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Taking Inventory of Management and Financial Processes

Taking Your Business to the Next Level
Dick Wittman, Wittman Consulting

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Agenda – *Putting Concepts into Practice*

- Review Governance & Financial **Best Practices**
- **Score yourself** on implementation
- Prioritize **Path for Process Improvement**

Review Proficiency Test & Process Improvement Checklists…map plan for implementing changes!

Free Downloads: www.wittmanconsulting.com

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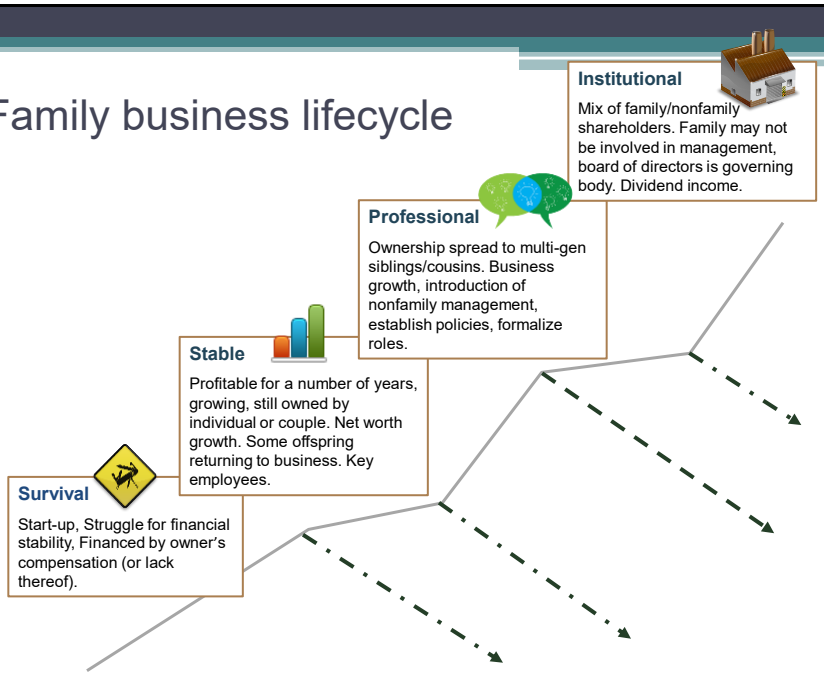
Family business lifecycle



Source: Lance Woodbury

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Survey Results*

Percent Adoption of Key Farm Management Proficiencies

Management System/Personnel Management Proficiencies	2001 – '25 Range	AVE	2026
Mission, Vision, Values defined	22 – 56	37	47
History documented	17 – 59	44	51
Goals and Objectives documented	13 – 44	29	47
Operating Plan and Cashflow Budget compiled annually	38 – 63	46	49
Strategic Plan in place that periodically addresses strategic issues	15 – 41	28	38
Written Job Descriptions/Division of Responsibility in place	18 – 44	34	42
Personnel & Operating Policies written & distributed	18 – 49	34	31
Standard Operating Procedures documented-repetitive duties	11 – 41	24	31
Compensation program matched to market rates	25 – 51	38	45
Performance Appraisals done regularly	12 – 37	24	35
Hold quality meetings for investors, owners, spouses	36 – 49	42	46
Owner Board is transparent and functioning part of governance	24 – 38	31	47
Advisory board or peer groups used to bring outside influence	22 – 37	27	3
Critical Agreements documented & reviewed	24 – 49	36	43
Culture or Management Audits used to assess farm buy-in	11 – 17	15	23

< 1/ 4 set goals, 15% strategic plans, <1/4 formalize duty statements
1/4 do performance appraisals; ,15% have SOPs

*Surveys administered to participants of TEPAP Program

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Survey Results

Percent Adoption of Key Farm Management Proficiencies

Financial Management Proficiencies	TEPAP '2001-'25	AVE	2026
Financial records updated and circulated monthly	43 – 68	52	47
Balance sheets & income statements prepared annually (12/31 basis)	87 – 100	95	90
Balance sheets reflect cost and market values & deferred tax liability	32 – 75	50	43
Income statements calculate cash (tax) and accrual net income	47 – 80	63	76
Audit systems in place to assure financial statement integrity	36 – 73	56	59
Profit and Cost Center performance is tracked on at least annual basis	30 – 60	48	45
Budget Projections and Performance reports are used regularly	38 – 58	50	51
Field or livestock records complete and accessible to unit managers	49 – 70	60	63
Key performance measures (ratios) reviewed at least annually	13 – 43	28	47
Policies for owner investments and withdrawals defined and followed	7 – 32	20	29
Policies for dividing earnings (owners vs labor/mgmt) clearly defined	9 – 39	25	24
Capital Investment Analysis tools understood & accessible	25 – 49	34	36
Partial Budget techniques understood and utilized regularly	29 – 58	38	37
Activity Based Costing used to ID standard cost of repetitive operations	33 – 59	45	46

` →½ do budgets & track profit/cost centers
→1/4 track key ratios
→1/5 have policy for dividing earnings & withdrawing capital

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Survey Results

Percent Adoption of Key Farm Management Proficiencies

Marketing and Risk Management Proficiencies	TEPAP Score Range	AVE	2026
Inventory to market is defined well in advance of marketing	53 – 85	70	72
Market Targets are established based on known Break Even Point, Cost of Production, & Cash Flow requirements	44 – 75	59	64
Forward contracts, hedging, and option tools are understood & utilized regularly	44 – 82	67	41
Crop Insurance provides balanced protection-hail, fire, all risk	60 – 96	82	89
Liability insurance covers balance of risks – liability, health, environmental exposures	75 – 97	86	64
Business Risk Assessment and contingency plans designed to cope with catastrophic events	23 – 29	26	31

2/5 market production with no idea of production cost!

Would you loan money or invest in an industry that gets a flunking grade in core management proficiencies?

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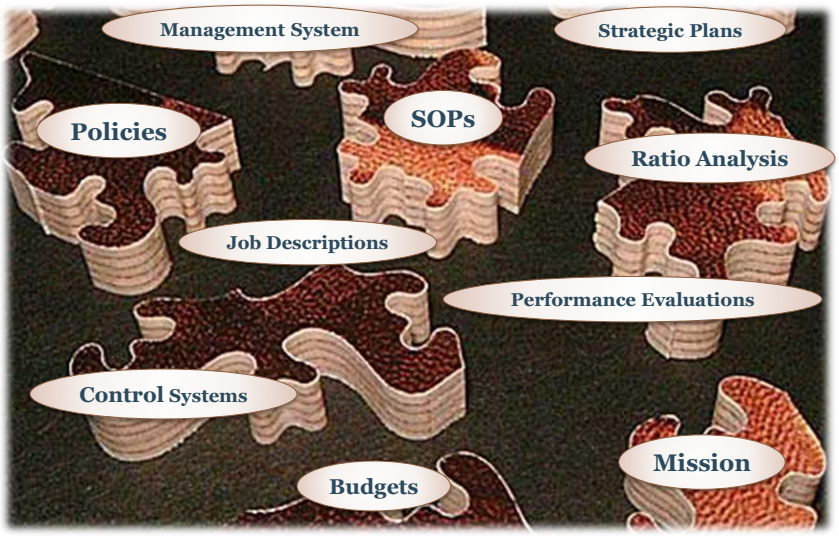
Today we'll put our "Management Engine" in the shed for a check-up!



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Report Card Scoring Protocol –
Use Handout to Record Score & Next Steps

- Is best management practice in place? – Y/N
  - If answer is YES –
    - How affecting professional climate or culture
    - What strategies helped you get this in place
  - If answer is NO –
    - Obstacles keeping you from finish line
    - Opportunities for your business if implemented
- Special topics unique to management practice

2025 TEPAP Implementation Movement

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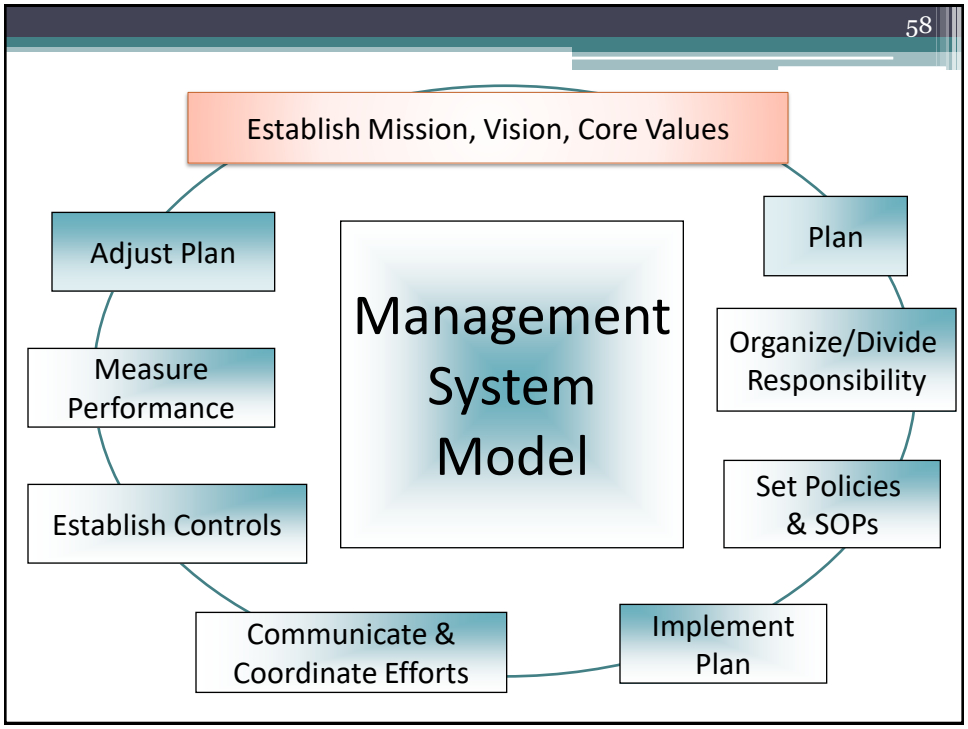

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Mission and Core Value Statements

- Only 33% of ag businesses define this!
- Consequences: Team can't agree/focus on:
  - Mission – business product or service, primary customer & key objective
  - Vision – end point if you succeed
  - Values & Philosophy – ground rules
- Put in writing and post visibly on farm

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Wittman Farms Mission Statement

Mission, Vision, Philosophies and Core Values - *Wittman Farms*

Mission Statement

As stewards of this farm, our mission is to produce high quality grain, livestock, timber and recreational opportunities for U.S. and foreign customers in a manner that will assure:

- a fair rate of return on invested resources to our owners,
- a safe and fulfilling environment to work and live in, and
- a long capable of producing sustained income for future generations.

Philosophy of Operations and Core Values

The following statements guide the policies and methods we follow to make and carry out decisions.

We believe in:

- undertaking our efforts with excellence and teamwork in mind in all phases of our operation
- valuing the contribution of our employees and recognizing them with professional treatment and competitive compensation
- pursuing new technologies and strategies to improve our efficiency and profitability
- striving for excellence in safety, conservation and stewardship that will maintain or improve farm productivity and assure a safe and fun place to work and live
- developing under a planned approach as opposed to a day to day reactive approach to management and decision-making
- clear direction of responsibility with mutual respect and support for each others roles
- making decisions based on sound business practices that are considered standard in similar businesses or arms-length elsewhere where non-related parties are working together
- documented operating and personnel policies to guide decisions and prevent misunderstanding
- maintaining a balance between profit and personal life, between time spent on business and time spent with family, community service and other activities, and these interests should not be allowed to unreasonably interfere with or adversely impact our obligations to the business
- paying a competitive return to labor and management and assuring the balance of the earnings accrue equitably to the owners as return on investment
- open and honest communication among employees, landlords, and owners. Periodic meetings with employees will focus not only on planning workload, but also on how we are functioning as a team in accomplishing our efforts. Investors off the farm should know what is going on with their investment in the business, and annual reporting will include information appropriate to their needs
- maintaining good records essential for running a successful business. Good, timely and accurate input from all concerned and should be shared openly with all key principals in the business

Our Vision

Our mission will be accomplished when:

- Those employed in the business complete their careers with financial security and value our family and business associations.
- The business grows, adapts, remains financially viable, and is successfully passed to successors with qualifications and interests that will assure continuation of this heritage.

Updated December 6, 2006

Produce high quality grain, livestock, timber and recreation for U.S. and foreign customers assuring:

- fair rate of return on invested resources
- safe and fulfilling environment to work and live
- sustainable income for future generations.

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Our Vision

Our Mission Will Be Accomplished When…

- Complete careers with financial security and value our family and business associations
- The business grows, adapts, and remains financially viable
- Capable successors are carrying on our heritage

← Not everybody's goal
Story: father & 2 sons
← Re-define SUCCESS

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Operating Philosophy/ Core Values Statement (excerpts)

- Strive for excellence
- Be early adapters
- Committed to professional management
- Open and professional communication
- Environmentally conscious methods
- Quality records openly shared

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Common Conflicts – Core Values

- Always be leading edge…
  - "If ain't broke, don't fix it"
- Maximize profits (live for today)
  - Maximize long-term economic and environmental sustainability (live for tomorrow)
- God & family first
  - Business first; God and family can wait
- Professionalism always expected
  - Professionalism OK when I'm "in the mood"
- Everybody should be equal – "*Entitlement rules!*"
  - Pay and position should be based on skills and performance

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"Living it"… or "Aspiration?"

***Core Values** – the Core Values Statement sets forth key practices, guidelines, or values we intend to follow or keep sacred in managing our business affairs.*

Kamenik Bros is committed to carrying out its business affairs respecting at all times the following **Core Values:**

- Honesty and integrity
- Trust in each other's actions
- Fairness
- Hard work creates good results
- Business interactions are arms-length
- Teamwork
- Sense of personal worth and purpose should be nurtured
- Strong family bonds and support
- Open to growth and diversification

We acknowledge that some of the above statements of vision and values are aspirations, not actual reflections of what we have always lived up to in the past. We call upon our families, customers, and stakeholders to call us out and continually challenge us to live up to these core guidance directives.

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Culture Audits

- Do you measure how you're doing?
- Try a **Culture Audit**
  - Highlight core values and best practices
  - Score business on Living it… vs. Aspiring to…
  - Team discussion on results, causes of poor scores and action plan to improve

Culture audit 2019-WF

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Please rate to what degree you believe we (as a team) are living out our stated values.

1 = aspire to it but don't live it
2 = seldom do we live it
3 = we live it about half the time
4 = we live it fairly consistently
5 = we live it completely

Wittman Farms Culture Audit

	1	2	3	4	5
• undertaking our efforts with excellence and teamwork in mind in all phases of our operation					
• valuing the contributions of our employees and recognizing them with professional treatment and competitive compensation					
• pursuing new technologies and strategies to improve our efficiency and profitability					
• striving for excellence in safety, conservation and stewardship that will maintain or improve farm productivity and make it a safe and fun place to work and live.					
• operating under a planned approach as opposed to a day to day reactive approach to management and decision-making.					
• clear division of responsibility with mutual respect and support for each others roles.					
• making decisions based on sound business practices that are considered standard in similar businesses or arms-length elsewhere where non-related parties are working together.					
• documented operating and personnel policies to guide decisions and prevent misunderstanding.					
• maintaining a balance between profit and quality of life. Employees are encouraged to pursue personal interests such as recreation, church, community service and other activities, as long as they do not adversely impact our obligations to the business.					
• paying a competitive return to labor and management and assuring the balance of the earnings accrue equitably to the owners as return on investment.					
• open and honest communication. Periodic meetings will focus not only on planning workload, but also on how we are functioning as a team in accomplishing our efforts.					
• maintaining good records. Good records require accurate input from all concerned and are shared openly with all key principals.					

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Part II – Culture Audit

1. What are three adjectives that you would use to describe our *current work environment*?

2. What are three adjectives that you *wished described our work environment?*

3. Are there any values not listed above that you believe would contribute to your ideal culture and work environment?

4. In scoring your culture above, for scores of 3 or less, what's keeping our team from scoring a "5"?

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Summary of Client Culture Audit

- 3 adjectives ***describing <u>current</u> culture***
  - Tense, abrasive, avoidance, confrontational
  - Hostile, unprofessional, chaotic
  - Avoidance, resentment, misunderstanding
- 3 adjectives you ***<u>wished</u> described culture***
  - Collaboration, harmony, compassion
  - Open-minded, focused, respectful, equal
  - Communicating, togetherness, teamwork

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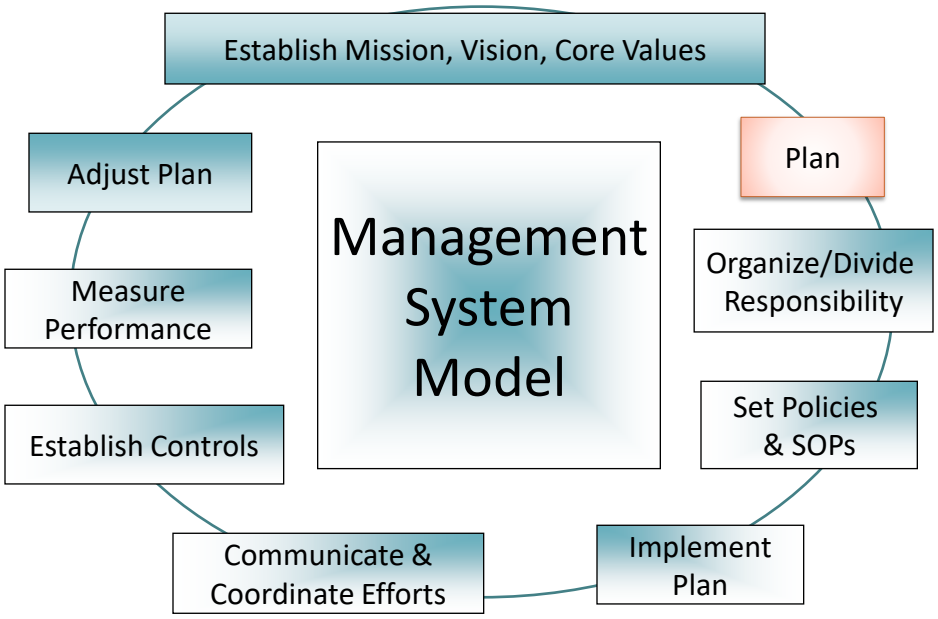

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Why Farmers Don't Have Time to Farm!

- Production Planning
- Marketing Planning
- Financial Planning
- Contingency Planning
- **Strategic Planning - 28%**
- Human Resource Planning
- Succession Planning
- Retirement Planning
- Family Planning

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"Simplify" Planning and Understand "Inter-Relationships"

- Operational or annual planning
  - Production Plan
  - Marketing Plan
  - Capital purchases and sales
  - Debt financing arrangements
- Strategic or long range planning

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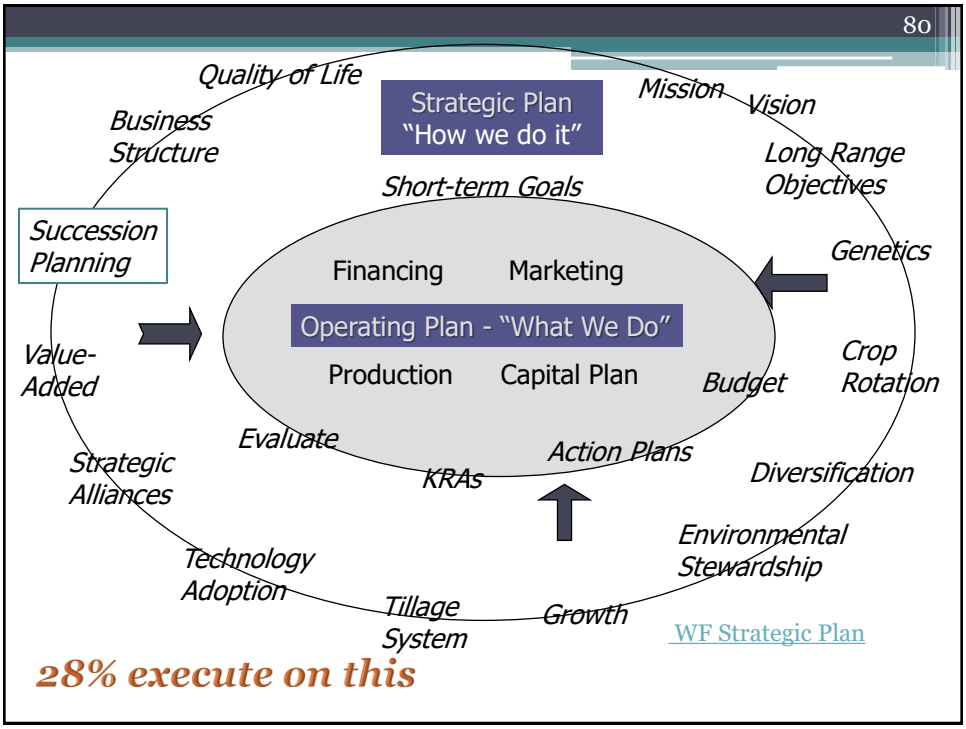
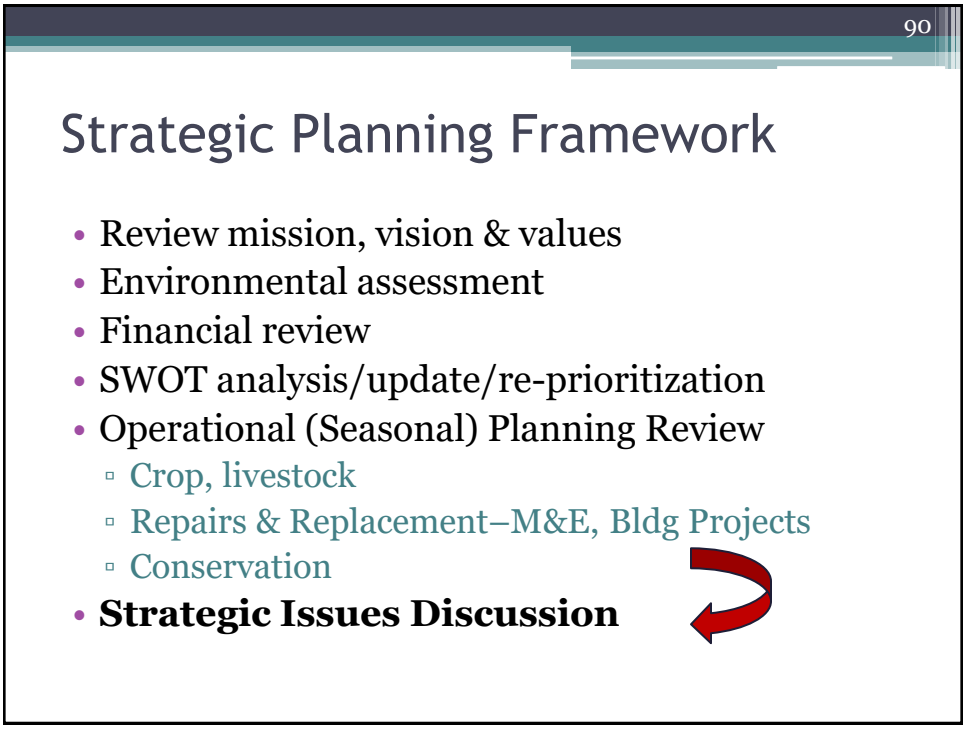

80
Quality of Life
Strategic Plan
"How we do it"
Mission
Vision
Business Structure
Long Range Objectives
Short-term Goals
Succession Planning
Genetics
Financing
Marketing
Operating Plan - "What We Do"
Value-Added
Production
Capital Plan
Budget
Crop Rotation
Evaluate
Action Plans
Strategic Alliances
KRAs
Diversification
Environmental Stewardship
Technology Adoption
Tillage System
Growth
WF Strategic Plan
28% execute on this

80


90
Strategic Planning Framework
• Review mission, vision & values
• Environmental assessment
• Financial review
• SWOT analysis/update/re-prioritization
• Operational (Seasonal) Planning Review
▫ Crop, livestock
▫ Repairs & Replacement–M&E, Bldg Projects
▫ Conservation
• Strategic Issues Discussion

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Strategic Issues - Discussion Template

- Strategic topic
- Current situation, options and potential impact on future performance (DuPont Model)
- Long range objectives
- Strategic shift/focus next 1-2 years
- Action plan for strategic shift
  - Primary party responsible for leading action plan
  - Target dates for implementation
  - Resource commitment: financial, people, capital
- Progress monitoring and reporting

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WF Strategic Issues

- Growth – land purchase/lease prospects
- Enterprise mix and re-direction
- Cattle, hunting, timber strategic approaches
- Strategic alliances, joint ventures & custom work
- Stewardship, conservation, worker safety
- Risk management, insurance strategic approach
- **WHAT TO DO LESS OF, OR NOT AT ALL…**
- Administrative/Governance/Transition
  - Org charts, job roles, compensation, staffing
  - Management succession/leadership development
  - Ownership transition, business buyouts & exits
  - Quality of life

WF Strategic Plan

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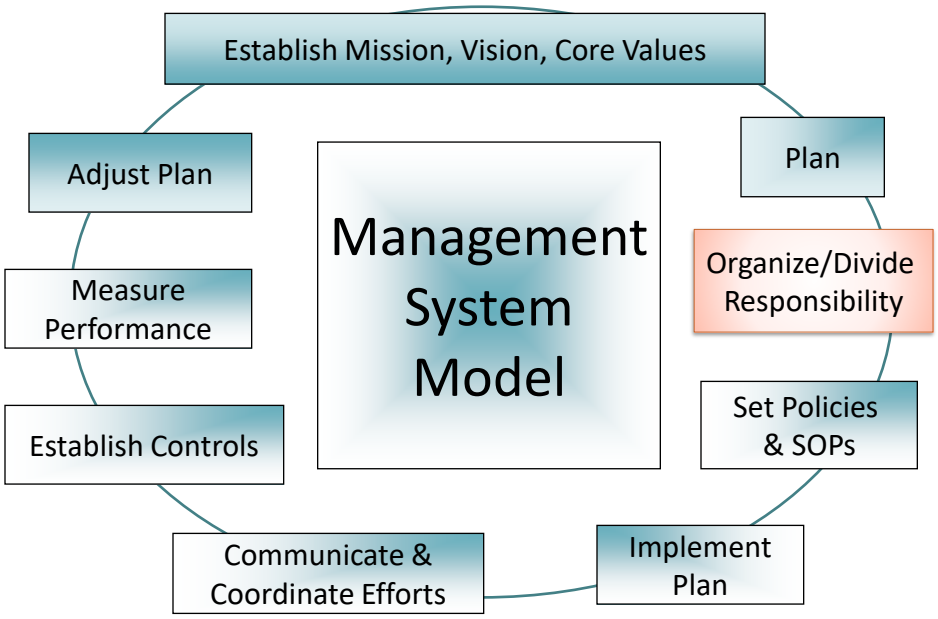

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Who should be on the bus, and where do they sit? *Good to Great* by Jim Collins

- How are you organized today?
- What will organization look after transition?
- Criteria be for filling "vacant slots"?
  - Skills, abilities, passion vs. "I'm family; I'm owed a job"
- How do you pass the baton?
  - Duty statements review, timetables for transition, apprenticeships, OJ training
- How does old guard get out of the way?
  - Board chairman vs. CEO ("boss")

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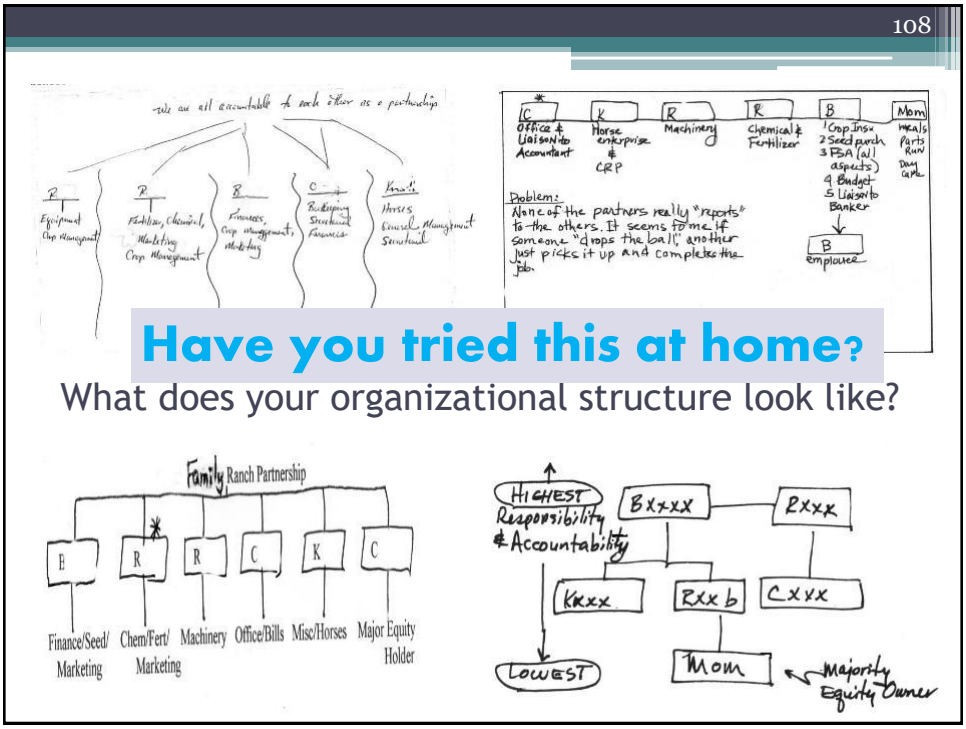
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Have you tried this at home?
What does your organizational structure look like?
Family Ranch Partnership
E
R
R
C
K
C
Finance/Seed/ Marketing
Chem/Fert/ Marketing
Machinery
Office/Bills
Misc/Horses
Major Equity Holder
HIGHEST Responsibility & Accountability
Bxxxx
Rxxx
Kxxx
Rxx b
Cxxx
Mom
LOWEST
Majority Equity Owner

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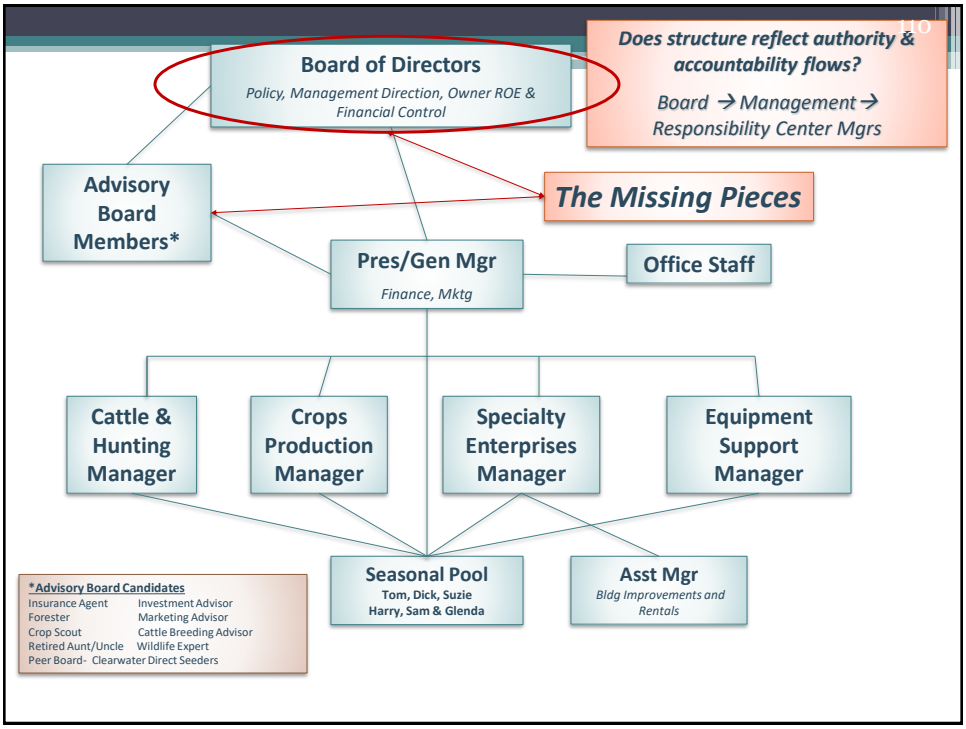
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Board of Directors
Policy, Management Direction, Owner ROE & Financial Control
Does structure reflect authority & accountability flows?
Board → Management → Responsibility Center Mgrs
Advisory Board Members*
The Missing Pieces
Pres/Gen Mgr
Finance, Mktg
Office Staff
Cattle & Hunting Manager
Crops Production Manager
Specialty Enterprises Manager
Equipment Support Manager
Seasonal Pool
Tom, Dick, Suzie
Harry, Sam & Glenda
Asst Mgr
Bldg Improvements and Rentals
*Advisory Board Candidates
Insurance Agent
Investment Advisor
Forester
Marketing Advisor
Crop Scout
Cattle Breeding Advisor
Retired Aunt/Uncle
Wildlife Expert
Peer Board- Clearwater Direct Seeders

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Is career path apparent?

Board Chair
Mentor/
Transition Coach

CEO

Asst Mgr

Grunt

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Role of Board of Directors

- Setting Policies
- Determining strategic direction
- Hiring, directing, evaluation & compensating management
- Maintaining financial control
  - Reviewing performance
  - Exercising “due diligence”

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Job Description – Board Chairman

- Policy review and refinement
- Investment analysis
- Strategic planning
- Hiring, coaching, grooming successors
- Performance review and feedback
- "Assisting" and "advising" successors in day-to-day operations without telling them what to do

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T-R-A-N-S-I-T-I-O-N

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Retiring CEOs – 8 Workshop Take Homes

- Professional governance key to getting next gen involved…especially if off farm owners involved
- Formalizing org chart key to defining path for next CEO; transparent board takes pressure off CEO being top DOG!
- Transition NOT same as retirement; read **2nd Mountain** by David Brooks & **Strengths to Strengths** by Arthur Brooks
- Write governance structure down to make transition succeed
- Board is only effective if professionally run (proper agenda, right participants, regular schedule)
- More formalized strategic planning process needed
- Culture audits, CEO performance evaluations critical
- Develop policy before the need

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Multiple Entity Governance

- How do we build governance oversight with multiple entities involved?
- What challenges arise?

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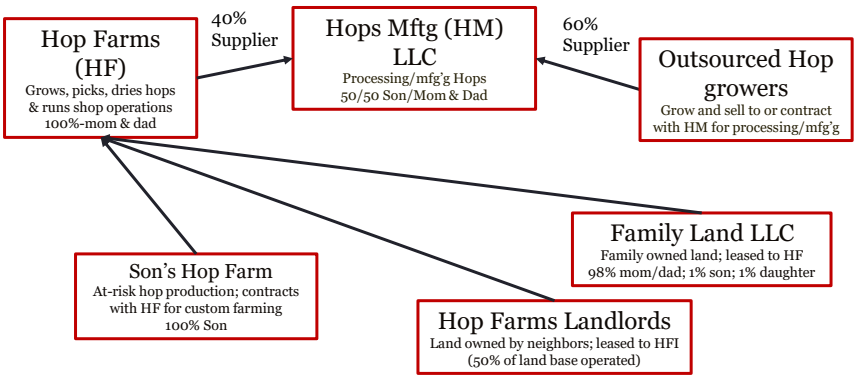

Entity Flowchart & Business Relationships

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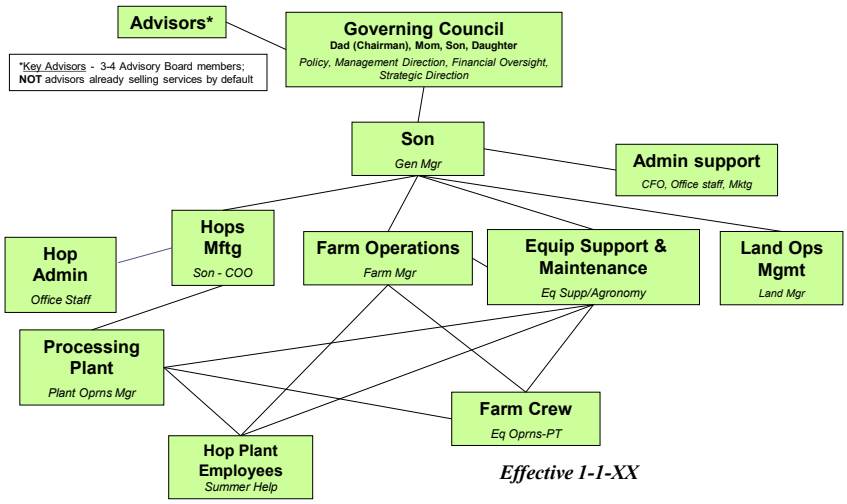

Effective 1-1-XX

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Kevin's Job – Board Chair/Transition Coach

- Planning – provide weekly input (not decision-making)
- Backup in technical areas of operations
- Advise and mentor
- Represent business in outreach activities (commissions, community meetings, non-profits)
- Conduct feasibility studies; evaluate land deals
- Operate equipment – be on-call "gofer"
- Assist in quality control and SOP documentation
- Travel with wife; develop hobbies (photography, horse stuff)
- Look at non-farm retirement jobs that can challenge interests

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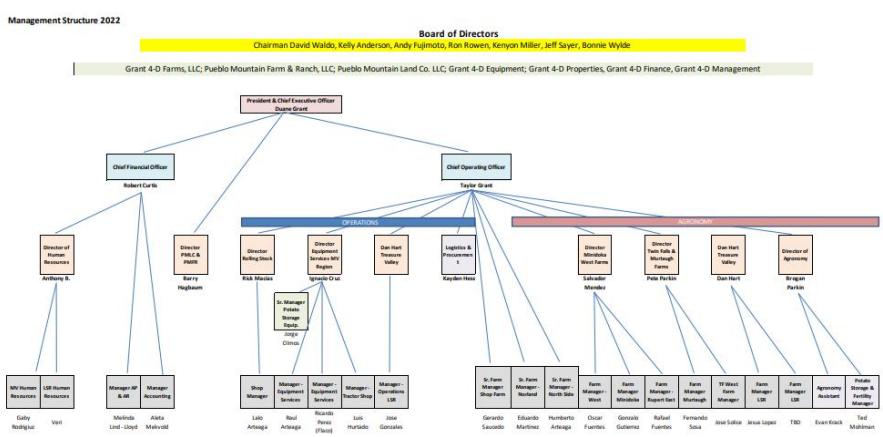

7 legal entities – classic illustration of <u>multi-entity governance challenge</u>
Board of Directors – 100% outsider/non-family, non-owner
Family Council – input for policy and board representation candidates

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Advisors Can Play Useful Roles

- Defining **board roles**
- Setting **compensation** – board, CEO, "Blood family"
- **Strategic planning**
- **Ownership transfers** (capital injections/withdrawals)
- Getting **incompatible players** "off the bus"
- **Champion for "disenfranchised"** owners
- **Guiding financial analysis** discussions
- **Running effective meetings—**board, family council
- **Transitioning management** duties
- Sounding board for **family conflict issues**

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Peer Groups - Network of peers sharing problems and solutions to operational and managerial challenges

- Confidentiality, trust and open sharing is ESSENTIAL
- Opportunity to network with non-related parties to "group think/problem solve"
  – regulation compliance, succession strategies, strategic planning, compensation, research plots, new technology, financial review and benchmarking
- Collaborate on shared ventures, market access
- Cost effective access to specialized training, consulting
- Keeps members accountable for action and follow-up

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Obstacles for Millenials and Z's Using Advisory Boards and Peer Groups

- "I've got this…I can do it myself"
- Hesitance to embrace execution accountability
- "Let's just all get along and work through this"

…more on this later "Coaching & Mentoring"

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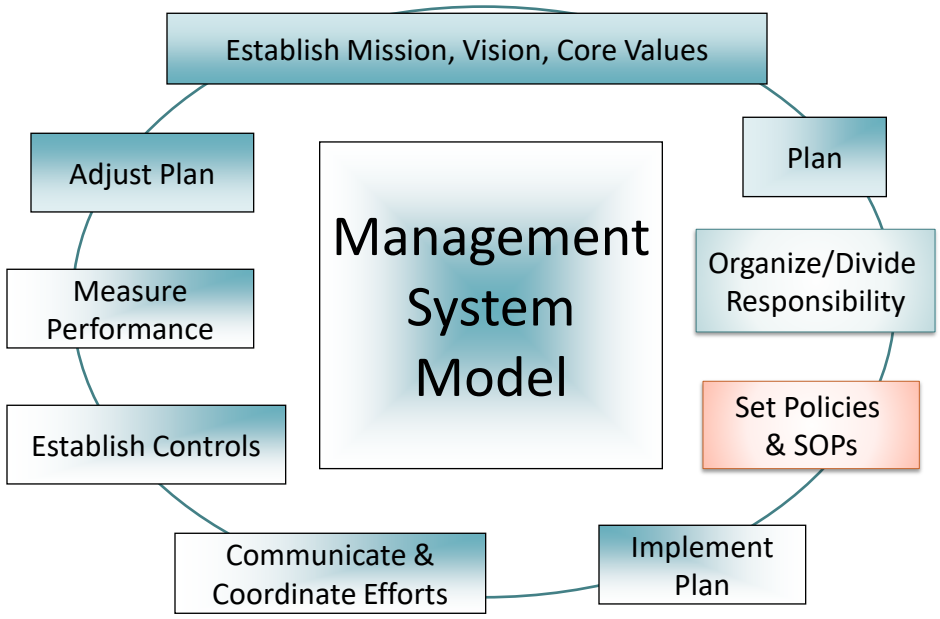

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36% do!

Are Policies Written Down?
…Common "Land Mines"

- Housing
- Company vehicles use
- Room and board
- Expense accounts
- Setting compensation
- Family Business Investment & Withdrawals Policy
- Insider/inter-entity transactions
- Family Employment Policy
- Medical benefits
- Retirement plans/pensions
- Business benefit continuation
- Workdays and holidays
- Vacations, sick, business leave
- Buyout Understandings
- Outside activities

Ask each member of farm management team to write down understandings…then compare notes. (see Questionnaire)

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Why Document Policies

- Forms consensus on practices to be followed
- Communication vehicle for partners & extended families
- Improves job satisfaction & teamwork
- Provides basis for professional review & enhancement revisions

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Compensation Summary				Name:	Joe Owner-Operator	
				Year:		
	Period	Rate/Mo			No Mos.	Yearly Total
Salary	Nov-Feb	$4,000	Base		12	$48,000.00
		Rate/Hr	Hrs/Mo			
Wages	Mar-Oct	$0.00	250		0	$0.00
	Cash Salary & Wages Subtotal:				*$48,000*	
Employer Pd Soc Sec/Gov't Retirement % Rate:					7.65%	$3,672.00
			Rate/Mo			
Housing			$1,200.00		12	$14,400.00
Utilities - Power, Phone,etc			$350.00		12	$4,200.00
Meal Allowance, Groceries			*270 days @ $6.00/day*			$1,620.00
Beef, Farm Produce			*1/2 beef - 350# @$1.40/lb*			$490.00
Other-			$0.00		12	$0.00
Medical Insurance			$900.00		12	$10,800.00
Uncovered Medical Reimbursement						$4,000.00
Other-						
Commuting Pickup						$3,000.00
Other- Auto Insurance, gas, maint.-			Spouse & children			$4,000.00
Other-						$ -
Total Wage and Benefits Value (Items 1-7)						$94,182.00
Bonus- Based on Yearend Results					10%	$4,800.00
Retirement Contribution @					7%	$3,360.00
Total Compensation:						$102,342.00

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Total Hours Worked Per Year		2700	Days Worked	270
		(excl bonus & ret.)		(incl bonus/ret)
Total Compensation per Hour		$34.88	(line 8/line 11)	$37.90
Total Compensation per Day		$ 348.82		$379.04
Total Value of Non-Taxable Benefits (Items 4-7)				$42,510.00
Non-Taxable Benefit Analysis @ Tax Rate: *			43.15%	30.15%
Pre-Tax Wage Equivalent (Line 12/(1-TaxRate)			$74,776	$60,859
Total Tax Savings (Line 13-Line 12)			$32,266	$18,349
Tot. Pre-Tax Wage Equivalent-(Line 9c+ Line 14)			$134,608	$120,691
" " " " "	- Per Hour		$49.85	$44.70

* Tax Table Summary	High Rate	Low Rate
Federal Tax	28.00%	15.00%
State Tax	7.50%	7.50%
Social Security/Gov't Retirement Prgm Tax	7.65%	7.65%
Total Tax Rate	43.15%	30.15%

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Trends in TEPAP Compensation

	2012	2023	2024	2025
Total Compensation	$78,166	$98,830	$101,720	$114,771
Pre-Tax Wage Equivalent	$90,204	$111,177	$122,751	123,700
Days Worked	297	286	280	280
Hours Worked	3000	2700	2760	2742
Pre-Tax $/Day	$304	$389	$437	$441
Pre-Tax $/Hour	$30	$41	$44	$45

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Workdays, Hours, Holidays, Leave

- Work hours – Busy season vs. slack time
- Holidays
- Vacations, sick leave, professional days or outside activities

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Base Year Concept

- 3000/500 hour rule - David Kohl
- Farming is not 8:00-5:00
  - How much is 100%?
- Semi-retirement, PT executives
  - How can we be fair?
  - How do we accommodate top talent who also want to be parents?

A crude measure of the right thing is better than a precise measure of the wrong thing.

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Family Employment Policy

- Components to keep professionalism in the family business
  - Vacancy requirement & skills required before hiring
  - Economic capacity analysis to support hire
  - Prior experience/training required; apprenticeships
  - Supervision and reporting relationships/nepotism rules
  - Consultation of stakeholders required before hire
  - Correlating compensation/bonuses with responsibility and performance
  - Merit vs. paternalism as criteria for hiring and advancement
  - Avoiding discrimination - family vs. non-family employees/owners
  - Policies on pre-nuptials

"...Policy <u>before</u> the need"

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Family Business Investment and Equity Withdrawal Policy

Components of Policy

- Who is welcome to invest?
- Is there a waiting period to become an investor?
- What financial literacy must be demonstrated?
- Should everyone be equal, or invest within your means?
- Are capital balances monitored for compliance with legal agreements?
- When can capital be withdrawn? ***"Can I ever get my money out?"***
- How do we compensate for excess capital balances?

Stories…Australian & Montana partnerships

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Tax Advisor Role in Interpreting Capital Accts (K-1s US; T5013-CA)

- Critical issue in general partnerships
- What is SOP for reviewing capital accounts with clients?
- Significance of capital account balance?
  - With accrual -income tax systems?
  - With cash-based systems with significant deferred income?
- Critical when structuring transition buyouts

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Good Management Practice

Make Valuation Equity Transparent!

Owners	Book Capital	Unreal Gain*	Total Equity
Partner A	$1,750,000	$1,300,000	$3,050,000
Partner B	1,500,000	1,113,000	2,613,000
Partner C	900,000	675,000	1,575,000
Totals	$4,150,000	$3,088,000	$7,238,000

*Unrealized Gain (Valuation Equity)= 43% of Total Equity Value

...How much of your NW is YOURS vs. TAX owed to government?

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Sample Policy - Capital Investment (or Retained Earnings) and Capital Withdrawals – (Partnerships and Sub S Corporations)

The amount of capital provided by each capital provider is a key component in determining how net revenue of the business will be shared among owners or risk takers. The partners, joint members, or stockholders providing capital shall establish at least annually a common agreement on the base level of capital each capital provider is expected to keep invested in the joint operation. This base level will be established giving consideration to:

Minimum financial constraints or objectives (i.e. targets for working capital level, debt to equity ratio, and borrowing reserves)
Needs of the business to fund future growth
Ratio of ownership each capital provider wishes to maintain for future revenue sharing.

An analysis of capital account balances will be done following final draws for tax purposes on April 15 annually. Capital providers can withdraw excess capital for personal living and tax payments, outside investments, or other needs. Excess funds can also be loaned to the joint operation at a market rate of interest.

If a capital provider cannot maintain a target capital share level after an extended shortage situation, the partners will re-evaluate the at-risk capital resources provided and adjust the revenue sharing arrangement to reflect the change in capital contribution level.

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SOPs and GAPs

30% have these

- Not something new!
- Purpose: guidance documents for repetitious or routine jobs
  - Training tool – new hires
  - Leverages communication for multiple employees
  - Assures jobs are done following BMPs, GAPs
  - Increases safety & lowers cost of production
  - Baseline for measuring job performance, auditing
  - BONUS: Value Added Revenue (ISO9000, Food Alliance)

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Common Applications of SOPs

- Equipment servicing and operating instructions
- Crop agronomic and harvest procedures
- **Farm safety guidelines**
- Food safety practices
- Herd health procedures
- Office functions
- Stock handling procedures

www.wittmanconsulting.com → Downloads:

Process Improvement Checklist

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Process Improvement Audit Checklist

This worksheet is designed to assist you in identifying areas in your business where it may be appropriate to standardize process and document SOPs, GAPs, or BMPs. Inventory which of these apply to your business, place an "X" in columns that apply, and note which organizational unit in your business has lead responsibility to initiate and/or administrate the topical area.

Process Improvement Area: (Place an "X" in the columns that apply.)	Applies to Us	Have it in place	Organization Unit or Person with Lead Responsibility
Management System			
Mission, Vision and Core Values			
Farm History			
Goals and Objectives-updating process			
Strategic Planning Process			
Organization Chart/Job descriptions			
Policy Handbook			
Critical agreements documentation (buyout agreements, estate plans & wills, lease arrangements			
Human Resource Mgmt			
Job Announcement, application & interview processes			
Job Descriptions, org. charts & Performance Standards			
Training and orientation			

Have you taken inventory of your Process Improvement - SOP elements?

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What generation are you & how does it affect attitude toward work, family, structure?

- GI Generation (1905-1924)
- Silent Generation (1925-1944)glasla
- Baby Boomers (1946-1964)
- Generation X (1965-1980)
- Generation Y aka Millennials (1981-1997)
- Generation Z (1997-2012)
- Generation Alpha (2013-2025)

Good Reads:

Generation X and the Millenials: What You Need to Know by Diane Thielfold

GenZ@/Work by David Stillman

Understanding Generation Alpha by McCrindle

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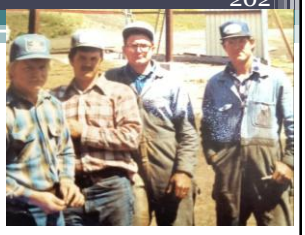
How are SOPs & Mentoring Viewed in Succession Culture?



- Micro-managing, stifling creativity **OR**
- Leveraging institutional knowledge … creating training tools for process consistency & efficiency

Challenges for Millenials & Z Gen successors

- "I got this…I can figure it out!" (independence)
- "I don't need your help"… "I don't want to bother you." (hesitance to engage others)
- Do successors want mentoring or validation?

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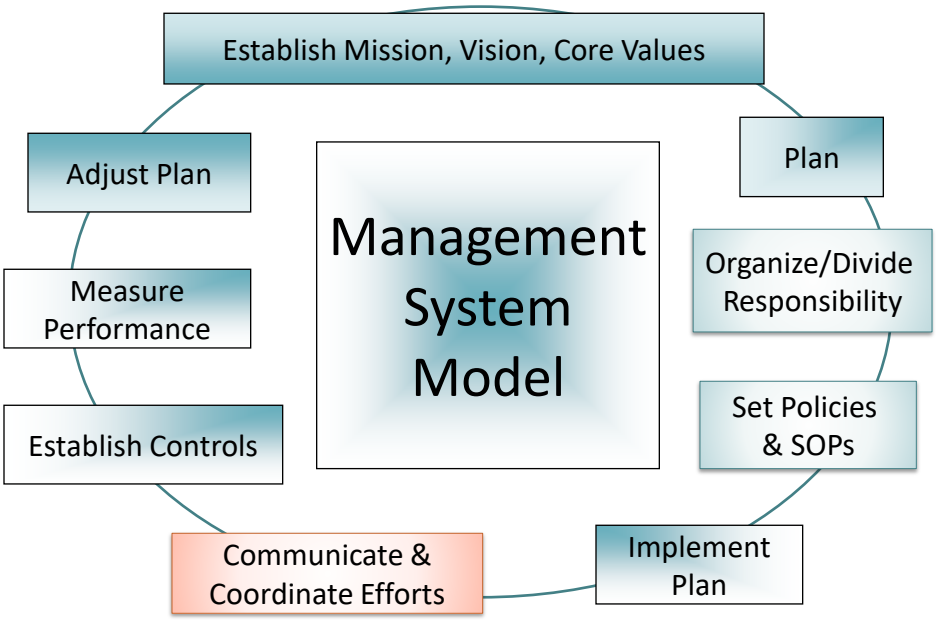

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Communication Systems

Do you:

- Agree on rules for communicating professionally?
- Invest in understanding personality styles? **Poll Group**
- Share records openly? **40%**
- Hold Regular Meetings – Staff, Mgmt, Owners, Family? **42%**
- Documentation key understandings? **31%**

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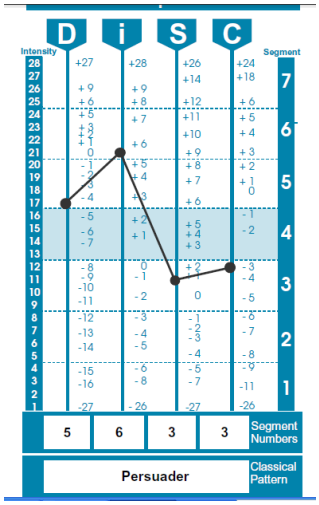
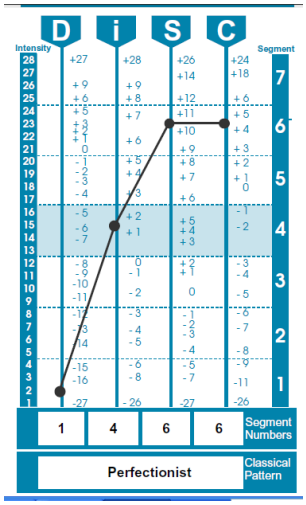
What's your DiSC dimension?





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Communication & Leadership Style Tools

- ColorCode
- Myers-Briggs
- DiSC
- Kolbe
- StrengthsFinder 2.0
- Enneagram
- Working Genius

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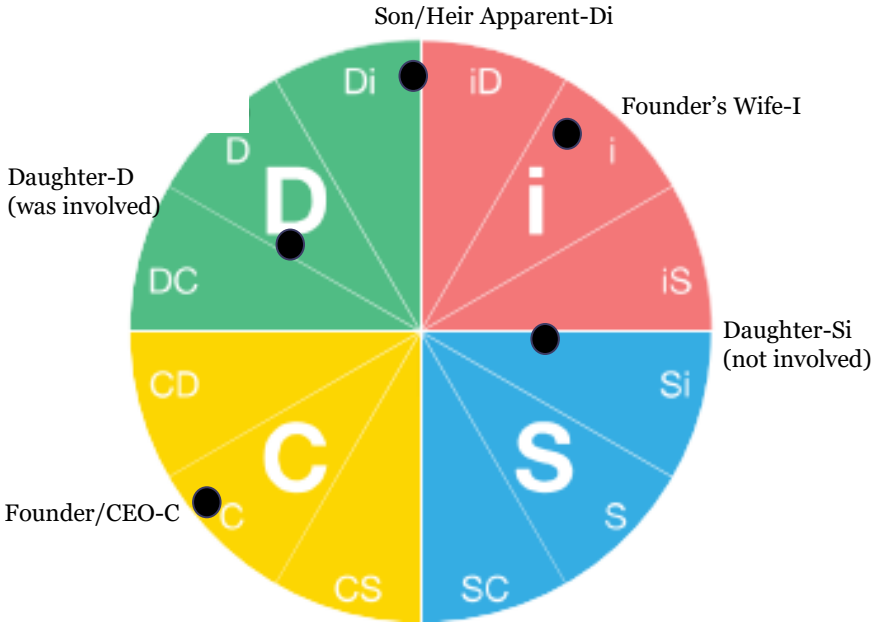

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“Meeting culture” in your business?

- Staff meetings
- Management meetings
- Owner board meetings
- Advisory board meetings
- Family meetings
- Family council meetings

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Staff Meeting Template

Wittman Farms
Weekly Staff Planning Agenda

For the week of 7 / 22 / 19

Crop / Agronomy Activity

- Kinzer- Finish Great Plains turbo
- Puncturevine spraying- roads
- Roundup touchup-field,road borders
- Rye - Sam-Mid (Weds?)

Cattle / Timber / Hunting

- Get rake home
- Home North hot wire fence
- Move Polly cows friday
- Rad logging schedule
- Pete's pasture - mow

Shop Operations

- FD75 header
- Kinze wagon - service,scale work
- Grain trailers - air lines, tarps, tires
- JD 1895 misc maintenance
- Pete PU to Lupers
- Mack electrical?

Building & Improvements Projects

- Wyatt- driveway gravel
- Reset scale retaining wall at bins
- Bin pit oover- cable, winch motor
- Gravel bins

Admin & Miscellaneous Projects

- Prairie CRP/CCRP strips
- Brian - depreciation/INC books
- FCS financials
- Chem/Fert reconcile - SWE/Buch, LTD
- IFTA report
- Deat Forsman SW swap -Cox review
- TU10 aftermath grazing follow-up - Kim C

Meetings & Leave Schedules

- Pete -
- Todd -
- Tom -
- Cort - McQuary MonPM, LIA MonPM, Thurs AM BGC
- Harvest meeting 7/22

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Sample Board Meeting Agenda

Standard Items

- Minutes review
- Financial Review
  - P&L's, Bal Sheet
  - Budget Performance & Variance Analysis
  - Review/approval – budget changes
  - Peer Comparisons
- Policy Review
  - New policies
  - Existing policy review
- Next meeting date & agenda

Ad Hoc Items - Periodic

- CEO Evaluations & Compensation Review
- Strategic Planning, Growth, & New Investment Opportunities
- Ownership & Management Transition Strategies
- Capital Purchase/Replacement Plan
- Leadership Development – Management and Board
- Debt Management Strategies

Differentiate agenda items as (1) Reporting, (2) Decision-making, or (3) Discussion Where Management Wants Board Input

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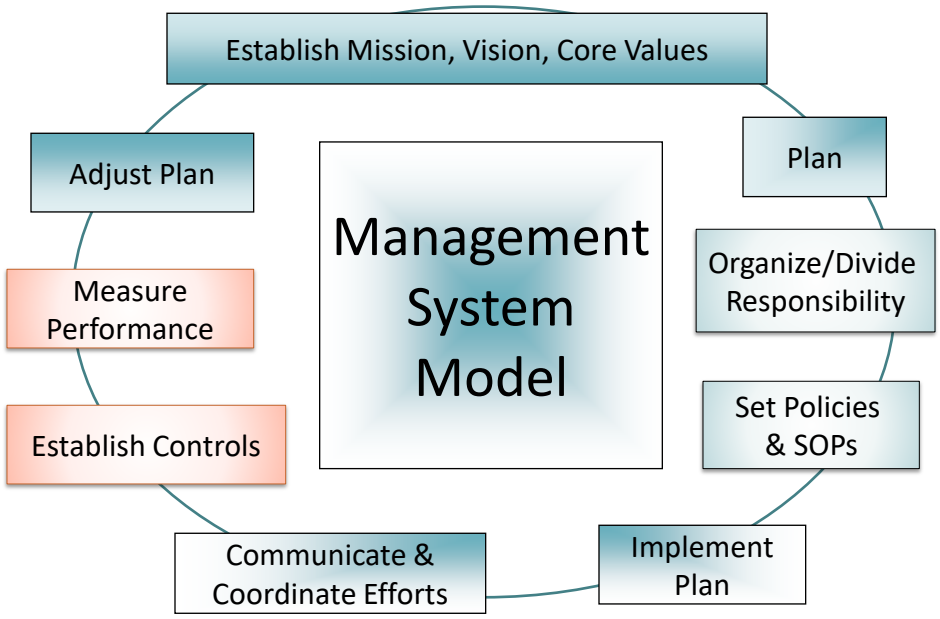

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Management Control System
Key Elements

- Comprehensive Financial Record Review Process
- Regular Performance Reviews – Individual & Farm Business
- Ongoing Training & Professional Development
- Use of Outside Advisers
- Good audit and internal control systems

"We manage what we measure."

"People do what is INSPECTED, not what is EXPECTED!"

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Elements of Good Records

- Open to all (*...are you kidding")*
- Circulated to key members monthly
- Year end statements (5 yrs)→ go beyond tax info:
  - Cash vs. accrual **66% ave. adoption**
  - Cost and market value balance sheets; deferred taxes **43%**
  - Profit & cost center analysis – Managerial Accounting Reports **46%**
  - Key ratio calculations - "sweet 16" (FFSC) **27%**

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Literacy Level-Financial Best Practices …Score Yourself on Scale of 1-10

- ❑Cash versus Accrual Net Income
- ❑Tax vs. economic depreciation
- ❑Cost versus Market Value Balance Sheet
- ❑Calculating Unrealized Gain & Deferred taxes
- ❑Cost/unit to produce each marketable commodity
- ❑Why paying tax is a GOOD THING TO DO
- ❑Cashflow Budgeting & Pro Forma Income Projections
- ❑Trend analysis–Key Ratios, annual reports
- ❑Using models to optimize Capital Asset Acquisitions
- ❑Capital Debt Repayment Capacity

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Liquidity-WC

Solvency-D/A

ATR, OPM

ROE, ROA

Debt Service Capacity

Ratios & Indicators

Joe P Sample
Cust # Example

Balance Sheet	FYE 2008 12/31/2008	FYE 2007 12/31/2007	FYE 2006 12/31/2006	FYE 2005 12/31/2005	FYE 2004 12/31/2004	FYE 2003 12/31/2003
Total Current Assets	288,955	215,020	217,052	217,725	231,100	212,900
Total Current Liabilities	144,045	97,697	118,525	128,510	125,175	107,100
Working Capital	144,910	117,323	98,527	89,215	105,925	105,800
Liquidity Ratio	2.01	2.20	1.83	1.69	1.85	1.99
Total Assets	1,208,705	1,171,370	1,202,152	1,191,725	1,184,600	1,166,450
Total Liabilities	547,127	545,807	590,050	641,080	661,475	673,650
Total Equity	661,578	625,563	612,102	550,645	523,125	492,800
Debt to Asset Ratio	45.27%	46.60%	49.08%	53.79%	55.84%	57.75%
Equity to Asset Ratio	54.73%	53.40%	50.92%	46.21%	44.16%	42.25%
Debt to Equity	0.83	0.87	0.96	1.16	1.26	1.37

Income Statement (VFP) *Ag - Pers.*	Avg 5 Yr. Avg.	Projected Cash Flow 01/01/2009 12/31/2009	FYE 2008 01/01/2008 12/31/2008*	FYE 2007 01/01/2007 12/31/2007*	FYE 2006 01/01/2006 12/31/2006*	FYE 2005 01/01/2005 12/31/2005*	FYE 2004 01/01/2004 12/31/2004*
Gross Revenue	517,170	545,028	614,369	495,353	499,187	476,305	500,635
VFP / Gross Profit	437,949	457,028	530,199	416,503	419,282	398,025	425,735
Operating Expense (excl. depr. & Int.)	251,140	269,487	281,392	240,933	247,428	252,928	233,019
Oper. Exp. Ratio	57.34%	58.97%	53.07%	57.85%	59.01%	63.55%	54.73%
Depreciation Expense	31,948	30,700	28,450	31,600	32,600	35,640	31,450
Depr. Exp. Ratio	7.29%	6.72%	5.37%	7.59%	7.78%	8.95%	7.39%
Interest Expense	57,875	40,348	45,481	76,157	52,360	55,580	59,795
Int. Exp. Ratio	13.21%	8.83%	8.58%	18.28%	12.49%	13.96%	14.05%
Asset Turnover Ratio	0.37	0.38	0.45	0.35	0.35	0.33	0.36
Net Income From Oper.	**96,986**	**116,493**	**174,876**	**67,813**	**86,894**	**53,877**	**101,471**
NIO Ratio	22.15%	25.49%	32.98%	16.28%	20.72%	13.54%	23.83%
Rate of Return on Assets	10.18%	9.67%	15.05%	9.22%	8.97%	6.72%	10.93%
Rate of Return on Equity	10.73%	11.56%	20.76%	5.37%	9.46%	4.51%	13.53%
Oper. Profit Margin Ratio	27.59%	25.57%	33.78%	26.26%	25.60%	20.05%	30.19%
Income After Owner Withdrawal	**75,405**	**100,493**	**148,026**	**47,713**	**67,224**	**34,339**	**79,721**
Term Debt & Cap. Lease Cov. Ratio	1.64	2.11	2.59	1.43	1.56	1.22	1.56
WC/AGI	22.58%	30.06%	25.63%	21.52%	19.49%	23.14%	23.11%

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Sharing Financials with Successors

- Have you done this?
  - If yes, how did it go?
  - If no, what are your fears?
- Successful attempts…
  - Ag lender, facilitator, family business advisor, acct

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Sharing History with Successors

- Do you have this written?
  - Key events and timelines that shaped your business journey
  - Ownership evolution
  - Key players that have come and gone
  - "Skeletons"
- Value in succession planning process
  - Defining your "legacy"
  - Briefing document for outsiders

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Are Key Principals Evaluated?

Can professional feedback change behavior???

- Develop innovative system that fits your business
- Set performance standards tied to job description
- Use disciplined process on regular basis
  - Anybody exempt? (Boss, family?)
- Balance praise & criticism
- Succession challenge:
  - Transfer from PARENTING
  - To mentor, coach, supervisor

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The '5 Lists' Technique

Adapted from Dr. Gregory Billikopf model
Labor Management Farm Advisor, Univ. of Calif

Employee and Supervisor each make a list:

- What strengths do **you** bring to this operation?
- In what areas do **you** need to improve?
- What can **I** (supervisor) do to help you do a better job? (Employee & supervisor compare list)
- What personal develop steps will **you** take to improve performance and skills?
- What are your key goals for the coming year?

CEO Evaluation

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Management Audits -
Key Board Responsibility

- Management Audit Case Study - Key lessons learned
  - Checking box is not same as living it
  - You manage what you measure
  - Management system and governance processes need to be well organized and accessible to all key management team members (cloud system helps)
  - Regular check-ups are essential; keeps client accountable for updating and complying with intentions for continuous improvement.

"People do what's inspected; not expected".

Silent Shade Management Audit-Case Study

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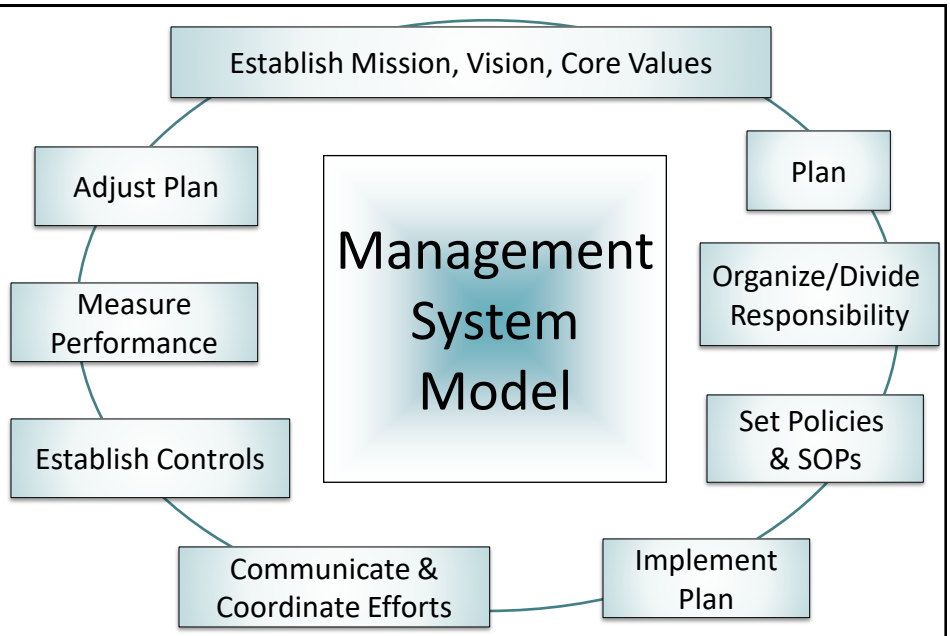

Does governance process need "professionalizing"?

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Our Future

Secret to Success:

Multi-generational commitment to a professionally managed farm business

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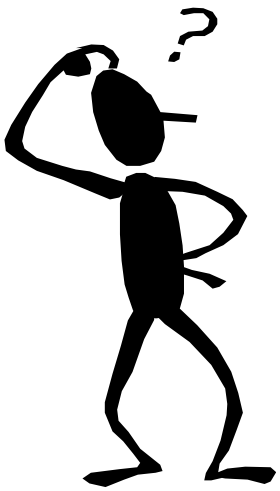
Time for Questions



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