

## **Summary - Case Study 6: Pi Family**

### ***Business continuing***

#### ***The family told the directors to “perform or sell”.***

The Pi Family own and operate a very large farming business based mainly on livestock production, in both the high rainfall and pastoral zones of southern Australia. The actual area and the stock numbers are not important in this study. The important factors are that the family is multi-generational, with cousins working together to govern and manage a business which is in the top 100 of Australian primary production business.

The family had been able to steer the business through 60 years of drought, rabbits, the depression, the 1974 cattle crash and many, mini collapses in the livestock industries, but the wool collapse of the 1990's really took a toll.

*‘The wool crash in 1991 is probably a significant milestone in the family. There were good returns up until then and then it went to almost no return.’*

That was the start of 10-15 years of disquiet which culminated around 2004. The family members remained patient for a few years, but after a time they had enough. They demanded that the business perform:

*‘Then there was an ultimatum on the table; profit improvement, or wind-up the company. That was a wake-up call and the Board brought those two positions to the shareholders. They didn’t even get a seconder to wind-up the company so everyone voted for profit improvement.’*

In order to perform they agreed that the business needed to set production and financial goals, to benchmark externally and within, and to grow by adding to existing properties rather than adding new properties to the portfolio.

This strategy, combined with solid off-farm investment and a strong shareholder engagement policy, has ensured that shareholders are happy with the new arrangements. If any becomes unhappy, there is an agreed method of buying and selling shares, and they have implemented a ‘Share Trading Post’.

The business was turned around. Several off-farm investments were made (unsuccessfully at first) and the family members were encouraged to spend time on and enjoy the properties. This engagement has ensured that the shareholders derive benefits in addition to the financial returns.

#### **The elements of the success include:**

- The implementation of the share trading post was a significant point. The investment is more stable.
- There is always a capital growth component in agriculture almost every farmer borrows against it but the Pi family doesn't.
- Commercial property investment allowing leveraging against something with a known income.
- A new acquisition policy to own more farming land, in addition to the commercial property.
- Ensuring that returns from the land are optimised.
- Benchmarking to reinforce high levels of profitability.

- Leveraging on property interdependence.
- Ensuring that family members are welcome on the properties and at business events interspersed throughout the year.

The family has put a lot of thought into succession and there is every reason to expect that the business will remain in the family for future generations.