

## Using Talking Business Resources



### Introduction

The 'Talking Business' project aims to assist those in the vegetable industry (both growers and those advising them) to making business decisions, through the provision of a range of resources. These resources provide a framework for the decision-making process, and aim to facilitate discussion regarding business decisions both amongst growers and with their advisers.

The 'Talking Business' resources consist of business cases and case studies, which have been developed in collaboration with vegetable growers and advisers around Australia. They are based on a range of scenarios that require business decisions which vegetable growers have identified as being either difficult or confusing.

The theory behind 'Talking Business' is that many decisions are complex and difficult. Often vegetable growers find identifying and discussing how they make these decisions difficult. However it is well-known that by discussing decisions, growers become more confident in their decision-making and ultimately make better decisions. For each scenario, the resource will enable the reader to:

- Lay out a framework for determining the financial costs and benefits
- Identify the 'unmeasurable' costs and benefits
- Identify the key assumptions required to make the decision and the potential risks
- Determine what it all means for 'me'.

Vegetable growers may choose to use the resources within their own business to:

- Assist with a decision in a family business. For example all business owners need to understand how a decision has been made. The business cases will explain the theory and the real figures can be set out clearly using the spreadsheets. Business owners may then discuss the figures and the other important issues which influence the decision.
- Assist in other business decisions not covered directly in the available business cases. Where a vegetable grower is making a decision which is not covered in the business cases, they may still use the same principles. For example the purchase of a carrot washer is not specifically covered in a business case, however the principles discussed in the business case for the capsicum grader are the same and can be directly applied to this decision.

This guide has been developed to assist advisors in using the resources, in a group or one-on-one situation, to facilitate discussion around decision-making processes.

## The Materials

A business case is a formal process of planning, to provide the decision-maker with useful information to help them make a decision. Each of the business cases:

- Uses a specific example to demonstrate how the calculations are done. The figures in the example are based on a real case, however every farm is different and it is very important each vegetable grower uses their own figures based on their particular situation. In some cases the example used in the business case won't be relevant to the growers situation, however the principles used to make the decision can be used to assist with decision-making.
- Have been simplified to demonstrate the important principles behind the decision-making. For a specific real-life situation it is important that a more detailed business case is developed prior to making the decision.
- Have a spreadsheet which can be used for the vegetable grower to do their own calculations. The vegetable grower can put their own figures into the cells. The cells with blue text can be changed, however all the other cells are locked.
- Enables growers to logically calculate the benefits and costs, and highlights other factors which may be important. Good decision-making involves a combination of calculating the benefits and costs, and considering a range of other factors such as risk, uncertainty and social factors.

**Business cases** have been prepared on the following topics:

Title	Summary
Buy a Truck or Use a Contractor?	This business case investigates two scenarios: <ul style="list-style-type: none"> <li>▪ Should I buy a truck and do my own cartage?</li> <li>▪ Should I sell my truck and use contractors?</li> </ul>
Capsicum Grader	This business case investigates the following scenario: <ul style="list-style-type: none"> <li>▪ Is it worth buying a new automated capsicum grader?</li> </ul>
Developing a Block of Land for Vegetable Production	This business case investigates the following scenario: <ul style="list-style-type: none"> <li>▪ Should we invest in developing a block to expand our enterprise?</li> </ul>
IPM in Lettuce	This business case investigates the following scenario: <ul style="list-style-type: none"> <li>▪ How much do I need to reduce crop damage to justify the extra costs of higher priced chemicals and a crop scout?</li> </ul>
Lettuce Planter	This business case investigates the following scenario: <ul style="list-style-type: none"> <li>▪ Is it worth buying two new planters? (Will the new machines be cheaper to own and operate when compared to the existing machines?)</li> </ul>
Property Relocation Part A and B	This business case investigates the following scenario: <ul style="list-style-type: none"> <li>▪ Should I expand production to a new area or to relocate the existing farming activities to a new property?</li> </ul>
Tractor Replacement	This business case investigates two scenarios: <ul style="list-style-type: none"> <li>▪ Should I replace the old tractor and keep the contractors?</li> <li>▪ Should I buy a new tractor, keep the old one and save on contractors?</li> </ul>
New Irrigator	This business case investigates two scenarios: <ul style="list-style-type: none"> <li>▪ Should I continue with the two existing lateral move boom irrigators?</li> <li>▪ Should I purchase a new lateral move irrigator in addition to the existing lateral move irrigators?</li> </ul>

Expansion Through Vertical Integration	<p>This business case investigates the following scenario:</p> <ul style="list-style-type: none"> <li>What are the additional costs and additional income achievable from vertical integration / value adding of a portion of the sweet corn crop for the fresh market?</li> </ul>
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A case study outlines and discusses the characteristics of different business models. The case studies focus on the components within each business that help determine success and profitability (including innovation and planning).

Information provided in the case studies is designed to assist growers to:

- Understand costs of production
- Identify the key factors affecting business performance
- Identify best practices
- Identify key indicators to measure performance
- Determine the financial viability of different business models.

**Case studies** have been prepared on the following topics:

Title	Summary
Building a Sound Vegetable Growing Business	This case study aims to describe how well managed businesses are run. The case study is based on discussions with a range of successful vegetable growing businesses in New South Wales, Queensland, Western Australia and Tasmania.
Direct Sales and Food Safety	This case study explores the benefits and considerations for vegetable growers who might be considering direct sale of their produce to the public. It describes the issues and calculations the grower has to consider, in order to make good decisions about how to pursue a direct sales business.
How is Our Business Going	This case study was written to help vegetable growers understand their businesses better. It aims to simplify the process of analysing the financial performance of the business.
Using Cost of Production for Decision Making	This case study shows how calculating cost of production can be used to help vegetable growers make decisions.
Vegetable Supply Agreements	This case study is designed to help vegetable growers understand the risks and requirements of entering into a Vegetable Supply Agreement (Contract) with processors, rather than selling produce through the existing wholesale markets.
Labour Management	This case study is designed to help vegetable growers understand the key aspects of employing staff and labour management in their businesses to achieve positive outcomes.
Exit Strategy	This case study aims to help vegetable growers understand the key aspects of creating and adopting an exit strategy to achieve the best outcome for their business.

## Using the resources

The resources have been developed so they can be used individually by vegetable growers within their business. However the greatest benefits are likely to be realized when the resources are used within a facilitated group situation, which generates a wide-ranging discussion around the decision-making process.

A strong financial/business background is not required due to the detailed spreadsheet at the end of the business case, which sets out in detail how each calculation was made. It is advisable however to carefully read through the



business case to gain a good understanding of the calculations before presenting this material to others. Once 'real' numbers start to be entered into the spreadsheets it can be easy to become confused as the numbers change. Make sure you have a thorough understanding of the principles and theory behind the calculations!

## Principles

An understanding of extension principles will assist in successfully using these, and other similar resources, in a group or one-on-one situation. Things to consider include:

Principle	Description
Understanding and respecting the target audience	<p>Understanding the audience includes an analysis of their different needs and circumstances, the decisions they find difficult, the assistance they require and how they use information. Assessment of the audience incorporates:</p> <ul style="list-style-type: none"> <li>▪ Industry context</li> <li>▪ Farming context</li> <li>▪ Personal attributes.</li> </ul> <p>Talking Business resources should be used on groups of growers where a specific need has been identified rather than using a 'blanket' approach for all growers (one size does not fit all).</p>
Understanding motivations for adoption of innovation	<p>It should be recognised that growers have good reasons for not adopting a specific innovation (practice and/or technology) and this is not necessarily limited by lack of knowledge.</p> <p>Adoption of an innovation may occur for a range of reasons relating to the individuals motivations – including social benefits such as labour saving, prestige, comfort and opportunities for recreation (not just finance).</p>
Considering a range of different learning styles	<p>These resources should be used in a range of activities suited to different learning styles. While some producers may be happy to discuss the way they make decisions in a group situation, others may be more comfortable working one-on-one or simply being provided with the material to work on by themselves.</p>
Appreciate complexity of decision making	<p>An appreciation of the complexity of farm decision-making will facilitate the use of these resources. The focus should be on striving for better decisions rather than best practice – given many decisions are complex and best practice implies there is only one way to achieve a desired outcome. The advisor or extension worker is often one of many people in the decision making process.</p>
Focus on capacity building	<p>As decisions become more complex there is a need for increased people skills and human capacity. These resources can support better decision-making by:</p> <ul style="list-style-type: none"> <li>▪ Helping improve producers awareness and skills in the decision making process</li> <li>▪ Developing intuition to improve decision making i.e. facilitating farmers ability by increasing their experience, discussion of and thinking about a particular area.</li> </ul> <p>There is a core need to build capacity of individuals to seek the relevant information and make the correct decisions for their individual situation.</p>
Adopt a flexible and responsive approach	<p>Evaluation is critical for the on-going adaptation and continued success of any resources. Regularly survey the vegetable growers you work with to determine if objectives are being achieved and adapt your delivery in response to these findings.</p>

## Approach

### Business Cases

The use of the Talking Business resources in small groups, with members who already know each other, will promote confidentiality and openness in the discussion. A suggested approach for using these resources within a facilitated group situation is:

- Begin by asking the group what are the important decisions they are faced with in their business. This will lead to a general discussion within the group on the issues that concern them most or the topics they find hardest to make decisions on.
- Bring it back to one example - a common theme may become evident or there may be an opportunity to use a business case scenario which interests most of the group.
- Hand-out to the group the business case or case study that applies to that particular example/scenario. Ask the group to read the business case and discuss in pairs what influences their decision.
- Start to enter 'real' figures provided by the growers into the spreadsheet – encourage growers to provide their own figures as the group will become most interested when the business case is applicable to their situation.
- Discuss the financial aspect of the decision (i.e. using the lettuce planter business case as an example):
  - How much is it going to cost (including the cost of capital, operating costs and depreciation)?
  - What will you get back (what are the productivity benefits)?
  - What are the assumptions required to make the calculations and how sensitive are they?
- Once all the numbers have been entered and discussed progress to the other things that haven't yet been considered. These may include the 'unmeasurable' benefits and costs such as:
  - An improvement in product quality (i.e. less dirt in lettuce if purchasing a new lettuce harvester)
  - An improvement in staff conditions on the planter and/or harvester (less OH&S concerns)
  - Potential risks and how they can be measured
  - Will this investment require you to be 'locked in' to using the new planter/harvester? Lifestyle is an important factor. A new investment (even if it generates more income) may not be worthwhile if the grower spends all their time working.
- Remember not to get too caught up in the numbers. The purpose of the exercise is to think and talk through the principles required to make the decision, rather than the decision itself!

Broadening the discussion to include the factors beyond the costs and returns (i.e. will the decision reduce risk, increase risk, improve the quality of product, ensure market is retained) is important for thinking through how the decision will impact on the whole business. An awareness of the other Talking Business resources will assist the advisor in facilitating these discussions. The case study 'How is Our Business Going' in particular could be useful when leading these types of discussions as it aims to simplify the process of analysing the financial performance of the business.

## Case Studies

Vegetable growers commonly cite concerns about insecurity of price and relationship with buyers. This issue highlights how uncertain the business is, and how this dominates decision-making. Common discussion points amongst a group of vegetable growers may be around:

- The cost of producing vegetables
- The need to build a business within a market
- The need to understand the profitability of a business
- The need to be rewarded for labour, capital and make a profit.

The Talking Business case studies can assist advisors and growers in exploring these issues and how it impacts on grower's businesses by providing further information on:

- Analysing and understanding the financial performance of their business
- Labour management
- Using costs of production for decision-making

While the aim of these resources are to promote discussion within a group situation, they have also been designed for use in one on one discussions with growers, or as handouts to encourage discussion of business decisions in the field.

### Disclaimer:

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