



## TAKING CARE OF YOUR FARM BUSINESS

### STRATEGIES FOR DEALING WITH FINANCIAL DIFFICULTIES ON THE FARM

#### TROUBLE LOOMING? YOU'RE THE BEST JUDGE

Whether they are corner stores, international conglomerates or family farms, all businesses from time to time experience financial difficulties.

Early warning bells are likely to ring first in a manager's own mind. You may recognize that income isn't keeping up with expenses long before creditors and lenders sense the same thing.

Then again, cash flow problems could be temporary and easily solved with a rebound in the marketplace. That happens all the time, right . . . sure it does; however, there are other bells that farm managers should listen for as they try to weather a "temporary" problem.

For example:

- **Are other financial matters – operating loans, long-term debts and day-to-day living expenses, etc. – worrisome as well?**
- **Are concerns causing depression or loss of sleep?**
- **Is the family aware of concerns, or is a manager bottling them up inside?**
- **Has inventory or assets been sold to make payments?**
- **Are other sources of credit necessary because the bank refuses to extend any more credit?**
- **Is it possible that your farm business has more problems than you care to admit?**
- **Can your operation continue to operate as is?**

If your answer to several of these is yes, what can you do to turn this situation around? **Don't procrastinate** . . . difficulties can spiral and severely limit options for recovery, leading perhaps to the loss of the business altogether.



## **WHAT YOU CAN DO!**

### **(1) IDENTIFY THE PROBLEM(S)**

Financial difficulties can be caused by many factors:

- Low Production
- Poor production efficiencies
- Poor cash flow
- Amount and structure of debt
- Depressed or lost markets
- Projection shortfalls

It's easy enough to think you know what is happening. After all, when prices go into the tank, it's obvious that cash flow will suffer. However, if you 'connect the dots' by listing critical factors impacting your business, it is easier to identify tactics that may provide solutions.

### **(2) GET HELP . . .**

This can be a very difficult step to take, but advice and assistance are available from a wide variety of sources. They include:

- Local farm business management specialists
- Professionals – your accountant, lawyer or lender
- Another farm manager whom you trust and whose opinions you respect
- Confidential advisory services created exclusively to assist farm managers

## **TWO NATIONAL PROGRAMS EXIST:**

**The Farm Consultation Service . . .** is a proactive service for Canadian farmers who may be experiencing financial problems. A counsellor will work with the farmer to identify serious financial weaknesses, assess the current position and develop a plan for future success.

**The Farm Debt Mediation Service . . .** was created to provide insolvent farmers and their creditors with mediation services to help them arrive at a mutually acceptable financial arrangement.



**For further information about these services, contact:**

**Alberta, B.C, Northwest Territories, Nunavut and Yukon (Edmonton)**

Farm Consultation Service 1-888-495-3212  
Farm Debt Mediation Service 1-800-642-3890

**Manitoba and Saskatchewan (Regina)**

Farm Consultation Service 1-888-777-9309  
Farm Debt Mediation Service 1-800-667-7158

**Ontario (Guelph)**

Farm Consultation Service 1-800-265-8135  
Farm Debt Mediation Service 1-800-265-7288

**Quebec (Quebec)**

Farm Consultation Service 1-418-648-4775  
Farm Debt Mediation Service 1-888-886-4775

**Atlantic Canada (Fredericton)**

Farm Consultation Service 1-888-896-1555  
Farm Debt Mediation Service 1-800-561-4007

**(3) ACT ON YOUR OPTIONS**

Ideally you and your advisors will identify several options to consider. It will be up to you to determine which is the most acceptable.

Perhaps a solution might lie in a management shift where labour and resources are directed toward the most profitable part of the business. As long as there is sufficient equity, a lender might be prepared to provide debt consolidation or refinance your operation to maximize you farm's repayment capacity and improve cash flow.

Diversification, revised marketing strategies and attracting outside investment capital might be appropriate options for your farm business.

**EXITING THE BUSINESS**

If the 'handwriting is on the wall' or your options are extremely limited, selling your business – 'a voluntary exit' from farming – might be preferable to having to appoint a receiver or declare bankruptcy.

Selling before these more extreme measures become necessary can preserve some equity and prevent additional stress and worry.

Although appointing a receiver or declaring bankruptcy does not always mean a business is at the end, usually affected enterprises are wound down to satisfy debt obligations. Both receivership and bankruptcy are complicated legal proceedings, and anyone considering these options should seek legal counsel beforehand.