

# Module 5. Farm Business Management

## Standards

### 5.1 Legal obligations and clear title to resources

#### *Below Industry Standard -*

Management does not keep up to date with relevant legal obligations. Management cannot demonstrate clear title to land and water resources. Land and water resources are being legitimately contested by other users.

#### *Industry Standard -*

Management understands and keeps up to date with relevant legal obligations. Management can demonstrate clear title to land and water resources. Land and water resources are not being legitimately contested by other users.

### 5.2 Business goals and plans

#### *Below Industry Standard -*

Business goals and plans are not developed with input from business members.

#### *Industry Standard -*

Business goals and plans are developed with input from all business members. Where significant projects are being considered, there is a process for engaging stakeholders and resolving any issues with new developments/projects. This process is effective.

#### *Above Industry Standard –*

The goals and plans are reviewed every 12 months and updated as required with input from all business members. Business members' personal goals are discussed and included in the annual review of business goals and plans.

### **5.3 Risks to natural resources and the environment.**

#### *Below Industry Standard -*

The key environmental issues are not covered by an appropriate and implemented environmental impact and management plan.

#### *Industry Standard -*

The key environmental issues are covered by an appropriate and implemented environmental impact and management plan which covers biodiversity, ecosystem services, soil, water, air, use of agro-chemicals, use of artificial fertilisers, cane burning, waste and noise.

### **5.4 Financial risk management**

#### **Practices:**

#### *Below Industry Standard -*

Basic risk management strategies are not in place.

#### *Industry Standard -*

Basic risk management strategies are in place, e.g. income protection, disability, life and property insurance policies.

#### *Above Industry Standard -*

Opportunities for off-farm investments and income are considered in business plan. Farm Management Deposits are utilised (when practical) to smooth cash flow.

## **5.5 Succession planning**

### **Practices:**

#### *Below Industry Standard -*

Wills and enduring power of attorney are not in place for all business members. Succession planning has not commenced.

#### *Industry Standard -*

Wills and enduring power of attorney in place for every business member. Succession planning underway and some professional input has been obtained.

#### *Above Industry Standard -*

Detailed succession plan, including a time line, is in place and all relevant people are aware of it. Plan developed with professional legal and financial advice. Where appropriate, transition strategies are being implemented

## **5.6 Production and quality of cane is monitored**

### **Practices:**

#### *Below Industry Standard -*

Production and quality of cane are not monitored or compared with relevant benchmarks.

#### *Industry Standard -*

- a. Production of cane is monitored and compared with relevant benchmarks.
- b. Quality of cane is monitored via estimates of recoverable sugar in the cane (e.g. CCS).

## **5.7 Business and financial records**

### **Practices:**

#### *Below Industry Standard -*

Business and financial records do not enable up-to-date budgeting and cash flow analysis.

#### *Industry Standard -*

Business and financial records are current and their content and format enables effective budgeting and cash flow analysis.

#### *Above Industry Standard -*

Business and financial records enable detailed analysis of the physical and financial performance of the business (e.g. gross margins, return on assets, interest coverage, and equity).

## **5.8 Cash flow analysis**

### **Practices:**

#### *Below Industry Standard -*

Annual cash flow is not analysed to assist management.

#### *Industry Standard -*

Annual cash flow analysed. Reasons for changes (against budget or previous) identified and used in management.

#### *Above Industry Standard -*

Annual cash flow performance analysed in detail. Analysis broken into key components (sales, enterprise costs, overheads, total operating costs, capital expenditure, finance costs, tax).

## **5.9 Business analysis**

### **Practices:**

#### *Below Industry Standard -*

Business performance is not analysed each year.

#### *Industry Standard -*

Business performance is analysed each year with respect to gross profit (\$ per tonne of cane) and net profit.

#### *Above Industry Standard -*

Performance is analysed in detail against long term trends and averages. Gross margins, return on assets, interest coverage, equity and other key measures calculated. Where appropriate, professional advice is sought to assist with performance analysis.

## **5.10 Business decision making**

### **Practices:**

#### *Below Industry Standard -*

Decision making is not timely. It is done with limited information and consultation.

#### *Industry Standard -*

Decision making happens when there is an issue to be addressed and is based on gathering as much information as possible, talking to other people in the business and consulting with peers.

#### *Above Industry Standard -*

Decision making is a proactive process involving gathering timely information and weighing up alternatives. Key decisions made well in advance at regular management meetings, where options are identified and analysed to choose best course of action.

## 5.11 Investment in research and extension

### Practices:

#### *Below Industry Standard -*

Management makes little or no investment in research and extension.

#### *Industry Standard -*

Management invests significantly in research and extension for ongoing improvement (> 0.5 % of sales).

## 5.12 Labour management – obligations and systems

### Practices:

#### *Below Industry Standard -*

Management is not aware and does not comply with all relevant legal obligations and labour standards.

#### *Industry Standard -*

Management:

- a. is aware of the relevant legal obligations and labour standards.
- b. enforces the age limit per job category.
- c. ensures that all employment is freely chosen.
- d. ensures there is absence of discrimination
- e. respects the right of workers to form and join trade unions and/or to bargain collectively.
- f. pays at least the national minimum wage.
- g. adheres to maximum number of hours to be worked (normal and overtime) set by law/award.
- h. pays overtime work at a premium rate.
- i. provides clear and comprehensive contracts to workers.

#### *Above Industry Standard -*

Management also develops and implements strategies to ensure a high level of staff retention.

### **5.13 Employee training, learning and networking**

**Practices:**

*Below Industry Standard -*

Adequate training is not provided to employees.

*Industry Standard -*

Management ensures employees receive adequate ongoing training for their jobs (e.g.  $\geq 2$  days/direct employee/year).

### **5.14 Employee roles and responsibilities**

**Practices:**

*Below Industry Standard -*

Employees are not clear about their roles and responsibilities, and these are not reviewed.

*Industry Standard -*

Employees know their roles and responsibilities, and these are reviewed from time to time.

## Evidence checklist for each practice standard

PRACTICE	INDUSTRY STANDARD <i>(Entries in italics indicate the above industry standard requirements)</i>	EVIDENCE REQUIRED	EVIDENCE SIGHTED	FINDING (C – BMP C – above NC – below N/A)
5.1 Legal obligations and clear title to resources	<ul style="list-style-type: none"> <li>- Management understands and keeps up to date with relevant legal obligations</li>   <li>- Management can demonstrate clear title to land and water resources</li>   <li>- Land and Water resources are not being legitimately contested by other users</li> </ul>	<ul style="list-style-type: none"> <li>- Obligations of relevant laws are readily sourced and are regularly updated (including those related to environmental protection, pollution and waste management, labour, WH&amp;S, land title, water access, agricultural practices)</li> <li>- Records kept of any convictions and non-compliance fines, and the corresponding corrective actions.</li>   <li>- Rates notices and leases; Irrigation scheme documentation; access to underground water via The Water Act or granted under a licence or water allocation.</li>   <li>- Absence of any current legal proceedings around land and water resources</li> </ul>		
5.2 Business goals and plans	Business goals and plans are developed with input from all business members.	<ul style="list-style-type: none"> <li>- Business Plan</li> <li>- Records of meetings</li> </ul>		



PRACTICE	INDUSTRY STANDARD <i>(Entries in italics indicate the above industry standard requirements)</i>	EVIDENCE REQUIRED	EVIDENCE SIGHTED	FINDING (C – BMP C – above NC – below N/A)
	Where significant projects are being considered, there is a process for engaging stakeholders and resolving any issues with new developments/projects. This process is effective.	- A documented engagement and issue resolution process; >90% of multi-stakeholder projects agreed via stakeholder process		
	<i>Industry standard plus: Goals and plans are reviewed every 12 months and updated as required with input from all business members.  Business members' personal goals are discussed and included in the annual review of business goals and plans.</i>	<i>Business Plans with version control and dated amendments</i>		
5.3 Risks to natural resources and the environment.	The key environmental issues are covered by an appropriate and implemented environmental impact and management plan	- Smartcane practice framework used to ensure farming practices minimise risk to the environment. - Coverage includes biodiversity, ecosystem services, soil, water, air, use of agro-chemicals, use of artificial fertilisers, cane burning, waste and noise.		
5.4 Financial risk management	Basic financial risk management strategies are in place, e.g. income protection, disability, life and property insurance policies.	Insurances in place		
	<i>Industry standard plus:</i>	<i>Income diversification</i>		

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	<i>Opportunities for off-farm investments and income are considered in business plan. Farm Management Deposits are utilised (when practical) to smooth cash flow.</i>	<i>Use of FMD or similar options</i>																		
5.5 Succession planning	<p>Wills and enduring power of attorney in place for every business member. Succession planning underway and some professional input has been obtained.</p> <p><i>Detailed succession plan including a time line is in place and all relevant people are aware of it. Plan developed with professional legal and financial advice. Where appropriate, transition strategies are being implemented</i></p>	<p>Letter from legal advisor</p> <p>Record of business/family meetings</p> <p>Record of professional advice</p> <p><i>Letter from legal advisor</i></p>																		
5.6 Production and quality of cane is monitored over time	<ul style="list-style-type: none"> <li>- Production of cane is monitored</li> <li>- Quality of cane is monitored with estimates of recoverable sugar in the cane (CCS)</li> </ul>	<p>a. Production data are recorded:</p> <table border="1" data-bbox="1048 884 1583 1070"> <thead> <tr> <th></th> <th>Area (ha)</th> <th>Av. age (mth)</th> <th>Total cane (t)</th> </tr> </thead> <tbody> <tr> <td>Dryland</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Suppl Irrig</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Full Irrig</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Data compared with relevant local data and climatic benchmarks; production exceeds climatic minimum yields (from Bonsucro)</p> <p>b. Quality of cane is recorded: average CCS is greater than 10%</p>		Area (ha)	Av. age (mth)	Total cane (t)	Dryland				Suppl Irrig				Full Irrig					
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5.7 Business and financial records	Business and financial records are current and their content and format enables effective budgeting and cash flow analysis.	Suitable records for budgeting and cash flow		
	<i>Industry standard plus: Business and financial records enable detailed analysis of the physical and financial performance of the business (e.g. gross margins, return on assets, interest coverage, and equity).</i>	<i>Suitable records for detailed business analysis</i>		
5.8 Cash flow analysis	Annual cash flow analysed. Reasons for changes (against budget or previous) identified and used in management.	Annual cash flow analysis and use in management		
	<i>Annual cash flow performance analysed in detail. Analysis broken into key components (sales, enterprise costs, overheads, total operating costs, capital expenditure, finance costs, tax).</i>	<i>Analysis of annual cash flow into key components</i>		
5.9 Business analysis	Business performance is analysed each year with respect to gross profit and net profit.	- Results for gross and net profit - Gross profit (value added) is > \$2 per tonne of cane		
	<i>Performance analysed in detail against long term trends and averages. Gross margins, return on assets, interest coverage, equity and other key measures calculated. Where appropriate, professional advice is sought to assist with performance analysis.</i>	<i>Detailed business performance over time</i>		

PRACTICE	INDUSTRY STANDARD <i>(Entries in italics indicate the above industry standard requirements)</i>	EVIDENCE REQUIRED	EVIDENCE SIGHTED	FINDING (C – BMP C – above NC – below N/A)
5.10 Business decision making	Decision making happens when there is an issue to be addressed and is based on gathering as much information as possible, talking to other people in the business and consulting with peers.	Examples of business decisions		
	<i>Decision making is a proactive process involving gathering timely information and weighing up alternatives. Key decisions made well in advance at regular management meetings, where options are identified and analysed to choose best course of action.</i>	<i>Examples of business decisions including information accessed, analysis of options and consultation.</i>		
5.11 Investment in research and extension	Management invests in research and extension for ongoing improvement	Research and extension costs (including the compulsory industry levies) > 0.5 % of sales		
5.12 Labour management obligations and systems	a. Management is aware of the relevant legal obligations and labour standards	HR policy consistent with the relevant legal and labour standards (Fair Work Act 2009, Sugar Industry Award) and is updated as required.		
	b. Management enforces the age limit per job category	HR policy consistent with age limits relative to job; System in place to record and check workers' ages. Minimum ages: 18 years for hazardous work, 15 years for non-hazardous work, 13 years for light family work		

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	<p>c. Management ensures that all employment is freely chosen</p> <p>d. Management ensures there is absence of discrimination</p> <p>e. Management respects the right of workers to form and join trade unions and/or to bargain collectively</p> <p>f. Management pays at least the national minimum wage</p> <p>g. Management adheres to maximum number of hours to be worked (normal and overtime) set by law/award.</p> <p>h. Management pays overtime work at a premium rate</p> <p>i. Management provides clear and comprehensive contracts to workers</p>	<p>HR policy ensures each employment contract is compliant with Division 3 of the Fair Work Act 2009.</p> <p>HR policy consistent with Section 351 of the Fair Work Act 2009, and reflected in recruitment processes and employment contracts.</p> <p>HR policy consistent with freedom of association and collective bargaining as per Section 336 of the Fair Wok Act 2009.</p> <p>Lowest entry level wage paid, including benefits, relative to national minimum set by the Fair Work Commission (<math>\geq 1</math>)</p> <p>Staff work time records relative to maximum allowed by the relevant industry Award conditions (<math>\leq 1</math>)</p> <p>Records of overtime rates paid show that these are <math>\geq 25\%</math> of the normal hourly rate</p> <p>Worker contracts that cover at least: hours of work, overtime payment,</p>		

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		notice, holidays, wages, and mode of payment.		
	<i>As for industry standard, plus: Does management develop and implement strategies to ensure a high level of staff retention.</i>	<i>Documented strategies and evidence of their implementation  Trend in staff retention rates</i>		
5.13 Employee training, learning and networking	Management ensures employees receive ongoing training for their jobs.	Records of participation in industry networks and learning, training and networking events.  Number of days that direct employees train in a year is $\geq 2$ /employee, OR payroll of employees whilst on training within a year, relative to total payroll, is $\geq 2\%$ .		
5.14 Employee roles and responsibilities	Employees know their roles and responsibilities and these are reviewed from time to time.	Records of discussion between employer and employees		