



UNIVERSITY OF ILLINOIS
EXTENSION

GROWING A NEW GENERATION
OF ILLINOIS FRUIT AND VEGETABLE FARMERS

DEVELOPING A STRATEGY FOR STARTING A SMALL FARM ENTERPRISE

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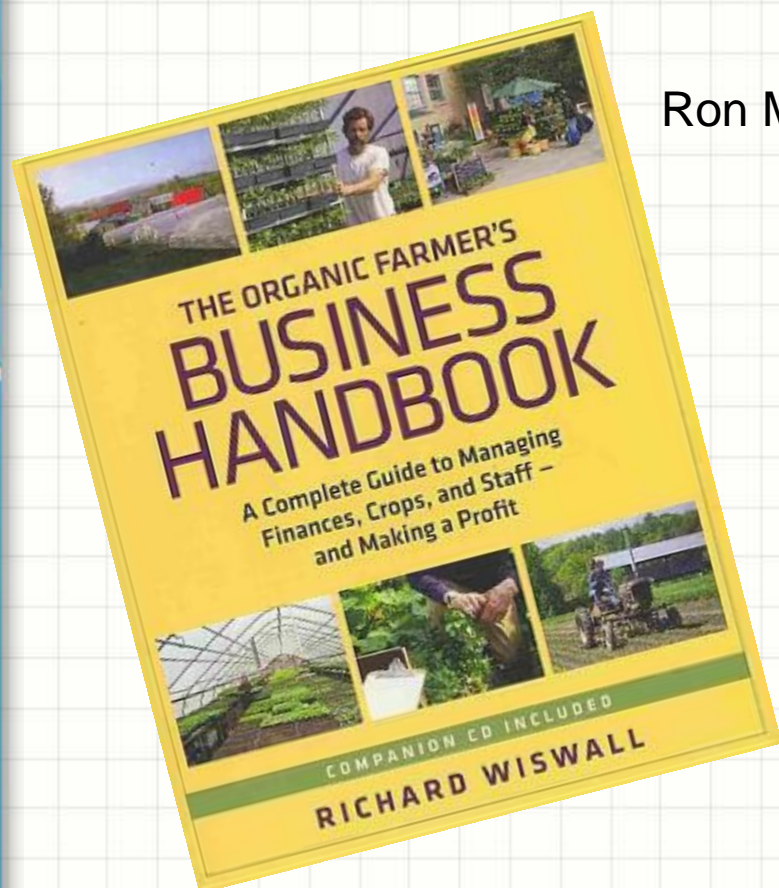


Today's Objectives

- Demonstrate the importance of understanding your values and goals
- Understand the value of business planning and what it involves
- Provide you with a framework for starting your own business plan
- Be aware of resources that provide business planning information and support
- Encourage you to begin planning your farm business

Planning is the easiest and least risky way to make your small farm successful and profitable.

Ron Macher, *Making Your Small Farm Profitable*



Plan for Profit



Profit = Income - Expenses

The Organic Farmer's Business Handbook, Richard Wiswall

Quality of Life

- Owning and operating a farm offers a unique quality of life, some aspects of which may not be obvious during the early planning stages.



Quality of Life Questions to Consider

- Do you like to mix your personal life and work life or keep them separate? Why?
- How valuable is having leisure time with friends and family?
- How much do you like working with others, including employees, family members, and business partners? Would you rather work by yourself?

Quality of Life Questions to Consider

- What does the phrase "financial security" mean to you?
- What are your family members' goals and interests? How do they align with yours?
- What other demands are made on your time? Consider family, health, hobbies, and other time commitments.
- Would you prefer to have family members perform all farm labor, or are you interested in hiring outside help?

What do you need and want?

Your answer to this question is your personal goal statement and begins with

I wish...

I want...

See The Organic Farmer's Business Handbook pages 7-11 for a personal values worksheet.



Reasons Why Business Plans are Important

- To identify profit centers
- To determine how you can be more efficient
- To attract key people- whether employees or members of your management team
- To help verify financial feasibility
- To obtain bank financing

A farmer's perspective...

- *“Business planning is a critical component to any operation. Even though a ‘seat-of-the-pants’ approach to farming might work... you can waste years doing the wrong thing when you could have been doing the right thing.”*

Greg Reynolds, Riverbend Farm



Business Planning is a Process

- Identifying Values
- Reviewing Current Situation
- Clarify Vision and Goals
- Evaluate Strategies/Ideas
- Implement and Monitor

Additional Questions to Ask Before Writing the Business Plan

- What skills and experience do I bring to the business?
- How will my farm's business records be maintained?
- What insurance coverage will be needed?
- What equipment or supplies will I need?

Used Equipment = Lower Expenses



Used chisel plow cut down to fit 3 foot wide beds.



Basket Weeder



Some Business Plan Do's and Don'ts

- Keep the business plan as short as possible without compromising the integrity and content.
- Don't over diversify the venture- creates too many potential complications.
- Describe things in terminology that's understood by someone unfamiliar with the business.

Some Business Plan Do's and Don'ts

- Estimate potential sales carefully- can you produce what you need to keep the cash flow coming in.
- Substantiate any statements/statistics you are using.
- Involve management team in the preparation of the business plan
- Share the business plan with others to review to catch mistakes and things that aren't clear.

You Must be Efficient to Succeed

Strive for efficiency in every aspect of your operation.



Farm Smarter, Not Harder



“Farming is 80% mental and 20% physical.”

Joel Salatin

What Limits Your Farm?



John Peterson, Angelic Organics, Caledonia, IL

Production techniques rarely limit a farm's success; rather it is the *lack of dependable profitable returns.*

The Organic Farmer's Business Handbook, Richard Wiswall

Farm for Profit, not Production



To achieve a **net income of \$60,000** from a diversified vegetable farm you need to have a **gross income of \$171,000**. With an average gross income of \$12,000 per acre that means you need to cultivate 14 acres of vegetables.

Marketing Chart

	Farmers' Market	Food Co-op	Restaurant	CSA	Other	Total
Beets	8 weeks x 25lb=200lb=\$400	12x50lb=600lb=\$600	0	4 wks x 50lb=200lb=\$400	8 wks x 25lb=200lb=\$200	1,200lb \$1,600
Lettuce	10 wks x 60heads=600hds=\$1,200	10 wksx120hds=1,200hds=\$1,200	10wksx120hds=1,200=\$1,200	16wksx50hds=800hds=\$1,600	10wksx120hds=1,200hds=\$1,200	5,000hds \$6,400
Total	\$1,600	\$1,800	\$1,200	\$2,000	\$1,400	\$8,000

Richard Wiswall. The Organic Farmers Business Handbook

Production Plan

Crop	Yield/350ft bed	# of Beds Needed	Proj. Gross Sales	Seeds Needed	Planting Dates	Notes
Beets 1,200lb	600lb	2 beds 1 early, 1 late	\$1,600	16,000 Red Ace 16,000 gold	5/1 6/1	15 seeds/ft
Lettuce 5,000 heads	830 heads marketable 3 rows x 12" 80% pick	6 beds 8 plantings 0.75 bed/planting	\$6,400	2,400 Two Star 1,200 vulcan 2,400 Ermosa	5/1, 5/15, 6/1,6/15, 7/1,7/15, 8/1,8/15	750 plants needed per planting to sell 625 heads

Richard Wiswall. The Organic Farmers Business Handbook



Simple Crop Budgets

- *Crop budgets record production costs and income derived from each crop. Once completed for each crop, you can determine their relative profitability. This **Index of Profitability** is an important tool for increasing farm profits.*
- *See page 28 in The Organic Farmer's Business Handbook for an example of a crop budget*

Index of Profitability

Richard Wiswall's Top Ten

Crop	Net Profit Per Acre
Parsley	47,425
Basil	35,603
Kale	24,630
Tomatoes	18,724
Cilantro	16,561
Dill	16,232
Bell Pepper	15,556
Carrots	14,046
Parsnips	13,844
Celeriac	13,659

Doom and Gloom Perspective

The Department of Commerce statistics show that every year over 1 million people in this country start a business of some sort and by the end of the first year at least 40% won't make it.... Within five years of starting, 80% will have failed- and if you think you are out of the woods after the first five years, think again. Eighty percent of the 20% that made it the first five years will be out of business in the second five years. These are not very hopeful statistics."

From The E-Myth Revisited by Michael Gerber



Most Successful Farmers Have These Traits in Common

- **Passion** this is essential, you need to be passionate. *(The Latin root of passion is passio-meaning “to suffer”)*
- **Employee management skills**
- **Marketing skills**
- **Production skills**

The Sirolli Institute maintains that entrepreneurship has two primary components: Passion and Skill <http://www.sirolli.com>



Summary

- Starting a small business can be risky, but appropriate planning can reduce the risks.
- Remember, your farm enterprise is a small business.
- You are an entrepreneur- the visionary looking beyond the day-to-day details of product.
- Remember to work ON your business as well as IN your business.

Resources

- [Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural](#)
- [Business Planning Train-the-Trainer materials on the Center for Farm Financial Management website](#)
- [The E Myth, Why Most Small Businesses Don't Work and What to Do About It, Michael E. Gerber](#)
- [Fearless Farm Finances](#)
- [Making Your Small Farm Profitable, Ron Macher](#)

Resources

- [The Organic Farmer's Business Handbook: A Complete Guide to Managing Finances, Crops, and Staff and Making a Profit, Richard Wiswall](#)
- [The Sirolli Institute's "Capturing the Passion and Teaching Skills to a New Generation of Entrepreneurs"](#)
- [Starting and Running Your Own Small Farm Business, Sarah Beth Aubrey](#)
- [SWOT Analysis A Tool for Making Better Business](#)

[Decisions](#)

To reach us

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