


 THE UNIVERSITY OF MAINE Cooperative Extension

Business Plan Development



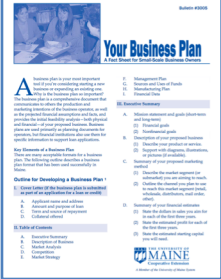
Photos: Donna Coffin & Edwin Remsberg

 THE UNIVERSITY OF MAINE Cooperative Extension

Your Business Plan #3005

Developed by James C. McConnon, Extension business & economics specialist, and Forest M. French, Extension educator emeritus.

- Paper version
- Digital version
- Online version



Optional Online Site from University of Minnesota

agplan.umn.edu

Launched in 2007, AgPlan has been used to create 45,000+ business plans!

AgPlan makes it easy for you.

- Develop your own Business Plan
- Learn what you need to include in your Plan with Tips & Resources
- View Sample Business Plans for ideas
- Share your Plan — print, download and work with your own Reviewers

 THE UNIVERSITY OF MAINE Cooperative Extension

Why Write a Farm Business Plan?

- To apply for financing
- To decide if you can add a new enterprise or hire help
- To guide your business growth, transformation, or exit
- To figure out where you're going before you get on the road



 THE UNIVERSITY OF MAINE Cooperative Extension

Farm Business Plan

- Defines Your
 - Values
 - Goals
 - Challenges
 - Strategies
- Shows
 - Where you are going
 - How you are going to get there



 THE UNIVERSITY OF MAINE Cooperative Extension

Parts of a Farm Business Plan

- Marketing
- Operations
- Financing



THE UNIVERSITY OF MAINE
Cooperative Extension

Marketing

- What are you selling
 - Special or unique
- Who are you selling to
- How are you selling




THE UNIVERSITY OF MAINE
Cooperative Extension

Operations – Production & Delivery

- Labor needed
 - You only
 - Family
 - Hired
- Resources needed
 - Land
 - Equipment / tools
- Inputs
 - Power
 - Supplies




THE UNIVERSITY OF MAINE
Cooperative Extension

Finance – focus on numbers long & short term

- Cash needed to pay monthly bills
- What about negative months
- Loans needed
- *Hint: there are very few grants available for start-up businesses.*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Cash inflow				
Beginning cash balance	\$5,000			
Sale of crop products		\$50,000		
Sale of livestock products	25,000			\$10,000
Government payments				\$10,000
Total inflow	\$30,000	\$50,000		\$10,000
Cash expenditures				
Seed	\$10,000			
Fertilizer		\$20,000		
Fuel	10,000			
Processing			\$10,000	\$5,000
Marketing				5,000
Capital purchases			10,000	
Interest				10,000
Debt payments				10,000
Total expenditures	\$30,000	\$30,000	\$20,000	\$50,000
Quarterly net cash flow	\$10,000	\$20,000	\$40,000	\$5,000
Cumulative net cash flow	\$10,000	\$30,000	\$50,000	\$10,000

THE UNIVERSITY OF MAINE
Cooperative Extension

Farm Business Description

- Mission Statement
 - Why are you farming
- Description
 - What's your farm like
 - How long has it been around
- Sector Profile
 - Hunch
 - Real data




"I've heard winter greens are in. Back it up with real data to show if it is a brand-new trend or a sinking ship, or somewhere in between"

THE UNIVERSITY OF MAINE
Cooperative Extension

Goals & Objectives (examples)

OR

- "We want to successfully raise and sell enough vegetables directly from our farm to allow one person to stay & work from home."
- "We just want the berries to pay for themselves and we'll see where it goes."



THE UNIVERSITY OF MAINE
Cooperative Extension

Marketing Plan

- Products & Services
 - What is unique?
 - Taste, color, freshness, nutrition, availability, delivery, packaging, rare varieties
- The Market
 - Who's buying? Where do they live? Who is your customer?
 - Retail: CSA members, farmers' markets, farm stand, restaurants
 - Wholesale: schools, restaurants, small grocery, auctions, aggregator, etc.





Marketing Plan -

- Distribution
 - Getting it to the customer
- Sales Forecasts & Strategies
 - Total sales
 - Av. Customer purchase
 - Number customers needed





Marketing Plan

- Promotion:
 - Print
 - Signage
 - Website
 - Facebook
 - Mailing list
 - Word-of-mouth
- Retail operations
 - Web presence is essential
 - new customers expect businesses to have some type of online presence.






Marketing Plan

- Competition & Competitive Advantage
 - Who else is selling the same thing to the same customer group
 - Where else to customers buy your type of product
 - How to show your product is worth their choice and their dollar





Management Plan

- Who is involved
 - Owner
 - Family
 - Hired
- Skills of workers
- Skills needed for jobs





Management Plan

- Risk Management
 - Weather
 - Pests
 - Illness or injury
 - Loss of access to land
 - Economic ups and downs





Management Plan

- Growth & Exit Strategy
 - Changes that will come
 - Size of farm
 - Focus
 - Ownership
 - Future Goals
 - Sell the business
 - Keep land in production
 - Job for your kids on the farm





Production & Operational Plan

- Location & Physical Resources
 - Is your current land and facilities matched to your enterprise needs
 - What else is needed
 - Describe structures & equipment needed and results anticipated



Production & Operational Plan

- Production Process & Suppliers
 - How will things get done every day and every season.
 - Who will do them
 - Production steps on a calendar
 - List suppliers
 - Reliability & longevity
 - Price changes
 - Rule changes



Hours of Labor throughout the year

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Garden 1 Ac			30	110	110	50	50	50	50				500
Field Crop 10 Ac		15	20	35	25	8		30	65	32	10		240
Hay 10 Ac						50	40		10				100
Milk Cow 1 head	20	20	20	20	20	20	10	10	20	20	20	20	220
Laying Hens 12 birds	6	6	6	6	6	6	6	6	6	6	6	6	72
Pigs 2 head				8	8	8	8	8	8				48
Bees 1 colony			2	1	2	2	8	2	3				20
Rabbits 1 buck & 4 does	10	10	10	10	10	10	10	10	10	10	10	10	120
Milk Goats 2 head	15	14	14	13	12	12	10	10	10	20	20	15	165
Beef Cow 2 head	2	2	2	2	10	1	1	1	1	2	2	2	28
Sheep 1 ram & 9 ewes	2	2	2	2	10	1	1	1	1	2	2	2	28
Total Hours per month	55	54	99	193	222	185	146	104	148	178	92	65	1541
Ave hours per week	14	14	25	48	56	46	37	26	37	45	23	16	30

21



Beef Production Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Breeding							X	X				
Calving				X	X							
Pasture					X	X	X	X	X	X		
Haying							X	X	X			
Marketing				X						X		



Production & Operational Plan

- Legal issues
 - Licenses or permits needed
 - Land restrictions
 - Conservation easement
 - Zoning
 - Designated wetland or highly erodible




Financial Analysis

- Enterprise Budgets
 - Potential income, expenses and net profit for comparison
 - crops
 - livestock

Sample Budget for Organic Brown Egg Flock
1,000 organic farm eggs in 10 weeks of age and sold at \$1.00 each.


Category	Quantity	Unit	Price	Amount	Calculated Estimate
Fixed Costs					
Land and water lease	0.000	acre			0.00
Large	0.000	acre			0.00
Medium	0.000	acre			0.00
Small	0.000	acre			0.00
Feed	900	tonnes	\$1.00	\$900.00	\$900.00
Electricity	100	hours	\$7.00	\$700.00	\$700.00
Advertising	4000	units	\$0.05	\$200.00	\$200.00
Transportation and packaging	1000	units	\$0.20	\$200.00	\$200.00
Labor (including and packaging)	174	hours	\$10.00	\$1,740.00	\$1,740.00
Interest on operating capital					\$1,740.00
Total fixed costs					\$4,540.00
Variable Costs					
Organic feed	1,000	tonnes	\$0.80	\$800.00	\$800.00
Organic feed	900	tonnes	\$0.80	\$720.00	\$720.00
Electricity	100	hours	\$7.00	\$700.00	\$700.00
Risk, fuel, water, supplies					\$100.00
Interest on operating capital					\$1,740.00
Advertising	4000	units	\$0.05	\$200.00	\$200.00
Transportation and packaging	1000	units	\$0.20	\$200.00	\$200.00
Labor (including and packaging)	174	hours	\$10.00	\$1,740.00	\$1,740.00
Interest on operating capital					\$1,740.00
Total variable costs					\$6,860.00
Total costs					\$11,400.00
Net Returns					\$1,640.00


Assumes 100% hatchability of 10 weeks of age and sold at \$1.00 each (10 weeks of production) and 100% mortality of 10 weeks of age and sold at \$1.00 each.
From an egg price from USDA and U.S. Egg Industry Center.
Data source: www.eggprices.com



Financial Analysis


- Cash Flow Projection Assumptions
 - How did you arrive at your numbers
 - Easy for future updates
- Yields
- Equipment efficiency
- Sales estimated from
 - Observation of customers at farm stand
 - Conversations with customers






Financial Analysis


- Best & Worst Case Scenarios
 - Lower sales
 - Higher costs
 - Just what you expected





Financial Analysis


- Profit & Loss Statement
 - Year by year analysis
 - Includes depreciation
 - Value of entire business over time
- Debt Schedule
 - Loans
 - Due date
 - Monthly payments
 - Interest vs principle






How to Get Started


- First
 - What do you already know
 - What do you need to know
 - Where can you get the information





How to Get Started

- Know
 - Who will run the operation
 - You
 - Family members
- Learn
 - How much time they have available
 - Income expected to be generated
 - Replace off-farm income by when
 - Skills needed
 - Training
 - Hire






How to Get Started


- Know
 - How to grow crop, produce livestock or make value added product
- Learn
 - All you can about enterprise
 - Productivity of varieties or breeds
 - Equipment needed for best results
 - Who will buy your product
 - Who's already growing it and their experiences
 - Who's not growing it and why



 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started

- Know
 - How much land and type of soils you have available
- Learn
 - Soil capability for crop/livestock enterprise
 - Level of inputs needed



 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started

- Second
 - Not linear
 - Jump in with current knowledge
 - Fill in the gaps



 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started


- Third
 - Don't try to do it all at once





 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started

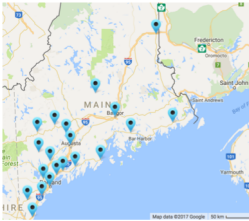
- Fourth
 - After trying to find some of the answers to the previous questions
 - Ask for help from professionals




 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started

- Small Business Development Center
 - Review your ideas
 - Counselor can show how to do cash flow projections
 - Ask them to think of other questions' you haven't asked
 - They will give homework and arrange a follow-up appointment



<http://www.mainesbdc.org/>

 THE UNIVERSITY OF MAINE Cooperative Extension

How to Get Started

- Are estimates for production or marketing on target
 - Extension Staff
 - MOFGA
- Ask about
 - Upcoming workshops
 - Reference books
 - Websites
 - Newsletters






 THE UNIVERSITY OF MAINE

 Cooperative Extension

How to Get Started

- So You Want to Farm in Maine? Bangor Website
<https://extension.new.umaine.edu/penobscot/sywtfim/course-resources/>
 Password = **farming**
- Beginning Farmer Resource Network (BFRN) Website <https://extension.umaine.edu/beginning-farmer-resource-network/>
- UMaine Extension New Farmer Website <https://extension.umaine.edu/new-farmers/>



 THE UNIVERSITY OF MAINE

 Cooperative Extension

How to Get Started

- Ask for opinions from business people you like & trust
 - Seed
 - Fertilizer
 - Equipment suppliers
 - Engineers
 - Lenders
 - Insurance agents
 - Accountants
- *Generally care about welfare of farmers and willing to share advise*
- *But...*
- *Balance their opinions with those who are not trying to sell you something*



 THE UNIVERSITY OF MAINE

 Cooperative Extension

- These slides were adapted from Tori Jackson
- Photo credits
 - Edwin Remsberg
 - Donna Coffin