



Developing a Successful Plan for your Business

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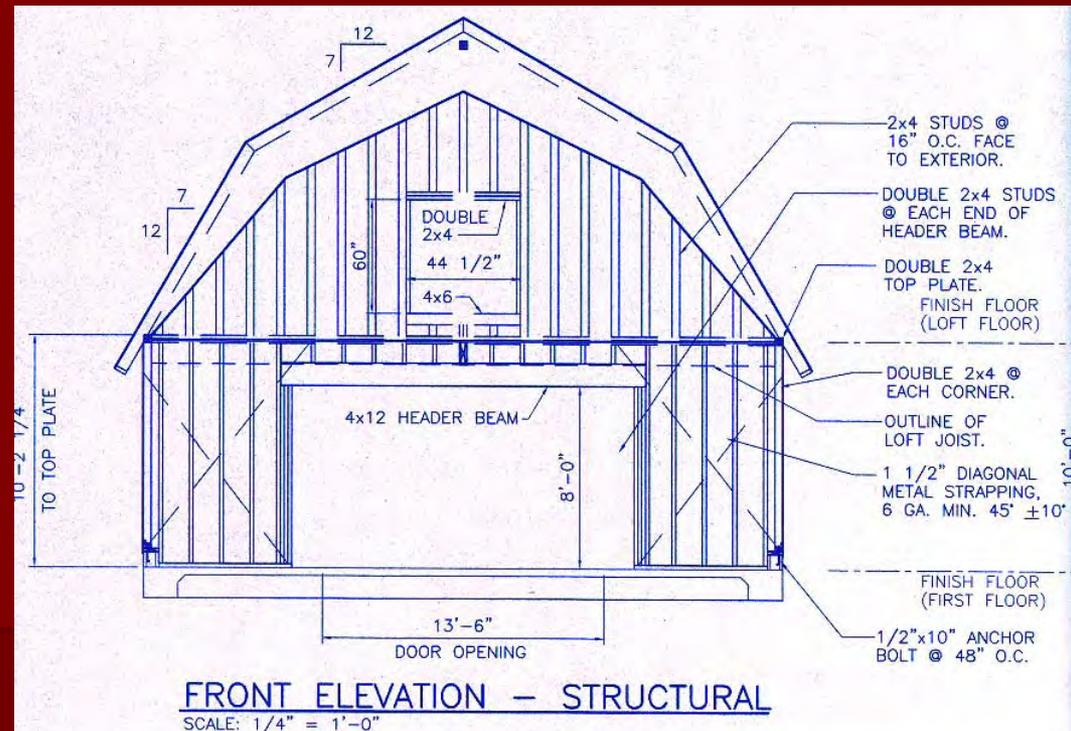
Business Plans

- No matter how large or small it is necessary for you have a **written** farm business plan
- Business plans help with
 - Defining a new business, goals and steps to achieve those goals
 - Evaluating the effectiveness of business and marketing strategies
 - Setting a direction for the business in the next five years
 - Supporting a loan application
 - Growth and development for established businesses



Business Plan:

Blueprint used to build the business



Business Plans

- A good business/marketing plan should be realistic, simple, specific and complete.
 - Is your plan realistic? Are your goals, dates and objectives realistic to your operation?
 - Is your plan simple? Can you and others read and understand the business plan?
 - Is your plan specific? Are goals, objectives and finances measurable?
 - Is your plan complete? Does your plan include all aspects of your business?



Contents of a Business Plan

- Executive Summary
- Mission and Goals ✨
- Background Information
- Marketing Strategy and Plan ✨
- Enterprises Analysis and Plan ✨
- Financial Plan ✨
- Management Plan ✨
- Implementation Strategy
- Resource Inventory



Mission and Goals

- Mission Statement: purpose of your farm operation (1 or 2 sentences)
 - Answer – Why does your business exist, what purpose and where are you headed.
- Goals: Specific and measurable statements of what the business expects to achieve. Can include production, marketing, financial, etc...



Marketing Plan

- *Market research* – Completed to discover who will purchase your product and who your competitors are.
- *Target Market* - It is important to understand who is purchasing your products so that your marketing efforts will reach that segment. You cannot be everything to everyone. In order to effectively market, you need to cater your product and services to the set of customers who will see value in the product you are offering. *Who are you marketing to?*
- A target market can be developed by:
 - Demographics – age, gender, family size, education, occupation
 - Geographic – location, city, urban, rural
 - Psychographic – behavioral patterns, lifestyle similarities, common interests, beliefs and hobbies



Enterprise Budget

- Divides costs and returns for each enterprise
- Helps to determine the productivity of enterprises and if a business should continue or change enterprises

Blank Enterprise Budget Form

CROP:

PER ACRE FOR YEAR

ITEM	UNIT	QUANTITY	PRICE	TOTAL
INCOME				
VARIABLE/OPERATING COSTS				
TRANSPLANTS				
COVER CROP				
FERTILIZER				
INSECTICIDE				
HERBICIDE				
FUNGICIDE				
SOIL TEST				
LIME				
LABOR—WEEDING, HARVESTING & PACKING				
BUSHEL BOXES				
INTEREST ON OPERATING CAPITAL				
TOTAL VARIABLE COSTS LISTED ABOVE				
FIXED/OVERHEAD COSTS (CUSTOM RATES CAN BE USED)				
PLOWING				
DISKING				
PLANTING				
FERTILIZER APPLICATION				
IRRIGATION				
LAND CHARGE				
TOTAL FIXED COST LISTED ABOVE				
TOTAL VARIABLE AND FIXED COST LISTED ABOVE				
NET INCOME OVER VARIABLE & FIXED COSTS LISTED ABOVE				
NET INCOME ABOVE VARIABLE AND FIXED COSTS LISTED ABOVE FOR VARIOUS YIELDS AND PRICES	YIELDS	PRICES		



What are enterprise budgets?

- Enterprise budgets –
 - An organized listing of your estimated gross income and costs which can be used to determine the expected net income for a particular enterprise
 - Budget on a per unit basis
 - – ex 1 acre, 1 bushel, 1 ton
 - Sections include
 - Income, Expenses, Profit

Costs

- Variable costs - These are expenses that vary with output within a production period
 - Fuel, labor, seed, electricity
- Fixed Costs- Fixed costs are expenses that do not vary with the level of output.
 - Depreciation, Interest, Repairs, Building costs, Machinery Costs, Taxes, Insurance

Net Income

- Expected income
- Income over variable costs
- Income over variable and fixed costs
- Decision making time....

Fixed Cost Spreadsheet - Floats

Depreciated Equipment Cost			
Equipment Item	Cost (Initial - trade-in)	Expected Life (years)	Per Year Charge
<u>Production</u>			
Bags & barriers	\$ 2,500.00	4	\$ 625.00
Lines, buoys, anchors	\$ 3,400.00	4	\$ 850.00
Floats	\$ 52,500.00	4	\$ 13,125.00
Floating upweller	\$ 5,500.00	8	\$ 687.50
Shaker Table	\$ 6,250.00	10	\$ 625.00
Sorter/Cleaner	\$ 8,000.00	10	\$ 800.00
<u>Transportation/Storage</u>			
Truck (1/3 time)	\$ 4,800.00	12	\$ 400.00
Boat (1/3 time)	\$ 9,000.00	15	\$ 600.00
Totals	\$ 91,950.00		\$ 17,712.50
Total Yearly Equipment	\$ 17,712.50		
Interest			
Interest on Fixed Cost	Total Fixed Cost	Rate	Per Year Charge
	\$ 89,450.00	7.0%	\$ 6,261.50
Total Interest Payment	\$ 6,261.50		

1 Million Oysters (Floats)

ITEM	UNIT	QUANTITY	PRICE	TOTAL
INCOME				
Oyster Sales (400 Oysters per bushel)	Bushel	2,500	\$35.00	\$87,500.00
VARIABLE/OPERATING COSTS				
Triploid seed oysters (1.5 million)	Seed	1,500	\$7.50	\$11,250.00
Labor unskilled	Hours	1,250	\$8.50	\$10,625.00
Labor skilled	Hours	1,500	\$12.50	\$18,750.00
Electricity	Hours	2,160	\$0.03	\$64.80
Interest on operating capital	APR	40,689.80	7.0%	\$949.43
TOTAL VARIABLE COSTS LISTED ABOVE				\$41,639.23
FIXED/OVERHEAD COSTS (SEE FIXED COST ALLOCATION SUMMARY)				
Equipment depreciation	Business	1.00	\$17,712.50	\$17,712.50
Interest payment	Business	1.00	\$6,261.50	\$6,261.50
Repairs	Business	1.00	\$2,000.00	\$2,000.00
Taxes	Business	1.00	\$1,500.00	\$1,500.00
Insurance	Business	1.00	\$2,000.00	\$2,000.00
TOTAL FIXED COST LISTED ABOVE				\$29,474.00
TOTAL VARIABLE AND FIXED COST				\$71,113.23
NET INCOME OVER VARIABLE & FIXED COSTS				\$16,386.77
			PRICES	
NET INCOME ABOVE VARIABLE AND	YIELDS	\$26.25	\$35.00	\$43.75
FIXED COSTS LISTED ABOVE FOR	1,875	(\$21,894.48)	(\$5,488.23)	\$10,918.02
VARIOUS YIELDS AND PRICES	2,500	(\$5,488.23)	\$16,386.77	\$38,261.77
	3,125	\$10,918.02	\$38,261.77	\$65,605.52

Financial Plan

Balance Sheet

Income Statement

Cash Flow

BALANCE SHEET		Name	Date
ASSETS		LIABILITIES AND NET WORTH	
Current Farm Assets	Value	Current Farm Liabilities	Value
Cash, checking, savings		Accounts payable and accrued expenses	
Prepaid expenses & supplies		Fuel	
Accounts receivable		Accrued interest—operating	
Crops held for sale or feed	Quantity	Accrued interest—machinery	
		Accrued interest—mortgage	
		Current farm notes payable	
		Operating loan	
Livestock held for sale		Intermediate and long-term principal due within 12 months	
Other current farm assets		Other current farm liabilities	
		Contingency income tax	
Total current farm assets		Total current farm liabilities	
Intermediate Farm Assets		Intermediate Farm Liabilities (amount due beyond 12 months)	
Breeding livestock			
Machinery and Equipment			
Other intermediate assets			
Total intermediate assets		Total intermediate farm liabilities	
Long-term Farm Assets		Long-term Farm Liabilities (amount due beyond 12 months)	
Total long-term farm assets		Total long-term farm liabilities	
Total farm assets		Total farm liabilities	
Non-farm assets		Non-farm liabilities	
Total non-farm assets		Total non-farm liabilities	
Total assets		Total liabilities	
		Net Worth	

Inventory Adjusted Income Statement		Period covered				
Cash Farm Income		Cash Farm Expenses				
Crop sales						
Livestock & LS product						
Government payments						
Other farm income						
Total cash farm income		Total cash operating expense				
		Net cash farm income				
Inventory change						
	Crops & Feed	Market Livestock	Receivables	Supplies	Payables (beg- and)	
Ending inventory						
Beginning inventory						
Inventory change						
Net operating profit						
Depreciation and Other Capital Adjustments						
	Breeding Livestock	Machinery Equipment	Buildings Improvements	Other	Land	
Ending inventory						
Capital sales						
Ending inv. & sales						
Beginning inventory						
Capital purchases						
Dep. on & purchases						
Disrec. & cap. adjst						
Profit or Loss						

Cash Flow Budget		Name				
	Last year	Year 1 or 1st quarter	Year 2 or 2nd quarter	Year 3 or 3rd quarter	Year 4 or 4th quarter	Total
Cash inflow						
1. Beginning cash balance						
2. Crop sales						
3. Livestock sales						
4. Other farm income						
5. Capital sales						
6. Non-farm receipts						
7. Total cash inflow (total 1 to 6)						
Cash outflow						
8. Chemicals						
9. Custom hire						
10. Feed purchased						
11. Fertilizer and lime						
12. Freight and trucking						
13. Gasoline, fuel, and oil						
14. Insurance						
15. Labor hired						
16. Rent or lease						
17. Repairs and maintenance						
18. Seeds and plants purchased						
19. Supplies purchased						
20. Taxes						
21. Utilities						
22. Vet., breeding, medicine						
23. Other farm expenses						
24. Capital purchases						
25. Family living or withdrawals						
26. Term loan payments						
27. Total cash outflow (total 8 to 26)						
Cash flow summary						
28. Inflow minus outflow (lines 7-27)						
29. New borrowing term						
30. New borrowing credit line						
31. Credit line payments						
32. Ending cash balance (28-29-30-31)						
Comments:						



Financial Plan

- Very important and necessary component of the business plan
 - Balance Sheet – Solvency
 - Income Statement – Profitability
 - Cash Flow – Liquidity
 - Projected (Pro Forma) Statements



Projected Financial Statements

- Lender, farm operation or other factors may require projected financial statements
- To do this review enterprise budgets and financial statements



Balance Sheet

- Summarizes Assets, Liabilities (Debt), Net Worth
- $\text{Net Worth} = \text{Value of Assets} - \text{Value of Liabilities}$
- Current (< 12 months), Intermediate (1-10 years) Long Term (>10 years), Non-farm
- "A Balance Sheet is a snapshot of the business's financial position"



Balance Sheet

Assets

- Cash
- Accounts receivable
- Seed Oysters
- Shell
- Workboat
- Automobiles
- Machinery and equipment
- Property

Liabilities

- Accounts payable
- Credit cards
- Notes payable
- Mortgages
- Loans
 - Auto
 - Boat
 - Other

ASSETS – LIABILITIES = NET WORTH

Income Statement

- Summary of revenues and expenses for a specific time period
- Income – Receipts from sales, government payments, dividends
- Expenses – Production expenses, interest, taxes, insurance, loans
- Inventory Changes* – Accrual adjustment
- Depreciation and Capital Adjustments
- $\text{Income} - \text{Expenses} = \text{Net Income}$
- Main purpose is to determine how much income was generated by the farm operation



Income Statement

Income

- Sales
- Rental income
- Fishing income

OTHER

- Salaries/wages
- Interest/dividends
- Rentals
- Other income

Expenses

- Workboat expenses
- Auto expenses
- Labor
- Equipment
- Repairs/maintenance
- Fuel
- Insurance
- Rental expense
- Utilities

INCOME – EXPENSES (+/- inventory and depreciation) =
NET INCOME

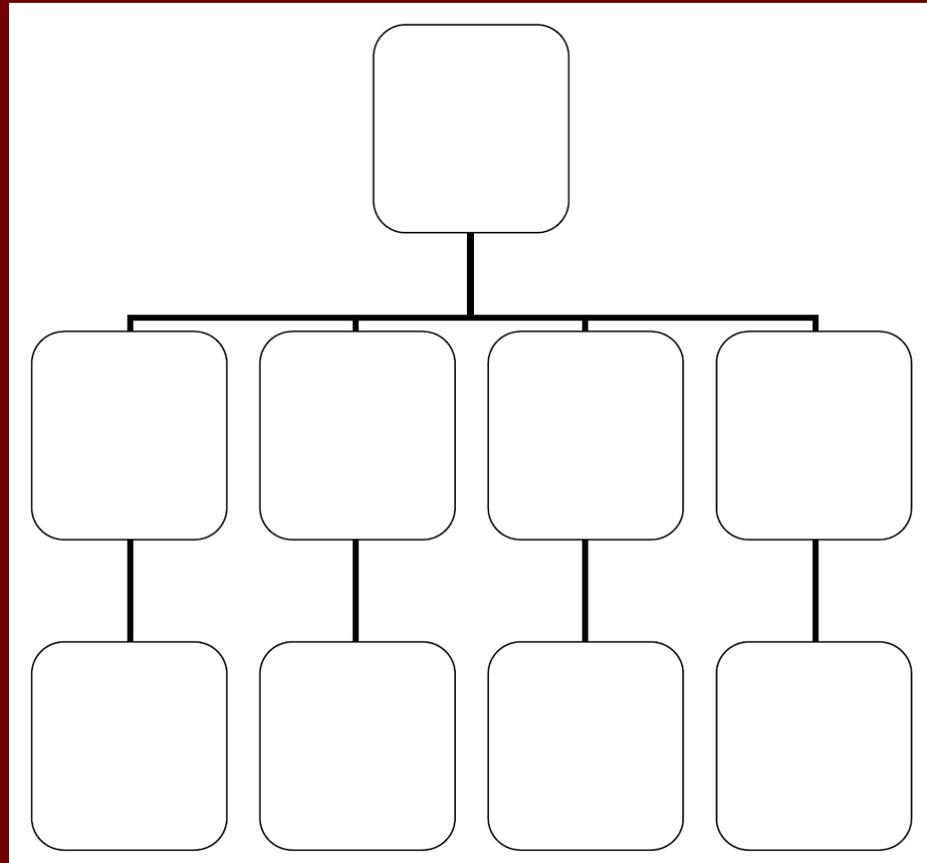
Cash Flow

- Summarizes all cash in-flows and out-flows for a period of time
- Checkbook Accounting
 - In-Flows – product sales, receipts, sale of capital assets, borrowed money
 - Out-Flows – production, capital expenditures, loan payments, living expenses
- Important because of seasonality. It will help you plan your income and expenses over a year.
- Does not take inventory or depreciation into account.
- Projected and Actual Cash Flow



Management Plan

Farm Business Positions and Duties				
Position/Name	Duties/ Responsibilities	Skills/Talents	Salaries/Wages	Work Schedule
1.				
2.				
3.				
4.				
5.				
6.				
7.				



Management Plan

- The people part of your plan
- Does not matter how large or small your business
- Parts of the Management Plan
 - Position and duties
 - Organizational chart
 - Skills and training



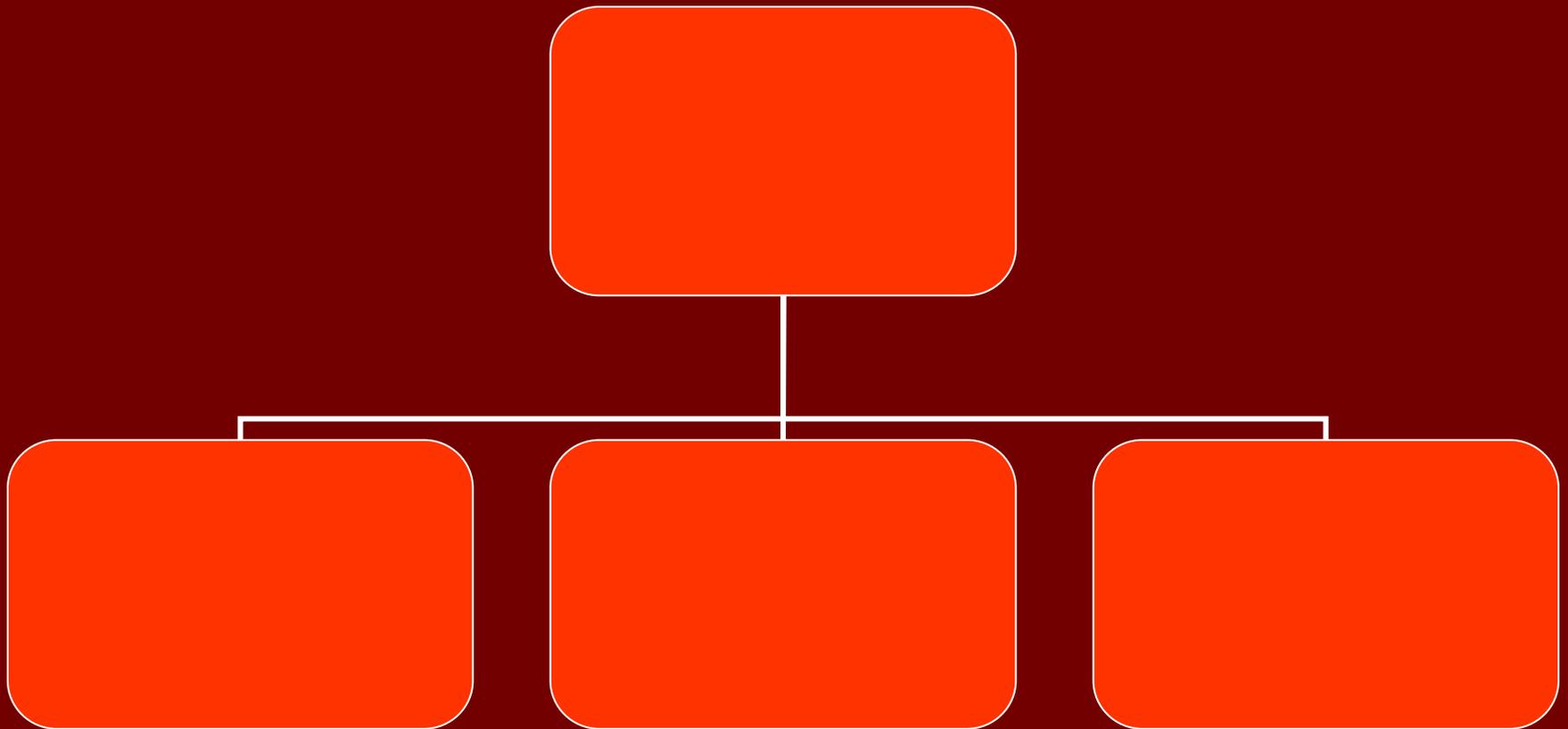
Position and Duties

- Include

- Position or name of who is responsible
- Duties and responsibilities of the position
- Skills and talents
- Salary and wages
- Works schedules
 - Seasonal, part time, full time



Organizational Chart



Skills and Training

- Continuing education and advancement in technology is very important
- Includes
 - Skill Needed
 - Training available
 - Who in the farm business is responsible



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