

CULTIVATING HEALTHY COMMUNITIES

Farm Business Management

UVM Farmer Training Program
2018

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Four Sessions

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



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FARM VIABILITY

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www.blog.uvm.edu/farmvia/

- Business Plan Preparation
- Acquisition, Succession and Transfer Plans
- Financial Analysis
- Water Quality- Conservation Business Analysis

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- Applied Research
- Feasibility Studies






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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 1/4 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



Randy Callan

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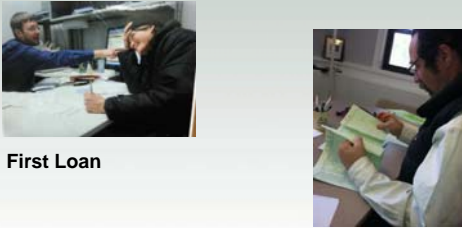



Market Research:
gets farm from start-up through scale-up

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


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Information Based Decision Making

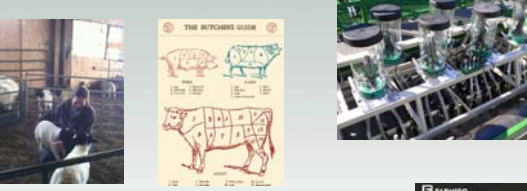


First Loan



Cost of production analysis



Production



Technology

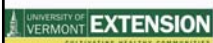


Management



Beginning Farms (2005-2015)

- New farms more like 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/benchmark/>



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?



If you could change anything looking back what would you change or do differently? *To 17th Irving - Fat Dad Farm*

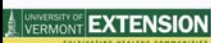
I think we spent too much time trying to do too much. When we started farming the expectation was, "I have to be home anyway to take care of things so I might as well do everything." So we raised goats, sheep, cows, chickens, ducks and vegetables! In reality, each one of these takes a lot of expertise.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

What is your favorite thing about your job?



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

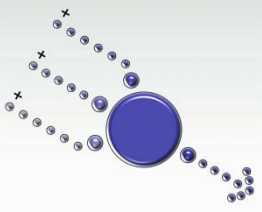
What we will cover:

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



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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

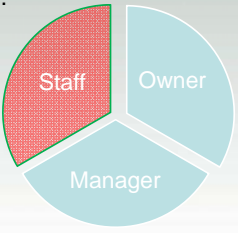
- Specific
- Measureable
- Attainable
- Results Oriented
- Time-Bound



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Putting the team in place.

Are YOU “the team?”



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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!)

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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

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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



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


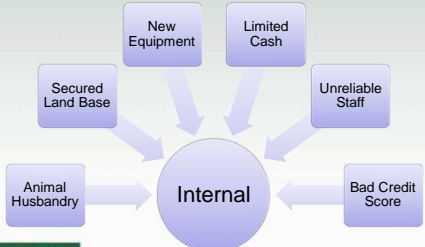
Online versions:
<http://www.misa.umn.edu/publications/buildingasustainablebusiness>

- Next Session: Farm Finances



SWOT Analysis

- Internal: Strengths and Weaknesses



External: Opportunities and Threats

