

Farm Business Planning



Background

- Everdale – a charitable organization
 - Teaching farm
 - School groups
 - Sustainable Farming Certificate
 - The Farm Planner
 - Workshops
 - Production
 - ~270 member Harvest Share
 - Two major Toronto markets and one local market
 - Small amount of wholesale

Myself

- Where you come from?
- Where you are now?
- What inspired you to get involved in food and farming?

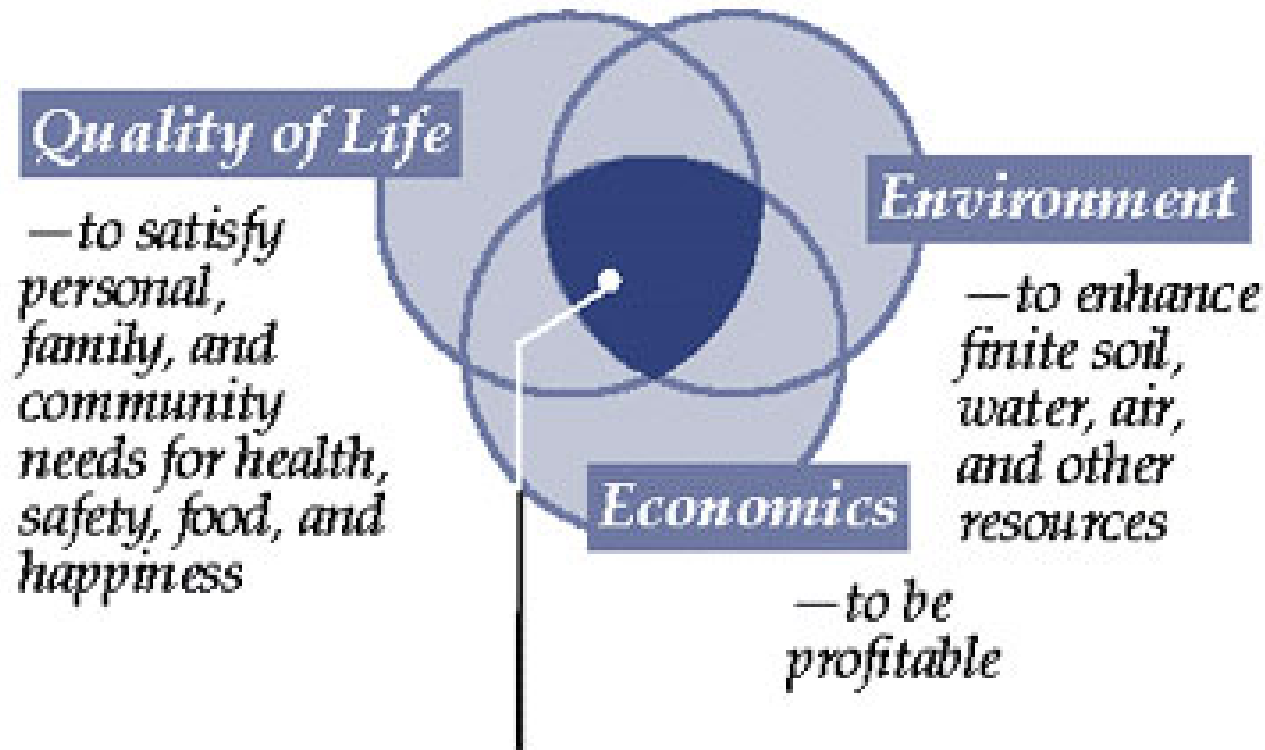


Farm Plan Components

- Vision
- Crop/livestock/product plan
- Marketing plan
- Financial plan
- Risk management strategy
- Regulations awareness
- Record keeping systems/templates

1. The Vision

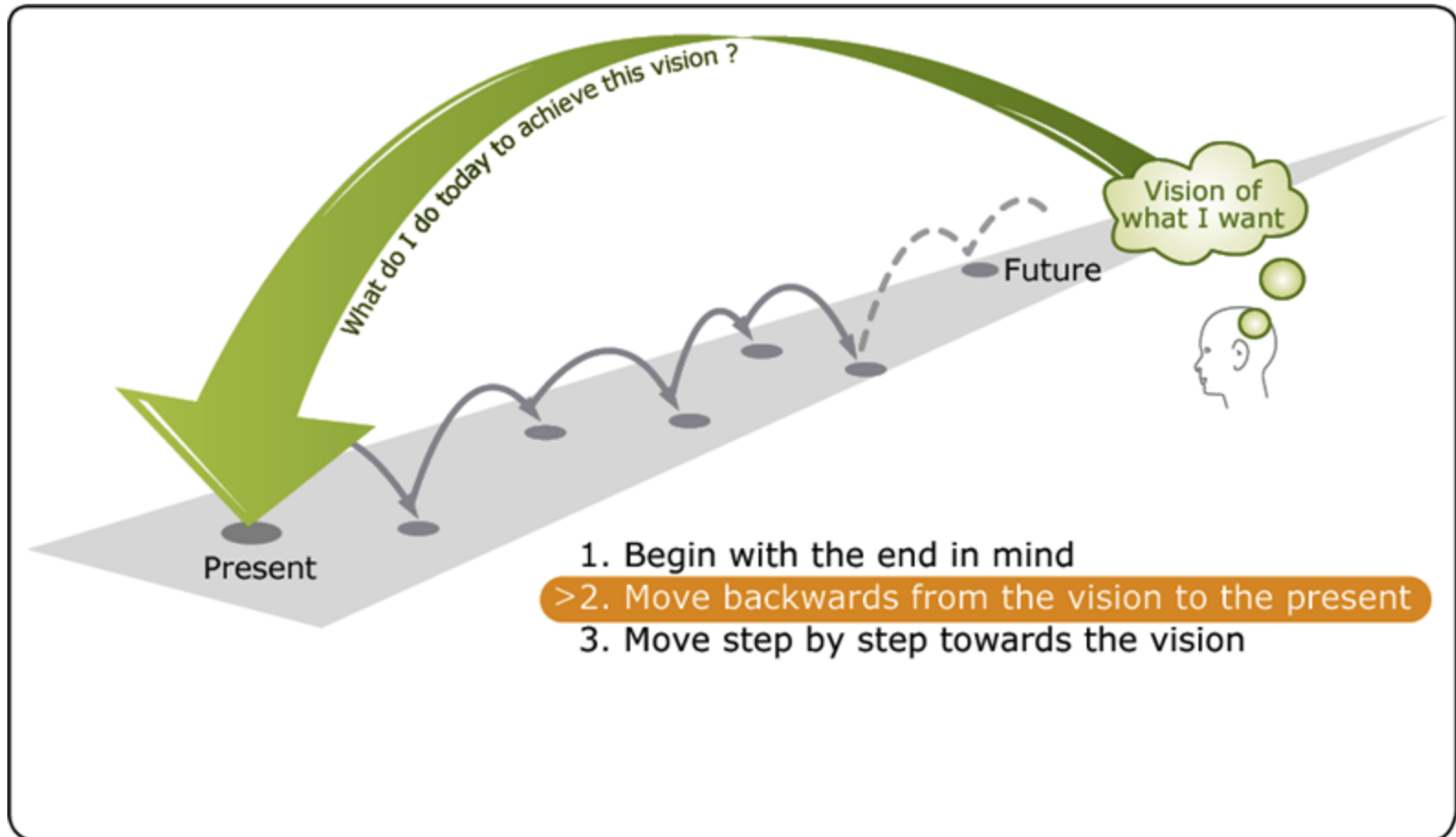
- Most important and most overlooked



In any given situation, the most sustainable choice is the one where the net effects come closest to meeting all three goals.

Where do you want to end up?

- Forecasting vs Backcasting



Importance

- Should guide every decision you make.
- Marketing (mission and guiding principles).
- Motivation.
- Be realistic!



2. Production Plan

- Define your enterprises (start small), then become an expert.
- Have a plan for any product/service.
- Highly personal.
- Templates.... To use or not. Decide what information you (and others?) need.
- **DO IT NOW!**

3. Marketing

- ‘Gardeners grow vegetables, farmers sell them’
- Crucial for building the production plan and vice versa.
- Four (5?) P’s of marketing.
- It’s all in the details/numbers!
- The hardest ‘P’.
- Sell your story!

4. Finances

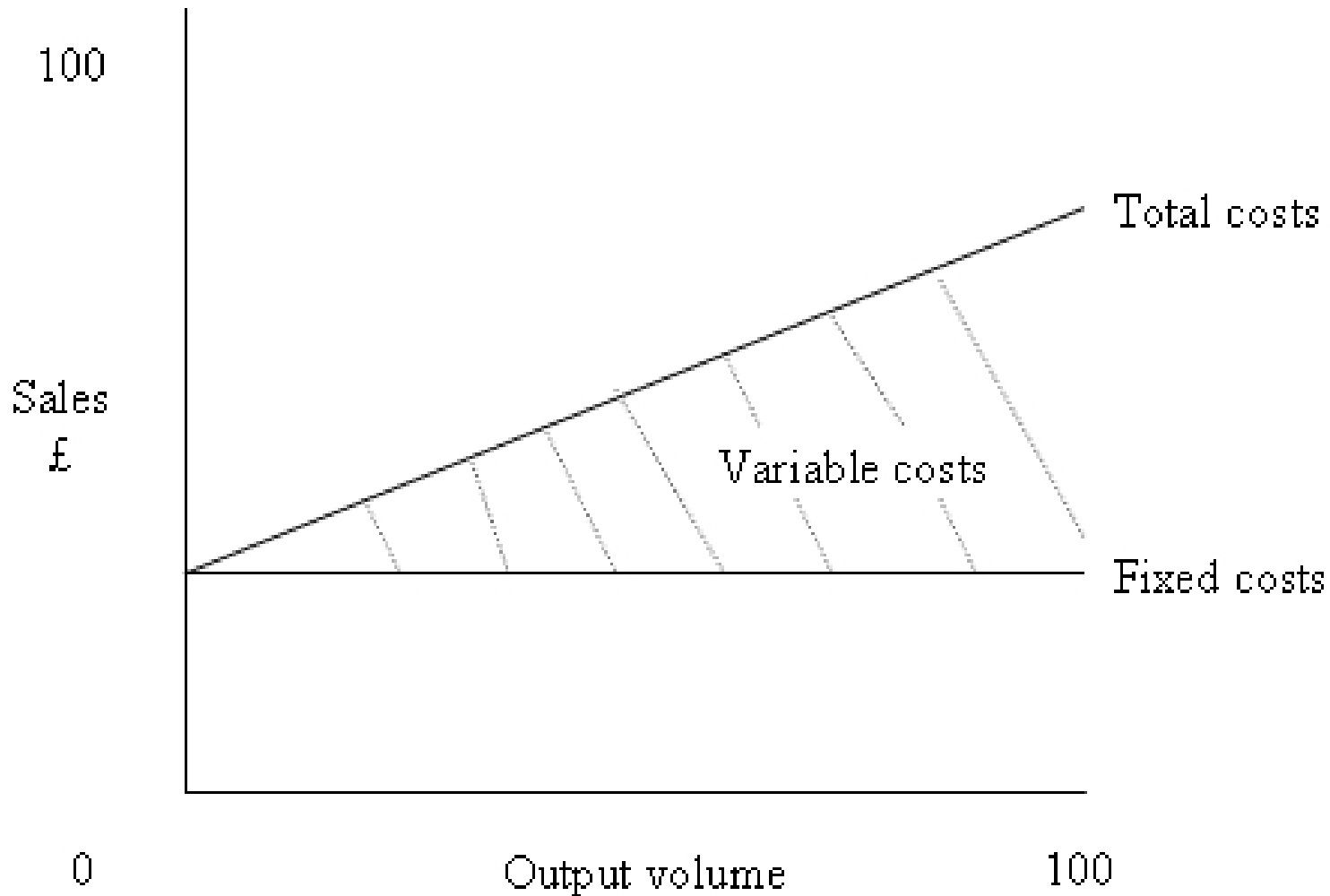
- Get familiar with terminology.
 - Budget
 - Cashflow
 - Fixed Cost
 - Variable Cost
 - Overhead Expense
 - Capital Expense

Budgets vs. Cashflows

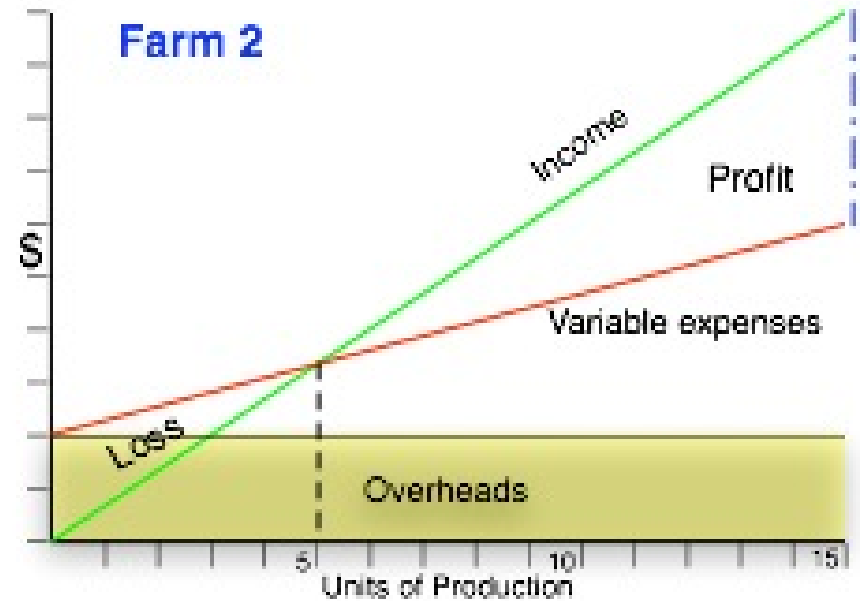
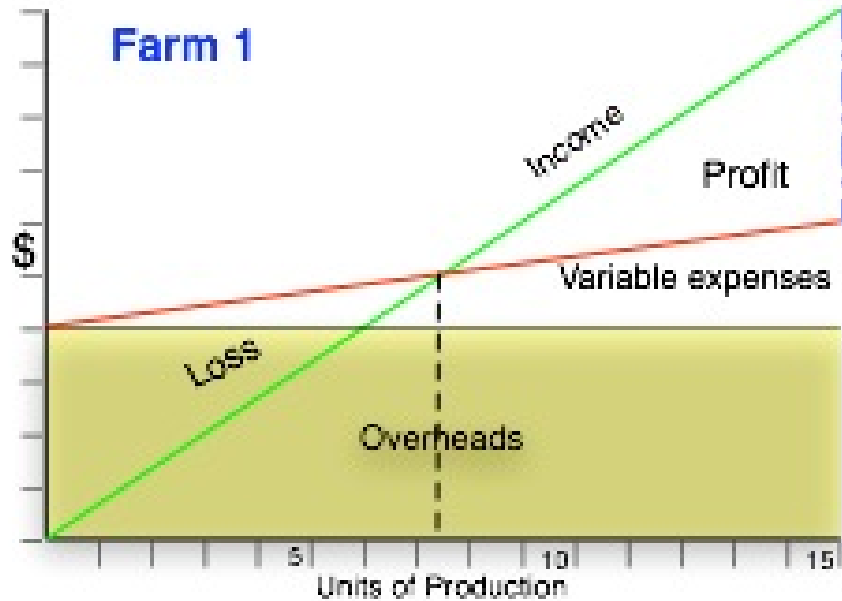
- Budget – Expenses vs. Income
 - Separate into categories
 - Projected vs. Actual
- Cashflow
 - An expanded view of the budget
 - Usually monthly
 - Business vs. Personal

Time Period:	2013 Projected	2013 Actual
INCOME		
Produce Sales		
TOTAL INCOME		
EXPENSES		
Farm		
Seed		
Amendments		
Tools		
Office Expenses		
House/Office Rent		
Land Rent		
Internet		
Transportation		
Car Insurance		
Gas		
Maintenance/Parking		
Staff		
Interns		
My Wages		
Expenses Totals	0	
Revenue - Expenses	0	

Fixed vs. Variable



The Overhead Trap



Break Even Analysis

- If market price is fixed, you can determine the volume you need to produce

volume = overhead expenses / (market price/unit – direct expenses/unit)

Break Even Sales Analysis

$$\frac{\text{TOTAL FIXED COSTS}}{(\text{REVENUE / UNIT} - \text{VARIABLE COST/UNIT})} = \text{BREAK EVEN POINT (Units Required)}$$

Scenario	20__	20__	20__	20__
Fixed Costs				
Revenue/Unit				
Variable Unit Cost				
Units Required to Break Even				

From: Farm Business Planning: Understanding, Preparing and Using
Canadian Farm Business Management Council 2005

Break Even Analysis

- If the volume you produce is fixed, you need to determine how much to charge to cover costs

value = (overhead expenses + direct expenses) / production volume

- This becomes tricky when costs are spread out over a range of products...

5. Record Keeping

- Find your realistic point.
 - Will it be used?
 - External pressures.
- Make it easy on yourself (and others?)
- Template question.... Again.
- Entry and analysis. Close the cycle.

6. Risk Management

- Not all agriculture specific
- Writing a plan is a strategy
- Identify and assess, then plan.



Regulations

- Same as RM, not all specific to agriculture
- Know your enterprises.
- Be active in policy decisions.
- Ask questions!

THANK YOU!!!

- everdale.org
- david.alexander@everdale.org

