



Business Planning

for Small-Scale Community Farming Enterprises

Community Farms Program



Published by FarmFolk/CityFolk
April 2009

© 2009 by FarmFolk/CityFolk
All rights reserved

FarmFolk/CityFolk Society is a non-profit society that works with farm and city to cultivate a local, sustainable food system. We develop and operate projects that provide access to and protection of foodlands; that support local, small scale growers and producers; and that educate, communicate and celebrate with local food communities.



Business Planning

for Small-Scale Community Farming Enterprises

by Robin Tunnicliffe
Saanich Organics
robintunnicliffe@hotmail.com

April 2, 2009

FarmFolk/CityFolk and The Land Conservancy of British Columbia
Community Farms Program

The Community Farms Program brings together landowners, farmers, local communities, and resources to develop and support community farm models in BC.

Acknowledgements

The Community Farms Program is supported by program partners FarmFolk/CityFolk and The Land Conservancy of British Columbia.

We thank the Law Foundation of BC, Organic Sector Development Program, Real Estate Foundation of BC, Vancity Community Foundation, and Vancouver Foundation for funding projects under this Program.

Thanks also to the Minnesota Institute for Sustainable Agriculture, the Small Farm Centre at UC Davis, and Vancity Credit Union for their business planning resources.

About the author

Robin Tunnicliffe is an organic vegetable farmer and a partner in a local organic produce distribution company. She studies food policy and food sovereignty theory at the University of Victoria in an Interdisciplinary M.A. program. Robin is also a board member of USC Canada.

Cover photographs by Brian Harris Photography

Table of Contents

1.	Why plan?	2
1.1	What are the key factors motivating you to plan?	2
1.2	Who is part of your team?	2
1.3	How will you use this business plan?	2
2 .	Values	3
2.1	Identifying personal values	3
2.2	Identifying group values	4
3 .	Goals	5
3.1	Identifying goals	5
3.2	Prioritizing goals	6
3.3	About you	7
3.4	Imagining your business	8
3.5	Mission Statement	9
4 .	Farm and Farmer History	10
4.1	Details about the farm and the farmer(s)	10
4.2	Physical resources	11
4.3	Assessing your resources	13
5 .	Operations	14
5.1	Marketing	14
5.2	Distribution	17
5.3	Pricing	18
5.4	Promotion	19
5.5	Changing market conditions	20
5.6	Community relationships	20
5.7	Institutional considerations	21
6 .	Human Resources	22
6.1	Annual operations schedule	22
6.2	Current work force	23
6.3	Job descriptions	24
6.4	Labour	25
7 .	Finances	26
7.1	Annual family expenses	26
7.2	Annual family income	27
7.3	Income Statement	27
7.4	Balance Sheet	28
7.5	Earned Net Worth Change Analysis	29
8 .	Executive Summary	30
8.1	Getting feedback	30
8.2	Last thoughts	30

1. Why plan?

The primary motivation for individuals to complete business planning is often to secure funding from either banks or family. We'd like you to think about this as an exercise also for yourself and your support network. It is a way to harness and focus your creative energy during the planning stages of your farm. A business plan is an excellent way to share your ideas with others, and to give supporters the information they need to help you.

Embarking on a new business can be stressful. This exercise can help you get a handle on the unknown elements and give you a way to proceed forward on your research. Don't worry about leaving blank spaces, and feel free to add sections that are relevant to you.

Once your plan is completed, think of it as a working document that will help you work through new scenarios at the farm, or to ground yourself by reviewing your values and goals in the context of your business. If you are willing, we'd love for you to share your completed business plan, or any part of it, with us. The Community Farms Project is always gathering information and we're interested in learning from your experience with business planning.

1.1 What are the key factors motivating you to plan?

Are you a new farmer starting up or an experienced farmer hoping to get a better handle on running the farm more efficiently?

1.2 Who is part of your team?

If you are a single operator, are there any other resource people that you would like to be involved in your operation? If you are part of a team, describe who is involved. Does your team include other external consultants, business instructors, or neighbours?

1.3 How will you use this business plan?

Is it primarily an internal planning tool? Will it be used for communication outside your business? Who is your audience?

2. Values

Every farm is a unique combination of the farmers' personality-and the farm's physical elements. This section is designed to help you get to know yourself. It will be useful to reference the values that you list here when completing later sections of your plan, to make sure that your business model is consistent with who you are and what you want to do.

If you are planning as a group, it might be useful to do this part separately, and then come together to assess compatibility. It could be that you have already decided to work together. In this case, a reflection on personal values will help you gain insight into each other and what is important so you can manage your business for everyone's fulfillment.

2.1 Identifying personal values

- a) Personal values (stability, family, time, quality of life)
 - b) Economic values (standard of living, security, income needs)
 - c) Environmental values (the relationship between your farm and the surrounding land)

- d) Community values (how you feel about the interaction between your business, the farm and the community)

2.2 Identifying group values

- e) Identify values that are common to your group and that you share as a team (ethics, sense of fun, responsibility)
- f) Identify any values that are or might be at odds within the group.
- g) Discuss how these values are compatible with farming as a profession/occupation.

3. Goals

3.1 Identifying goals

Have each member of the planning team draft some personal and business goals.

a) Short Term Goals (1-5 years)

b) Intermediate Goals (5-10 years)

c) Long Term Goals (10 years +)

3.2 Prioritizing goals

- a) Which goals are most important to you personally, and professionally?

- b) Rank your top five goals by importance. Repeat this exercise with your partners if you are working as a group.

- 1.

- 2.

- 3.

- 4.

- 5.

3.3 About you

As a small-scale farmer, ‘you’ may be your biggest asset. This section is designed to draw out the elements of who you are and the skills that you have that will contribute to your farm’s success.

- a) Why have you chosen to go into business for yourself rather than working for someone else?

- b) Describe your strengths and weaknesses.

- c) Describe your working style. How do you make decisions? Do you like to work with others? What else?

- d) What kinds of tasks do you enjoy or dislike?

- e) Which elements of farming do you think will be the easiest? Which will be the most challenging?

3.4 Imagining your business

Get your dreams down on paper. In this section, you are permitted to suspend reality and imagine your ideal business situation. Think about income, community and other elements that are important to you. Some aspects of this exercise will be purely fanciful but some will also be things to keep in mind when designing your business. Go on and have some fun thinking about your dream farm and what it might look like! The themes that you address here will be drawn out in the last exercise.

3.5 Mission Statement

For some background, research mission statements from other businesses, and then think about your own. Your mission statement outlines the purpose of your business, and serves as guiding principles.

Many businesses have an internal mission statement to ground the inner workings of the business, as well as an external statement that clearly defines the role of the business to the public.

It may be as simple as a couple of words about what you plan to produce and how you plan to do it, or it may be a more complex statement about your role in the community and what service commitments you plan to fulfill. When completing this exercise, keep in mind your values and working style.

This is an example from Codman Community Farm in Massachusetts:

To operate a working farm that is open to the public in a financially and environmentally sound manner, to preserve traditional regional farming practices that ensure our animals are treated humanely, and to promote agricultural education in Lincoln, Massachusetts and the surrounding communities.

- a) I would like my business to be known for the following:

- b) The purposes of my business are to:

- c) My business mission statement will communicate to these audiences:

- d) Based on your answers to the above, write a mission statement that communicates your business purpose and the qualities for which you'd like your business to be known.

4. Farm and Farmer History

4.1 Details about the farm and the farmer(s)

- a) If the farm is an existing operation, provide some details about how it was previously run, and any events or choices you made which have had important consequences. If you are considering specific land, discuss what you know about the land and how it was used. This exercise documents what you know about the land and what type of production may be possible for your circumstances. It will be useful to incorporate one or more maps into your business plan with relevant details about significant buildings, fenced areas, or prime growing land.
 - b) If you are a new farmer, talk about the path that has lead you to this point and any formative events that triggered you to consider farming. These could be personal, economic, environmental, or community experiences that were influential. If you are a group of farmers, you could describe how you came together and why you want to work together.
 - c) What skills do you have as a farmer?
 - d) What skills do you lack that are required for your farming operation? Can you learn these skills, or can you easily access someone who has them?

4.2 Physical resources

What physical resources are available to you? These include land, buildings and other structures, machinery, perennial plants and trees and livestock. Fill these out on an aerial photo or map and keep them for reference.

Summarize your tangible working assets.

1. Buildings and Permanent Structures

Item	Size	Condition	Value
Greenhouse	15 x 20	fair	\$2500

2. Machinery and Equipment

Item	Size	Condition	Value

3. Livestock and Livestock Equipment

Item	Size	Condition	Value

4. Plant stock and seed stock

Item	Age	Health/vigour	Value

4.3 Assessing your resources

All businesses take some financing during the start up phase. It takes money to build the necessary infrastructure, as well as to sustain yourself during periods of low or no income.

a) Briefly describe your plan to sustain yourself financially during start up.

b) Are you aware of any funding sources that might be available to you? What are they?

c) Are you likely to receive this funding?

d) How do you feel about your resilience during this time of tight cash flow?

5. Operations

This section tackles key elements of your business: marketing, distribution, community relationships, physical resources, and institutional considerations. Evaluating your strengths, weaknesses and opportunities in these areas will help your business take shape. The information you provide in this section will help your mentors assess your plan.

5.1 Marketing

Most small farms cannot make a profit without marketing directly to the customer. As you think about venues and the monetary return from sales, be realistic about how much time and energy you'll have to devote to these direct marketing activities during the height of the growing season.

Products and Services

Complete a table for each of your major products or services. Be as specific as you can and, where relevant, include numeric facts and figures. These will be the basis for projections you'll make later on for the strategies that you consider.

Use the example to estimate your potential income. Complete a table for each product and service that you intend to provide, and add additional columns if necessary.

Sample worksheet:

Product: Vegetables	Market 1: CSA	Market 2: Farmers Market	Market 3: Farm Gate Sales
Potential Number of customers	(a) 60	(a) 250	(a) 50
Current Number of customers	(b) 15	(b) 120	(b) 20?
Current Sales Volume	(c) \$ 9000	(c) 5,440	(c) \$4750
Current Sales per customer (c/b)	(d) \$600	(d) \$45	(d) \$237
Potential Sales Volume (a x d)	\$ 36 000	\$11 250	\$11 850

Product or Service #1:

Product or Service:	Market 1	Market 2	Market 3
Potential Number of customers			
Current Number of customers			
Current Sales Volume			
Current Sales per customer (c/b)			
Potential Sales Volume (a x d)			

Product or Service #2:

Product or Service:	Market 1	Market 2	Market 3
Potential Number of customers			
Current Number of customers			
Current Sales Volume			
Current Sales per customer (c/b)			
Potential Sales Volume (a x d)			

Unique Characteristics

What are the unique features that distinguish each product or service? For which customer segments are they important?

Example:

Characteristic: Certified Organic

Appeals to which segments? CSA, Farmer's Market and Farm Gate

Product or Service #1

Characteristic 1:

Appeals to which segments?

Characteristic 2:

Appeals to which segments?

Characteristic 3:

Appeals to which segments?

Comments:

Product or Service #2

Characteristic 1:

Appeals to which segments?

Characteristic 2:

Appeals to which segments?

Characteristic 3:

Appeals to which segments?

Comments:

5.2 Distribution

- a) How will you get your products to their end destinations?

- b) If you plan to offer a service, like machinery repair or school tours, you can use this section to think about service delivery. Think about time, personal energy investment, cost, infrastructure requirements, level of control, personal satisfaction, and highest return.

Repeat these questions for each product and service.

Product or Service #1

Describe the current distribution channels for Product or Service #1.

What are the advantages or disadvantages of this type of distribution?

What are the logistics of this method?

Product or Service #2

Describe the current distribution channels for Product or Service #2.

What are the advantages or disadvantages of this type of distribution?

What are the logistics of this method?

5.3 Pricing

When considering pricing, small-scale farmers have to take into account their cost of production. This is not to say that you shouldn't be free to charge above your cost of production, but being aware of this price point is important to ground your price-setting process.

It is also important to do a market analysis of what prices other farmers and grocery stores are charging. Your ability to recover the cost of production may influence where you can sell your produce.

5.3.1 Calculating cost of production

This can be a difficult task over the course of a growing season or the lifecycle of livestock. Farmers of field crops may calculate yield per bed or per square foot, and then deduct inputs and labour proportionally. Livestock farmers may divide overall yields by the number of animals minus operating and feed costs and labour. Whatever your method, it's important to get a realistic grasp on the cost of production so that your business can be profitable.

- a) What is the estimated cost of production for your products or services?

- b) What is the typical price range of your product in your target markets?

- c) How does your price compare to other farmers, or vendors of your same product?

- d) How would you rate your freedom to set your price?
low _____ medium _____ high _____

- e) Other factors influencing your pricing decision?

5.4 Promotion

- a) Describe the strategies you use to promote your product or service.

- b) How effective are your strategies in reaching your most important potential customers?

- c) How costly are they?

- d) Is there an ideal time for initiating these strategies?

- e) Are there any opportunities for cross-promotion with other local businesses?

5.5 Changing market conditions

- a) Describe important trends of the supply and demand side of the market for this product or service.

- b) Are there important new competitors or competing products?

- c) Is demand expanding?

- d) Describe any opportunities.

5.6 Community relationships

Ideally, small-scale farmers can cooperate with each other, in competition with corporate farms and grocery store chains. There are many examples of farmers working together for mutual support and benefit.

- a) Is this the case in your area? Are there farmers or businesses that you can work with to build your market? How can you benefit from working cooperatively?

- b) Are there other ways to build your network in the community to enhance support and/or market share? One example might be to have a CSA box pick-up station at a local health food store.

5.7 Institutional considerations

Institutional considerations are external factors like legalities, leases and contracts. Describe the institutional factors that currently affect your ability to use and manage physical resources, if any.

- a) Do you have a lease arrangement? How might this affect the stability of your farm?
 - b) Do you require permits or are you subject to legal restrictions? (for example, laws against shipping seed, slaughtering animals on the farm, etc)
 - c) Do you have any long-term production contracts or marketing agreements? Describe.
 - d) Other?

6. Human Resources

Businesses are only as good as the people who run them. Your farm may grow to the point where you can't do it all yourself. Defining job descriptions, matching skill-sets to the jobs that need to be done, and identifying gaps are all part of human resource planning.

6.1 Annual operations schedule

In order to plan your time and to assess the extra labour that may be required to run your farm optimally, complete this operations schedule:

Hours per month

Tasks	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Hrs/Month												

6.2 Current work force

List all the people involved in the business and what roles they play. Is there any particular order of responsibility or decision-making authority?

Person A:

Role:

Person B:

Role:

Person C:

Role:

Person D:

Role:

6.3 Job descriptions

How specific jobs are defined and assigned can have a big impact on work performance and satisfaction.

- a) Identify the job descriptions that will be required for workers on your farm
 - b) Will there be different rates of compensation for different jobs? If yes, how will this be decided?
 - c) Will there be different levels of involvement for different team members? If yes, describe how this will work.

6.4 Labour

Depending on the nature of your farm, a labour shortage during a peak time could be devastating. It is important to assess your labour pool.

- a) How stable is your labour situation?
 - b) If you experience a labour shortage, where will you look for help?
 - c) How will you decide on your employees' wage?

7. Finances

Tracking personal and business expenses will help you build a budget and gauge where and how to spend your resources. This section is often the only part of the business plan that a bank will read, so it is important that it be accurate and well researched.

7.1 Annual family expenses

What are your current annual family living expenses?

Family living expenditures (\$/year)

Food and meals	_____
Medical care and health insurance	_____
Cash donations	_____
Household supplies	_____
Clothing	_____
Personal care	_____
Child/ dependent care	_____
Gifts	_____
Education	_____
Recreation	_____
Utilities (household share)	_____
Nonfarm vehicle operating expense	_____
Household real estate taxes	_____
Dwelling rent	_____
Household repairs	_____
Nonfarm interest	_____
Life insurance payments	_____
Other	_____
Total cash family living expenses	(A) _____

Other nonfarm expenditures

Income taxes	_____
Furnishings and appliances	_____
Nonfarm vehicle purchases	_____
Nonfarm real estate purchases	_____
Other nonfarm capital purchases	_____
Nonfarm savings and investments	_____

Total other nonfarm expenditures (B) _____

Total annual expenditures (A+ B) = (C) _____

7.2 Annual family income

What is your current annual family income?

Nonfarm income (D) _____

Necessary contribution from farm business
(net farm income) **(C) – (D)** _____

7.3 Income Statement

If you have information from past years, include it in this template to produce an income statement.

For the period beginning _____
and ending _____

Gross Farm Income	_____
Total cash operating expenses	— _____
Net farm income	= _____

Inventory changes

It is important to establish a consistent date when your farm year ends and begins so you can do a direct comparison between years. Each year will have notable irregularities, especially if you are storing crops for selling later, but these will even out over the years.

Crops and feed (ending-beginning) +/- _____

Livestock (ending-beginning) +/- _____

Accounts receivable (ending-beginning) +/- _____

Prepaid expenses (ending-beginning) +/– _____

Accounts payable (ending-beginning) +/– _____

Accrued interest (ending-beginning) +/- _____

Total inventory change +/- _____

Depreciation _____

Net farm income from operations = _____

7.4 Balance Sheet

If you have figures from previous years, construct a historical balance sheet from this template.

Balance Sheet Date _____

Current Farm Assets

Cash and equivalents	\$ _____
Prepaid expenses & supplies	\$ _____
Growing crops	\$ _____
Accounts receivable	\$ _____
Crops and feed	\$ _____
Livestock or seed stock	\$ _____
Other current assets	\$ _____
Total Current Assets	(a) \$ _____

Intermediate Farm Assets

Breeding livestock	\$ _____
Machinery and equipment	\$ _____
Other intermediate assets	\$ _____
Total Intermediate Assets (b)	\$ _____

Long-term Farm Assets

Farm land	\$ _____
Buildings and improvements	\$ _____
Other long-term assets	\$ _____
Total Long-term Assets (c)	\$ _____

Total Farm Assets (d)=(a+b+c)\$_____

Nonfarm Assets (e) \$_____

Total Assets (f)=(d+e) \$_____

Accrued interest \$ _____

Accounts payable \$ _____

Current farm loans \$ _____

Principal due on term loans \$ _____

Total Current Farm Liabilities (g) \$_____

Intermediate Farm Liabilities (h) \$_____

Long-term Farm Liabilities (i) \$_____

Total Farm Liabilities (j)=(g+h+i) \$_____

Nonfarm Liabilities (k) \$_____

Total Liabilities (l)=(j+k) \$_____

Net Worth (n=(f-l)) \$_____

Current Farm Liabilities

7.5 Earned Net Worth Change Analysis

Use this template to calculate the overall change in wealth earned from farm and nonfarm income after adjusting for living expenses and partner withdrawals.

For the period beginning _____ and ending _____

Net Farm Income \$ _____

Non Farm Income + _____

Family Living/Partner Withdrawals – _____

Income Taxes

Earned Net Worth Change = _____

8. Executive Summary

As a final exercise, draft an executive summary for your business plan. This section will summarize your business strategy based on the information you've completed so far, and will be a quick summary of the highlights of your business. It will be a preface to your business plan.

An executive summary will include:

Identification	Your name(s) and the name of the business
Location	Where the business is located
History	How long the business has been in operation and relevant details about yourself
Ownership	Current ownership structure
Products and services	What type of products and services you now offer and plan to market in the future
Marketing	Who your potential customers are and what they will value
Operations	How you will produce
Human Resources	How will you manage and staff the business
Finances	How much profit and equity the business will generate, how you intend to finance the business, and how you will cope with and manage risk

The executive summary should be no longer than two pages and will serve as a snapshot of the business. This abstract should communicate your credibility and excitement.

To prepare your business plan for presentation, complete all the sections as thoroughly as possible. If you feel that other areas of your business require documentation or additional planning, feel free to add these into the plan.

8.1 Getting feedback

When you feel that this business planning template is as complete as you can get it, attach the executive summary to the front of the document. Then share it with your family, friends and neighbours, as well as any business planning advisors or bankers whom you feel could be allies. It may be intimidating to lay your dreams open for critique, but feedback is very useful, especially from other farmers.

8.2 Last thoughts

Congratulations on completing this comprehensive business planning process! We wish you well on your business venture, and invite you to share with us your stories of getting your community farm up and running!

Community Farms Program
2009