


Farm Business Planning: Starting a Farm Business Plan

10 March 201
Nelson BC



Why do you want to farm?

- To earn an income?
- To do something you enjoy?
- Outdoor and physical work?
- Other goals you want to achieve?
 - Environmental
 - Social
 - Creative



What skills and resources do you bring?

- Land?
- Education?
- Production/Growing?
- Management?
- Marketing?



What traits do you possess?

- Passion
- Marketing
- Ingenuity, Creativity, Adaptability
- Perseverance
- Continuing Education and Networking



What support and obligations do you have?

- Family involved in your business idea?
- Income requirements?
- Financial resources to invest?
- Time to commit?
- Risk tolerance?



Entrepreneurial Traits Assessment Worksheet

Trait	Yes	Sometimes/Not Really	No	Score
A. Passion				
I really enjoy talking about my agricultural enterprise idea.				
When I get involved in "doing" my business, time passes very quickly.				
I am always thinking about new better ways to approach my business.				
B. Perseverance				
I don't quit a project until it is completed.				
I am willing to work 12-14 hours per day, six days per week and possibly overtime and holidays to make my agricultural business idea work.				
C. Good Health/Energy				
I am in good health.				
I have the physical stamina to handle the work load and schedule for this agricultural business.				
I have the emotional strength to withstand the strain of this agricultural enterprise.				
D. Accepting Change				
I accept change in my business.				
I often think of creative ways to solve problems.				
E. Independence/Self-reliance				
I like to make my own decisions.				
I am self-starter and am self-disciplined.				
I get things done on time.				
I am able to and like to work on my own.				
I know when I need help, and will seek it.				
F. Initiative				
I am capable of making "gut feeling" decisions, and they are often good ones.				
I pay attention to patterns of events, and try to look beyond the obvious.				
G. Self-confidence				
I have self-confidence and the courage to face risks.				
I am optimistic and enjoy growing benefits.				
H. Being proactive and doing what's right				
I take actions and ideas that are right.				
I. Market Awareness				
I am attentive to agricultural business events locally, regionally and nationally.				
I am open to ideas about new products and new ways of doing business.				
J. Lack of Need for Status				
I am willing to leave my standard of living until the business is established.				
I am interested in accomplishing my agricultural business goals, even if that means not having a new house or new truck and not vacationing in Hawaii.				
K. Ability to Accept Challenge				
I enjoy the challenge of working hard on new projects.				
I can handle conflict, stress and obligations well.				
I find ways of developing and organizing plans of action.				
L. "Good Work" Ethics				
I am willing to put in the time and effort to give this business time to succeed.				
My personal integrity is more important than my monetary success.				

Personal and Family Considerations Worksheet				
Personal Considerations	Strongly Agree	Agree	Disagree	Strongly Disagree
1. I have no problem working 12-14 hour days, six days a week, including weekends.				
2. I know I can work productively for long hours and meet deadlines.				
3. The number of tasks I have to do is not overwhelming.				
4. The time pressure I feel is not overwhelming.				
5. I am prepared to lose my savings.				
6. I can get on without a vacation a year.				
7. It is important to me to control my own space in which to work.				
8. I am someone of professional ability and personal higher values.				
9. It is important to me to be able to determine when and where I work.				
10. When I think about the future, I envision positive, new growth possibilities.				
11. I am prepared to sacrifice money and/or time to control my own destiny, reputation or change obligations during the first five years of my life.				
12. If I needed to, I could keep a full-time job and run my agricultural business.				
13. I would rather spend less time working at my non-agricultural business job.				
14. I can often sacrifice things I like to do for the sake of the business.				
15. My current job/business doesn't hold my interest or use my skills very well.				
16. I wouldn't mind if my new enterprise took a few calculated risks to build this lifestyle.				
17. I would be willing to borrow money to finance the new agricultural operation.				
18. If the new agricultural enterprise fails, I could continue working in the agricultural business.				
19. Family Considerations				
20. The family situation with members can be an asset of attention.				
21. The family can handle my working 40 hours or more per week.				
22. The family is prepared to lose the family income.				
23. I have the sufficient support of my family to pursue an entrepreneurial venture.				
24. The family already performs tasks together.				
25. The family already has shared working interests.				
26. I don't mind taking business when the whole family is together.				
27. Family relations do not get strained when there isn't enough money.				
28. The agricultural business is not too much for the family to handle.				
29. Family Considerations				
30. It is important to me that the business provides more income in the family.				
31. Being able to stay on the land is more important than making more money.				
32. The family should discuss issues before the business.				
33. I like to maintain my present role in the agricultural business or other business job.				
34. It is very important for the children to work in our agricultural business.				
35. I would like to have more responsibility in the agricultural business in the future.				
36. I am willing to work harder than I do right now.				

Digging into the Worksheets

- There are no right and wrong answers
- Starting points for discussions
- Compare answers with family members and business partner
- What are underlying values?



Why talk about values?

- Design a business to respect your values
- Identify potential points of conflict
- Understand what motivates you



Setting Goals

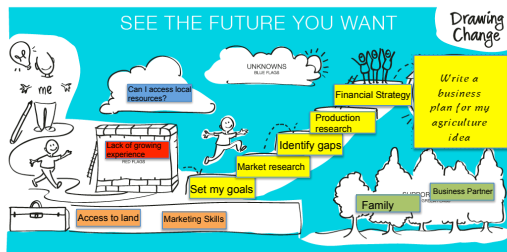
- The first step in business planning
- Not a “to-do list”
- Understanding what you need and want to achieve



Goals

- Identify your goals:
 - Financial (Annual income? Savings? Retirement?)
 - Business (short-, medium- and long-term)
 - Personal (short-, medium- and long-term)
- Your goals should underpin your production plan;
- Measure your progress against your own goals, not against other farms





CREATIVITY PLANNER

Let me guess — you’re fantastic at brainstorming for your clients, friends, and others. But when it’s time for you to focus on **your** creative goals, you find yourself alphabetizing the fridge. This is a tool to help you get focused, fast.

If we only stay with words, we’re missing an opportunity. This visual tool can help you see connections between your skills and where you want to go, and remind you that you already have everything you need to reach your goal.

Visual language isn’t just about making nice images. It’s what you do with them that matters.

Fill this in. Call a friend and do it together. Use the power of your support networks to keep you on track.

You know you can achieve that big goal.

And now it feels closer than ever.

Setting SMART Goals

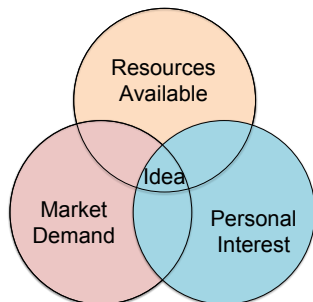
- Specific
- Measurable
- Attainable
- Rewarding
- Time-related



Design a Business Idea

- What goals do you want to be able to accomplish?
- What resources do you have available already?
- What demand exists in the marketplace?





Consider all options

- Don't decide to do what someone else is already doing
- What isn't being done?
- What isn't being done well?
- Why isn't it being done?



There is no right answer

- There isn't one form of farm
- A farm changes over time
- The important consideration is:
 - Does the farm business help you achieve your goals?



Financial Goals Basic formula to remember:

Profit = Income - Expenses

PROFIT = INCOME - expenses

profit = income - EXPENSES



Realistic Financial Goals

- Rule of 5:
 - Operating profit should be one-fifth of gross sales
 - Profit should be large enough to pay off capital expenses in five years



Example

- To earn \$50,000 profit, expect to produce and sell \$250,000 in product
- Lenders may have higher profit expectations:
 - 30% margin: \$250,000 should net \$75,000



Is that realistic for your needs?

- How much income do you need?
- How will that change over time?
- Setting personal financial goals will help determine business goals



Planning

- Planning is the process of:
 - Setting Goals
 - Identifying Strengths, Weaknesses, Opportunities and Threats
 - Establishing concrete steps to reach your goals
- You need adequate information in order to make realistic and informed plans



What is a business plan?

- Description of your business venture and the market context you face;
- Framework for your budget, production and marketing plans;
- Explains your ideas and plans clearly and completely;
- Your roadmap to success, benchmark for measurement.



Formal vs. Informal

- Formal: a written document outlining your business plan. Can be given to investors, lenders and employees.
- Informal: a working folder or binder with your notes, research information, goals, etc.



Why write a business plan?

- Only 1 in 4 farms has a business plan
- This 25% of farmers tends to be:
 - Be more business-oriented;
 - More open to opportunity;
 - More confident about the future.
- Plus, they tend to have increasing sales, 5x greater return on investments.
- They view farming as an opportunity, look at diversification and new ways of doing things.



Elements of a Business Plan

- Business description
- Goals of the enterprise
- Market Research, Marketing strategies
- Production plan
- Financial plan
- Exit/succession plan



Here's the deal:

- You don't want to grow something that you don't have a market for
- OR: Figure out how you'll sell your product before you grow it
- OR: Sell your product before it's grown (but new growers take caution on this one)



Market Research is not Marketing

Market research helps you understand:

- What is happening in the market?
- What unmet needs exist in the market?
- What is the size of a potential market?
- How can you access that market?




Production Research

- Research what you can grow
- Can you actually grow it?
- Do you need more experience?
- What infrastructure do you need?
- How much will it cost to produce?



If you have land:

- What is your growing capacity?
- Soil Capability
- Water
- Climate
- Topography
- Regulatory Limitations?



Looking for land?

- Consider what you want to produce:
- What infrastructure exists and what investments are necessary?
- What could you produce on available land? Consider growing capacity.
- What market access does the location provide?



What is the ease of entry?

- Capital costs and skills necessary:
- What financial resources will you need?
- What is the likely Return on Investment?
- What level of skill is needed for a crop?
- Can you access a market?




The Market

- The context where you will operate (i.e. the world in which you live/work)
 - Break it down into smaller segments to identify YOUR potential market
 - You need to identify WHO your market is before you can start marketing




Marketing Channels

- Formal Marketing Schemes
- Supply Managed Commodities
- Central Selling Desks

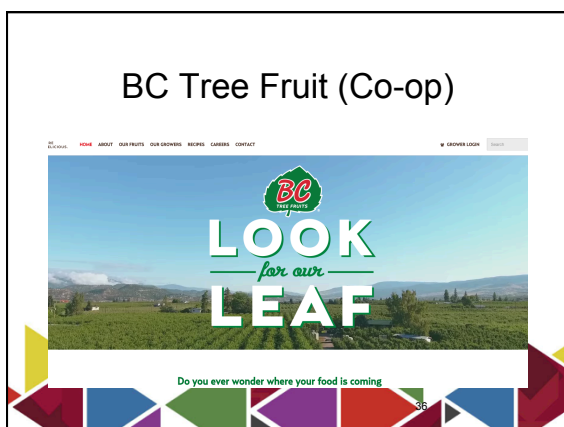


Marketing Channels

- Contractual Arrangement
- Marketing Agencies
- Co-operatives
- Processors



BC Tree Fruit (Co-op)



Direct Organic Plus (Packer)



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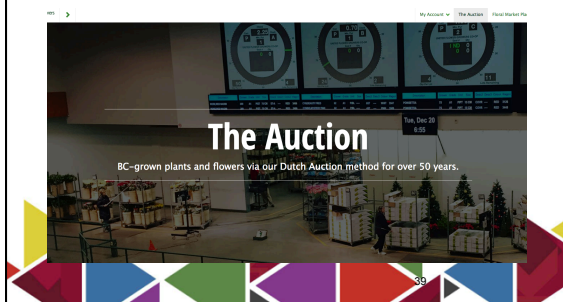
Marketing Channels

- Auctions
- Livestock
- Flowers



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United Flower Growers (Co-op)



2018-03-14

Marketing Channels

- Direct Marketing
- Direct to Retailers (Wholesale)
 - Green Grocers
 - Butchers
 - Restaurants
- Direct to Consumers (Retail)
 - On-Farm
 - Community Shared Agriculture (CSA)
 - Farmers' Markets



Kootenay Co-op



2018-03-14



Farmers Market



Where can you research your market?

- Call retail purchasers
- Call wholesale buyers
- Speak with farmers market managers
- Chamber of Commerce
 - Local purchasing patterns
 - Local demographics



What does my market want/need?

- Is there an obvious gap in the market that isn't being served?
- Alternatively, do you have a product/service that people don't yet realize how valuable it will be to them?
- This helps to answer: What will I market? What options to I have for product development?



Example: Kiwis




Example: Kiwis



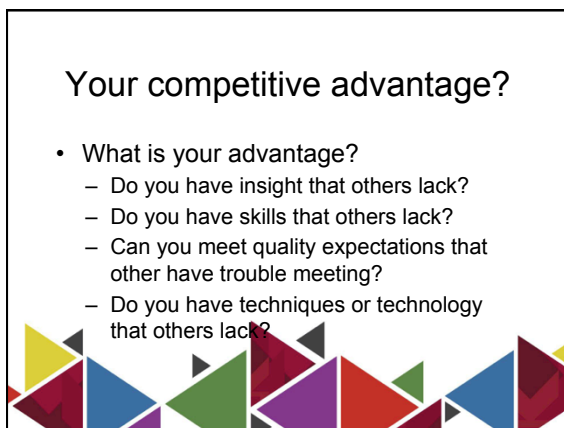
Example: Kiwis

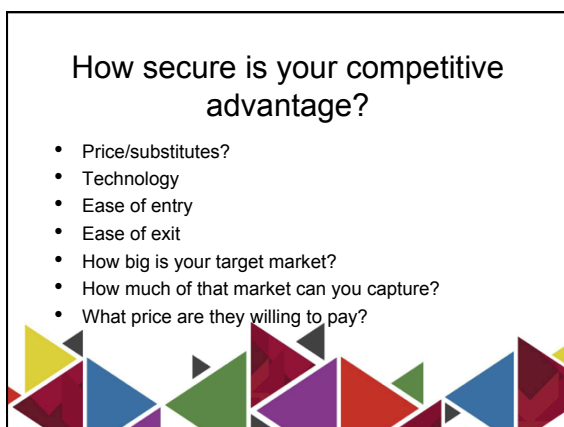


Identify your market niche

- Why will the market want mine?
- What do I have that no one else is offering?
- What skills do you have that are unique?
- What crops are best suited to your land?
- Where are your customers?
- How are they purchasing food now?





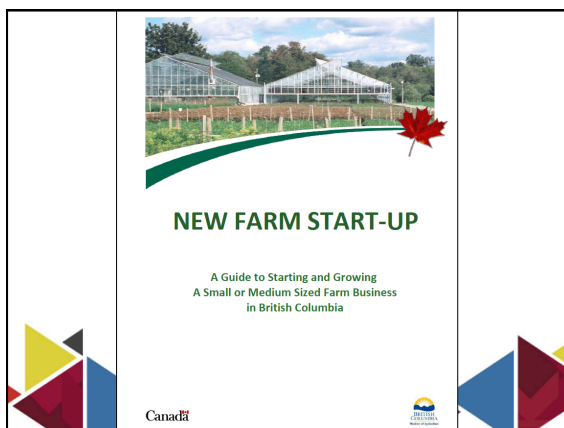


off Capital Costs in five years

7) The expenditure of the funds, total collected average used to grow carrots is used to allocate funds to the carrot enterprise.	Post-Invested handling (seeds, sort, packaging, etc.)	10	Hours	12.00	150.00	3.56
8) The expenditure of the funds, total collected average used to grow carrots is used to allocate funds to the carrot enterprise.	Miscellaneous					

Don't forget about your production planning!





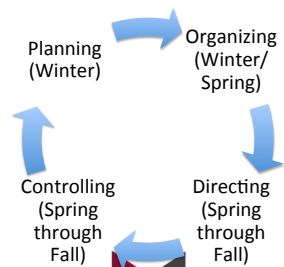


Final thoughts

- Farm businesses usually start small
- Business plan = Your roadmap
- Reduce stress, increase certainty
- Use downtime to plan for busy times



Management Process



Planning

- Planning is the process of:
 - Setting Goals
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Organizing

- Organizing is putting in place systems and processes that will help you operationalize your plans
 - Job descriptions
 - Communication channels
 - Training
 - Farm office



Directing

- Directing is Action-Oriented; Making the plan happen
- The day-to-day functions of your business
- You have limited resources at any given time
- You direct your resources in order to accomplish tasks



Controlling

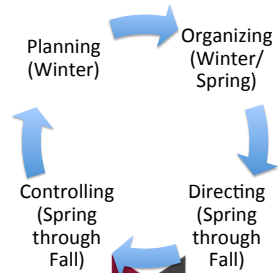
- Tracking work and results (record keeping)
- Financial record keeping is a process of control
- You require information to be able to monitor and direct plans as they are implemented
- Management needs to ensure there is a control system that:
 - Records Information
 - Analyzes information



Extra Steps

- Evaluating
- Assessing
- www.pledgetoplan.ca

Management Process



You are a manager

- Even if you are the only worker in your business, you still need to be a manager
- You manage tasks, information, decisions
- Before you hire someone to work for you, see what tasks you can contract out

Work on your business

- When you have time to work on your business, you are able to think strategically.
- Consider the time you devote to record-keeping
 - Could you better use this time to earn more money in your business?
 - Or have more free time for yourself?
 - Or feel more confident in your daily decision-making?



Opportunity costs

- By hiring a bookkeeper you present yourself with an **Opportunity Cost**
- By spending some money (the cost) you free up time for other tasks (the opportunity)
- A bookkeeper can do your financial records faster than you
- You can **manage** your business better than anyone else, providing you with a better financial return



Management and control

- Control is a primary function of management
- You require information to be able to monitor and direct plans as they are implemented
- Management needs to ensure there is a control system that:
 - Records Information
 - Analyzes information
- Set aside time weekly to organize and time to manage