




Business Plan Development




Photos: Donna Coffin & Edwin Remsberg



Your Business Plan #3005

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- 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!

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- 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



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





Farm Business Plan

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



Parts of a Farm Business Plan

- Marketing
- Operations
- Financing



Marketing

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



Operations – Production & Delivery

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





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.*

Sample 1. Cash flow budget (by quarter of the year)

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



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 untested trend or a sinking ship, or somewhere in between



Goals & Objectives (examples)

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



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	50	32	10	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

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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

Item	Quantity	Unit	Price	Year	Amount	Estimate
Revenue						
Corn and straw large	4,360	bu				
Lamb	5,000	head				
Milk	3,970	gal				
Organic brown eggs	27,000	doz	\$3.00		\$ 81,000	
Free cash	165	doz	\$1.00		\$ 165	
Total revenue					\$ 81,165	
Variable Costs						
Organic feed	1,000	ton	\$8.00		\$ 8,000.00	
Organic fuel	910	ton	\$8.00		\$ 7,280.00	
Electricity					\$ 2,000.00	
Water					\$ 1,000.00	
Auto, truck, train, supplies					\$ 1,000.00	
Prepaid and maintenance					\$ 200.00	
Advertising					\$ 500.00	
Marketing and packaging					\$ 4,000.00	
Other (postage and freight)					\$ 1,000.00	
Interest on operating capital					\$ 1,000.00	
Total variable costs					\$ 18,180.00	
Fixed Costs						
Interest and taxes					\$ 100.00	
Egg and cooking room	10	years	\$ 8,000.00		\$ 80,000.00	
Building	10	years	\$ 8,000.00		\$ 80,000.00	
Equipment	10	years	\$ 4,500.00		\$ 45,000.00	
Major building equipment	10	years	\$ 7,500.00		\$ 75,000.00	
Total fixed costs					\$ 200,000.00	
Total costs					\$ 181,180.00	
Net Revenue					\$ 162,985.00	

Assumptions and Notes: 1. All values are high level and are not intended to represent actual performance. 2. Prices are based on 2014/2015 data. 3. Egg revenue is based on 2014/2015 data. 4. Free cash is based on 2014/2015 data. 5. All values are based on 2014/2015 data. 6. All values are based on 2014/2015 data. 7. All values are based on 2014/2015 data. 8. All values are based on 2014/2015 data. 9. All values are based on 2014/2015 data. 10. All values are based on 2014/2015 data.



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
 - Hired






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





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





How to Get Started

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






How to Get Started

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



How to Get Started

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






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/>



How to Get Started

<ul style="list-style-type: none"> • Are estimates for production or marketing on target <ul style="list-style-type: none"> – Extension Staff – MOFGA 	<ul style="list-style-type: none"> • Ask about <ul style="list-style-type: none"> – Upcoming workshops – Reference books – Websites – Newsletters
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How to Get Started

- So You Want to Farm in Maine? Central Maine Resources Website
<https://farminmaine.wordpress.com/resources/>
- 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/>



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*



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

