2 My Situation

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Overview
Understanding your whole-farm situation is important to plan best-fit diversification. This section of the Workbook steps you through checklists about Farm Capacity and Farm Financial position.

The information you collate in these checklists will feed into **Section 3 (My Options)** and **Section 4 (My Plan)**.

2.1 Mapping your current situation

2.1.1 Farm capacity checklist (farm details)

The Farm Capacity Checklist supports you to assess readiness and capacity to pursue new ventures, including land, infrastructure, productivity, labour and access to supply chains and networks.

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- For 'Your Farmland', consider the physical characteristics of your property. Is it suitable for current and future agricultural production? What can grow there?
- For 'Your Production', you assess the farm's current and potential productive capacity. This is a focus on yield performance, crop suitability, efficiency in production, and the things that influence outputs.
- For 'Your Farm Equipment and Infrastructure', think about how you could use your machinery, equipment and current infrastructure in a new enterprise. What can be used in another type of operation? What is the scalability?
- 'Your Labour Needs' assesses what staff and skills you currently have, and sets the scene for what a new venture would require in terms of human resources and upskilling.
- In 'Your Risk Appetite and Willingness to Diversify' you consider how much risk you enjoy, and how you tend to respond to emerging challenges and opportunities.
- For 'Your Market Pathways', consider elements such as packing and packhouse access, transport logistics, sales, market demand and alignment with potential new processor or retailer requirements.

Template 2.1 Farm Capacity Checklist

Key Questions	Your Response
Your farmland (physical characteristics of your property)	
What is the total landholding (ha)?	
How many hectares are suitable for horticulture?	
What is the predominant soil type on the farm?	
What are your known soil constraints such as salinity, sodicity and acidity?	
Does the farm have on-site water storage capacity (e.g. dams)?	
What is the annual water use allocation and delivery reliability (%)?	

Key Questions	Your Response
Your production information	
What crops or grape varieties are currently being produced?	
Are your yields in line with, above, or below regional or industry standards?	
Have yields been trending upward, stable or declining and what factors are influencing this?	
Which direction are you exploring – a tree crop, a vegetable crop, a non-crop option, or optimising the current vineyard? (if known)	
What are the key production constraints?	
Are existing trellis structure, irrigation systems and machinery adaptable to alternative crops?	
Are there any known inefficiencies or bottlenecks in labour, irrigation etc?	
Is production vulnerable to single risk factors (e.g. water security, seasonal labour availability)?	
Your farm equipment and infrastructure	
What fixed assets currently exist on the property (e.g. shed, pads, etc.)?	
Are any existing facilities suitable for other crop types?	
What irrigation infrastructure is currently in place (e.g. drip, overhead, pivots)?	
What machinery do you currently own?	

Is any machinery crop specific? What machinery is universally useful?	
What is the current cooling capacity, and is it sufficient for new perishable crops?	
Is existing sorting, grading and packing equipment adaptable to other products?	
Can the current infrastructure support increased land area, or production volume?	
Does existing infrastructure give you a competitive advantage for any new crops?	
Would diversification require investments in packing automation, facilities or traceability systems?	

Your labour needs

How is labour currently sourced – self and family, employees or contractors?	
What are the peak labour periods for the existing crops, and how many workers are required at that time?	
Do you have difficulty sourcing labour at specific points in the season?	
What are the key skills within your current workforce (e.g. machinery operation, pruning, crop monitoring)?	
Does your team have experience with other crops or production systems?	
Are specialised or reliable contractors available locally for alternate crops?	
Do you provide worker accommodation, or rely on local workforce availability?	

Key Questions	Your Response
Your risk appetite and willingness to diversify	
How open are you to trialling new crops, production systems and technologies?	
Do you view diversification as an opportunity, a necessity or a risk?	
How do you typically make decisions about adopting new practices or technologies?	
Do you rely on independent advice, or informal networks for information?	
Are you prepared to invest time and capital learning a new production system?	
Would you consider alternate trellising, different strategies or mechanisation?	
How comfortable are you with financial risk associated with new crop establishment periods?	
Would you consider staged diversification?	
How do you see the business evolving over the next 5-10 years?	

Key Questions	Your Response
Your market pathways	
How easy is it to reliably sell and move your produce now (e.g. distance to buyers or freight, access to trucks, regular pick-up, stable outlets)?	
What advantages does your farm have for getting product to market (e.g. close to a highway, near a processor or packing shed, local grower network)?	
What limitations in your area could make it harder or more costly to store, process or move products (e.g. no local processing, long freight distance, no cool storage)?	
Who around you could help strengthen your access to market, and how (e.g. neighbour growers, processors, Council regional development, industry bodies)?	

STOP AND CHECK!

- After stepping through your current situation with your service provider, do you feel that the farm has some advantages to proceed with diversification?
- Do you have any initial thoughts on which crops, products, or services these advantages suggest diversifying into?
- Is there anything you are concerned about or would like to know more about before proceeding?

Write your answers in the box below.

2.2 Understanding your numbers

"Look before you leap."

- Attributed to Greek storyteller, Aesop

2.2.1 Farm level

There are several steps in diversification decision-making. These include:

- **Compatibility checks** – assess if new enterprise/s align with your existing systems, skills, infrastructure, labour availability and vision for future farming work/life.
- **Observation and learning** from others – learning from others' experiences increases confidence and reduces uncertainty, demonstrates agronomic feasibility and also ensures infrastructure and supply chain are viable (e.g. inputs available, pathways to market established).
- **Trialling** cultivation and harvest – small scale trials reduce the risk of choosing a crop or option that won't suit the farm or yourself, and helps refine choices (e.g. genetics, systems), production and harvest (e.g. grading, packing) and marketing (e.g. establish relationship with agents, buyers) before scaling up.
- **Assessing complexity** – as complexity increases, so does risk; new enterprises may require new skills, systems, scale, compliance or certification. Very novel crop options may require the farm to invest in consumer education, in addition to meeting technical challenges of optimising genetics and production.
- **Resource advantages** – enterprises tend to succeed when they have an edge over competitor producers (e.g. soil, water, proximity to market, infrastructure or human capital). Assessing the 'edge' that each farm has can help guide diversification choices.
- **Risk analysis** – all farming (and business) decisions come with an element of risk. It is important to assess and cost out potential impacts of on-farm risks like pest and disease pressure/impact, potential biosecurity incursions, and yield sensitivity/variability[1].

Completing the **Farm Financial Health Checklist** (below) and the **Farm Capacity Checklist** (Section 2.1.1) can help you consider some of the above points and guide you in the best options for you and your farm business.

2.2.2 Farm financial health checklist

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The Farm Financial Health Checklist will help you evaluate your finances and assess how prepared you are for diversification. The following financial terms are in **Appendix 1: Financial terms explained**. They are useful indicators of farm financial health:

- Your revenue and current profit
- Cash flow
- Debt-serviceability and risk
- Investment assessment

[1] Agriculture Victoria (2025) Farm Diversification Decision-Making. agriculture.vic.gov.au/farm-management/business-management/new-landholders/farm-diversification-decisionmaking

Template 2.2 Farm Financial Health Checklist

Key Questions	Your Response
Your revenue and profit	
What is your current average revenue per hectare from grapes?	
Is your vineyard currently operating at a profit, break even, or loss?	
How has grape profitability changed over the past 3-5 years?	
What would be the minimum revenue per hectare required for a new crop to be financially worthwhile?	
What is the expected gross margin ($/ha) for the new crop? (if known)	
How long will it take for the new crop to reach full production and profitability?	
Do you have sufficient capital or cash flow to manage years of reduced income during establishment?	Yes ☐ No ☐
How do you see gross margins and net profit margins over the next 5 years?	
Is the business comfortable taking on a crop with higher market volatility if the potential returns are greater?	Yes ☐ No ☐
Would you favour lower variability in returns even if it means accepting lower profit potential?	Yes ☐ No ☐
Your cash flow	
Do you currently generate enough cash flow to cover operating expenses without relying on additional debt?	Yes ☐ No ☐
Do you maintain a cash reserve to manage seasonal downturns or unexpected costs?	Yes ☐ No ☐
Do you know how many months the business could continue operating if income temporarily declined?	Yes ☐ No ☐
Have you estimated the cash flow required to establish a new crop, including years with limited or no return?	Yes ☐ No ☐
Do you have sufficient borrowing capacity or financial reserves to manage cash flow gaps during diversification?	Yes ☐ No ☐
Do you have another income source that can support the business during low revenue periods?	Yes ☐ No ☐

Key Questions	Your Response
Your debt and risk assessment	
Can your current cash flow comfortably cover existing debt or loan repayments?	Yes ☐ No ☐
Have you experienced difficulty meeting loan repayments in recent years?	Yes ☐ No ☐
Have you assessed whether the business could service additional debt if required for diversification?	Yes ☐ No ☐
Do you have sufficient equity to borrow against if needed?	Yes ☐ No ☐
Would additional funding materially increase the farm's debt exposure or financial risk?	Yes ☐ No ☐
Would lenders view your business as low, moderate, or high risk if you apply for new finance? (e.g. are you currently accessing the Farm Household Allowance?)	Yes ☐ No ☐
Your investment suitability	
Do you have a clear understanding of the current value of your farm assets including land, water and equipment?	Yes ☐ No ☐
Are you willing to sell or refinance existing assets to support the transition to a new crop?	Yes ☐ No ☐
Have you estimated the return on investment for the new enterprise compared with maintaining current operations?	Yes ☐ No ☐
What are the primary objectives of the proposed investment?	
Do you have capacity to cover ongoing operating costs once the investment is made?	Yes ☐ No ☐
How much capital can the business invest without compromising day-to-day cash flow?	
Have you completed sensitivity analysis to understand how changes in key variables may affect profitability?	Yes ☐ No ☐
Does your planned change align with business succession, exit planning, or intergenerational goals?	Yes ☐ No ☐

STOP AND CHECK!

- After stepping through your farm financials with your service provider, do you feel that you are well-placed to proceed with diversification on your farm?
- Do you have any initial thoughts on how you might leverage your existing assets to support diversification?
- Do you feel like you are wanting to take on more risk, or less risk? What could this look like for you?
- Is there anything you are concerned about or would like to know more about before proceeding?

Write your answers in the box below.

Reminder: It is okay to talk to your service provider about exit options. If you have arrived at this point and you feel like diversification isn't for you, be sure to talk with the right people.

For those considering exit or restructuring their farm business to sell, information is included in the Tool under 'Want to exit?' (Section 5.6). The support of service providers can be beneficial to those exiting.

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