



WHITEPAPER:

Defining the
challenges to
**AGRICULTURAL
BUSINESSES**

Defining the challenges to agricultural businesses

Overview

From sustainability and climate change to limited land availability and drought, agriculture has its challenges. For most primary producers and their suppliers in the industry however, just staying alive, financially, is challenge enough.

For your average primary producer and their supplier including small to medium sized livestock business, winery, food produce operation or dealerships working in Australian agriculture today, the big issues are the day-to-day issues. Issues like tracking stock, being compliant with regulations, reporting across multiple offices or managing distribution. And staying on top of those is a full time job in itself.

Typically, many businesses use a variety of different systems to track progress – and juggling those leaves precious little time or resources to focus on external issues.

So the real challenge is to find something to ease the burden of those administrative duties. Something that equips them with the tools to deal with the day-to-day running of the business, but gives them the freedom to start looking beyond the walls of the warehouse too.

Growing up

A lot of inefficiency in these businesses is the result of expansion. In their early days, most operations are lean and adaptable. But as they start producing more bottles of wine or raising more livestock, the administration side of the business – accounts, payroll, job costing and so on – becomes heavier and more labour intensive.

The typical solution is to reach for an off the shelf system or, easier still, create a new spreadsheet. And this usually fills a short-term need. But by the time the business has opened new branches or restructured itself, those systems have become just another thing to manage.

One of the biggest difficulties for expanding businesses is managing the transfer of information between locations. If a dealership has four different branches for example, each keeping separate records of how many tractors they've sold, it's extremely hard to get an overall company-wide view of sales or orders. Not unless the figures are consolidated manually.

This isn't only a problem between branches or depots either. Even under the same roof, it's common for businesses to use separate systems to record the different elements of a single job – such as parts or labour. To get an accurate, actual cost for the job, the figures again have to be reconciled manually – something that takes hours of time.

So shouldn't everybody be entering data into the same system?

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Managing stock and distribution

Managing stock and distribution is another area in agriculture where there are clear inefficiencies.

A surprising number of businesses out there still use relatively crude systems to manage the process, leaving them none the wiser about key data – such as the volume of stock delivered to a particular supermarket, or even the cost of a sale.

While they're small operations, they might be able to handle that. But as demand for stock starts to go up, manual or paper-based systems simply can't keep pace with the constant tooing and froing of products as they enter and leave the warehouse.

It's not just an issue of speed either. It's one of accuracy. Under a largely manual system, errors in stock movement can go unnoticed for weeks. They're difficult to identify and tricky to resolve.

Faced with those errors and a lack of clarity over stock movements, how can a business be confident of meeting existing demand – let alone new enquiries from potential new customers? How can they react to pricing enquiries or compete on price if they can't rely on their own data?

Eyes on the prize

So for a business in the agriculture industry, what's the solution? What's the best way of addressing these challenges so that they can start focusing on the big issues?

The answer is to replace their spreadsheets and off-the-shelf packages with a single, customisable system that allows them to automate processes and gather reliable intelligence on their business as a whole. A system that connects the dots between finance, job costing, point of sale, fixed assets, customer management, reporting and inventory control.

In a highly competitive market such as agriculture, businesses simply can't afford not to know what's going on behind the scenes. They need a clear understanding of what's working and what isn't, and the ability to drill down to the details behind every transaction.

Armed with that information, managers are in a stronger position to make critical business decisions – and to react quickly to demands and pressures from customers and competitors alike.

Sharing the load

The beauty of an integrated financial system is that it's shared across the business. All data flows through it logically, into a central database – which means that anyone can view the data they need at any time, regardless of where they're based.

It also means that distribution centres or remote offices can input their own data, taking the load off the traditional data-entry roles and removing potential bottlenecks.

Best of all though, an integrated finance system forces users to assign everything to a particular job – from timesheets to parts, labour, stock and sales.

This has two big advantages over a manual system. Firstly, a customer's details only need to be entered once into the system. They're then simply reselected for subsequent entries. More importantly, it gives businesses much more visibility over their costs – which means they can work out actual profit and loss, rather than estimate it.

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Building customer loyalty

Being able to access information that's bang up to date has a dramatic effect on stock keeping and reporting too.

From order to delivery, a single integrated system provides visibility over every stock movement as it happens. It lets managers see how much of a particular item has been ordered, which item is the most popular – and which is generating the most revenue. For farms and agricultural businesses with more than one profit centre, that's particularly useful.

An integrated financial system also makes light work of tracking items – ideal for businesses that produce a lot of varied stock or produce.

Instead of manually searching through lists of parts or produce by name, a decent integrated system will let you run stock searches on all manner of criteria – from area and length, to volume and weight.

In fact, almost any detail can be used to filter a search: serial number, supplier, storage, cost, movement, distribution. You can trace goods via batch or lot. Track stock by shipment. Even track stock by non-physical or locational characteristics like labour.

What this means is that businesses can slash their response times to enquiries and orders. They can minimise delays too. And because they have complete visibility on stock across the business, they can fulfil customer orders – if necessary – by re-routing produce or goods from different depots, instead of simply declaring an item 'out of stock'. That means better customer service and the opportunity to build a loyal customer base.

Increased visibility on stock movements also allows businesses to build up historical data on customer preferences, which they can then use to pre-empt future orders – a useful tool in building loyalty with supermarkets and retailers. A good financial management system will even automatically populate an order – allowing managers to spend less time analysing and focus instead on identifying new opportunities.

Seeing the true cost

Automation plays a big part of any financial management system – and not just because it helps to reduce human error. A good system allows businesses to customise reports and functionality to their precise needs. This means they can dip in to any aspect of the business at the touch of a button.

They can apply multiple supplier costs or multiple pricing levels – or consolidate costs for each product to understand the true item costs. And because it's real time data, it's absolutely up to the minute. This means managers don't need to wait for quarterly figures before making any necessary adjustments. They can make informed decisions on pricing and margins there and then.

This level of up-to-the-minute intelligence also allows businesses to stay on top of compliance and make light work of reporting.

Compliance is an increasing burden for any business. But for a small operation like a winery – where one person is often in charge of a number of different aspects of the business – it can be crippling.

Making changes for the long term

Of course, there's little point in replacing off-the-shelf programs and spreadsheets with a system that becomes obsolete in a year or two. Any new implementation needs to have the flexibility – and the functionality – to withstand further expansion, or restructuring.

That's particularly critical for agricultural businesses with multiple profit centres. They need the ability to maximise alternative revenue streams without being constrained by internal systems or processes. So it's important they choose a system that can grow as they do.

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Enterprise Solutions: a platform for growth

MYOB Enterprise Solutions provides businesses with a unique view of stock, product movement, activities and staff efforts. With accurate, customised reporting, management can be on top of the decision making process at all times, in the knowledge they have current data at their fingertips. But what sets it aside from similar financial management products is its ability to expand and co-exist with other systems. In doing so, it provides a platform for growth not limited by the constraints of rigid programming – which means agricultural businesses can actively improve the efficiency of their operational tasks and activity throughput on an ongoing basis.

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