RFCS

Rural Financial Counselling Service
New South Wales

UNLOCKING SUCCESS

FOR PRIMARY PRODUCERS
IN SOUTHERN, CENTRAL
AND WESTERN NSW

Our professional, confidential and free financial counselling service can set your farm business on the best path for success, succession or sale.

rfcsnsw.org.au

1800 319 458

This guide outlines nine key ways our trained financial counsellors support primary producers experiencing or at risk of financial hardship.

TOP TIPS

> She spoke in a language we could understand and was able to answer any questions we had.

> The service has allowed me to continue when I thought all was lost.

> Encouraged us to be proactive and assisted us with strategic business planning and cash flow preparation ... this valuable assistance is giving us more confidence in our negotiations with the bank.

> RFCS NSW has been a positive and transformative experience. They exceeded every expectation with respect, concern, and a genuine desire to help.

ACKNOWLEDGEMENTS

Rural Financial Counselling Service NSW acknowledges the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW. We pay our respects to Elders past, present and emerging.

The Rural Financial Counselling Service program is funded by the Australian Government and the New South Wales Government and is administered by the Department of Agriculture, Fisheries and Forestry.

Australian Government
Department of Agriculture, Fisheries and Forestry

NSW GOVERNMENT

1. BUSINESS REVIEW

To determine the performance of your farm business, it is essential to undertake a business review.

The first step for a clear understanding of your farm business is to conduct a business review. This will enable you to gain valuable insight into your current performance, identify strengths and areas for improvement. We use financial ratios and other techniques to benchmark your business performance, processes, products and operations against other parts of your business, competitors or best practices in the industry.

BUSINESS REVIEW BENEFITS

- Make informed business decisions
- Long term success
- Identifying opportunities
- Risk mitigation

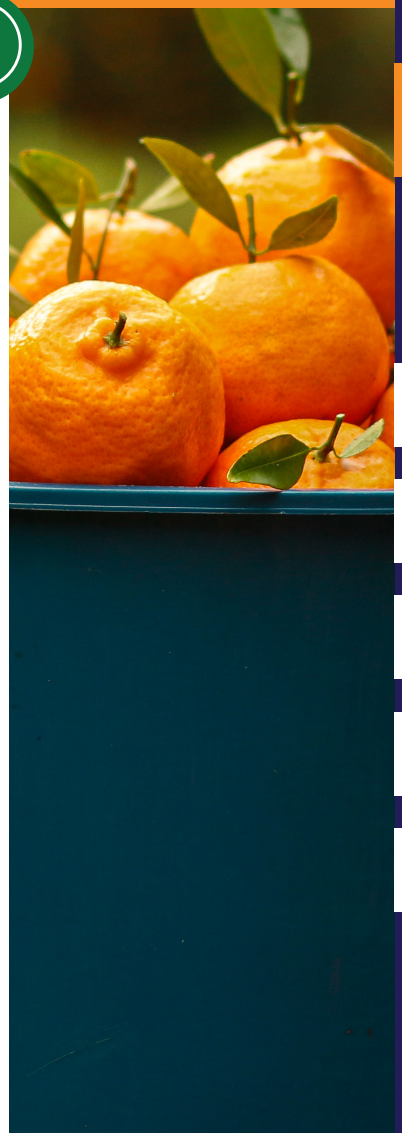
HOW TO GET STARTED

TOP TIPS

1. **Gather financial statements:** Collate your farm business's annual financial statements, including your profit and loss statements and balance sheet.
2. **Internal benchmarking:** Assess your business performance against its past performance to identify areas of improvement or decline. Focus on measuring your level of debt. An effective level of debt is important for long-term viability. This can be measured by equity, debt-to-income ratio, finance costs as a percentage of farm income, return on equity calculations. All this information can be obtained from the financial statements. Use a range of indicators to gain a comprehensive understanding of your farm's business performance.
3. **Talk to us:** Your local Rural Financial Counsellor will apply our business review tool to your business.

2. BANK REVIEWS

Bank reviews are a financial health check of your business so banks can minimise their risk and ensure you are able to continue servicing your debt. It is also something bank managers must do to update their records and comply with duty of care and due diligence requirements.



TOP TIPS

STRESS FREE ANNUAL BANK REVIEW

Embrace the process: Understand that the review is a financial health check for your business and is an opportunity to demonstrate your commitment and seriousness to the bank.

Be proactive: Keep track of when your review is due and initiate contact with your bank in advance.

Give yourself plenty of time: Plan ahead and allocate time to prepare for the review, ensuring you have all the necessary paperwork organised.

Know what to expect: Ask your bank for an outline of the review process and understand your obligations as well as theirs.

Be prepared and gather information: Compile all required documents and information, ensuring transparency to address any questions.

Be open: Foster open communication with your bank, be transparent about your business performance and any challenges you have faced.

Use the review to your advantage: Look ahead and discuss with your bank how they can support your future financial needs and goals.

Ask for help: Seek assistance from financial specialists or counsellors if you are unsure about any aspect of the review process.

3. NEGOTIATING WITH CREDITORS & LENDERS

Dealing with creditors and lenders can feel overwhelming particularly when you are facing cash flow issues, natural disasters, market downturns or any other cause of financial hardship.

Negotiating payment terms or restructuring loans is essential to ensure debt is serviced sustainably.

TOP TIPS

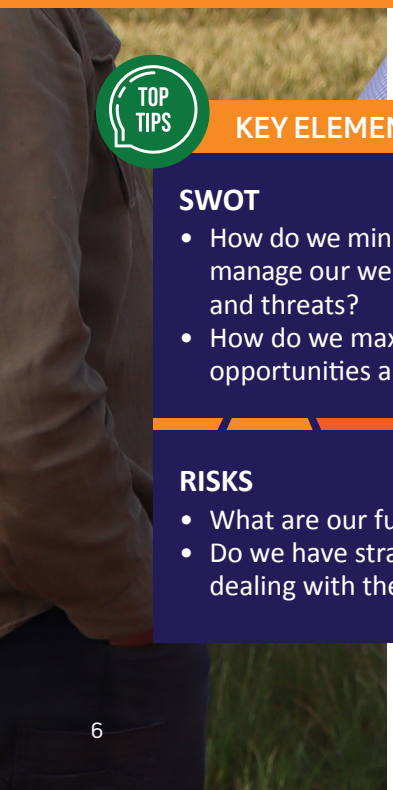
STEPS TO TAKE WHEN NEGOTIATING

1. **Act early:** Don't wait until you are in default. Contact creditors as soon as problems arise.
2. **Be honest:** Clearly explain your financial situation and any temporary challenges.
3. **Prepare information:** Have up-to-date records of your income, expenses and debts.
4. **Propose solutions:** Offer realistic payment plans or timelines based on your cash flow.
5. **Get it in writing:** Always confirm any new arrangements in writing.

4. BUSINESS PLANNING

Without a plan for your business it is difficult to prioritise actions and drive improvement opportunities.

A business plan serves as a roadmap for a business and will guide you to where you want to go. By analysing factors such as the purpose of the business, target market and production variables, a business owner can make informed decisions to enhance their overall success. Just as a map reduces the risk of getting lost during travel, a well-developed business plan minimises uncertainty and helps navigate challenges effectively.



TOP TIPS

KEY ELEMENTS OF DEVELOPING A BUSINESS PLAN

SWOT

- How do we minimise or manage our weaknesses and threats?
- How do we maximise our opportunities and strengths?

GOALS

- Short term
- Long term (five years out)
- SMART (specific, measurable, achievable, relevant and time-based).

RISKS

- What are our future risks?
- Do we have strategies for dealing with them?

SUCCESS MEASURES

- What are the non-negotiables? For example, increase productivity and reduce debt.

5. BUDGETING

Setting up and regularly updating a cash flow budget is critical for determining financial prosperity. It reduces the risk of being unable to pay your bills and ending up in financial hardship.

Put simply, a cash flow budget is a way of monitoring all cash coming into (+) and leaving (-) your business. Your net cash flow needs to break even or show a surplus to ensure you can meet your financial obligations.

TOP TIPS

CASH FLOW BUDGET BENEFITS

Understand your financial future: Some farmers believe that seasonal conditions are too variable to rely on cash flow budgeting, but this is exactly why cash flow budgets are so important.

Better farm decision-making: Cash flow budgeting helps you improve decision-making and increases the likelihood of each decision being a profitable one.

Reduce stress: Being uncertain about your financial future can be stressful and seriously impact your emotional, mental and physical health.

Improved relationships with financial institutions: Having an up-to-date cash flow budget is necessary if you want to access new finance or tick off your annual bank review.

TOOLS TO GET STARTED

Microsoft Excel: A great tool for creating custom cash flow templates. Online resources are available to help you master Excel for budgeting purposes and avoid formula errors.

Farm management software: A wide range of options and reports are available. These can be easy to use with less training and no formula errors.

External assistance: Rural Financial Counsellors are experienced in cash flow budgeting and can provide guidance and support in setting up and updating your budget regularly.

Networking and support: Exchange ideas and experiences with other farmers in the community. This can provide valuable insights and support in managing your cash flow effectively.

6. FARM DEBT MEDIATION

When farm finances are under pressure, communication between farmers and lenders can become strained. Farm Debt Mediation (FDM) is a structured, confidential process that helps both parties work through financial challenges fairly and constructively.

In NSW, FDM must legally take place before a creditor can begin enforcement action on a farm debt. Farmers do not have to wait for a creditor to act, they can request mediation if they are concerned about their financial situation. An independent mediator helps both parties explore practical solutions, such as debt restructuring, asset sales, payment plans and voluntary exits. The aim is to reach a fair and workable agreement without going to court. If a creditor invites a farmer to mediate, the farmer has 20 business days to respond. All agreements include a 10 business day cooling-off period.

TOP TIPS

BEFORE YOU BEGIN FDM

1. **Be prepared:** Gather your financial summaries and documentation.
2. **Know where you stand:** Understand your rights and responsibilities under the law.
3. **Seek support:** Your Rural Financial Counsellor can provide support before, during and after mediation.

7. SUCCESSION PLANNING

We have all heard dramatic tales about succession planning within family units, but it doesn't have to be that way.

Succession planning involves creating a strategic roadmap for smoothly transferring the farm business and assets from one generation to the next, while preserving family relationships and ensuring the long-term viability of the business. Rural Financial Counsellors can play a role alongside other professionals to support families through this transition.

TOP TIPS

THE BEST TIME TO START SUCCESSION PLANNING

There is no better time to start planning for farm succession than right now. Here is a structured approach to the succession plan process:

Start early: Even if the succession seems far off, planning allows for flexibility and consideration of various options.

Define your vision: Consider your retirement plans, the future of the farm business and any other assets.

Document your ideas: Documenting your ideas helps clarify your thoughts and provides a foundation for discussion.

Encourage open communication: Encourage an environment of open and respectful communication within the family.

Seek professional advice

Review and update regularly: Succession planning is an ongoing process. Review and update your plan as circumstances change.

Implement the plan: Begin to implement it gradually, starting with delegating responsibilities and transferring ownership.

8. RISK MANAGEMENT

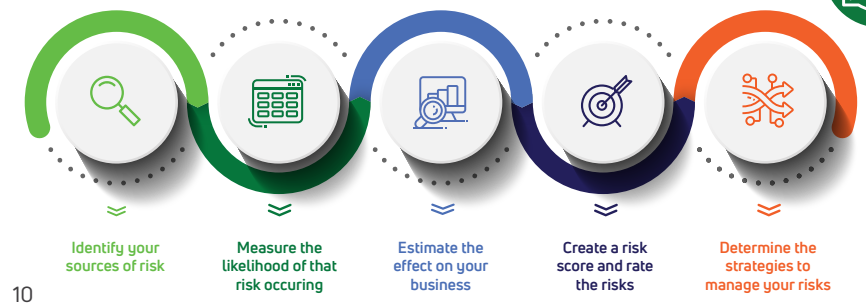
In the business of farming, risk is a constant and whether you know it or not, you are making risk and employing risk management strategies all the time.

The risks in your business are any areas where the outcome is unknown. People get caught up thinking that risk is negative but in fact it is a neutral factor that can have either negative or positive outcomes for your business.

COMMON RISK AREAS ACROSS FARMING BUSINESSES

- **Production/yield risk:** The risk that yield might be lower than expected due to extreme weather events/change (including drought, frost, too much rain), weeds, pests or disease, or machinery and equipment failure.
- **Personal and operational risk:** Injury, sickness and changed family relationships, as well as disruptions to operations caused by human error when handling machinery or working on the farm.
- **Price/market risk:** The risk that you may lose the market for your product, or the price you expect to receive is not met and sales are impeded.
- **Financial/legal risk:** Financial risks include not having enough cash to meet obligations and legal risks include failure to fulfil agreements or contracts. This may be brought about by production and market risks or by increased input costs, higher interest rates, changing exchange rates, excessive borrowing, or higher cash demands to meet family needs.
- **Succession planning:** The risk associated with succession.

TOP TIPS



9. ACCESSING GOVERNMENT ASSISTANCE

The Rural Financial Counselling Service can support farmers to access government loans and other assistance for farmers, such as disaster recovery grants, flood relief payments or Farm Household allowance.

REGIONAL INVESTMENT CORPORATION

NSW GOVERNMENT Rural Assistance Authority

Services Australia

> Their knowledge was greatly beneficial when applying for the Farm Innovation fund. The up-to-date information was helpful.

> Very helpful in understanding how to fill in certain forms needed for the Farm Household Allowance. Also had plenty of information on other loans available for our business.

TOP TIPS

Please visit our website to see the current government assistance available.

USEFUL CONTACTS

- Lifeline | call 13 11 14 | www.lifeline.org.au
- Local Land Services | www.lls.nsw.gov.au
- Regional Investment Corporation | www.ric.gov.au
- Rural Adversity Mental Health Program | www.ramhp.com.au
- Rural Assistance Authority | www.raa.nsw.gov.au
- Services Australia | call 13 24 68
- Farmers Hotline | call 13 23 16

RFCS
Rural Financial Counselling Service
New South Wales

rfcsnsw.org.au 1800 319 458 info@rfcsnsw.org.au