

Agriculture Business Planning

Workbook

Property of: _____



Rod Sharp and Jeff Tranel

Agricultural and Business Management Economists



Colorado State University
Extension

Purpose of Workbook

This workbook is designed to provide an outline for developing a business plan for your agricultural business. Each section contains an explanation, example and space for you to begin developing a business plan. There are numerous resources pertaining to the development of business plans available; it is the hope of the authors that this document will put you on your way to prepare a business plan for a successful business.

About the Authors

Rod Sharp and Jeff Tranel, authors of “Agriculture Business Planning Workbook” are Agriculture and Business Management Economists with Colorado State University. They have appointments with Colorado State University Extension and faculty affiliation with the Department of Agricultural and Resource Economics. Rod and Jeff have extensive experience working with farm and ranch families throughout Colorado as well as national and global audiences.

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Source of information: AgPlan: The Agriculture, Fisheries, and Small Business Planning Website, <https://www.agplan.umn.edu/>, ©2007-2010 Center for Farm Financial Management. Regents of the University of Minnesota. (800) 234-1111

Cover Page

- Name of your business
- Contact information
 - Names, address, telephone, cell phone, fax, e-mail address
- Date prepared
- Sample Cover Page:



Kelly Miller
6 Shady Hill Lane, Hector, NY 14841
Tel: 585-555-5555 Cell: 585-555-5555 Fax: 585-555-5555 Email: kmiller123@cffm.umn.edu

Prepared: 9/27/08

- Your Cover Page Design Ideas:

Executive Summary

- Business Description
- Mission Statement
- Goals and Objectives
- Plan Summary
- Capital Request

Business Description

- Provide a brief description of the farm, ranch, and other agricultural related business.
 - Few sentences that will help readers to understand what you produce, size of your operation, and how you market your products.
- Sample Business Description:

Lakeshore Orchard is a seasonal rural business in Hector, New York. Lakeshore orchard produces apples and pumpkins and provides entertainment, meals, and shopping during the autumn season. Lakeshore was started in 1998 by Kelly and Steve Miller, who have the vision of making lakeshore the best fall family experience in New York's Finger Lake region.

- Your Business Description:

Mission Statement

- Describe the purpose of your business.
 - What you do.
 - Why you do it.
 - For whom you do it.
- Identify your products, services, and customers.

- Mission Statement Sample:

Our mission is to produce a healthy and safe food product, maximize profitability, and maintain our rural heritage. It is important for us to provide a quality product and agricultural education for the tri-state farm market consumer. Building on our strong reputation, we will continue to grow our business and our people to ensure long-term success.

- Your Mission Statement:

Goals and Objectives

- Describe your goals.
 - Use clear statements of where you want to be after a period of time (short-term, intermediate term, and long-term).
 - Goals should be **SMART** (Specific, Measurable, Achievable, Relevant, and Time Bound).

- Goals Sample:

Steve and Kelly Miller have made it their goal to increase sales and revenue by making Lakeshore the most unique and surprising entertainment and shopping venue. In 1998, the U-pick orchard opened. Soon, hay rides and corn mazes were added. By 2005, a retail store had been built. Now, in 2008, Steve and Kelly are looking toward the future by adding a production greenhouse. Specific goals that Steve and Kelly have are:

- *Increase gross revenue to over \$1,500,000 by 2012 through expansion and innovation.*
- *Provide a safe, enjoyable environment to all who visit or work for Lakeshore Orchard.*
- *Keep Lakeshore a seasonal business so that Steve and Kelly can still have some personal time with their family.*

- [illegible]

Plan Summary

- Develop a brief summary of your business plan.
 - Summarize any planned changes to the business.
 - Summarize your marketing and financial plans.
 - Clearly state why your plan will be successful.
- Plan Summary Sample:

The purpose of this plan is to secure funding for Lakeshore Orchard's next expansion: a 10,000 square foot greenhouse for ornamental crop production. The financials will show that this is a feasible plan, saving production costs while providing another source of revenue. This expansion is consistent with our goals to keep Lakeshore's products fresh and exciting, as it will provide an opportunity to offer customers more unique choices.

- Your Plan Summary:

Capital Request (if applicable)

- Acquiring additional capital is a common reason for developing a business plan.
- Clearly explain your business ideas to potential lenders and/or investors.
- Document how much money you will need.
- Identify the purpose of the funds.
- Capital Request Sample:

The amount of capital requested is \$100,000 in addition to the credit lines and equipment loans that Lakeshore Orchard is already paying. The purpose of the request is to purchase a 10,000 square foot greenhouse for ornamental crop production.

- Your Capital Request:

Business Description Section

- Business Overview
- Location of Business
- Facilities
- Business History
- Ownership Structure

Business Overview

- Identify what crop and livestock enterprises you produce or will produce
- Describe what products you will sell.
- Describe what services you will provide.
- Describe the size of your business and the number of employees.
- Business Overview Sample:

Lakeshore Orchard is a seasonal agri-tourism business offering you-pick apples and pumpkins, hay rides and corn maze walks, as well as retailing fall perennials, decorative items, and baked goods during the autumn season.

- Your Business Overview:

Location of Business

- Clearly describe the location of the farm or ranch.
 - May consider including legal descriptions.
- Describe any business advantages your location may have.
- Location of Business Sample:

Lakeshore Orchard is located half way up the east side of Seneca Lake. Hector, New York, has been a farming community for well over 200 years and has a rich history in orchards, vineyards, and livestock production. Business correspondence should be addressed to the following:

*Lakeshore Orchard
6 Shady Hill Lane
Hector, New York 14841*

- Your Business Location:

Facilities

- Describe the size, type, and quality of your facilities and equipment.
- Facilities Sample:

Real estate: The orchard, pumpkin patch, corn maze, and retail store sit on a total of 40 acres of family land. The apple orchard is approximately 20 acres, the corn maze and hay rides take up roughly 10 acres, and the pumpkin patch and retail store are both 5 acres each.

Retail shop: The 4500 sq. ft. retail shop is a newly completed one-story wooden structure. 3000 square feet dedicated to the retail store.

Greenhouse: It is hoped that within the next year, Lakeshore Orchard will construct a new 10,000 square foot greenhouse.

Production equipment: Orchard tractors and wagons are in good repair. The best tractors and wagons are reserved for the hay rides. The remaining field crop equipment is old but well maintained.

- Your Facilities:

Business History

- Describe how the business started and how long you have owned and/or managed it.
- Identify what important events and changes have occurred.
 - Ownership changes
 - Farm size or structure
 - Sales
 - Profitability
 - Challenges
- Business History Sample:

A lot of effort has been expended to make Lakeshore Orchard the business it is today. The business idea began when Kelly Miller inherited the private residence and property, including the non-working orchard, from her Great Aunt.

Steve and Kelly began restoring the apple orchard in May of 1998. The apple orchard needed to be renovated and planted into newer, more appealing varieties. It took approximately six years and \$40,000 to bring the orchard back into full production. The first U-pick customers started arriving in September of 2004. In addition to picking their own produce, customers could enjoy a hayride or a walk through a corn maze.

It was soon obvious that the fastest growing profit center in the produce business was the add-on retail items. Items such as pie plates and mixes, apple corers and peelers, and Halloween items were big sellers with big margins. Construction of the retail shop was completed before the 2005 autumn season, costing approximately \$200,000. The new retail space not only houses the traditional fall items, but has been expanded to include retail gifts for the holidays such as candles, stuffed animals, preserved foods, and candies. After three years of sales in the new retail store, we realize that this was one of the best moves that we could have made to contribute to our business growth.

Looking toward the future, we plan on building a new greenhouse in 2009 to produce most of our fall perennials and chrysanthemums. This space could also be used to grow other products that are typically bought in to be resold.

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- This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Ownership Structure

- Describe the ownership and legal structure of the business.
- Describe why the ownership structure was selected.
- Ownership Structure Sample:

Lakeshore Orchard is owned and operated by Steve and Kelly Miller. The business is structured as a Limited Liability Company (LLC) with Kelly and Steve being 50% member/owners.

The Limited Liability Company only holds the assets needed for the business operations (machinery, equipment, and inventory). All the real estate and buildings are owned personally by Steve and Kelly and rented to the LLC. This limits the amount of assets exposed to liabilities arising from business activities.

- Your Ownership Structure:

Operations Section

- Products and Services
- Production System
- Customer Service
- Inventory Management
- Licenses, Permits, and Regulations
- Patents and Trademarks
- Risk Management
- Environmental Issues
- Quality Control
- Implementation Timeline

Products and Services

- Provide a short description of the products you produce and services (custom work, hunting leases, and agritourism) you provide.
 - Describe the relative importance of each.
- Products and Services Sample:

Products:

Apples: Lakeshore offers ten different apple varieties: McIntosh, Cortland, Rome Beauty, Northern Spy, Honey Crisp, Mutsu, Gala, Golden Delicious, Granny Smith, and Empire. Apples are sold via U-pick and at the retail shop.

Pumpkins: Lakeshore retail shop carries six different varieties of ornamental pumpkins, pumpkin pie pumpkins and decorative gourds. Pumpkins are sold both in the retail shop and U-pick.

Services:

Corn maze walks: Lakeshore Orchard hires a top notch corn maze design company to design its mazes every year. While this costs extra, it really adds excitement. Lakeshore offers walks through its corn maze up until Halloween. This is a rapidly growing segment of sales for Lakeshore.

Hay rides and haunted hay rides: Lakeshore Orchard was rated the scariest haunted hay ride three years in a row. For those that are more faint of heart, Lakeshore does offer a hay ride around the farm and through the apple orchard.

- Your Products and Services:

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Licenses, Permits, and Regulations

- List all the licenses and permits required to do business.
 - Agency.
 - The process and requirements.
 - Cost and timing.
- Licenses, Permits, and Regulations Sample:

Business permits: The filings for the LLC are in place with the New York Department of State.

Food service permits: In order to sell prepared food, Lakeshore orchard needs to keep a food processing permit as well as a New York State Department of Health food service permit.

Other regulations: Lakeshore Orchard does not offer a petting zoo or exposure to farm animals. If this is something that we decide to offer in the future, we will need to have a license for this "petting zoo" aspect.

- Your Licenses, Permits, and Regulations:

Risk Management

- Describe the risks (production, financial, market, human, and legal) associated with your agricultural business.
- Describe the tools, methods, and strategies for managing your risks.
- Risk Management Sample:

The most critical areas of risk faced by Lakeshore Orchard are legal, production, and market related risks.

Legal risk management: Probably the riskiest parts of our operation are the customers being on the farm. Just one customer getting hurt could seriously jeopardize Lakeshore Orchard's operation. That is why Lakeshore is organized as a Limited Liability Company funded with very few assets. Lakeshore also holds a farm liability insurance policy with a three million dollar umbrella. Most of all, Lakeshore Orchards strives to enhance safety. We have planted dwarf and semi dwarf apple trees to avoid the use of a ladder for U-pick customers. The farm is kept free of debris and unnecessary equipment.

Market risk: a cold and rainy autumn can really be bad for business-- sometimes cutting the annual revenue in half. That is why we purchase a gross revenue insurance policy (Adjusted Gross Revenue) to protect against a drastic loss of revenue due to weather.

- Your Risk Management Plan:

[illegible]

Implementation Timeline

- Describe how and when major accomplishments must take place to implement your plan.
 - When do you expect to begin?
 - When are accomplishments expected to be completed?
 - Who will be responsible to complete the steps necessary to meet timelines?
- Implementation Timeline Sample:

The implementation timeline for the changes proposed in this business plan are as follows:

Phase I: Design Greenhouse (Present): Steve and Kelly have already paid a LEED (Leadership in Energy and Environmental Design) accredited architect to design the greenhouse.

Phase II: Build Greenhouse (Autumn 2008 – Spring 2009): Once securing the financing for the project, it is hoped that the building will be completed by Spring of 2009. This will allow us to start Full Production in time for the 2009 autumn sales season.

Phase III: Full Production in Greenhouse (Autumn 2009): The greenhouse will be open for full production, sales, and tours for the autumn 2009 season.

It is critical that these timelines are met. If financing cannot be obtained by the end of 2008, it is expected that Lakeshore Orchard will have the capability to secure a lease for the greenhouse structure and still be able to have it built by spring of 2009. The lease is not as appealing, as it would tie up more cash due to the quicker payback period versus a loan. While affordable, this cash crunch may stifle growth in other areas of the business.

- Your Timelines:

Marketing Plan

- Market Trends
- Customers
- Marketing Contracts
- Strategic Partners
- Pricing
- Promotion
- Distribution
- Target Markets
- Competitive Advantage

Market Trends

- Describe the market trends of your primary products and services
 - What opportunities does this open up for your business?
 - What threats or challenges does it create for your business?
- What changes might be on the horizon for your markets?
- Will consumer demographics, technological innovations, globalization, labor availability, legislative changes, food consumption patterns or health and food safety issues change the market for your products and services?
- Is consumer demand growing or shrinking?
- Market Trends Sample:

The primary consumers that visit Lakeshore Orchard are local families with children that drive from as far away as Rochester and Syracuse. The next most common visitor is the Finger Lakes tourist, who is predominantly from New York City, New Jersey, Pennsylvania, and Ohio.

Tourism trends in the Finger Lakes: *Tourism is on the increase in the Finger Lakes with the increase in fuel prices and more travelers choosing to take short-distance trips rather than fly to out-of-state vacation destinations. Wine tours offer visitors an inexpensive way to feel a sense of escape. Hector and the east side of Seneca Lake are seeing an increase in its number of wineries. An organic brewery and distillery are expected to open in 2009. In August of 2008, a four-star hotel opened in downtown Watkins Glen. Hotel sales staff will be touring the state as well as Pennsylvania and parts of Canada near the New York State border to promote the hotel and the Finger Lakes as a year-round destination spot.*

Permanent residence trends on Seneca Lake: *With the growth of the Finger Lakes wine industry, the demographics of residents living on Seneca Lake is expected to*

Customers

- Who are the customers for your primary products?
- Do you anticipate customer's changing and if so, what are the characteristics about these new customers that must be factored into your marketing plan?
- What opportunities does this open up for your business?
- What threats or challenges does it create for your business?

In this section, demonstrate you have a strong understanding of your current and future customers and have designed a marketing plan capable of effectively targeting and selling to those customers.

- Your Customers:

Marketing Contracts

- Describe contracts that you have to produce and market products with processors, other producers, value-added ventures, or retail markets. If you provide services, describe contracts that you have to deliver your services.
- Are there new contracts that you need to establish to produce your value-added products or services?
- What products do you produce on contract and what portion of your production is under contract?
- Do you produce products that are not under contract, and if so, what percent of your gross revenue is derived from contract production?
- What are the terms of your contracts? How long are they, how many years have you had them, and how much longer are current contracts? Are the terms changed much when the contract is renegotiated?
- Your Marketing Contracts:

Strategic Partners

- Describe any strategic marketing, purchasing, distribution, promotion, or development alliances and how important are they to your business.
- Describe how they strengthen your position in the industry and if you are dependent on them for your success?
- Are there new strategic alliances that you want to establish?

Strategic partnerships can be formal or informal. In some cases, you might think of your lender, suppliers or major customers as strategic partners.

- Your Strategic Partners:

Pricing

- List the prices that you charge for your primary products or services.
- Describe why you charge these prices (your cost of production, market price of comparable products or services, etc.).
- Describe how your prices compare to competitive products or services.
- Tell how your prices provide you with a satisfactory profit margin.
- Describe any contracts that lock in prices for a period of time.
- Can you capture premium prices based on high quality, limited availability, or special niche products?
- Pricing Sample:

Lakeshore Orchard's produce: Product differentiation is the key and with food products, this can be difficult. So with farm produce, Lakeshore has to compete on price. The prices on the food products are generally 10% below the competition because Lakeshore can move more volume with lower overhead costs than its competition. Also, the cheaper food products are used as a draw to get people onto the farm. Then, it is up to Lakeshore to sell them something of higher value.

Lakeshore's ornamental products: The ornamental products (mums, pumpkins, perennials) are priced in line with the competition. While the selection is better on these items, there is not a large quality difference because these items are purchased off farm--and can be readily available to

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

- Describe how you will promote your product or services. Your promotion plan will be different if you have an established market and name recognition compared to promoting new products or starting a new business.
- Describe how potential customers will become aware of your products and services.
- If you are an established business seeking to expand sales, describe how you will utilize your existing reputation and customer base to create a brand image to promote your business.
- Describe how you use promotional pricing strategies: volume discounts, introductory pricing, limited time pricing, frequent buyer programs, or coupons?

- If you use advertising, identify what media will you use to advertise; flyers, direct mailings, trade shows, newspapers, magazines, radio, TV, other.
- Will you do your own promotion or will you hire an outside firm to help you?
- Promotion Sample:

There are two keys to Lakeshore Orchard's promotional strategy. First, get the customer to visit the farm. Second, get the customer to buy something. Therefore, the two metrics that Lakeshore monitors closely are customer counts (daily, weekly, monthly) and the average transaction size for each customer. The basic promotional strategy is to continually advertise in key markets to get customers onto the farm. This includes road signage, newspaper advertisements, and some radio spots. Brochures are also placed in every winery on the wine trail. Once the customer is on the farm, it is up to Lakeshore's product selection, displays, and the retail skills of the staff to convince the customer to spend more money.

- Your Promotion Plan:

Distribution

- Describe how you distribute your product or services to your customers.
 - Do you distribute to wholesale or retail markets?
 - Geographically do you distribute your products locally, regionally, nationally, or internationally?
 - Do customers come to your location or do you deliver your product or service to them? Do you have a retail building? Can customers order products from you online, by phone, or by mail? If you take orders, how fast do you process orders and deliver your product?
 - Do you direct market your products to customers using methods such as farmer's markets, pick your own, roadside stands, or direct orders?

- Are you part of a cooperative?
- Do you have distribution agreements with wholesalers, distributors, retailers, or brokers?
- Your Distribution Plan:

Target Markets

- Describe your target markets.
 - Is a market segment large enough to justify targeting it as one of primary markets?
 - Is it an emerging or growing market?
 - How much competition is there trying to market to a particular market segment?
- Target Markets Sample:

Lakeshore Orchard's food service: the food service segments of Lakeshore business are targeted to two different customers. First there is the wine trail customer that is in a hurry to visit as many wineries as possible and wants something good to eat that is convenient. For this customer, Lakeshore offers wine trail picnic baskets with Lakeshore's apples, cheese, salami, and fresh made bread. The other typical customer is the customer who is visiting Lakeshore for the entertainment and wants something to eat while they are enjoying themselves. The food products have very high margins and continue to be a very profitable part of Lakeshore's business. There is no direct competition for Lakeshore's food service items at this point in time.

Lakeshore's entertainment services: Hay rides and haunted hay rides are unique to the area and provide fun for the whole family. Without a doubt, entertainment services are the highest margin item in Lakeshore's product mix. Lakeshore Orchard will continue to research and provide more entertainment items in the future.

Generating Long Term Sales and Customers: Lakeshore tracks all of its customer data through its point of sale software and mailing lists. Over 70% of Lakeshore Orchard's customers are repeat customers. Exemplary customer service is key to all aspects of making Lakeshore successful. The fact that we

- Your Targeted Markets:

- Describe your competitors and how well you compete with them.
 - Are your products different?
 - Do you produce at a lower cost?
 - Do you have better delivery or customer service?
 - Do you have better market access?
 - Do you have better brand recognition or customer loyalty?
- Describe your unique strengths and weaknesses.
 - What strengths can you capitalize on and what weaknesses do you need to address?
 - Why will you succeed while competing in your market, whether it is a local market or a global environment?
- List what your competitors are doing that creates challenges for you and how are you responding to remain competitive and successful.
 - Consider your production efficiencies, location, facilities, financial conditions, alliances, partnerships, marketing channels, employees, management, and family.

- Competitive Advantage Sample:

Lakeshore Orchard's competitive advantage in produce and plants: Price, service, and product differentiation: Lakeshore Orchard has very little overhead. The retail store is currently run on the location of the Miller residence. Mostly family labor and management are used as well. This allows Lakeshore to charge more than 10% less than its competition (Perry's Pumpkin Patch).

For the competition that competes with Lakeshore Orchard on price (i.e. Wally-Mart), Lakeshore has adjusted its product mix to include very little of the offerings that might be found at Wally-Mart in Watkins Glen. In addition, Lakeshore provides advice on how to plant their perennials and family recipes for their produce products. After 10 years of doing business in the area, customers trust Lakeshore Orchard to provide them with quality products, a fun afternoon, and quality plants that will thrive in their gardens.

The addition of the greenhouse will be critical to maintaining this competitive advantage, as the quality of the plants offered at Lakeshore can be more closely controlled. In addition, it is always more appealing to buy a plant from the location it was grown--instead of knowing it was shipped in from somewhere else.

Lakeshore Orchard's competitive advantage in food service and entertainment: As mentioned before, no other farm market in the area provides entertainment or ready to eat food on the scale of Lakeshore Orchard. The reason why this is so popular is that the Wine Trail on Seneca Lake offers very little ready to eat food that is convenient. There are upscale restaurants, but many families and tourists prefer the picnic style food to the sit down restaurant environment.

- Your Competitive Advantages:

Management and Organization

- Management Team
- Board of Directors
- Advisory Board
- Personnel Plan
- Professional Services

Management Team

- List the members of your management team.
- Briefly describe their qualifications and their management roles.
- Describe the major management functions in your business and any gaps that need to be filled?
- Identify how management will change as the business grows and expands?
- Management Team Sample:

The Key Management Personnel:

General Manager: Steve Miller

- *10 years experience managing Lakeshore Orchard*
- *Worked 15 years at Kraft Foods in Production Management and Quality Control*
- *Worked 15 years on the family farm while in high school and college*
- *Graduate of Ohio State University in business management*

Retail Store and Employee Manager: Kelly Miller

- *17 years experience in retail store management (10 years at Lakeshore)*
- *9 years experience managing employees in the solid waste and construction business*
- *Worked on the family farm for 15 years while in High School and College*
- *Graduate of SUNY Plattsburg in Retail Marketing*

Business/Accounting Manager: Tina Halpin

- *1 year course of merchandising and display*
- *11 years experience in flower and shrub business*
- *Secretary for Kelley's Island Wine Company for 15 years*
- *7 years at Kraft Foods -Involved in meetings and secretarial work*
- *Completed Proven Winners Certified Garden Center training*

- Your Management Team:

Board of Directors

- If you are a corporation, list the board members, their affiliations, and the strengths they bring to your business.
- Describe how the board functions and how it participates in or oversees the management of the business.
- If you do not currently have a board of directors, but intend to have one in the future, describe the qualifications you will seek in board members.
- Your Board of Directors:

Advisory Board

- If you have an advisory board, list the board members, their affiliations, and the strengths they bring to your business.
- Describe how the board functions and how it contributes to the business.
- If you do not currently have an advisory board, but intend to have one in the future, describe the qualifications you will seek in board members and how you envision the board functioning.

- Your Advisory Board:

Personnel Plan

- List the major tasks, including operations, marketing, and financial that must be accomplished in your business and describe who is responsible for each task or how many employees work in each area.
- If your business plan includes making major changes to the business that will require new positions or functions, talk about how you plan to fill these positions. How will you find or recruit employees to fill these positions.
- Describe your employee management plan.
 - Job descriptions, compensation plans, incentive plans, employee handbooks, training procedures.
- Describe what you do to attract and retain good employees.
- Personnel Plan Sample:

General Staffing Plan:

Family Employees:

Lori Miller – part time

Jodi Miller – part time

Samantha Miller – full time

Timothy Miller – full time

Tina Miller – part time

Below is the estimated non family staffing needs:

Food Service: 3 part time employees - 2 full time employees

Entertainment: 3 part time employees - 2 full time employees

Retail Sales: 2 part time employees – 3 full time employees

New Greenhouse: 2009- 1 part time employee

All of the non-family members are repeat employees that live locally. We make the working environment so fun that many of our employees have been working with us for the entire 10 years that we have been in business. For those employees that leave to go to college, etc., we often have a replacement lined up within days.

- Your Personnel Plan:

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- List any professional services or consultants, like custom operators, accountants, tax preparers, financial planning, crop scouting, nutrition, and veterinarians the business may hire.
 - Describe their functions.
- If you are starting or expanding a business, you may want to list the areas where you anticipate needing to hire professional services or consultants.
- Professional Services Sample:

Accounting: Joe Chiappone, CPA. 1031 West Lake Road, Hector, NY.
Legal: Jeff Fetter of the Scolaro Law Firm. 501 Plum Street, Syracuse, NY.
Tax: Amy Nemitz at Farm Credit of Western New York. 1450 Route 14, Phelps, NY.

- Your Professional Services:

Financial Plan

- Financial Position
- Historical Performance
- Financial Projections
- Asset Management
- Benchmarks

Financial Position and Historical Performance

- Describe the financial position of your business in terms of **liquidity**.
 - Discuss your liquid assets, cash reserves and how you use operating loans.
 - Calculate your current ratio and working capital.
 - Your Liquidity Measures for the past three years:

▪ Current Ratios:	_____	_____	_____
▪ Working Capital	_____	_____	_____
 - Liquidity Benchmarks:

	<u>Low Risk</u>	<u>Medium Risk</u>	<u>High Risk</u>
▪ Current Ratio	>1.5	1.0-1.5	<1.0
▪ Working Capital	will vary primarily due to farm size		
- Describe the financial position of your business in terms of **solvency** and your ability to withstand future risks.
 - Calculate your debt to asset ratio.
 - How has your net worth changed in the past three years?
 - Your solvency measures for the past three years:

▪ Debt/Asset Ratio:	_____	_____	_____
▪ Net Worth	_____	_____	_____
 - Solvency Benchmark

	<u>Low Risk</u>	<u>Medium Risk</u>	<u>High Risk</u>
▪ Debt/Asset Ratio	>30%	30-70%	>70%

- Describe the financial position of your business in terms of **profitability**.
 - Discuss the profitability of your business and which enterprises were most profitable.
 - Calculate your return on assets and net farm income.
 - Your profitability measures for the past three years:

Return on Assets:	_____	_____	_____
Net Farm Income	_____	_____	_____
 - Profitability Benchmarks:

	<u>Low Risk</u>	<u>Medium Risk</u>	<u>High Risk</u>
Return on Assets	>5%	1-5%	<1%
- Describe the financial position of your business in terms of **financial efficiency**.
 - Calculate your asset turnover ratio, operating expense ratio, and interest expense ratio.
 - Your financial efficiency measures for the Past 3 Years:

Asset Turnover:	_____	_____	_____
Operating Expense	_____	_____	_____
Interest Expense	_____	_____	_____
 - Efficiency Benchmarks

	<u>Low Risk</u>	<u>Medium Risk</u>	<u>High Risk</u>
Asset Turnover	depends on the type of operation		
Operating Expense	<70%	70-85%	>85%
Interest Expense	<10%	10-20%	<20%
- Explain any major changes in the trends over the past few years.
 - Explain what adjustments will be made to improve negative trends

Financial Projections

- If you are starting or expanding a business, your financial projections may be the most important component of your business plan. How do you know if your plans will be financially feasible and how will you communicate your financial projections to others? Most lenders or investors will want to see a projected cash flow, income statement and balance sheet.
- A projected cash flow will help you determine if your plan can meet expenses, make debt payments and make it through the transition period.
- A projected income statement will document your income, expenses, and profitability when your plan is fully implemented. It is an important tool to help you determine if your plan is financially feasible.
- You may also want to develop a projected balance sheet to evaluate your plan will impact your solvency or net worth.

- [illegible]

- Describe how you acquire and manage capital assets. Do you purchase or lease your equipment and facilities?
- If you rent real estate or facilities, describe your lease arrangements.
- If you are planning major changes to the business, will you change how you manage these assets?
- Describe how well you utilize your capital assets? At what percent of capacity are your equipment and facilities used? Consider how well your machinery line is matched to the size of your business. Good management of major assets has a large impact on farm profitability.
- Do you have off-farm assets? How are they managed?
- Your Asset Management Plan:

[illegible]