

# So You Want to Farm in Maine

**Enterprise Budgets** 

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# Developing an Enterprise

- What are your interests plants, animals
- What are your land resources and the matching of those resources to your interests. Will you rent, lease, own?

   Amount of land tillable vs wooded vs pasture

  - Soil quality can you produce what you need? Or if you need to improve, at what cost?
  - Water availability and quality
  - Existing buildings and potential for expansion
  - Services power, internet
- · What are your equipment resources what is needed for your enterprise
- Labor resources
- What are your financial resources or capability to obtain and what is the chance of financial success - business plan



## Enterprise Development

- You likely will have multiple enterprises on your farm and thus multiple sources of income
- These sessions will lead you through these questions and provide the basics for the financial justification of a business
- There are limited grant opportunities, but rarely available for startups. These are from Maine Technology Institute; Maine Dept of Ag, Conservation and Forestry; Sustainable Agriculture Research and Education (SARE); USDA Rural Dulpmnt (value added processing and energy efficiency); and private foundations such as the Maine Community Foundation
- The Natural Resources Conservation Service (NRCS) has cost share opportunities for conservation practices for farms with a long term plan.



## Selecting a New Enterprise

PRIMER = Profitability + Resources + Information + Marketing + Enthusiasm + Risk

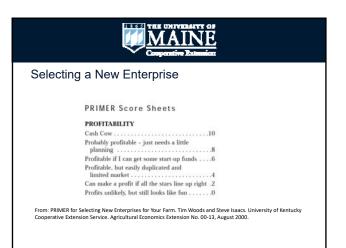
The PRIMER Method

Schoolchildren used to learn to read from a primer, a thin book that laid the foundation to a lifetime of reading. Similarly, an agricultural PRIMER can lay the foundation to evaluate a wide range of farming options.

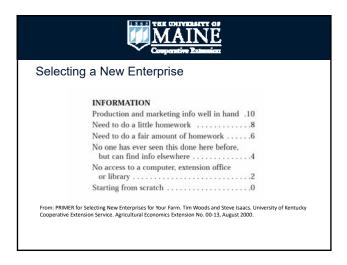
The letters in PRIMER represent the basic factors to consider when making a decision about new or expanded enterprises for the farm. P stands for profitability, R stands for resources, I represents information, M represents marketing. E stands for enthuslasm, and R stands for risk.

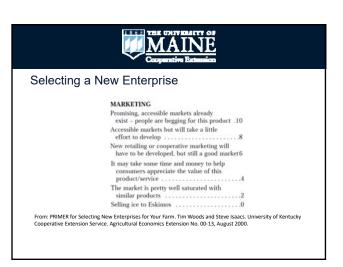
These six factors: profitability, resources, information, marketing, enthusiasm, and risk are the basic elements which should drive any decision to adopt a new enterprise on the farm.

From: PRIMER for Selecting New Enterprises for Your Farm. Tim Woods and Steve Isaacs. University of Kentucky Cooperative Extension Service. Agricultural Economics Extension No. 00-13, August 2000.











# Selecting a New Enterprise

## ENTHUSIASM

I can't sleep at night, this idea is so exciting .10
I'm excited about it but some of my
family members are reluctant ... .8
It's as good an idea as any of the others
I've come up with ... .6
I could get excited, but only if it works
out fairly soon ... .4
I'm out at the first sign of rough sailing ... .2
Why do I even have to do this? ... .0

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## Selecting a New Enterprise

#### RISE

I'm very comfortable with the return estimates relative to the risk involved ... 10 I'm reasonably comfortable ... 8 Somewhat comfortable ... 6 It looks OK, but there's just a lot still unknown ... 4 I think I could make it, but there are possibilities for significant loss ... 2 I'm better off buying a lottery ticket ... 0

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## Selecting a New Enterprise

# TOTAL SCORES

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## Enterprise Budget

- What are the Income and Expenses associated with the production and marketing of a product
- Includes estimates of yield per animal, per acre
- · Labor input
- · Cost of production
- · Break even price
- Return to management



## **Enterprise Budget**

- List the initial costs land preparation, seed, fertilizer, etc OR purchase of animals, feed, etc.
- Includes a portion of taxes or land ownership costs and equipment costs for production of that product
- There may be situations where the first year costs are higher than for subsequent years (perennial crops) as establishment costs.
- · Let's look at a couple enterprise budgets

