

The Importance of Strategic Planning for Farmers and Ranchers

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“God will not suffer man to have a knowledge of things to come; for if man had a foresight of his prosperity, he would be careless; and if he had an understanding of his adversity he would be despairing.” This quote by St. Augustine contains the essence of why managers plan. The future is uncertain, and planning is a process for developing a stratagem for taking an offensive position regarding the future.

Planning, or more specifically, strategic planning, is a process of defining long-term goals and objectives of an organization and determining the best course of action to achieve them. It involves such steps as defining the current situation, identifying strengths, weaknesses, opportunities, and threats, and developing a plan of action to take advantage of opportunities and overcome challenges. Parsons (2018) outlined six key components of a business plan and why a farm or ranch should make the effort to develop a business plan (Parsons, 2015).

In this article, I discuss two steps in planning that I believe make planning strategic: defining the mission of the business and assessing the external environment and its implications for the farm business.

Defining the Mission of the Business

A mission statement outlines the reason you are in business. Some may question the importance of developing a mission statement for a family farm or ranch. After all, you farm to produce a commodity that you hope to sell at a profit — what else is there to say? I agree that unless you are direct marketing to consumers, you probably don't need to spend much time trying to develop a catchy mission statement that promotes your operation. But spending time periodically contemplating, and discussing with the family, why you are in the farming business can be an exercise in self-appraisal, expanding your horizon and setting the stage for developing creative strategies. As the oft-quoted, but not-totally-accurate, quote from Lewis Carroll's classic children's tale, “Alice in Wonderland,” states, “If you don't know where you want to go, then it doesn't matter which path you take.”

Because the mission of a family farm must be compatible with the individual's and family's objectives, it is beneficial to have these objectives embedded in the mission of the farm business. Doing so will also ensure that the decisions made on the operation will lead to fulfillment down the road.

For example, defining a business as “raise beef calves” compared to “market range resources to the general public” may make a difference in the alternatives which will likely be developed. If the business was defined as “raise beef calves” the alternative opportunities may revolve around backgrounding calves, maintaining ownership through the feedyard, or raising quality replacement heifers. Whereas if the definition or manager's orientation was to “market range resources,” the mission lends itself to a mental framework that may also develop strategies such as dude ranching, game hunting, etc.

Assessing the External Environment

At the beginning of every new year, there are several prognosticators willing to share their view as to what the new year holds. While some are worth listening to and others are just trying to draw attention, it is important to take time during the planning process to examine the world around you. Understanding the needs and desires of consumers, the financial forecasts, the national and world political and economic environments, the input and output markets, the labor markets, new technologies, etc. can lead to positioning your operation for greater success. Trade and business magazines, news outlets, university outreach, and trade shows are just a few of the outlets that help you keep abreast of your business and economic environment.

It is nearly impossible to filter all the information about your business environment that you can gather into a simplified perspective of what the year holds in store. The purpose of this exercise, though, is to create a framework by which all strategies or possibilities can be more easily assessed. One possible way to do this is to identify factors that will have the greatest impact on your operation and create a few possible scenarios that are internally consistent and from which each strategy can be evaluated.

One of the best ways of incorporating an environmental assessment into your business is through SWOT (strengths, weaknesses, opportunities, and threats) analysis. What external factors or opportunities could you leverage to your advantage? What external factors may pose challenges or risks? What internal factors place you at a disadvantage given the external environment and your competition? What are your operation's (including your own) strengths that give you an advantage? Looking at the strengths and weaknesses can also help identify why the operation may have fallen short of your stated goals and help distinguish what variables are critical to your success.

An Example

Several years ago, I met a young rancher who had been struggling financially to stay in business. One day he had an enlightenment that he could not keep doing things the way his grandfather did and be able to remain in business in today's environment. He came to the realization that his grandfather was able to be successful because he was able to adapt to his own economic environment. This individual decided he needed to modify his management philosophy to better meet the challenges facing the ranch. He decided to no longer struggle to create value as measured by calves raised, pounds of beef sold, or tons of hay put up. Instead, he would work to capture economic value from the ranch wherever it was present. He would also simplify operations and lower costs. Success would be measured in terms of survival, dollars of profit, and quality of life.

To help meet cash flow needs, he sold half of his cow herd and pastured/managed cow-calf pairs for others. To get on top of his mortgage payment, he took some acreage with a scenic view and sold 40-acre lots, with the caveat that the new owner could only fence off one-acre and that the rancher maintained grazing rights to the other 39 acres. He also helped his annual cash flow by creating a working dude ranch where the guests stayed in trailer houses and worked on the ranch just as hired hands would. He questioned if this would work but had no trouble getting as many paying customers as he wanted. In short, his ranch would never have survived without looking at what his mission was and what the economic environment offered.

Strategic planning is a dynamic process that requires continuous adaptation to changing circumstances. It is not a one-time process. Effective strategic planning also benefits from input from various stakeholders, including family, partners, employees, and even customers, suppliers, and buyers. Furthermore, there is something miraculous about putting your strategic plan in writing and sharing it with those involved in the success of the operation.

References:

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