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“Building for the Successful Transition of Your Agricultural Business” Fact Sheet Series

Conducting a SWOT Analysis of Your Agricultural Business

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Many large businesses conduct a SWOT analysis to identify the Strengths, Weaknesses, Opportunities, and Threats of the business in order to keep pace with the competition. You may not consider yourself a large corporation, but completing a regular SWOT analysis of your farm or agricultural business can be beneficial to keep you competitive. It may sound like a difficult task to complete, but it does not have to be. The following paragraphs help explain what a SWOT analysis involves and how to complete this process.

Strengths and Weaknesses

The first two sections of the SWOT analysis usually examine the internal workings of your farm business. These issues or items are usually within the control of the business owners. One example could be future management of the business. Is there a next generation owner/manager who has the interest in the business and the ability to manage the complexities of the business? Another example could be the financial position of the business. Does the farm business have too much debt held as short term?

Here are some sample questions that can be asked to assist in determining your business' strengths and weaknesses.

Strengths

- What strengths does your business have that make you competitive?
Examples might include family, labor, machinery, size, etc.

- What do you do better than anyone else does?
Are you a better marketer?
Are you a well-respected employer?
Are you able to complete planting and harvesting duties efficiently?
- What do your customers see as your strengths?
Ask your customers what they think.

Weaknesses

- What could you improve?
How can you become more efficient? What little changes might make big impacts?
- What should you avoid?
Have you completed a financial analysis of your business to evaluate enterprises?
- What do your competitors do better than you?
You can work to be better than the competition, but in some cases you may be better off to fulfill a need they are not meeting.

Opportunities and Threats

The second part of the SWOT analysis requires you to look outside your business at issues that you cannot control but can manage to enhance or reduce their impact on your business. An example for a livestock producer could be the development of the neighboring farm into single-family housing units. Here are some sample questions that can be asked to assist in determining opportunities and threats to your business.

Opportunities

- What trends are facing your business?
Will you have to increase in size to remain competitive or can you remain at your present size?
- What opportunities are available?
Are you near a large population area that would allow you to market your product? Is there a niche market?
- What is happening in your community that can be advantageous?
Are new livestock facilities coming to your area that could provide a new market for crops you grow and sell? Is there an opportunity to market directly to local consumers?

Threats

- What obstacles do you face?
- What is your competition doing?
- Do changes in technology threaten your business?
- Does your financial position threaten your business?
- Could any particular weakness seriously threaten your farm?

Who Should You Involve?

Generally speaking, the people most directly involved with the business should participate. This would include family members employed in the business and hired employees. Input from outside advisors, such as your attorney, banker, Extension educator, or accountant, may also be helpful as they may see your farm from a different perspective.

Depending on the type of farm you have, asking customers their opinions can prove useful. Asking spouses, even if they are not employed in the business, for their opinions and perspective is critical. Involving them may provide

a different view and help the business achieve its goals. Intentionally not involving spouses can do more harm to the family and the business.

Next Steps

Completing a SWOT analysis of your farm business is the first step in strategic planning. (A form for doing the SWOT analysis appears on the following page.) The process should help you identify areas where your strengths and opportunities align with a high probability of success. Conversely, you will also identify combinations of weaknesses and threats. Your strategic plan should avoid these areas or at least provide for methods to minimize their effects on the farm business.

The SWOT analysis is not something you do one time and place on a shelf to collect dust. At least once a year, complete a new analysis. You may find little change has occurred, but it is still a good idea to review achievements, measure production efficiencies, and evaluate alternatives.

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Completing Your SWOT Analysis

In the space provided, list the strengths, weaknesses, opportunities, and threats for your farm business. Once you have listed all the items you can think of, prioritize each category. Use this information in developing a strategic business plan to help your business remain competitive.

Strengths

Weaknesses

Opportunities

Threats