

services & information for new landholders



Do you own a small property in rural Victoria?

farm diversification decision making - step 5 resource advantage

This Information Note explains how a resource advantage can give you the edge in the market place.

Resource advantages can give your idea a better chance of succeeding. If you have a resource advantage for an idea then it will be cheaper, faster or more efficient to adopt that idea compared with another idea.

Resource advantages may occur at the farm, district or regional level or at the industry level. For example, a resource does not have to be on-farm to provide advantage. Being close to a market, a transport company providing refrigerated transportation direct to market, a highly competent supplier or a government research station are resources that other localities or people may not have.

Types of resource advantage

There are many resource advantages that play important roles in business ideas including: financial, physical, human, organizational and information resources.

Financial resources

- Access to cheap finance
- Disposable income and cash reserves
- Off-farm income
- Supportive bank manager or accountant

- Access to competitively priced inputs
- Financial model of the current and new enterprise applied to the business

Physical resources

- Soil type, water, temperature, altitude, vegetation
- Machinery and equipment
- Access to quality roads
- Access to power
- Proximity to other businesses providing support services such as cool stores, packing sheds, abattoirs
- Distance from markets
- Physical resources that create real or perceived advantage particularly in the minds of customers e.g. proximity to wilderness areas

Human resources

- Skills associated with the business
- Access to people with specialist skills and knowledge
- Disposition to risk
- Access to labor
- Ability to plan
- Predisposition to continuous improvement
- Ability to learn from experience and

innovate

- Competency to harness & develop the existing resources base to deliver value
- Strong industry leadership or champion

Organisational resources

- Style of operation or modus operandi
- Strategic long-term approach
- Business reputation
- Culture of quality, good management
- Basic assumptions that underpin the farm (business)
- Industry structure, e.g. many small producers, few large producers, cooperatives or corporate farms

Information resources

- Knowledge of the supply chain customers and consumers
- Knowledge of the market forces
- Knowledge of competitors strengths and weaknesses
- Systems to make best use of information e.g. IT systems
- Access to, cost of and ability to analyse information

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Relational resources

- Degree of integration of production, processing and marketing
- Vertical relationships with suppliers and customers
- Horizontal relationships with other producers
- Geographic concentration (or dispersion) of producers, input suppliers, buyers
- Relationships with advisory services

Legal resources

- Trademarks, licences, copyright
- Proprietary information, intellectual property
- Ability to brand the product and be recognised by customers and consumers
- Exclusive marketing arrangements
- Regional branding activities
- Legal structure associated with organisation
- Degree and usefulness of government regulation, trade policy, tax incentives, subsidies etc

Ability to use resource advantages

Resources that are hard to imitate or substitute provide the basis of a sustained competitive advantage.

Having a resource advantage is one thing but they mean nothing if you are unable or unwilling to exploit the advantage.

The trap is to use resource advantages in your planning and budgets but be unable to competently harness them to deliver value. If this happens you will not reach your financial targets.

In evaluating any new idea or investment diversification it is easy to see that everyone has different resource advantages. The increasing move to corporate farming provides the corporations with large financial advantages and the ability to access resources from other parts of the company.

Often companies are better able to use resources to advantage compared with small farms.

Table 1. Summary of the main resource advantages

Resource	Description
Financial	Cash reserves, access to financial markets
Physical	Machinery, equipment, soil, water, temperature, vegetation
Human	Skills, knowledge of people in the business or associated with the business
Organisational	Competencies, controls, policies, culture
Information	Knowledge of consumer, competitor, access to information, cost of information
Relational	Relationships with supplier buyers and other stakeholders, other producers, advisory services, other service providers
Legal	Trademarks, licences, copyright propriety information, intellectual property

Further Information

More information on each aspect of this framework is provided in other information notes.

This information note is part of a series that explores five important aspects of decision making: compatibility, observing, trialing, complexity and resource advantage.

This series has been developed and written by Bruce McGregor, Attwood.

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