

Getting Started with Farm Business Planning and Financial Readiness

A Systems Based Approach



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MSU CENTER *for* REGIONAL FOOD SYSTEMS



Organic Farmer Training Program

Farmer Field School

www.msuorganicfarm.org/farmer-training

Farmer Field School Business Workshops

- **Strategic Business Planning & Management: Markets, Finances, Production, HR and more – December 3rd**
- **Advanced Strategic Business Planning & Management: Finances Deep Dive, Strategic Investment, Capital Access, and Growth – December 10th**

Presenters

- **Tomm Becker Sun Seed Farm**
- **Fred Monroe of Monroe Family Farm**
- **Mike Jordan – Ag Loan Officer (retired)**

Other Farmer Field School Workshops 2016

- June 26th - Crop Establishment and Scheduling for Direct Seeded and Transplanted Crops
 - Lee Arboreal – Live Edge Growers
 - Fred Monroe – Monroe Family Farm
- August 1st – Summer Fruiting Crops in Hightunnels
 - Adam Montri – Ten Hens Farm
 - Trent Thompson – Green Gardens Farm
- Fall Workshops on:
 - Marketing & Communications; Scaling Up; Farm Labor

Systems Approach

- Iterative Process
- Incorporates the Whole

Framework – Ideas/Questions

- What does your business do?
- Where is the money coming from?
- Where is the money going?
- How is your business doing what it does?
- How do people know about your business?
- Who is doing it?
- What are YOU doing?

Business Plan Framework Components

- **Vision**
- **Marketing Plan** – how will you bring your product to market including market analysis, and making of successful marketing plan, tools and strategies to do so...
- **Production Plan** – Making sure the crops and quantities you plan to grow and the way you plan to grow them fit with the other parts of your plan...
- **HR Plan** - Estimates of how much labor and \$ it will take to execute the plan, and how it will be structured and managed
- **Financial Management Plan** - cash flows, balance sheets, profit & loss, enterprise budgets: planning, projections, actuals plus ROI/ partial budget analysis,

S.W.O.T. Analysis



Values → Vision → Goals

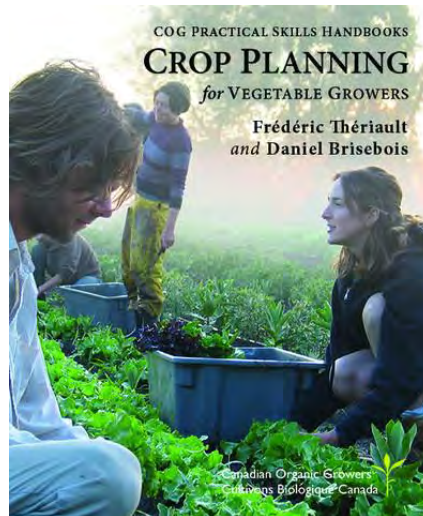
- Present Tense (5-15 years in the future)
- Visually Descriptive – production, marketing, employees, sales what does it all LOOK LIKE
- Hot Pen Technique
- Sample Vision Statement
 - https://www.zingtrain.com/sites/default/files/2020_FINAL_REAL_LIVE_VERSION.pdf

Marketing Plan

- Values Proposition / Talking Logo
- Market Analysis
 - Census Data
 - Personal Knowledge / Info Gathering / Evaluation
 - Target Customer
 - Competition
- Marketing Calendar
 - Tangible Measurable Goals
 - for activity or outcomes

Production Plan

- Crop Planning Tools
 - Excel - SunSeed Farm
 - <http://www.farmsunseed.com/crop-planning-spreadsheets.php>
 - Book – Crop Planning for Vegetable Growers



HR Plan

- Should support your Vision
- Labor is the largest single cost for most diversified vegetable farming operations
- What will be your approach.....
 - Annual Model – short term, high turn over, lower pay?
 - Perennial Model - Cultivated Management Structure with returning staff and increasing levels of responsibility and pay?

HR Continued

- What do YOU *want* to be doing?
- What is YOUR highest and best use?
- Are you working on the business or in the business?
- Questions about compensation....

Financial Management

- Ties all the other components together
- Relies on Record Keeping System
 - <https://nesfp.org/resources/carrot-projects-financial-calendar-tool>
- Overview of Key Terms/Documents and Tools/Templates
- Overview of Enterprise Budgets and ROI

Key Financial Mgmt Docs/Terms

- **“Balance Sheet” or “Statement of Net Worth”**
 - =Value of your assets – amount of your debt
- **“Cash Flow” – Up to date record of \$ in and \$ out**
 - How much \$ you have in any moment to pay your bills
 - Usually tied to your bank/checking balance
- **“Income Statement” or “Profit and Loss Statement”**
 - How much your business made or lost (typically for the year)
 - **“Gross Revenues” – “Operating Costs” = “Net Income” or “Net Profit”**
before debt remuneration
 - includes interest payments but not principle repayment

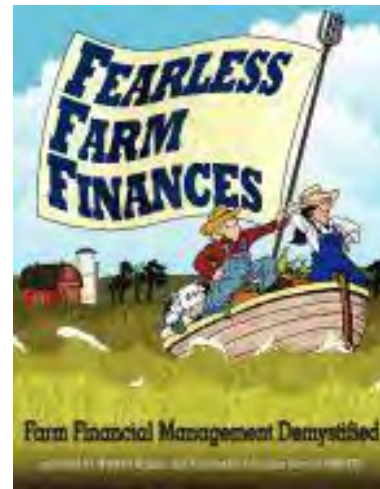
For an online glossary of Terms see
<http://www.juliashanks.com/glossary-of-terms/>

Excel or QuickBooks?

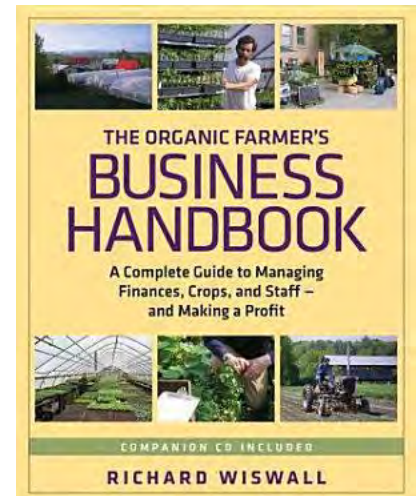
- Best system is the system that you actually do!!!!!!!!!!

Recommended Resources

- Organic Farmer Business Handbook



- Fearless Farm Finances



- **AGPLAN** - Web Based Farm Business Planning Tool

– <https://www.agplan.umn.edu/>



The Agriculture, Fisheries and
Small Business Planning Website



Recommended Financial Resources

- Farm Financials Worksheets – Vermont Farm Viability Program
 - <http://www.vhcb.org/Farm-Forest-Viability/resources/>
 - Balance Sheets, Income Statements, Score Card
- Iowa State Ag Decision Maker – Cash Flow and more
 - <https://www.extension.iastate.edu/agdm/wholefarm/html/c3-14.html>
- The Carrot Project – Quick Books trainings and more
 - www.thecarrotproject.org/farmer_resources/past_webinars
- Juliashanks.com – templates and consulting (fee based)

The Tools

- Cash Flow
- Balance Sheet
- Profit and Loss
- Enterprise Budgets

Notes on the Tools

- Vermont Farm Viability Worksheets
 - If don't want to do the accrual system use only the End Inventory for Depreciable Items and don't put in any Inventory into either the Beginning or End Inventory tabs for things you don't want to keep track of on an accrual basis

Other Resources

- Farm Commons
 - <https://farmcommons.org/>
 - Legal Advice for Small Farms
- www.veggiecompass.com
- “whole farm profit management”
 - Created by University of Wisconsin
- Iowa State Fruit and Vegetable Production Budgets
 - <https://www.extension.iastate.edu/agdm/crops/html/a1-17.html>
- Land For Good
 - <http://landforgood.org/>



A top-down view of a market stall or display of fresh produce. The items are arranged in neat rows of small, rectangular containers. On the left, there are several blue containers filled with various types of tomatoes, including large red ones and smaller yellow and orange ones. Next to them are white containers filled with fresh raspberries. The middle section features white containers of strawberries and blue containers of cherry tomatoes. On the right side, there are white containers filled with fresh green beans. A semi-transparent white banner with the word "Questions?" in large, bold, black font is centered over the middle of the image.

Questions?