

Setting Farm Business Goals

Setting goals is the first step in developing a management plan for the farm business. The way to get results, make improvements, and be successful is to set goals. When you know where you are going and when you want to be there, it is easier to get the job done. The pilot of an airplane asks himself, "Do I know the destination toward which I am flying? What is my estimated time of arrival? Am I now on course?" It works in navigation and also in management; it is getting from where you are now to the point you have decided to reach.

This circular defines "goal," reviews what farm families have said about their goals, and presents some guidelines for setting goals.

What is a Goal?

A goal is a target toward which you are willing to work. It is something you wish to attain and provides direction for planning. To be most useful, the goal should be stated in a particular way. The following points are important in expressing a goal:

1. A goal should be specific as to what is to be accomplished. For example, "to make more money" is not specific, but "to increase net farm income \$2,000 by increasing the size of the dairy cow herd" is.
2. Goals should be objective and realistic. Before setting a goal, ask yourself whether it can be attained . . . by you. Each person has different talents, and managers must size up their aptitudes and resources and set their goals accordingly.
3. A goal should be something that will not happen without an effort on your part. If you do not have to make an effort to achieve it, then it is not really a goal.
4. Goals should have deadlines. "Increasing net farm income \$2,000 by expanding the dairy herd *next year*" is a more useful goal.
5. Be sure that the goals are measurable. If it is not measurable, how will you know that you have achieved it? Also, a system is needed to measure how well you are doing in relation to your goal.
6. Have some "easy" goals and some "hard" goals. Accomplishing the easier goals will give the positive feedback and courage to go after those more difficult ones.
7. Set flexible goals that can be altered as conditions change. Do not "box yourself in." As conditions change and you learn more about yourself and your capabilities, be ready to revise your goals.
8. Finally, recognize that you will not attain all goals. Be tolerant of yourself. Learn from experience and use this experience as a basis for establishing new goals.

Although goal setting is often considered in managers' thought processes, it will be much more useful if goals are written. Putting them in writing adds that additional discipline that often makes the difference between success and failure.

There are short-run goals, intermediate-run goals, and long-run goals. As you set your goals ask, "Where do I want to be next year and five years from now?" As you think through these time dimensions, see how the various goals relate to one another. Consider how working at the short-run goals can result in reaching the long-run ones. Develop a system whereby following a path of short-run goals will lead in the direction of your long-run goals. For example, by cutting the death loss in your calves by 50 percent, you could maintain your same volume of sales and also keep more heifers than are needed for replacements. This would contribute to the long-run goal of increasing a 300-cow herd to 500.

Goals may be competitive, independent, or complementary. A farm family may wish "to invest more in the farm business" and also "to increase family consumption expenditures." With a fixed amount of money available, these goals are competitive, at least in the short run.

An example of complementary goals would be "desiring more time away from the farm" and "to travel in Canada." Putting goals down on paper will allow you to see how the goals are related.

Actions that help to achieve one goal can simultaneously help or hinder the achievement of other goals. For example, increasing crop yields could result in higher income. This higher income could be invested in new machinery or used for family vacations. However, it is clear that money spent on a new tractor cannot be used to travel to Canada. By identifying

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the goals that are competitive, you can set priorities and determine which goals you will seek first and which you will postpone until a later time.

It is important to remember that most farms are family operations; different family members will have different goals and/or rank the importance of the goals differently. The result can be conflict. That is why it is important to develop goals as a group. Goals of all members of the family should be considered. Successful farm operations are ones where the parties involved—fathers, sons, brothers, daughters, and wives—work together in setting the course for the business.

Studies of Farm Family Goals

There have been many formal and informal studies of farm family goals. Four main conclusions can be drawn from these studies:¹

1. Farm families often find it difficult to verbalize their goals. They often find it easier to rank a list of goals that is given to them.
2. When families do indicate their own goals, they represent diverse areas of interest and tend to be short-run rather than long-run goals.
3. Although goals range widely, there are similarities in the goals shared by many farm families.
4. Factors such as age, income, net worth, and other characteristics affect the importance given to various goals.

Individual and family goals grow out of needs, interests, past experiences, and values. Some examples of general goals that are shared by almost all farm families are:

- To have a higher net farm income
- To avoid years of low income or high losses
- To maintain or improve the family's lifestyle
- To increase net worth
- To avoid being forced out of farming

Other general goals expressed by many farm families are:

- To reduce debt or have no debt obligations
- To have leisure time for personal activities
- To participate in church and/or community activities
- To expand the size of the farm business

Farmers often state maximizing or increasing income as a goal, although it will probably not be the only major goal. Studies of farm business goals indicate that "not being forced out of business" or "avoiding years of low income or losses" are also important. These two general goals of "increased income" and "survival of the farm business" are often competitive, but farmers must consider their priorities between the two and how they might manage their business to achieve each.

Steps for Setting Goals

There is no one best way to go about setting goals. Different individuals will prefer different approaches. The following list will provide a starting point for the development of your own system:

1. Set aside definite times for goal setting. For example, you might set aside some time each week to list ideas about possible goals. Then, you might devote a few hours at the beginning of each month to review progress toward goals that have already been set, revise goals, and set new goals based on the ideas listed. Finally, once a year, you might set aside a day to get the entire family and all those participating in the farm operation involved in the goal-setting process.
2. The next step in setting goals is to assess what you have done in the past. Think about the major decisions that you have made over the last three years; write down the circumstances surrounding that decision. What alternatives did you consider? This process forces you to consider what your goals have been in the past. Would you make the decision differently today? Have your goals changed?
3. Consider the alternatives relating to the operation of the farm that are open to you now. This is where you need to be creative; do not let past experiences limit future possibilities. For example, you might eliminate one enterprise from the farm and add another; you might buy 200 acres of land; or you might take a part-time, off-farm job. For each of these alternatives, list what would be required to implement it and what the likely outcome would be. These outcomes indicate what might be some achievable goals. Next, look at the requirements for each alternative. If you cannot meet those requirements now, you might need short-run goals to meet these requirements.
4. Now, by reviewing the requirements and outcomes of the alternatives you have listed, develop another list that sets forth your short-run, intermediate-run, and long-run goals. Then examine the relationships between these goals. For each goal, indicate whether the other goals will help, hinder, or have no effect on its achievement. Are the goals complementary, competitive, or independent?
5. Ask your spouse and other family members to repeat this same exercise. First, each individual should do this separately. Then call the family together to discuss and identify the areas of agreement and disagreement. Based on these discussions, develop the list of family goals in a form similar to the one illustrated in the worksheet. List the goals in order of priority. There are "big" (\$10,000-type) goals and "small" (\$10-type) goals. Your priorities should recognize these differences in importance.
6. The last and most important step is to take action, starting with those goals which have the highest priority. Use your goals to help you plan. There are many demands for your time and attention. This listing of your goals will help you set priorities on what to do. As a result, you will reduce frustration; and you will be accomplishing what you most want to accomplish.

Specialists in human behavior and motivation say that *what you think is possible* influences *what you are able to accomplish*. People move toward whatever they visualize themselves being and doing—you are (or can be) what you think. Successful managers think ahead. By setting goals they shape events, rather than letting events shape them. Success in farming depends on setting and attaining goals.

¹G. F. Patrick and Brian Blake. *Setting Farm Family Goals*, Purdue University Cooperative Extension Service EC-514, June 1980.

Worksheet for Setting and Attaining Goals

Develop your list of family goals in the form below. Be sure to put the highest priority goals first.

Goals to be attained	Actions needed to attain goals	Expected starting date	Expected date of completion	Progress reports
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Short-run:

1.				
2.				
3.				
4.				

Intermediate-run:

1.				
2.				
3.				
4.				

Long-run:

1.				
2.				
3.				
4.				