district. A marketing consultant is assisting.

Positively, there has been a perceived cultural shift by growers in their willingness to discuss FBM and the acceptance that FBM skills can lead to better outcomes. Currently, a common problem is that canefarmers say 'It is really good to have these FBM activities available and farmers need to participate.'. Future project efforts will no doubt see a progressive attitudinal change from these current growers' statements to 'FBM training is valuable and I need to participate.'.

A project highlight has been the widespread and substantial involvement of women in activities. Approximately equal numbers of men and women have participated in the project with the proportion of women increasing over time. This varies enormously to normal canefarming extension activities, which are heavily dominated by men. The key to future successes of this project (and the sugar industry), lies in the substantial involvement by women.

Another project highlight has been the close teamwork developed across organisational boundaries. The Consultative Committee comprising BSES, CANEGROWERS, ASMC, NSW Sugar, DPI and SRDC has provided positive, cooperative direction and support for the project. This Consultative Committee will be even stronger now that two of its members are growers. At the operational level, this project has been substantially enhanced by contributions from BSES extension staff, the FutureProfit program, DPI, sugar industry staff over the State and CANEGROWERS Mackay's SUGARPLAN project.

A continuation of this funding initiative will see sugar industry staff better integrating technical and financial parameters when providing information and advice. Growers will have better tools to identify, discriminate between and adopt changes that are beneficial to their long-term goals. Complementing technical advances with better business expertise will ensure enhanced profitability for individual growers and sugar industry competitiveness.

Future issues that need addressing include:

- *marketing (as mentioned);*
- *wider industry and grower support;*
- *greater involvement of sugar industry staff;*
- *accreditation and competency standards;*
- *proving causation between FBM training and farm profitability; and*
- *greater coordination between FBM activities and also FBM providers (ie Accountants).*

The sleeping giant and perhaps the greatest challenge will be providing useful FBM services to growers with low literacy and numeracy skills.

1.0 BACKGROUND

As in many other rural industries, the farm business management skills of canegrowers have not kept pace with the rapid changes that have occurred within and outside the sugar industry. It was clear that some initiatives in this area were required, given the increased complexities and uncertainties which growers face. These initiatives should aim at improving growers' abilities to cope with future change; remaining viable in the longer term: encouraging strategic planning to maximise efficiency so that the industry may remain competitive in international markets.

A combination of factors has threatened the economic viability and the long-term future of many canegrowers, and has impacted on the output and production efficiency of the sugar industry. The declining terms of trade against a number of competing countries and the relative costs of production inputs for the Australian industry (compared to the major competitors) requires that the agronomic and business skills of the producer are matched to ensure the best economic outcome for the Australian industry in the longer term. These benefits not only give rise to a more secure production sector of the industry but complement other industry initiatives to ensure a stable, secure and increasing supply of cane to the mills in the longer term.

Sugar industry organisations provide considerable resources for production and technical research. However, producers often fail to maximise financial returns and production efficiency arising from technical innovation, because the current system offers growers very little assistance in integrating new technology into their farming systems.

Improving growers' management skills will enhance their ability to resolve complex management issues and to effectively apply existing knowledge to their farming operations. Growers will be better equipped to identify opportunities for reducing costs and improving returns. They will also be able to better monitor their situation and to plan ahead to lessen the impact of future industry downturns.

Retirement and Estate Planning issues will continue to challenge individual farming families. It is one of the single biggest and most common problems facing individual growing families. This issue needs ongoing commitment from all participants.

Complementing technical advances with business expertise will enhance growers' profitability, and ensure industry stability through efficiencies in production and international competitiveness.

2.0 OBJECTIVES AND ACHIEVEMENT LEVELS

The objectives of the project were to:

- 1) train a core group of sugar industry staff in the principles and skills of FBM;*
- 2) develop appropriate technology for the extension of FBM advice to canefarmers;*
- 3) trial, evaluate and refine the approach in the Proserpine, Mackay and Plane Creek mill areas; and*
- 4) extend the approach to all canefarming areas.*

What the project achieved included:

1) Train a core group of sugar industry staff in the principles and skills of FBM

Two staff, Jim Kirchner (CANEGROWERS Mackay) and Duncan Bigg (BSES Innisfail) are both fully trained and highly competent in delivering all FBM activities to canegrowers. It must be noted that both staff are employed through short term funding which finishes soon.

Peter Hurney (CANEGROWERS Mackay) delivers the FutureProfit Financial workshop and has developed and delivered manual cashbook workshops. John Agnew (BSES Mackay) delivers the FutureProfit Production module. Will Higham (ICM), Peter Lazzarini (DNR), David Smith (DNR), Ingrid Christiansen (BSES), Allan Smith (DPI) and Dan McLuskey have delivered FutureProfit Natural Assets workshops. Past sugar industry staff (Ben Jacobsen, CANEGROWERS Innisfail; John Ritchie, DNR Ingham; Todd Lees, CANEGROWERS Ayr; Bryce Davies, BSES Burdekin) have organised and delivered workshops including the FutureProfit workshop series. Numerous staff have participated in numerous workshops, often acting as facilitators. Fifty-four sugar industry extension staff attended a PMP Training Course and over thirty staff have completed the 'Getting a Better Interest Rate' workshop. Other smaller activities were provided.

Three training courses were provided to Financial Professionals in Mackay (Retirement and Estate Planning – Bill Andersson, Andersson & Co; Facilitating family meetings – Nigel McGuckian, Rendell McGuckian Agricultural Consultants; and Credit risk management – Brett Williams, Commonwealth Bank).

Positively, the sugar industry capability in providing FBM information and training into the future has been greatly enhanced. Core FBM staff are trained, in place and operating effectively. Non core staff and financial professionals are now much more aware of FBM and its usefulness to themselves and growers. While progress has been slower than hoped, there has been a shift in attitude.

Staff turnover and lower than hoped for staff interest in this project has limited the achievement of objectives. Innovative and energetic methods are required. Any future project will need to take heed of this issue.

2) Develop appropriate technology for the extension of FBM advice to canefarmers

Market research based on focus groups, personal discussions and surveys was carried out throughout the project with growers and sugar industry staff. Workshops evolved to suit these needs, including:

- Futureprofit Integrated Workshop Series
 - Setting Directions
 - Production
 - Natural Assets Stocktake
 - Natural Assets Management

- Family and Employees
 - Financial
 - Testing Management Options
 - Business Planning – Wrap Up
- Retirement and Estate Planning
 - Passing on the Family Farm
 - Farm Ownership Options
 - Business Analysis and Credit Risk Management
 - Getting a Better Interest Rate
 - Gross Margins and Partial Budgeting
 - Cashflow Budgeting (individual growers rather than workshops)
 - Past production and financial analysis
 - Other - (Participated in only)
 - Turning Water Into Cane
 - Sugar industry staff only
 - Project Planning
 - Marginal Tax System
 - Benchmarking

Please note: The market research and the development of workshops were carried out in close association with Jim Kirchner, CANEGROWERS Mackay. Many of the workshops were with permission from other providers (ie DPI) or modifications of their activities.

Positively, the majority of workshops have been very well received. Rigorous evaluation using Bennetts Hierarchy by independent staff confirmed the success of activities and that positive business outcomes were resulting. Examples include having a business plan to discuss with family and professional advisers, many retirement and estate plans fully discussed with family and advisers, and at least five Mackay canegrowers with 2% or lower loan interest rates.

Future issues include the development of:

- A financial planning workshop series combining the Past Production and Financial Analysis, Cashflow Budgeting, Testing Management Options and Setting Direction workshops.
- The development and long term continuation of farm discussion groups like the FM500 groups in Victoria would be a positive move.
- The RCS/BSES Benchmarking service expected to commence in 1999 is another positive initiative. Having a time management workshop is another possibility.
- If accepted by sugar industry staff and growers, the involvement of non sugar industry workshops and providers (commercial or otherwise) may really lead to some exciting and innovative business development and/or learning opportunities.

3) Trial, evaluate and refine the approach in the Proserpine, Mackay and Plane Creek Mill areas

Over 50 workshops were carried out. The number of different Central district canefarming businesses that attended activities (workshops, courses, seminars) were substantial - approximately 400 different grower businesses.

The over riding extension philosophy was based on a farm scale, whole systems, strategic planning utilising adult learning techniques. This approach is newish and reasonably pioneering in the sugar industry. Overcoming the reluctance by both growers and sugar industry staff in participating in this changeover from more traditional extension methods has been challenging. With growers, this approach has been successful.

Evaluation was carried out regularly following each workshop. Techniques included informal (peer review, survey sheets), formal (focus groups independently facilitated, surveys), secondary data (PMP National evaluation) and a grower reference group (Sugarplan's Management Committee that includes six growers) provided feedback for continual improvement.

However, effective evaluation of FBM activities is difficult. Proving causation between accessing FBM information and activities with enhanced profitability and/or better risk management is a serious challenge but essential. All three formal external evaluations (see Summary) identified this as a concern. Solving this issue will lead to better FBM resource funding decisions and, if conclusively proven to enhance business performance, is expected to make marketing FBM more efficient.

To attract growers to attend and repeat attendances is an ongoing issue. Marketing research that is currently under way, and which will culminate in a successful marketing plan, is intended to produce a more effective and efficient marketing outcome.

4) Extend the approach to all canefarming areas

Workshops outside the Central sugar district including the number of different businesses which attended include Innisfail (1 Workshop, 5 growers), Tully (1 Workshop, 5 growers), Herbert River (1 Workshop, 11 growers), Burdekin (3 Workshops, 34 growers), New South Wales (4 Workshops, 24 growers).

FutureProfit workshop series were also carried out by other staff in Innisfail (two groups), Ingham (one group), Burdekin (one group) and New South Wales (one group in progress). DPI staff in Bundaberg carry out FutureProfit which include cane growers. Activities by BSES with Quicken and Caneman complement activities as well.

The project logically concentrated on achieving staff training in FBM, and developing and delivering FBM activities in the Central sugar district. Current and future efforts will focus more on the need to disseminate information and activities industry wide. Special emphasis on coordinating with local sugar industry staff and utilising their special skills will see the successful development of a truly industry wide project.

3.0 METHODOLOGY

The extension methodology was based on whole systems, farm scale strategic planning using adult learning techniques. 'Telling adults provokes reaction, showing them triggers imagination, involving them gives understanding, empowering them leads to commitment and action.' (Chamala 1991)

A principal goal of the project was to achieve awareness and adoption of better FBM skills and utilisation of these skills in their business.

One-on-one extension was not chosen for this FBM project because there weren't enough human resources to effectively provide a service to the more than 6,500 canegrowers and sugar industry staff. Further, I have concerns with the efficiency and effectiveness of one-on-one extension in assisting change processes particularly for complex management decisions. Groups provide growers the opportunity to learn from each others' considerable experiences, knowledge and future directions. It has proven successful.

The culture of the sugar industry, growers and sugar industry staff, needs to change to a more learning culture. A common response from both is 'just give me the answer'. To survive in a quickly changing world where 'the answer' is often unknown, means skill development in better management and decision making is essential to not only deal with problems today but also being empowered to deal with those which will arise in future. Interdependence rather than dependence should be the goal. 'It is better to teach a person how to fish than provide fish.'

To support my observations, less than 20% of growers have attended FBM training courses in the last three years. Few BSES, CANEGROWERS, CPPB and DPI staff have involved themselves in formal education courses in the last three years. Delivering a skills development program with this underlying culture has been challenging. There is opportunity for the sugar industry and its organisations to decide on what direction and what culture they are going to adopt in the area of Extension and FBM. While we are at this change process, the sugar industry should consider changing its focus from production to profitability and eventually sustainability. This is an unfounded observation but one worth considering.

In summary, the wider adoption of a learning culture will greatly enhance individual and industry performance.

4.0 SUGAR INDUSTRY IMPACT

This project has successfully developed and delivered FBM information and training to the sugar industry. Sugar industry staff better understand the need for better FBM skills and many have improved their FBM skills. Growers and individual staff have better planning skills that will lead to better management decisions with a more long term focus. This will improve profitability and risk management strategies by individual growers and sugar industry staff. Collectively, the industry will be better off.

Due to the long term nature of both education and improving management skills, the true benefits (or otherwise) of this project will only be achieved over many years and may not be clearly apparent.

5.0 ACKNOWLEDGMENTS

I would like to thank BSES for initiating this project, SRDC for funding the project and CANEGROWERS and ASMC for supporting the project. The Consultative Committee (Mr John Cameron, ASMC; Mr Steve Mill then Mr Malcolm Letts, DPI; Mr Mark Everson, Mr Joseph Evans then Mr Bernard Milford, CANEGROWERS; Mr Peter Nielsen, New South Wales Sugar Cooperative; Dr Peter Twine then Mr Gavin McMahon, BSES) were effective in providing direction and support.

On the operational level, thanks personally to Mr Jim Kirchner, CANEGROWERS Mackay, Mr Duncan Bigg, BSES Innisfail, Ms Tina Caban, TAFE C.R.O.P Course Coordinator, and Financial Professionals (over 25 people) who helped attract growers to activities and delivered activities at no cost was also very much appreciated.

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