Farm Business Management

UVM Farmer Training Program
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Four Sessions
Session 1: Farm Business Introduction
Session 2: Farm Finances
Session 3: Marketing
Session 4: Business Planning

www.blog.uvm.edu/farmlink/

Business Plan Preparation
Acquisition, Succession and Transfer Plans
Financial Analysis
Water Quality- Conservation Business Analysis
Vermont’s Ag Economy

Approximately 2,400 commercial farms statewide
- $650 M in farm-gate value
- 735 are dairy farms
- Account for 70% of Vermont’s agricultural sales
- More than ¼ are certified organic
- Per capita, highest direct Ag product sales and farmers markets

Maple syrup is expanding ($60 M)
Remaining farms highly diverse: grains, apples, beef, vegetables (~$25M each)
Beer, hard cider and spirits

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”
Information Based Decision Making

First Loan

Cost of production analysis

Production

Technology

Management

- New farms more likely to diversify
- Farms selling direct to customer, low barriers to entry
- New farmers work more off farm and less on farm

Beginning Farms: Now

"Intermediated Markets" generate stronger profits than direct marketing (eXtension)

Profitability increases significantly for businesses over $75,000 in sales

eXtension: https://localfoodeconomics.com/benchmarks/

Scale and Adaptation

Small farms in VT max out on direct markets and can't hit profitability. They begin to wholesale

"Post-Wholesale" Farms are moving back into direct marketing with the staffing to and efficiencies to produce at lower costs

Market Access
Population
Infrastructure - Region
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

Your thoughts on farm business

1. When is a farm business too big?
2. What part of business management excites you?
3. What aspects of business management intimidates you?
Profiles: John

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

Profiles: Jose

- 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

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.

SMART Goals

- Goals: a condition you seek to achieve
  - Specific
  - Measurable
  - Attainable
  - Results Oriented
  - Time-Bound
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

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
- 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

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**SWOT Analysis**

- Internal: Strengths and Weaknesses
  - New Equipment
  - Limited Cash
  - Unreliable Staff
  - Secured Land Base
  - Animal Husbandry

- External: Opportunities and Threats
  - Rain During Haying
  - Animal ID Regulations
  - Disease, Bio Security
  - Food Safety Recall
  - Strong Local Demand
  - Adjacent Property for Rent