

## **SITUATIONAL ANALYSIS**

Farms operate within different surroundings. A situational analysis identifies how the farm is positioned within these surroundings. It can describe what happens within the farm and its control (internal) and what happens outside the farm and its control (external). The process is often referred to as a strengths, weaknesses, opportunities, threats (SWOT) analysis. Strengths and weaknesses are usually internal, with opportunities and threats external.

Strengths — advantages within your operation.

Weaknesses — points of concern within your operation.

Opportunities — opportunities outside your operation within the surroundings where you conduct business.

Threats — threats outside your operation within the surroundings where you conduct business.

### **Why is this relevant?**

Strategy, goals and actions should be thought about from a situational analysis perspective. Generally, farm businesses should:

- build on strengths
- acknowledge weaknesses
- capitalize on opportunities
- minimize threats

### **How will this help transition planning?**

- It helps to get family members on the same page.
- The exercise requires that family members think about the farm from a different perspective.
- The exercise promotes communication.

### **Instructions**

1. Complete this exercise as a group.
2. In the exercise found in the forms appendix on page 263, list your farm operations, strengths, weaknesses, opportunities and threats in the corresponding spaces.
3. Prioritize the list in each area.
4. Now, review the list from a transition planning perspective.
5. Store the document for future reference.

Strengths	Strengths Prioritized	Weaknesses	Weaknesses Prioritized
<i>Management team has decades of experience to draw from.</i>	<i>1. Good debt-to-equity ratio. We should be ok even if a few bad years happen in a row.</i>	<i>Succeeding generation lacks experience.</i>	<i>1. The labour situation is unstable outside of the management team.</i>
<i>The farm is incorporated which will make managing future changes easier.</i>	<i>2. Management team has decades of experience to draw from.</i>	<i>Work life balance is heavy on the work side.</i>	<i>2. Succeeding generation lacks experience.</i>
<i>Planning – the farm has always been careful in our approach.</i>	<i>3. Planning – the farm has always been careful in our approach.</i>	<i>The labour situation is unstable outside of the management team.</i>	<i>3. Work life balance is heavy on the work side.</i>
<i>Good debt-to-equity ratio. We should be ok even if a few bad years happen in a row.</i>	<i>4. The farm is incorporated which will make managing future changes easier.</i>		
Opportunities	Opportunities Prioritized	Threats	Threats Prioritized
<i>Grain prices are high and look like they will stay high for awhile.</i>	<i>1. Grain prices are high and look like they will stay high for awhile.</i>	<i>Global recession could drop grain prices and hurt land values.</i>	<i>1. Weather is always a threat in farming.</i>
<i>Lots of neighbouring farmers are starting to retire. Growth potential.</i>	<i>2. Lots of neighbouring farmers are starting to retire. Growth potential.</i>	<i>Weather is always a threat in farming.</i>	<i>2. Global recession could drop grain prices and hurt land values.</i>

### How does this apply?

- Identifying your farm’s strengths, weaknesses, opportunities and threats helps you to decide what you should focus on.
- Your transition plan should be developed with your SWOT analysis in mind.
- You will build on the SWOT analysis in the Enterprise Risk Management exercise and in the Critical Issues exercise.



#### PLANNING POINTERS:

- The SWOT analysis exercise should be reviewed annually with changes being made to reflect the current situation and surroundings.
- Prioritizing the lists in each area helps to bring focus to the planning process.



#### WHAT TO WATCH FOR:

- Try to maintain a balance between the positive (strengths and opportunities) and negative (weaknesses and threats).



**EXERCISE:** Go to the forms appendix at the back of this guide for a blank copy of the Situational Analysis exercise on page 263.

### Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

# Situational Analysis

Strengths	Strengths Prioritized	Weaknesses	Weaknesses Prioritized
Opportunities	Opportunities Prioritized	Threats	Threats Prioritized