





AGRICULTURAL EXCELLENCE CONFERENCE

**FARMING FOR OUR FUTURE:  
CANADA'S 150<sup>TH</sup>**

**OTTAWA, ONTARIO | NOVEMBER 21-23, 2017**



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**@MsHeatherWatson  
@FMC\_GAC #AgExConf17**



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**Backswath**  
Management Inc.



**@Backswath**  
**@FMC\_GAC #AgExConf17**

# BENCHMARKING MANAGEMENT PERFORMANCE: HOW DO YOU MEASURE UP?

**TERRY BETKER & HEATHER WATSON**



**@Backswath @MsHeatherWatson**  
**@FMC\_GAC #AgExConf17**





# **Benchmarking Management Performance: How do you measure up?**

***A joint presentation by:  
Farm Management Canada  
Backswath Management Inc.***

The success of any farm enterprise,  
regardless of size, geography, or commodity  
is directly related to the farm business  
management skills and practices  
of the farm manager

Source: Dollars and Sense (2015)



# How do we know this?



# Making Dollars and Sense – Measuring the Tangible Benefits of Farm Business Management Practices on Canadian Farms

- Best sample source in Canada: nationally-representative, cross-commodity
- Management activities tested:
  - Strategy, Planning, Communications
  - Marketing, Supply Chain
  - Financial Management, Benchmarking
  - Human Resource Management
  - Risk Management, Contingency Planning
  - Animal Care, Environmental Management
  - Training, Education, Use of Farm Advisors



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## **Results Reveal:**

### **The 7 practices driving farm financial success:**

1. Lifelong learning
2. Business decisions made using accurate financial data
3. Use business advisors and consultants
4. Have a written business plan, follow it, review it annually
5. Know your cost of production and what it means for your profits
6. Assess risks and have a plan to manage and mitigate risk
7. Use a budget and financial plan to monitor financial position



## Results Reveal: Farm business management practices remain fairly low (on average)...there's room to improve!

Business Management Activity		
Business Management and Planning	Clear Vision and Goals for the Future	43%
	Communication of Plans and Direction with Stakeholders	39%
	<b>Formal Plan for the Business</b>	<b>26%</b>
Marketing Management	Production Planning Process	57%
	Use of Supply Chain Relationships to add value	51%
	Market/Price Risk Management	36%
Financial Management	Ability to Read & Use Financial Statements	73%
	Business Decisions made using Accounting System	59%
	Financial Risk Management Planning	51%
Human Resource Management	Use COP for Benchmarking and Decision Making	50%
	Financial Plan with Budget Objectives	33%
	Formal Succession / Transition Plan	27%
Risk Management	Formal Human Resources Plan	18%
	Animal Care Management	70%
	Environmental Risk Management	44%
Other Management Activities	Overall Risk Management	32%
	Contingency Planning	26%
	Propensity to Learn & Improve	49%
	Use of Farm Business Advisors	32%

Also available by production sector.

## The 7 practices driving farm financial success:

### How are we doing?

1. Lifelong learning **(49%)**
2. Business decisions made using accurate financial data **(59%)**
3. Use business advisors and consultants **(32%)**
4. Have a written business plan, follow it, review it annually **(26%)**
5. Know your cost of production and what it means for your profits **(50%)**
6. Assess risks and have a plan to manage and mitigate risk **(32%)**
7. Use a budget and financial plan to monitor financial position **(33%)**



# Why does it matter?



# Results Reveal: Producers have much to gain from adopting farm business management practices!

		Value	Industry Rating	Percent Change
Asset Turnover	Top 25%	20.0%	Moderate	100% ↑
	Bottom 25%	9.7%	Vulnerable	
Gross Margin Ratio	Top 25%	50.0%	Moderate	155% ↑
	Bottom 25%	19.6%	Vulnerable	
Return on Assets	Top 25%	10.0%	Strong	525% ↑
	Bottom 25%	1.6%	Vulnerable	



**We are actively  
embracing the 7 practices.**



- Focused on fostering farm business management skills
- Diverse stakeholders from farmers to advisors, academia, organizations, government, private industry
- Bridging the gap between generations, across Canada and production sectors

Use the delegate book to help build your farm business plan!

The logo features a large, stylized arch in shades of grey. The words "BRIDGING" and "THE GAP" are written in a blue, serif font, positioned within the arch. "BRIDGING" is on the left, "THE" is in the center, and "GAP" is on the right.

# BRIDGING THE GAP

- Focused on bridging the gap between generations of farmers
- Successor development program to empower through networks
- Farm transition workshop for farm families to converse
- National farm transition advisor network to share best practices



*Coming soon!*



- Comprehensive risk assessment and planning platform
- 20 risk categories from personal health to production
- Offers best management practices
- Links to additional resources and information

Pilot testing begins April 1 2018

Full launch April 1 2019



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While Dollars and Sense provides interesting insights, what happens when we look at the data year over year?

Q How has farm financial performance changed in a year?

Q Are farmers adopting business management practices still ahead of the game?

Q If so, by how much?

# Benchmarking

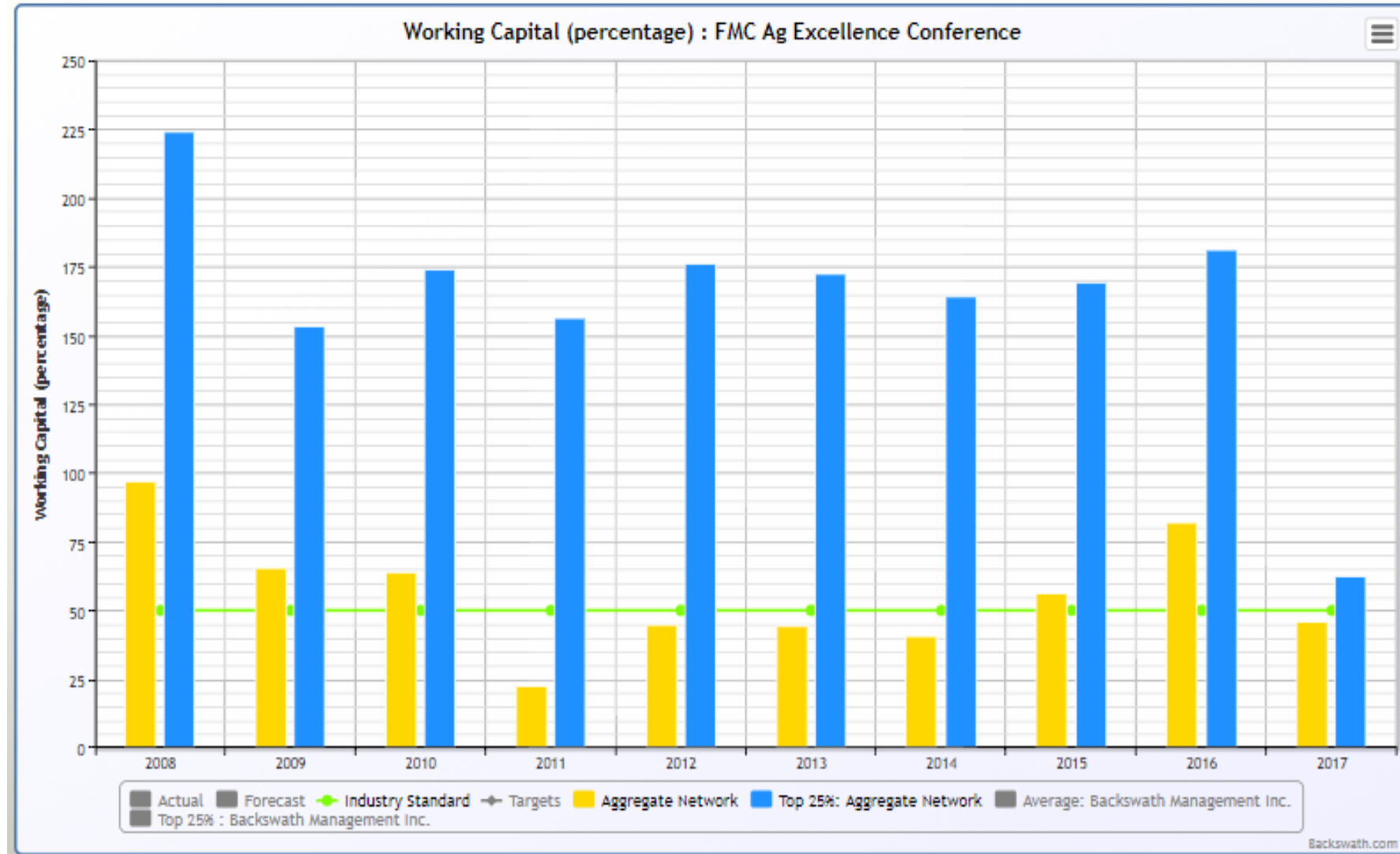
- **Benchmarking** is the practice of comparing actual performance results to a standardized performance goal or number ... a **benchmark**.
- A variety of indicators or metrics can be used in a Benchmark application.
- We focus on:
  - Management practices
  - Financial performance

# EAGLE

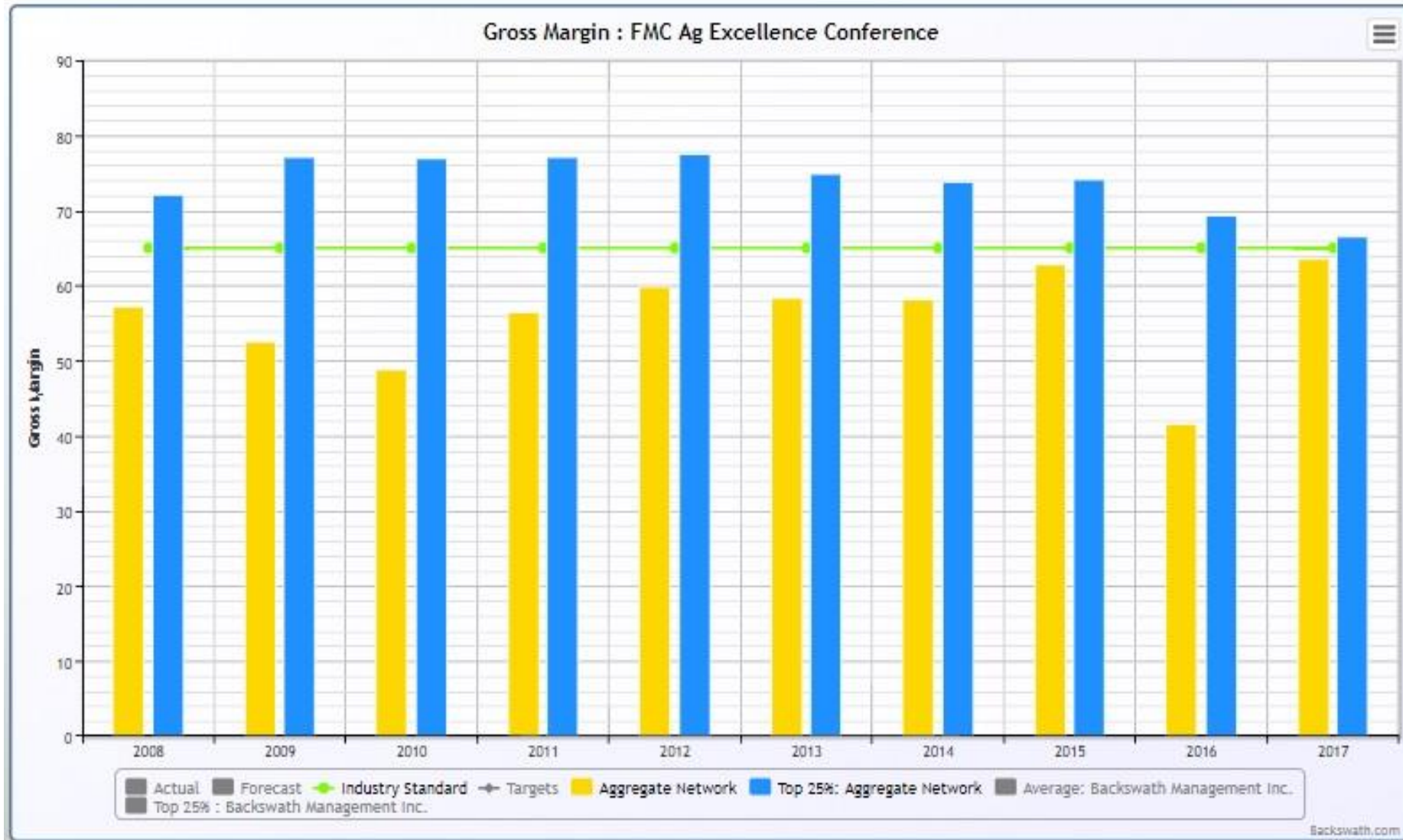
- Backswath's EAGLE program:
  - Benchmarks real farm data
  - Compares aggregate and 'top 25%' performance
  - Compares to general industry standards
  - Compares management practices to financial performance

Let's see what EAGLE is telling us, and how this compares to Dollars and Sense...

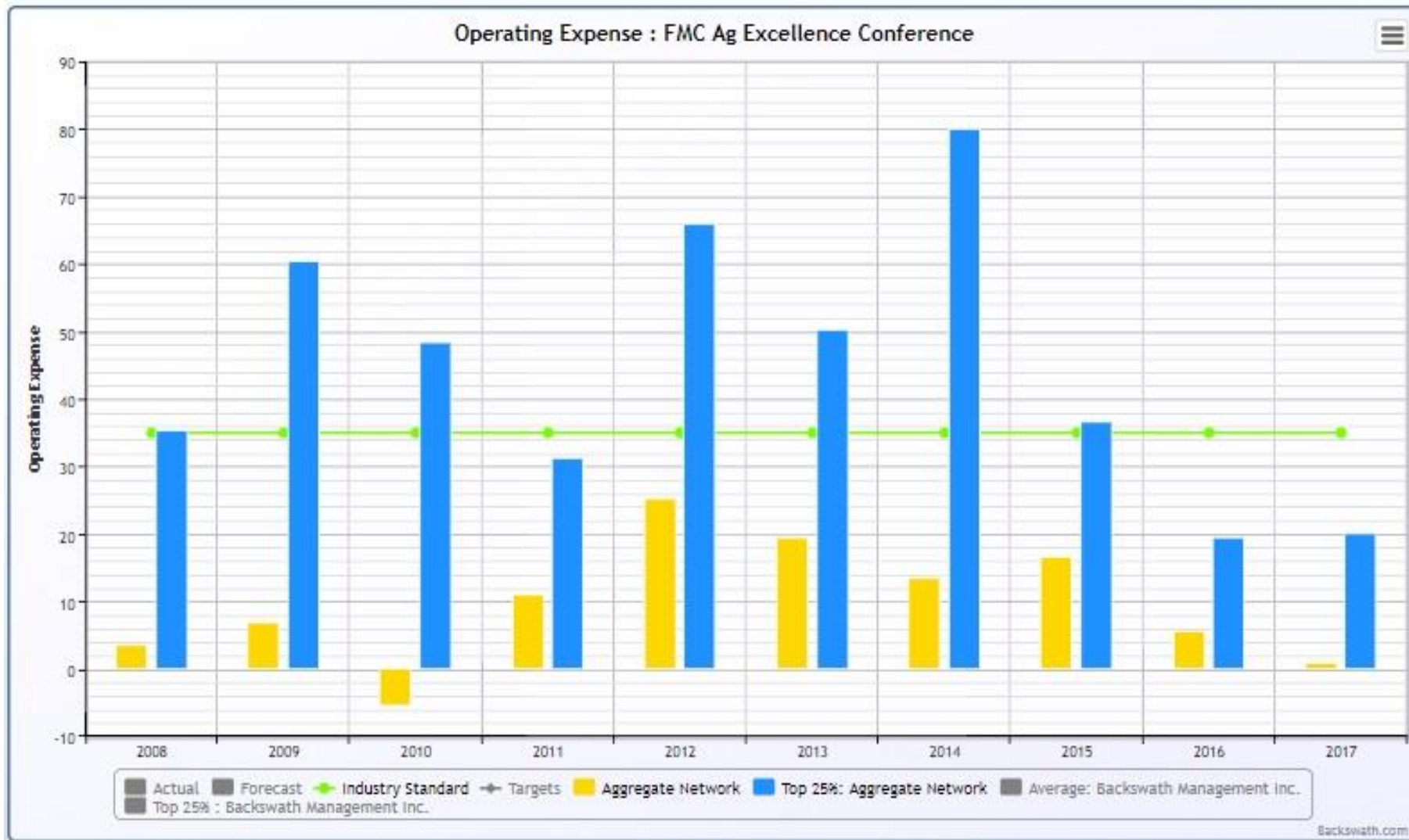
The Working Capital (percentage) ratio is a measure of liquidity.



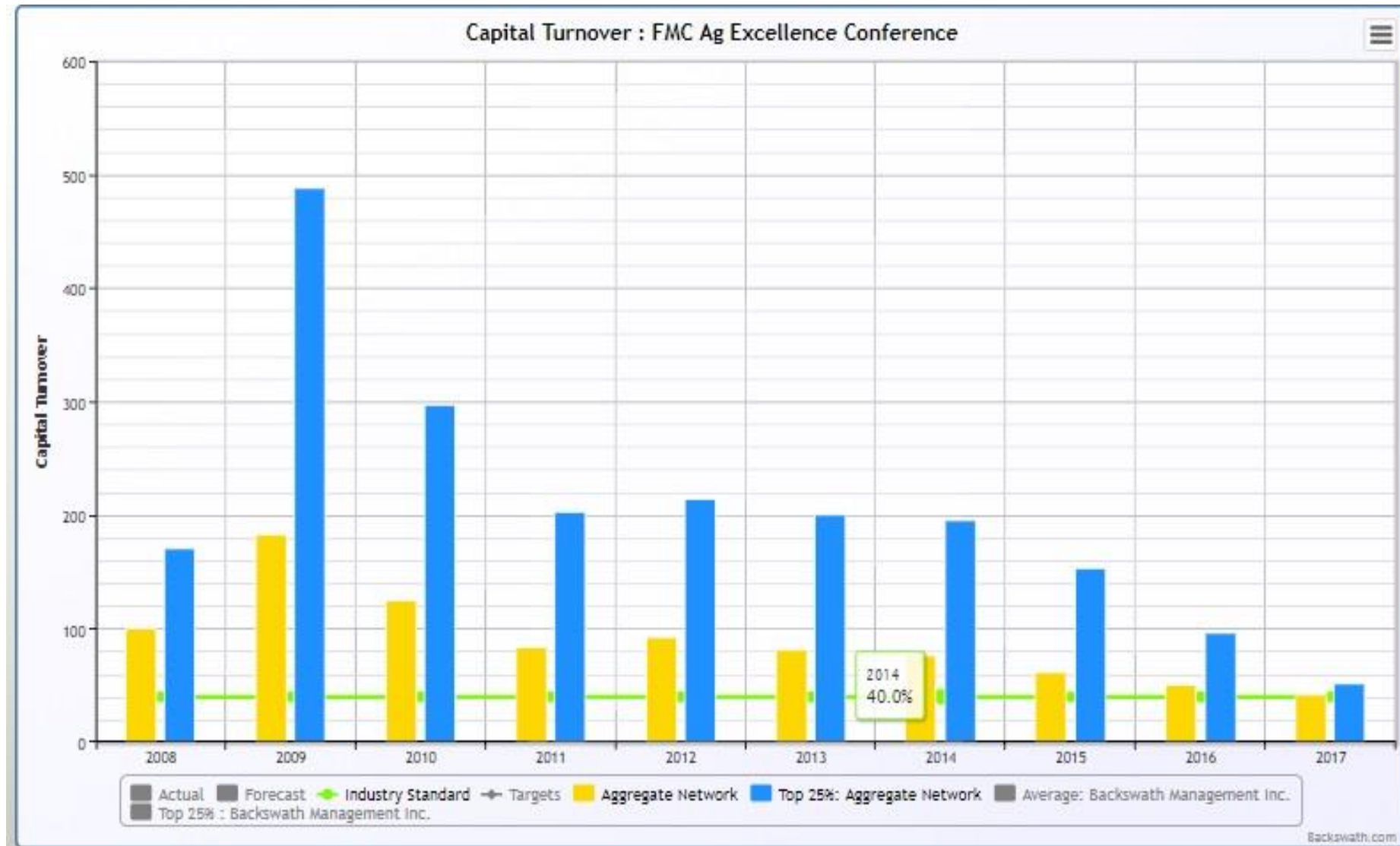
The Gross Margin ratio is a measure of financial efficiency.



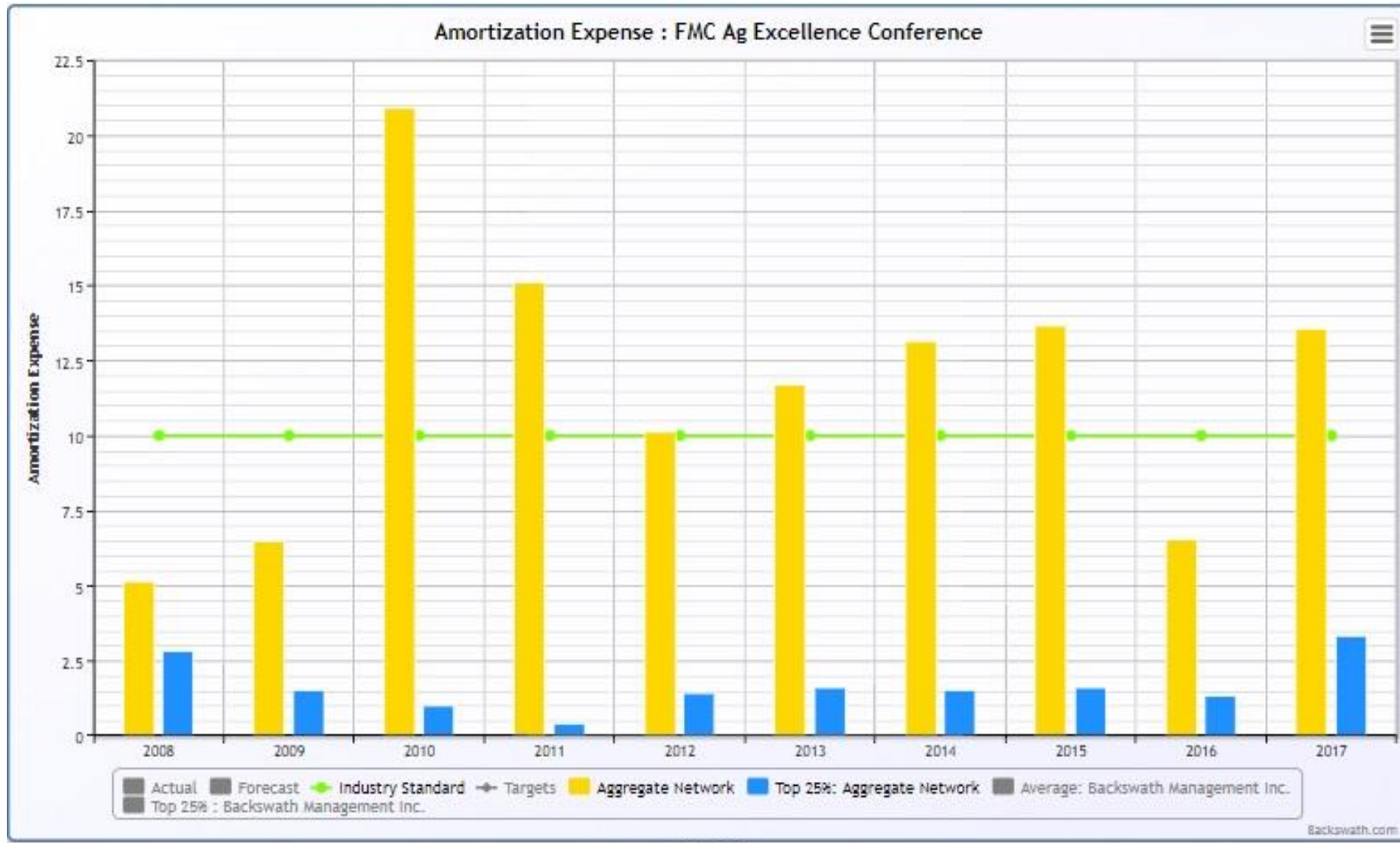
The Operating Expense ratio is a measure of financial efficiency.



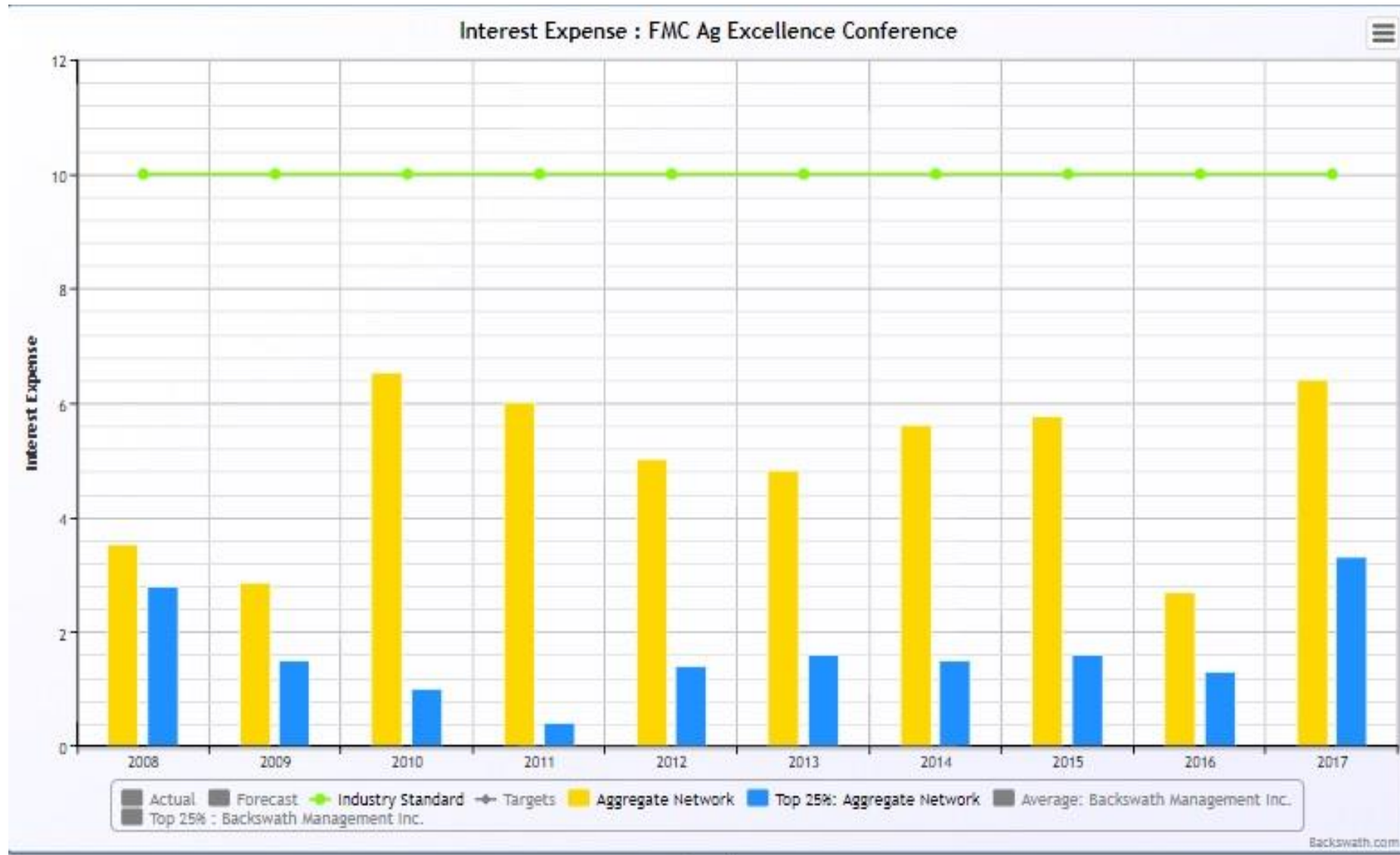
The Capital Turnover ratio is a measure of profitability.



The Amortization Expense ratio is a measure of financial efficiency.



The Interest Expense ratio is a measure of financial efficiency.



# Next Steps

- Use EAGLE to continue to test the correlation between management practices and financial performance
- Continue to compare to Dollars and Sense findings to 'test' the 7 practices
- Use EAGLE to continue management performance benchmarks
- Investigate additional studies on management performance
- See you next year!



# Thank you.

## Questions?

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