Crafting a Business Plan

NC COOPERATIVE EXTENSION

N.C. A&T STATE UNIVERSITY

NC STATE UNIVERSITY

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BUNCOMBE COUNTY - SMALL FARMS
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Success Begins with a Plan!

- Maps out how your business operates
- Helps you NAVIGATE through decisions
- Pulls together all the pieces of your idea

Business Plans are a Map

- Mission Statement
- Goals & History
- Business Operations
- Markets
- Financial Projections
- Risk Analysis

Components of a Business Plan:

- Business Description
- Executive Summary
- Mission Statement
- Short & Long-term Goals
- Management Plan
- Products & Services
- Marketing Plan
- Financial Plan

Cover Page & Contents:

Cackling Hens Farm

123 Sunny Lane

Lewistown, NC

828-775-4453

www.cacklehens.nc.com

@cacklehensfarm

#cacklehensfarm

Inside…

Cackling Hens Farm Business Plan

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II. **Business Description**

III. **Management Plan**

IV. **Products & Services**

V. **Marketing Plan**

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Executive Summary

- Opening section of the plan
- **LAST section of the plan to complete**
- Emphasize:
  - Unique aspects of your business
  - Your skills and experience
  - Financial projections (typically for 3 years)

Business Description

Include Key Details:

- Location/size of farm
- Ownership Type & Who's Involved
- Brief History of the Farm
- Buildings and Fields – listed or mapped
- Geographic location to towns, markets, processing facilities

Include Visuals

Business Description Example

Jeff and Katie Belflower met in 2012, and married in October 2014. Our dream of finding a farm to raise food and a family was realized shortly afterward in November of 2014 when we finalized the purchase of 52 acres in the small community of Sunshine, North Carolina. We named our farm Belflower Farm, and have been working ever since to repair and install infrastructure and to build productive and hardy herds of beef cattle and sheep.

Gardens have been developed and laying hens rotated around pasture with the goal of the farm providing much of our family's sustenance as well as extra for our community. Our son Henry joined the farm in September of 2016, and is quickly growing and starting to show an interest in farming. We hope to build the health of our land and animals and to be able to offer our children a vibrant farm that they will be excited to join.

Mission Statements

Reflects your VALUES

Answers:

- What do we do?
- How do we do it?
- For whom do we do it?

Mission Statement Examples

Good Mission Statements: **Clear, concise, informative**

- Henderson Farms nurtures flowers from seed to brighten your day.
- Belflower Farm LLC produces healthy pastured protein that benefits our land and those who eat it.
- Cackling Hens Farms is a multigenerational family farm dedicated to raising healthy and happy chickens for local markets.

Mission Statement Exercise

Good Mission Statements: **Clear, concise, informative**

- What do we do?
- How do we do it?
- For whom do we do it?

Short & Long Term Goals

Goals should be SMART:

- **Specific**
- **Measurable**
- **Attainable**
- **Relevant**
- **Timed**

Goals reflect the **WHAT** and **WHO**, not the **HOW**

Goals should be SMART:

Short Term Goals: 5 years or less

- Expand sheep herd to twenty ewes by 2022.
- Reduce hay feeding to less than 60 days/year
- Add 15 new perennial flower varieties in 2021
- Transition Quickbooks responsibilities to my daughter in 2022.

Include PERSONAL and BUSINESS Goals

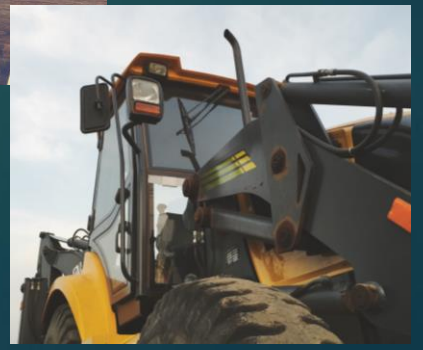
Long Term Goals: More than 5 years

- Provide our family's basic economic needs from the farm.
- Retire from my full-time job to be on the farm 100% of the time.
- Develop a skincare line of products utilizing unmarketable blueberry yield
- Permanently protect my farmland with a conservation easement.

Management Plan

Management and Employees

- Owner, Manager, employees
- Include titles, responsibilities
- Other resource professionals:
  - Bookkeeper
  - Accountant
  - Mechanic
  - Meat Processing Facility



Management & Employees

Example

John Farmer

- All beekeeping responsibilities.
- All orchard duties.
- Primary on construction projects

Jake Farmer

- Site planning, systems design, research
- Primary communications—Facebook and blog
- Primary agent at farmer's markets

Intern

- 3 days/week
- Assists with A.C. Market
- Assists with all beekeeping tasks

Insurance Considerations

Demonstrates that you are covered in all aspects of your business: auto, machinery, land, general liability, product liability, agritourism

- $2 million liability insurance policy in case of a farm-related accident.
- Vehicles and trailers are insured on a separate farm business policy.
- Product Liability insurance on Pepper Jams.

Safety Considerations

- Will you have people on the farm? Customers? Volunteers? Interns?
- Do you have employees that need to be trained?
- What are the obvious risks on the farm?

Safety Considerations

- Agritourism Disclaimer sign is posted on the farm.
- Basic safety kits located in multiple locations on the farm.
- Safety checklists are available for each piece of farm equipment
- Equipment training provided to interns each spring.

Legal Considerations

- Legal Business Structure
- Business Permits
- Local, State, Federal Regulations
- Taxes

  - *We test our water annually to maintain FSMA compliance*
  - *We collect appropriate sales taxes on value added products*

Management Plan

- Sustainability
  - Crop rotation plan followed
  - Financial crop report assessed each winter
- Service Providers and Technical Support
  - NRCS, Crop Consultant, Extension Agent
  - Local Veterinarian
  - Small Business Technology & Development

Products & Services

- Short description of the primary products you produce
- For a new farm product, describe the product and quantities you expect to produce/sell

Products

Item	Estimated Cost to Produce	Competition Price	My Price
Pastured Chicken (whole)	$3.40/#	$3.50-4.25/#	$5.00/#
Pastured Chicken (leg quarters)	$3.40/#	$4.50-4.99/#	$8.00/#
1-quart Spring wildflower honey	$11.70/#	$10-$20/#	$15/#

Services

- Short description of the services you produce
- Duration, seasonality, how do these activities fit into other aspects of the farm?

Services

Item	Est.Cost	Customers/Day	My Price
Shearing	$ 3/sheep	Up to 75/day	$7/sheep
Wedding Bouquets	$ 200-1000/day	Up to 24 weekends/year	Package pricing
Farm Dinners	$415/evening	24/dinner (4 dinners per season)	$45/person

Marketing Plan

Demographic Considerations:

Describe your customers/potential customers: age, income, values, where located

Describe market segments:

- Rural or urban
- Income levels
- Occupation
- Lifestyle

Marketing Plan

Customer Analysis

Target Personas

- Describe the customer you want to serve or that you think will buy your product.
- What are their needs?
- How can you best attract their attention to your product/service?

USDA ORGANIC

Animal Welfare APPROVED

Marketing Plan

Competitive Analysis

- Identify your competitors & where they are located
- How do your markets overlap?
- What are their strengths? Weaknesses?

Marketing Plan

Promotional Tool	Customer Targeted	Cost	Timeframe (optional)
ASAP Local Food Guide (LFG)	Local food supporters/ tourists	FREE	Year round
Farm Advertisement in LFG	Local food supporters	$725 for half-page	Complete by Jan. 30th
Targeted mailings to nearby office park	Busy working professionals	$300	May - September

Components of a Business Plan:

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- Mission Statement
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- Management Plan
- Products & Services
- Marketing Plan
- **Financial Plan**

Financial Plan

- Short and long-term financial projections
- Reveals the financial impacts of a businesses' operating plan for the next 12 months
- Components of Financial Plan:
  - Balance Sheet
  - Pro Forma income statement
  - Pro Forma Cash flow budget

UNITS	Price	VC	
Pork	$ 9.00	$ 3.00	40%
Grassfed Beef/ lbs	$ 10.00	$ 4.00	50%
Eggs per dozen	$ 6.00	$ 2.00	10%
Goatscaping	$ 1,000.00	$ 50.00	0.05

	Startup	Jan-17_)	Feb-17_)	Mar-17_)	Apr-17_)	May-17_)	Jun-17_)	Jul-17_)	Aug-17_)	Sep-17_)	Oct-17_)	Nov-17_)	Dec-17_)	TOTAL
UNITS SOLD														
Pork		---	---	---	---	---	---	---	---	---	35	29	33	97
Grassfed Beef/ lbs		191	69	24	125	137	73	73	41	118	72	40	---	963
Eggs per dozen		5	20	20	20	20	15	10	15	15	5	---	---	145
Goatscaping		1	1	1	1	1	1	1	3	3	3	1	3	21
CASH IN														
Pork Sales		---	---	---	---	---	---	---	---	---	318.60	262.80	292.50	873.90
Grassfed Beef/ lbs Sales		1,910.00	690.00	243.00	1,249.16	1,372.00	731.00	729.00	409.00	1,179.00	721.00	400.00	---	9,633.16
Eggs per dozen Sales		30.00	120.00	120.00	120.00	120.00	90.00	60.00	90.00	90.00	30.00	---	---	870.00
Goatscaping Sales		150.00	---	495.00	1,475.00	1,105.00	1,070.00	1,445.00	2,813.00	2,799.00	2,658.00	300.00	3,711.00	18,021.00
Other Sales														---
Owner Investment														---
Loans Received	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Other														---
TOTAL CASH IN	$ ---	$ 2,090.00	$ 810.00	$ 858.00	$ 2,844.16	$ 2,597.00	$ 1,891.00	$ 2,234.00	$ 3,312.00	$ 4,068.00	$ 3,727.60	$ 962.80	$ 4,003.50	$ 29,398.06
CASH OUT														
Variable Costs														
Pork COGS		---	---	---	---	---	---	---	---	---	106.20	87.60	97.50	291.30
Grassfed Beef/ lbs COGS		764.00	276.00	97.20	499.64	548.80	292.40	291.60	163.60	471.60	288.40	160.00	---	3,853.24
Eggs per dozen COGS		10.00	40.00	40.00	40.00	40.00	30.00	20.00	30.00	30.00	10.00	---	---	290.00
Goatscaping COGS		73.75	---	---	---	---	---	---	---	---	---	---	---	73.75
Other Variable Costs														---
Total Variable Costs		$ 847.75	$ 316.00	$ 137.20	$ 539.64	$ 588.80	$ 322.40	$ 311.60	$ 193.60	$ 501.60	$ 404.60	$ 247.60	$ 97.50	$ 4,508.29
Overhead Payments														
Rent		---	---	---	---	---	---	---	---	---	---	---	---	---
Utilities			89.46	100.00	84.13	140.90	117.45	115.41	119.09	60.00	55.00	62.85	115.00	1,059.29
Maintenance & Repairs														---
Vehicle Expenses		---	193.34	30.14	94.43	---	111.54	152.68	---	---	---	90.80	49.77	722.70
Insurance		90.29	---	90.28	---	118.45	120.18		120.17		122.79		90.29	752.45
Supplies														---
Travel														---
Employee Wages & Taxes		---	---	---										---
Professional Services														---
Website Expenses		20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
Marketing Supplies		60.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	70.00	30.00	10.00	10.00	250.00
Advertising & Promotions		---	---	---	---	---	---	---	---	---	---	---	---	---
Other Marketing Expenses														---
Loan Payments														---
Startup / Other Expenses														---

Total Overhead	$ ---	$ 170.29	$ 312.80	$ 250.42	$ 208.56	$ 289.35	$ 379.17	$ 298.09	$ 269.26	$ 150.00	$ 227.79	$ 183.65	$ 285.06	$ 3,024.44
TOTAL CASH OUT	$ ---	$ 1,018.04	$ 628.80	$ 387.62	$ 748.20	$ 878.15	$ 701.57	$ 609.69	$ 462.86	$ 651.60	$ 632.39	$ 431.25	$ 382.56	$ 7,532.73
Beginning Cash on Hand	---	---	1,071.96	1,253.16	1,723.54	3,819.50	5,538.35	6,727.78	8,352.09	11,201.23	14,617.63	17,712.84	18,244.39	---
NET CASH FLOW	---	1,071.96	181.20	470.38	2,095.96	1,718.85	1,189.43	1,624.31	2,849.14	3,416.40	3,095.21	531.55	3,620.94	21,865.33
Ending Cash on Hand	$ ---	$ 1,071.96	$ 1,253.16	$ 1,723.54	$ 3,819.50	$ 5,538.35	$ 6,727.78	$ 8,352.09	$ 11,201.23	$ 14,617.63	$ 17,712.84	$ 18,244.39	$ 21,865.33	$ 21,865.33

Financial Reports

Balance Sheet

Assets & liabilities associated with your business

What do you own?

Who do you owe? How much?

Pro Forma Income Statement

Projected income/expenses

Sales Projection

- cost of goods sold

Profit or Loss

Pro Forma Cash Flow Budget

Monthly forecast of cash inflows/outflows for the upcoming year

Helps identify and predict potential seasonal cash shortfalls

Balance Sheet *example*

ABC Farm Balance Sheet December 31, 2018			
Assets			
	Current Assets		cash or turned into cash within 1 year
	Cash	5,000	
	Accounts Receivable	1,000	
	Inventory	6,000	feed, seed, crops in ground, fuel, animals to be sold
	Fixed Assets		
	Buildings	100,000	
	Equipment	50,000	
	Less Depreciation?		Original cost-basis or current market value? Good to know both
	Total Assets	**$162,000**	
Liabilities			shows how your assets are financed. Equity/debt
	Current Liabilities		
	Accounts Payable	600	
	Notes payable	10,000	
	Accrued expenses	700	
	Long-term liabilities		
	mortgage	100,000	
	owner equity	50,700	
	Total Liabilities	**$162,000**	

Your Grant Application

Financial Plan

Project Name			
Income	2021	2022	Explanation of income *i.e.*, number of head, quantity of product sold, events/services
	$	$	
Sale of products			
Sale of services			
Savings			Explanation for savings
Money saved because of project			
Expenses			Explanation of expenses
Examples:			
Seeds/Plants			
Fertilizer/amendments			
Pest control			
Energy			
Equipment			
Labor			

Contains future income & expense projections

Pro Forma

Income Statement

Income

	2019	2020	projected
cows milking			
lbs/cow/year			
milk price			
cwt			
Government Payments			
Cattle/calf sales			
Milk, wholesale			
Crops			
Rental Income			
Other Income			
TOTAL FARM RECEIPTS			

Expenses

Hired labor/Fringe Benefits			
Feed			
Feed roughage			
Feed grain /conc			
Machinery			
Custom Hire***			
machinery repair			

TOTAL OPERATING EXPENSES			
Machinery Depreciation			
Building Depreciation			
Extraordinary expense			
TOTAL ACCRUAL EXPENSES			
Family Draw			
TOTAL CASH EXPENSES			
TOTAL ACCRUAL EXPENSES			
Available for debt service			
NET INCOME ADJUSTED			
CAPITAL PAYMENTS (interest and principal)			
Cap Financial			
Bank of Castile			
CAFI			
new barn loan			
Debt Service			
NET INCOME			

Annual Financial Analysis:

15 Cows Conception to Finish Beef Enterprise	
Annual Estimated Expenses	
hay	$1,800
gas and diesel	$1,150
minerals	$550
veterinary	$300
registration	$250
seeds	$480
5 steers processing fees	$2,000
marketing and farmer's market fees	$1,600
our labor at 10 hours per week	$7,800
miscellaneous	$500
Total Annual Expenses =	**$16,430**
Annual Estimated Income	
6 steer calves packaged meat	$15,000
6 heifers for breeding stock	$12,000
1 bull for breeding stock	$2,000
1 cull cow	$800
Total Annual Income =	**$29,800**
Beef Enterprise Profit =	***$13,370***

Pro Forma

example

Annual Estimated General Farm Expenses	
tractor repairs	$500
truck repairs	$500
land payment	$6,762
insurance	$1,200
tax preparation	$400
property tax	$575
office supplies and utilities	$350
member dues and education	$400
Annual Estimated General Expenses =	***$10,687***

Annual Financial Analysis:

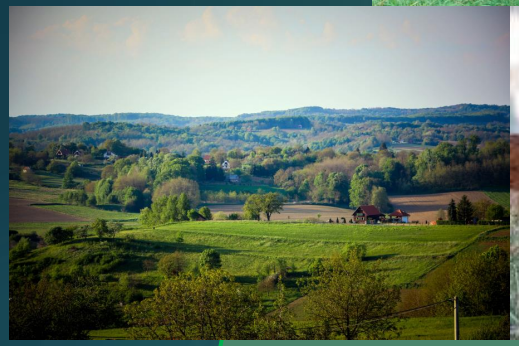
After paying ourselves an hourly wage of $15 per hour for an average of 15 hours per week working on our beef and sheep enterprises, we will obtain a total annual profit of $15,130 from these two enterprises. After subtracting $10,687 in general farm expenses, we will have approximately $4,400 in general profit each year. We plan to reinvest this profit in the farm to continue to upgrade and improve infrastructure. This enterprise and financial analysis reflects our goal of living a simple life on a farm that provides us with a modest income that will increase over time as we continuously improve our land.

Pro Forma Cash Budget

example

2013	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Income - List Products													
Fram raised cattle sold in December												$21,278	**$21,278**
Sheep raised												$1,450	**$1,450**
Contract grazing								$3,100					**$3,100**
Off the farm job	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	$2,796	**$33,547**
													$0
													$0
Total Income	**$2,796**	**$2,796**	**$2,796**	**$2,796**	**$2,796**	**$2,796**	**$2,796**	**$5,896**	**$2,796**	**$2,796**	**$2,796**	**$25,524**	**$59,375**
Operating Expenses/Annual Expenses													**$0**
Feed/ Hay for 2013												$10,549	**$10,549**
Fertilizer			$1,222										**$1,222**
Epuipment Fuel/ Gas												$3,039	**$3,039**
Pasture rent on other farms	$1,300												**$1,300**
Equipment repairs 2013												$470	**$470**
Veterinary and Medicines												$1,949	**$1,949**
Farm Insurance												$1,038	**$1,038**
													$0
													$0
													$0
													$0
													$0
													$0
													$0
													$0
													$0
													$0
Total Operating Expenses	$1,300	$0	$1,222	$0	$0	$0	$0	$0	$0	$0	$0	$17,045	**$19,567**
Capital Expenses													**$0**
Brood Cows and Bulls Purchased in 2013												$16,125	**$16,125**
													$0
													$0
Total Capital Exp.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,125	**$16,125**
													$0
Loan Payments													**$0**
Farm payment paid 12-1-2013												$11,300	**$11,300**
Brood cow payments					$35	$35	$35	$35	$35	$35	$35	$4,200	**$4,445**
													$0
													$0

Executive Summary



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Emphasize:

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- Your skills and experience
- Financial projections (typically for 3 years)

Resources

- Building a Sustainable Business, SARE
- Business Start-Up & Resource Guide, NC Small Business & Technology Development Center
- Organic Farmer's Business Handbook
- AGPLAN, Univ. of Minnesota
- Veggiecompass.com