



Becoming an Entrepreneur:
Business Planning Basics for
Agriculture

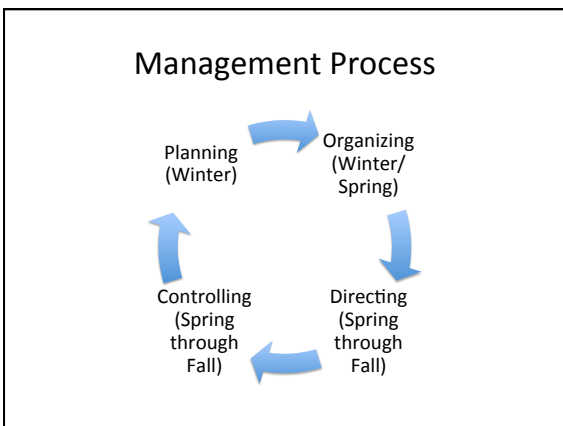
Chris Bodnar



Rules of Thumb

- Hope is not a strategy
- The Woman/Man with the Plan Wins





Planning

- Planning is the process of:
 - Setting Goals
 - Identifying Strengths, Weaknesses, Opportunities and Threats
 - Establishing concrete steps to reach your goals
- You need adequate information in order to make realistic and informed plans

Organizing

- Organizing is putting in place systems and processes that will help you operationalize your plans
 - Job descriptions
 - Communication channels
 - Training
 - Farm office

Directing

- Directing is Action-Oriented; Making the plan happen
- The day-to-day functions of your business
- You have limited resources at any given time
- You direct your resources in order to accomplish tasks

Controlling

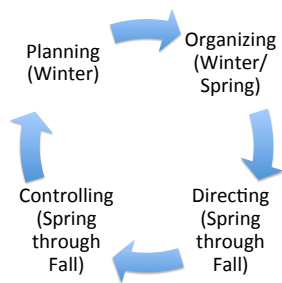
- Tracking work and results (record keeping)
- Financial record keeping is a process of control
- You require information to be able to monitor and direct plans as they are implemented
- Management needs to ensure there is a control system that:
 - Records Information
 - Analyzes information

Extra Steps

- Evaluating
- Assessing
- www.pledgetoplan.ca



Management Process



What is a business plan?

- Description of your business venture and the market context you face;
- Framework for your budget, production and marketing plans;
- Explains your ideas and plans clearly and completely;
- Avoid jargon and complexity;
- Your roadmap to success, benchmark for measurement.



The Business Planning Process



Formal vs. Informal

- Formal: a written document outlining your business plan. Can be given to investors, lenders and employees.
- Informal: a working folder or binder with your notes, research information, goals, etc.



Why write a business plan?

- Only 1 in 4 farms has a business plan
- This 25% of farmers tends to be:
 - Be more business-oriented;
 - More open to opportunity;
 - More confident about the future.
- Plus, they tend to have increasing sales, 5x greater return on investments.
- They view farming as an opportunity, look at diversification and new ways of doing things.



Basic formula to remember:

$$\text{Profit} = \text{Income} - \text{Expenses}$$

$$\text{PROFIT} = \text{INCOME} - \text{expenses}$$

$$\text{profit} = \text{income} - \text{EXPENSES}$$



Elements of a Business Plan

- Business description
- Goals of the enterprise
- Marketing strategies
- Production plan
- Financial plan
- Exit/succession plan



Goals

- Identify your goals:
 - Financial (Annual income? Savings? Retirement?)
 - Business (short-, medium- and long-term)
 - Personal (short-, medium- and long-term)
- Your goals should underpin your production plan;
- Measure your progress against your own goals, not against other farms



Setting SMART Goals

- Specific
- Measurable
- Attainable
- Realistic
- Time-related



The Business Planning Process



Values-based business

- Take time to identify your values
 - Build a business that respects your values
- Identify what the customer values
 - Build a business that creates value for your customer
- Objective: Create Pull, not Push



Assess viability of your idea

- Marketing options available to you
- Competitive edge that you have
- How secure is your competitive position?
 - Price/substitutes, technology, ease of entry/exit
- Size of and access to your target market



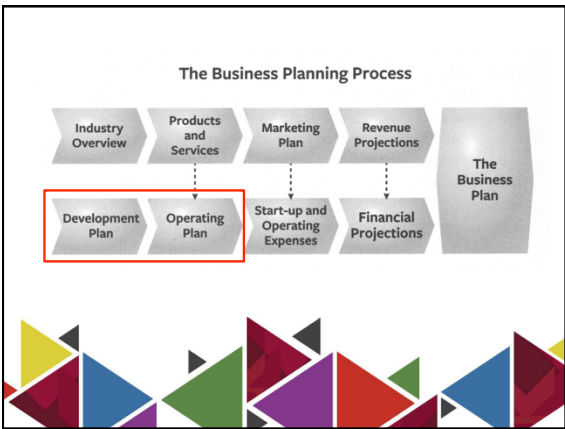
The Business Planning Process



Marketing Strategies


- Who is your market?
- How will you promote your business and its products?
 - Consider everything from advertising to presentation at the point of purchase
 - How will you maintain and evaluate your competitive edge?
 - What are your sales estimates (Income)?





Production Plan

- Consider tasks and costs of each crop (enterprise budgeting)
- Develop a crop plan, including seeding and/or transplant dates, estimated harvest dates and yields, tasks required to grow
- Map your plan onto a calendar

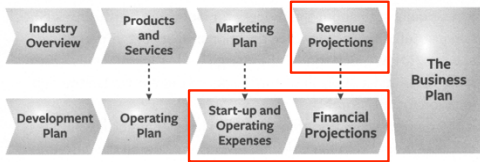


Production Plan Strategies

- Work backwards:
 - Design the season's harvest you want
 - Based on desired harvest dates, calculate necessary tasks by date
 - Make sure you have space to grow everything and assign that space to each crop



The Business Planning Process



Financial Plan

- Indicate projected income (from Marketing Plan)
- Indicate projected expenses (from Production Plan)
- Cash flow analysis
- Projected Balance Sheet
- Source and use of funds analysis



Exit Strategy

- Anticipated lifespan of your business?
- Can you easily liquidate equipment purchased?
- Could you sell your business? How will you value it?
- If you are a partnership, who has rights to the business name and/or land access?
- Do you have a will? Power of attorney?



Implementing Your Plan

- Balance time working ON your business with time working IN your business
- Set expectations: Write job descriptions and Standard Operating Procedures, Communicate goals



Implementing Your Plan

- Plan regular business meetings with your family and employees
- Collect and manage data effectively
- Set times to review your business plan and to review goals
- Financial reporting: budget vs. actual



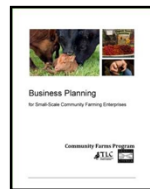
Resources

- Pledge to Plan: www.pledgetoplan.ca

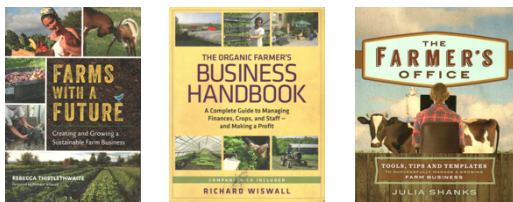


Resources

- Community Farms Business Planning Guide
<http://www.farmfolkcityfolk.ca/community-farms-program/business-plan-guide/>



Resources



Final thoughts

- Business plan = Your roadmap
- Reduce stress, increase certainty
- Use downtime to plan for busy times