CULTIVATING HEALTHY COMMUNITIES

Farm Business Management Session 1

UVM Farmer Training Program
2017

Mark Cannella
Farm Business Specialist
Mark.Cannella@uvm.edu
http://blog.uvm.edu/farmvia

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www.blog.uvm.edu/farmvia/

Business Plan Preparation
Acquisition, Succession and Transfer Plans
Financial Analysis
Applied Research, Feasibility Studies

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Four Sessions

- Session 1: Farm Business Intro
- Session 2: Farm Finances
- Session 3: Marketing
- Session 4: Business Planning

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Information Based Decision Making

- **First Loan:** financial statements show that borrowing money is feasible

- **Cost of production analysis:** helps adjust to new prices to achieve profits

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Market Research:
gets farm from start-up through scale-up

Holistic Planning:
Establish owner goals/vision to help balance reasonable trade-offs of being "In business"

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Beginning Farms and Farmers

- New farms more like to diversify
- Farms selling direct to customer rather than local intermediaries (grocer, restaurant) were less likely to profit.
- New farmers work more off farm and less on farm
- In VT, 73% are interested in value added products

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Common Issues

- Capital Access (loans) or Owner Equity
- Land Acquisition
- Profitability and Cash Flow
- Labor Management
- Scaling and Growth Potential
- Farming Skills and/or Business Mgmt

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Your thoughts on farm business

1. How can for-profit businesses do good for this world?
2. What part of business management excites you?
3. What aspects of business management intimidates you?

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If you could change anything looking back what would you change or do differently? JUDITH IRVING – FAT TOAD FARM

I think we spent too much time trying to do too much. When we started farming the expectation was, "I have to be home anyway to take care of things so I might as well do everything." So we raised goats, sheep, cows, chickens, ducks and vegetables! In reality, each one of these takes a lot of expertise. If we had focused on one thing earlier it would have been easier.

What is your favorite thing about your job?

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Profiles: John

- 24 years old
- Renting part of barn
- Growing dairy herd (seasonal milking)
- Skis in winter
- No computers

Profiles: Lucia

- Wants to feed community with nutritious food
- 1 acre market garden
- 30-40 crops
- Starts with farmers market

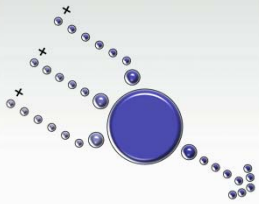
Start Up Decisions

What we will cover:

1. What is your business and why?
2. "SMART" Goals
3. Who runs the business?
4. Management Areas

Values

- Community Values
  - Employ people, good wages/benefits
  - Charitable contributions
  - Participate in community
- Economic Values
  - Income
  - Maintain, Invest, Improve
  - Workload
  - Future financial position
- Environmental Values
  - Habitat
  - Open space
  - Farm process/nutrition



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Different approaches to farming

1. I will follow my dream and see where it leads.

2. We will develop products and farm in a way that fits our existing land base and core values.

3. The business owners will research the market demand, develop a viable product concept, acquire the resources to initiate the project to meet their “SMART” goals.

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SMART Goals

- Goals: a condition you seek to achieve

  Specific
  Measureable
  Attainable
  Results Oriented
  Time-Bound

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Scaling

What often determines start-up scale?

- Start up Vision
- Easily accessible markets
- Current knowledge base/experience
- The hand you are dealt (land, labor, capital)

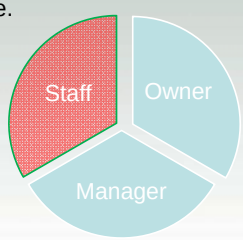
Scaling

What determines scale later on?

- Financial Reality/Margins
- Market Dynamics
- Regulations

Putting the team in place.

Are YOU "the team?"



Part 2: Start Up Checklist

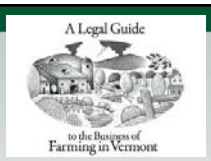
Basic Business Overhead

Special Regulatory Items

The Right Resources *(more next week)*

The Dream (and the plan to go with it!)

Start Up



- A plan (production, markets, finances)
- Establish farm legal entity (sole prop., LLC, Corps)
- Obtain Tax ID numbers (as employer)
  - File Employer forms and establish payroll tax system

Start Up

- Insurance
  - General farm policy
  - Product liability
  - Workers compensation
- Accounting and Finance
  - Open business account
  - Accounting system
  - IRS Taxes Schedule F (see Pub 225)

Start Up

- Job Descriptions
- Standard Operating Procedures / Articles of Incorp.
- Branding and Communications
- Production Schedules

Start Up

- Register with your state
  - Trade-name registration (Department of State)
  - Tax ID's (Department of Taxes)
  - Tax ID (US Internal Revenue Service)
- Get assistance from a professional if needed

VERMONT Agency of Agriculture Food & Markets

VERMONT Department of Labor State of Vermont

Music Time

- Write down your values (Worksheet 1.1)
- Work on your own SWOT (Worksheet 2.18)

Online versions:
http://www.misa.umn.edu/publications/buildingasustainablebusiness

- Next Session: Farm Finances

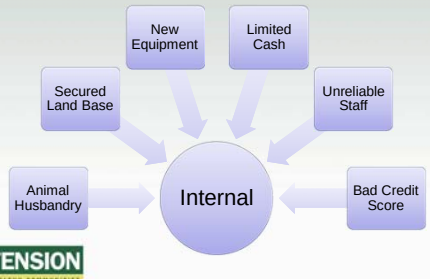
Core Business Areas

- Production Plan and Operations
- Finances and Accounting
- Marketing and Sales
- Human Resources and Managing Others

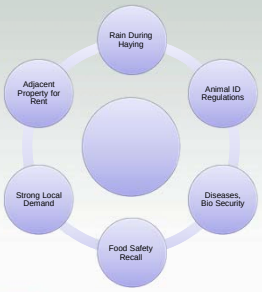
* Leadership and Resilience

SWOT Analysis

- Internal: Strengths and Weaknesses



External: Opportunities and Threats



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