

BF 101 New Farmer Business Planning

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SOLID GROUND FARMER TRAININGS

Strengthening Our Farms Across Connecticut

Visit newfarms.extension.uconn.edu/solidground for the full schedule of trainings offered in collaborations with our

Agricultural Learning Partners:

- **Common Ground, New Haven**
- **Community Farm of Simsbury, Simsbury**
- **Green Village Initiative, Bridgeport**
- **Killingly Agricultural Education Center, Killingly**
- **Knox- Urban Farming Incubator Program, Hartford**
- **Grow Windham, Willimantic, Windham**
- **Listo Para Iniciar Program, Bethel**
- **Mashantucket Pequot Tribal Nation, Ledyard**

Introductions

Section I: Is the decision to start a farm right for you?

Characteristics of a Successful Farmer

- Vision: This is the first thing you need and you cannot proceed without it. A vision is a realistic idea of what your business is going to be.
- Commitment: Running your business will take much more of your time than working for someone else, especially at the beginning.
- Ability to Prioritize: You will have to be able to set priorities for the best long-term outcome for your business.
- Ability to Multi-Task
- Responsibility: You will be responsible for anything the business does.
- Ability to Partner
- Ability to communicate

Core Values. It is important to determine your core values and what is important to you.

- Financial stability

For example:

- Provide for family living needs
- Provide funds for retirement
- Keep debt to a minimum

- Stewardship of the land, air and water

For example:

- Improve soil health
- Use only sustainable farming practices

- Quality of life for you and your community

For example:

- Be a role model, serve as a mentor to other farmers
- Way of life for the family
- Buying local
- To make a difference, have products that you are proud to sell

- It is very important to determine what is important to you. Take the time to write down your core values.
- Share your ideas and thoughts with family members and others that will be impacted by your decision to set up a farm business.
- Your core values may be different from other members of your family.
- Understanding what motivates all involved is critical to this process.
- You must reconcile how you will handle as a team a differing vision and differing core values.

Section II: Establishing Your Farm Business

Once you have decided that starting a farm business is right for you, then there are many important steps to consider.

Preliminary Steps

- Develop a personal needs assessment:
 - How much money do you need to live on each month?
 - How much of this will be drawn from the business?
- Develop a network. Join member organizations. You can learn a great deal by joining the appropriate commodity organizations or farm groups. Contact the [CT Department of Agriculture](#) to learn what associations might be useful to you. Field meetings, twilight meetings and handbooks are also items that will aid you
- As you develop your business plan, go to your town hall and ask if there are any issues with your farm business plan. There are municipal laws that may prescribe what you may or may not do (for example acreage in order to be a farm, farm stand restrictions, retail sales, parking, land use restrictions, etc.).

Legal and Logistical Steps

- Register with the [Department of Revenue Services \(DRS\)](#) if you want to take advantage of various farm beneficial regulations or to sell certain farm products.
- Obtain a [Farmers Tax Exemption Permit \(Form REG -8\)](#) that enables you to purchase farm business related supplies sales tax free.
- Obtain a [Sales and Use Tax Permit \(Form REG - 1\)](#) if you make taxable sales and must collect sales tax.
- If you are looking to process farm products, there are strict health regulations and licenses required from the [CT Department of Agriculture](#), [CT Dept. of Consumer Protection](#), [CT Dept. of Health](#), [United States Dept. of Agriculture](#), may be others depending on specific situation. (Some local health departments also inspect processing facilities.)
- If you need a pesticide license to purchase and use restricted chemicals on your farm you will need to contact Pesticide Compliance, [CT Department of Energy and Environmental Protection](#)

Important Resources for new and beginning farmers in Connecticut:

- UConn Extension: [New Farmer Bucket List](#), this document provides a listing of resources and organizations
- UConn Extension: [Connecticut Agricultural Business Management Guide](#)
- UConn Extension: [New Farms and Farmers](#)
- [Building A Sustainable Business](#): Handbook Series Book 6 Sustainable Agriculture Network
- Beginning Farmers: <http://www.beginningfarmers.org/farm-business-planning/>
- CSA Tool Kit: <http://www.ctfarmrisk.uconn.edu/documents/CSA-Guide.pdf>
- UConn Extension Specialists Directory: http://ctfarmrisk.uconn.edu/index_125_485781935.pdf

Networking Break

Business Planning

- A critical element to starting or improving your small business is the formation of a business plan.
- A business plan is an essential element that helps set production and financial goals, plan strategically, and acquire loans.
- In addition, a business plan can help you judge the progress of your business and potential areas that could be improved.
- When deciding what to include in your business plan, remember that it should reflect an outline of your business.
- A business plan sets goals that help you measure results compared to your plan and keeps everyone working towards the same goals
- Businesses require different plans through the life cycle, from a feasibility study before startup, to the expansion plan, to an analysis of other business changes

Business Plan Outline

The outline of your business plan can be unique to your business. However, there are some specific ideas that you should always include. If you are specific about critical details you can improve your chances of success.

A good business plan has six components.

1. Executive Summary
2. Business Description
3. Operations
4. Marketing Plan
5. Management
6. Financials

Executive Summary

1. Brief cohesive overview of your business
2. Mission statement

A mission statement is how you define your business. It merges your set of values and vision into a set of principles that will describe your business. It communicates how and why your farm business exists and how you want your customers and community to view you, your values and your business.

3. Goals

All goals must be S.M.A.R.T.

Specific: Provide a specific and detailed description of the goal that you hope to achieve (who, what, where, when, which and why)

Measurable: State your goal in such a way that there is a way to determine if the goal had been reached. How much? How many?

Attainable: Identify goals that are most important. Determine ways you can make them become a reality. You develop the attitudes, abilities, skills, and financial capacity to reach them.

Realistic: Can that goal be achieved given your skills, time frame, and financial resources? Do your research and ask questions.

Timely: A specific timeframe must be given. Someday or in the future will not work. Be specific as to when you want to achieve a specific goal

Note: Not achieving your goals can lead to business failure or a delay in achieving business success

Business Description

- Detailed description of your product and/or service
- List of assets needed: Land, buildings, equipment, etc. It is important to list all assets needed. Four columns are recommended. The first column is what is needed for the business plan to be successful, the second for the cost or value of the asset, the third is what currently owned and the fourth is for what is needed.

Item needed

Cost (to acquire or value if owned)

Have

Need to Acquire

- Legal form:

You need to select a legal form for your business. You make that choice based on characteristics that differentiate the forms of business based on what is most advantageous for you and your business. Seek legal help from a qualified attorney when considering your options. Pick the entity that meets your needs. Deciding the form of ownership that best suits your business venture should be given careful consideration.

Operations

- The operations section of your business plan describes how your business will run smoothly.
- It focuses on what you will produce, how you will produce it and how much you will produce.
- Within this section, you should expand upon what products and services you will be offering, possible customer service opportunities, inventory management, licenses, permits and regulations needed, possible patents and trademarks and environmental issues that could be encountered.
- This section will also review risk management tools that will be utilized to manage risk such as crop insurance, other forms of insurance and enforcement of food and work safety standards.
- Providing an [implementation timeline](#) will help keep your tasks on track and make your business efficient.

Marketing Plan

Market Analysis

- Industry description and analysis
- Who are your target customers?
- Demographic analysis
- Competitive analysis
- Is there a market for what you want to sell?

Marketing and Sales Management

- Success requires the correct mix of product, price, promotion and place (4 P's)
- Ensure product or service satisfies customer's needs
- Determine the features and benefits of your product or service
- Are you ready to sell in this market?

SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

Management

- Develop policies and procedures
- Determine what employee skill sets are needed for tasks to be done well
- Develop organizational structure to allow tasks to be completed efficiently
- Develop job descriptions for all positions, including employee management systems regarding recruitment, salary structure, etc.
- Advisors hired or identified

Financials

Good records are the foundation of a profitable business. Records are a good management tool.

- Every business must file tax and information returns with local, state and federal authorities. Organized, accurate records make this easier.
- Well-maintained financial and production records help the owner control and manage the business. Good records are the foundation of a profitable business.
- Records are necessary to secure loans and apply for other financial incentive programs.
- Use your historical data as well as benchmark data to support your projections

Financial Statements:

Historical and projected income statements

- This statement includes business income and business expenses over a period of time
- Determines if your business is/will be profitable
- Develop record system that allows you to separate fixed costs (overhead) and variable costs (COGS)

Historical and projected cash flow statements

- This statement measures all money going into and out of the business over a period of time: Includes such things as money borrowed, family living, etc.
- Will measure if your business can meet expenses before the cash runs out

Historical and projected net worth statements

- This statement lists assets and liabilities as of a specific point in time
- Important as a measure of liquidity and solvency

Consider the use of partial and whole farm budgets to project the impact of any proposed change(s) in your business operations

Once your business plan is completed, then What?

- Keep excellent records. Difficult to manage what you do not measure
- Update your business plan as the need arises
- Look to ensure that you are on track to reach your goals. If you are not, ask why
- www.agplan.umn.edu – Template for writing a business plan

Questions?