A Resilient & Integrated Farm Plan

A. Why Plan?

1. Time and money are scarce resources
   a) Good business planning allows you to analyze the potential financial viability of the proposed farming business and help you to make more informed and strategic decisions that may increase the chances of success and reduce the risk of financial losses
   b) Business planning might also change your mind about entering farming, result in delaying the start of your business until additional resources are secured, or might radically alter your business concept and help you redirect your business plans toward options with greater likelihood of financial success
2. Business planning is just a term for methodical thinking about all aspects of building a new business, including:
   a) Determining the compatibility of farming professionally with personal values and goals
   b) Analyzing personal resources (e.g., skills, funding, available hours, and support network)
   c) Doing basic market research to determine what you can sell, where, for what price, and in what quantity
   d) Budgeting time and money to reflect the physical cycle of your farm plan and your proposed marketing plan
   e) Developing ideas about how to communicate the value of your products and your farm and then developing the physical, visual and written resources to brand your products and deliver them to your target customer
   f) Evaluating your ability to understand and comply with all applicable government regulations, and the necessary steps and costs to comply (e.g., zoning restrictions related to your farm, restrictions on who can sell what at the farmers market, or county health permit requirements for on-farm dinners)
   g) Evaluating your ability to comply with the terms of any third party certification you may wish to use—such as the ability to use the USDA Organic label or the ability to participate in a local "Buy Fresh! Buy Local!" campaign
   h) Simultaneously revising your farming/production plan to match your marketing strategy and your time and money budget

      It may take many revisions before all three parts of the plan are in sync. As difficult as it is to sync up your plan on paper; imagine how much more difficult to try to adjust once you get going and then realize that the products you are growing are not popular in your area and you do not have enough hours in the week to harvest and pack and make it to all the markets you need to be at to make enough money to cover rent.
3. How "fancy" does the business plan have to be?
   a) Many "off the shelf" business planning programs are designed to prepare formal documents to be presented to potential investors,

lenders, or shareholders

b) Content matters more than form; save your money on the software, and just get to work

B. Critical Elements of a Business Plan for the Start–up Phase of a Small Farm Enterprise

1. Vision, values, and goals
   a) Personal: Determine your personal values and quality of life goals and their compatibility with farming as a profession/occupation. This is a very important exercise.
   b) Business: The specific vision, values, and goals for the business. These must support your personal vision, values, and goals, but they are different. Your personal goal may be to be happy and work outdoors. The goal of your farm business would be to grow and sell food at a profit in a "happy" work environment.
2. Resource analysis and risk assessment

   This assessment is an evaluation of the total personal, financial, and natural resources available to apply toward the development and maintenance of the farming business and an honest look at what could go wrong, which resources are at risk, and how you can protect against foreseeable risks

   a) Personal resources: Do you have health insurance, and sufficient savings to cover a few months' living expenses? If not, you have nothing to protect you or your farm if you get sick or are injured.
   b) Skills assessment: Identify the skills you have that will benefit the business (e.g., farming skills, marketing connections, etc.) and be sure to make a plan that plays to your strengths. Identify skills you need to develop, such as a basic understanding of bookkeeping, and identify how you will develop the skill, for example through a community college class, by working with a local Small Business Development Center, or by convincing your cousin the accountant to come spend a weekend tutoring you.
   c) Mentors and advisors: They do not need to be experts; they just need to know you well or care about your success. Your friends, family members, and—if you are lucky— your neighbor the seasoned farmer, are all people who can help you to set and meet realistic goals. They can help you to make good business decisions and kindly point out when you are not making good sense or are straying from your stated goals and values. (Don't worry; it happens to everyone; that is why friends and mentors are so important.)
   d) Liability: If you borrow money, you are personally liable. If your products make someone sick, you are liable. If one of your workers gets in an accident while driving a farm vehicle, you are liable. If someone gets hurt on your farm, you are liable. If one of your animals gets off your farm and does damage to someone else's property, you are liable. If you are married, your spouse is also liable for your debt. If you are in a business partnership, you are personally liable for the debts of that partnership, as is your spouse—even for something like a car accident caused by your partner.
      i. Incorporating your business as a Limited Partnership, or a Limited Liability Corporation, or an S Corporation are all ways to separate business liability from personal liability, to protect yourself and your spouse. Each of these legal structures offers a different level of protection and also has implications for preparing tax returns and paying taxes. Remember

though—you cannot count on the separate legal structure to protect you from the consequences of truly bad decisions such as driving under the influence or deciding to sell an unsafe product.

ii. Different kinds of insurance:

- Health insurance – In particular be sure you are covered for major injuries to digits and limbs
- General liability insurance – For events such as on-farm visitors, or farm animals that get loose
- Product liability insurance – In case someone gets sick or dies as a result of consuming your product
- Crop insurance may be available for some crops to protect you against crop failures due to natural causes, including weather and disease

3. Integrate time budgeting into your farm and market and cash flow plan

   Time is a major constraint and needs to be budgeted as carefully as money. Actually, since you can't borrow time, you need to budget time even more carefully than money.

4. Market analysis

   a) Assess what is currently taking place in the market. Questions to investigate include:

      i. Where are the established markets where you might sell?

         Can you get in? Are there requirements for selling there such as being certified organic or having a certified food safety plan?

      ii. Where are the markets that you will have to compete with for customers? What is being sold currently? At what prices?

      iii. How does the quality, price, and availability of what you plan to sell compare with what is currently being sold in the marketplace? How is it being represented to the customer? Is it certified organic? Does it have some other third party certification such as Animal Welfare Approved or Wildlife Friendly?

      iv. How will you differentiate your product in the market? Will you have a label? Will you be certified organic? Will you seek some other third party certification?

      v. Can you identify any unmet demand?

   b) Where should you focus first?

      i. You may know that you ultimately want to have a market base that is 1/3 farmers' market, 1/3 wholesale, and 1/3 CSA, but you might not be able to develop those three market channels simultaneously in your first year

      ii. Which one is the best starting place and how will you use it to start to build the second and third channels? Some farms begin selling at farmers' markets in order to introduce their products into a community and develop a customer following. If you choose a farmers' market as a first step do you know what your second step will be? Are you trying to develop a customer base to start a CSA? Are you trying to cultivate relationships with restaurants?

   c) Is there a marketing niche you can occupy?

If you do something very specific you might not have a lot of competition—on the other hand there might not be a lot of demand

d) Identify the regions and channels where you might market your products:

   i. A region is a contiguous geographical area

      - E.g., Central Coast of California; San Francisco Bay Area, Greater Sacramento, etc.

   ii. A channel is a specific marketing outlet

      - E.g., a farmer’s market, a CSA, direct to retail, direct to a restaurant or processor, or to a wholesale broker

C. Marketing Plan

1. Your marketing plan will be based on what you learned by doing a market analysis. Your market plan answers questions like: How am I going to build my market(s) in my chosen region(s) and channel(s)?
2. You need to consider the specific customers you want to attract, and develop branding messages and materials that speak to them. Moms are not the same as chefs.
   a) What is your one-sentence pitch to a mom?
   b) What is your one-sentence pitch to a chef?
   c) Consider your visual presentation and your marketing and packaging materials. Do you have a logo? Does it represent you and your farm? Have you considered if the quality of your packaging materials matches the expectations of your customers?
   d) Are there any regulations restricting what you can put on your labels?

      For produce, you need to be aware of the difference between making statements only you can verify ("It's the best!" or "No pesticides ever") and using a third party certifier to assure your customers that you do indeed speak the truth. If you claim that your product is certified anything (organic, humane, animal welfare approved, kosher, halal, GAP 5-Step, etc.) without actually obtaining the third party certification you are committing fraud against your customers and your fellow farmers and you may be sued or fined.

      Research each and every claim you want to make on your label. Some farmers have spent years in court for making health claims that, while supported by science were not acceptable to the Food and Drug Administration.

      For meat, eggs and dairy, and any manufactured food products such as cheese or jam, check with your state Department of Agriculture. If your product may move across state lines, you should also check with the USDA. All claims such as "cage-free" or "antibiotic free" or "hormone free" must be truthful and not misleading. If you use a term that is regulated or inspected at the state or federal level then you must participate in the state or federal program. For additional assistance with regulations related to labeling, contact your County Extension Agent, or the Niche Meat Processor Assistance Network *(www.nichemeatprocessing.org/).*
3. Play to your strengths, and acknowledge and address your weaknesses
   a) If you don't like talking to the public, you may prefer to sell wholesale. If your business depends on direct marketing, you need a strategy for selling at a farmers' market.
   b) Alternatively, maybe you can hire an extroverted person to help you with sales. Whatever you do, don't just show up hoping no one will try to talk to you or that you will suddenly overcome shyness.
   c) Practice some customer pick-up lines and think about good props. A photo album of pictures from the farm can be a good way to keep a conversation going or to politely answer questions without having to talk a lot.
4. You may not want to drive an extra two hours to get to the more lucrative farmers' market, but doing so may be the only realistic way to get the restaurants in that area to consider buying directly from you. How will that affect your farming plan? Did you budget for the extra gas?
5. Diversity creates resiliency. How can you diversify your market base so you can survive if one (or two) or your major customers leave? Are all of your customers basically the same? Are they equally likely to leave for the same reasons? If so, maybe consider trying to get a very different sort of customer.

D. Financial Analysis

1. You don't want to spend all your cash and then go looking for credit. Plan which cash you spend and which you borrow. Generally it is easier to get credit to buy equipment than seed. You need to plan accordingly.
2. You need to plan to be ready to borrow. Lenders want to see a business plan with strategies, demonstrated experience, projections of future earnings, solid financial skills, past financial performance, passion, creativity and vision.
3. Start-up cash flow analysis – Define accurately when will you have to purchase supplies and equipment. This should correspond exactly to your farm plan. Price supplies from different sources.
4. Phase-one cash flow analysis – Define when you will start to generate revenue, and what your selling costs and ongoing operational costs will be during the first few years of farming.
5. Revenue estimates will depend on your preliminary marketing plan as well as your estimates of yields and prices. Selling costs include transportation, selling supplies such as bags and boxes, and possibly sales help.

E. Farming Plan and Post-Harvest Handling/Packing

1. **The farming plan, or crop plan,** defines what crops will be grown in what quantities on which fields at what times of year and using what inputs. It must also address food safety risks such as the risk of domestic or wild animals coming into your fields, or the risk of contaminated water ruining your crop. Timelines are essential—and they have to line up with your availability, the availability of labor, your cash needs for each phase of the plan, and your marketing plan.
2. **The post-harvest handling/packing plan** addresses packing, cooling, and storage—all of which are time-sensitive, and all of which have important food-safety implications, and therefore food safety plan components
3. **The farming and post-harvest handling/packing plan** must serve the marketing plan, which is based on the market analysis, and it also has to work within the constraints of climate, soil, water, equipment, labor, hours in the day, and cash in the bank
4. The farming plan is constrained by the financial plan. If you are not in a financial position to establish an orchard, it doesn't matter if there is a great market for apples. (And a great market for apples today does not guarantee that market will still be there in 3-4 years when your new trees come into production.)
5. Consider how you can adapt the farm plan to provide steady

income to smooth seasonal cash flow problems

   a) Example: If you can grow vegetable starts inside and sell them early in the spring, it will help generate cash to buy other necessary supplies needed at a time when you might not have other farm income

6. Consider the hours it takes to accomplish each of your farming tasks, and then add time for marketing and administrative tasks, such as ordering the seed and paying the seed bill
   a) Example: It simply cannot take three days to make your planting beds perfect, because the only way to accomplish everything you need to do that week is to get the beds done in 12 hours
   b) Example: If your farm plan says that you are going to use your tractor in February, you need to make sure that you have time to buy the tractor in January or before. If you plan to start selling at the farmers' market in April, you have to get your booth and supplies together in March, as well as ensuring you will have products to sell.

7. A time needs and availability analysis for the first two years of operations is necessary, because the workload on a farm is not spread out evenly. The time analysis must match the cash flow worksheet and the farm plan.
   a) You can borrow money to cover a cash shortfall, but you cannot borrow time. You will either have to hire help or scale back your plans. (Not sleeping is not a realistic or safe option!)
   b) Develop a visual planner/calendar. Get a big calendar and list the major tasks in the weeks that need to be accomplished, with an estimate of how long they will take.
   c) Schedule time for administration and marketing every week. Administration includes depositing checks, writing checks, and recording all your farm income and expenses. Marketing includes calling customers to see what they want this week and to ask if there were any problems with their purchases last week.
   d) Schedule driving time to deliver orders and purchase supplies
   e) Schedule time to accomplish production activities—cultivation, harvest and packing tasks, moving chicken coops, washing and packing eggs, etc.
   f) Do not schedule consecutive 105-hour work weeks. You believe in sustainability and health—remember?

F. How Does Your Business Plan Change Over Time?

1. What will your infrastructure needs be in a few years? If you know you will need to purchase major new equipment or build a packing shed or buy a new cooler, you need to plan now to establish good credit so you can finance those purchases when the time comes.
2. As your business grows, it becomes more important to have efficient systems for recordkeeping, internal communication, managing human resources, etc. Usually these systems are developed in the first few years, and then improved as needs dictate. (It is better to be proactive—even if written procedures seem overly formal at first, rather than to not have a plan and be reactive when a problem arises.)
3. Recordkeeping systems: Any system you develop to get you through the first few years will

need to be reviewed for efficiency and accuracy; then updated and expanded as the business grows

4. Internal communication and decision-making processes: As more people are added, this need will make itself known. Again, it is better to take some time to think through the best possible scenarios and set procedures/systems in place to support them.
5. Recruiting, training, and retaining assistance: When employees become a valuable resource, it makes sense to invest in them through salary increases, benefits, housing, and supplemental training
6. Exit strategy: An exit strategy is a formal plan for transitioning out of the business. It might include selling the business, placing a conservation easement on the land, or converting fields to orchards. It is particularly difficult for farmers to transition out of farming and generate retirement income without selling the house and land, and moving off the farm. You start over again, identifying personal goals and values and charting your course towards the next phase of your life.
7. As a beginning farmer, can you identify someone currently working on an exit plan from their farm business, and see about synchronizing your plans to start a farm with their plans to exit? Is there an organization in your region that can facilitate an introduction? Examples include Farmlink in California and Pennsylvania, Landlink in Montana, etc.