

Producing for a Profit: Planning & Marketing





Why Bother With *Planning*?

“If you *fail to plan, you plan to fail*”

Aristotle

“Good plans shape good decisions. That’s why good planning helps to make elusive dreams come true”

L.R. Bittel, James Madison University

“Good fortune is what happens when opportunity meets with planning”

Thomas Alba Edison

A Good Farm Business Plan

- Is created by both the owners & family/partners
- Becomes a personal game plan
- Summarizes the past, present, future activities
- Makes sure business is carefully planned from a holistic sense
- Will be used as a management tool, not left on the shelf



Business planning can not...

- Predict the future
- Prevent every mistake

- But...it can help discover many pitfalls before they happen!





Business planning can...

- **Communicate** goals with family, partners & lenders
- **Evaluate** alternative strategies
- **Integrate** various activities from growing to sales
- **Organize** and use valuable information about the farm business
- Put goals and ideas into practice...
to achieve your dreams




Planning builds confidence

- Planning helps move you from position of dependence on life's happenings to a position of independence!



Planning Makes Happier Family/Partners

- Allows family/partners to contribute management skills to the new business
- Facilitates open communication and problem solving
- Helps family/partners discover values driving the greenhouse business
- Reduces unknowns and stress during times of change



Planning allows you to anticipate a successful future!

“Management has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals. It is not given to mortals to do wll any of these things. But lacking divine guidance, management must make sure that these difficult responsibilities are not overlooked or neglected, but taken care of as well as humanly possible.”


Peter Drucker, Management Tasks, Responsibilities, and Practices



Reminders

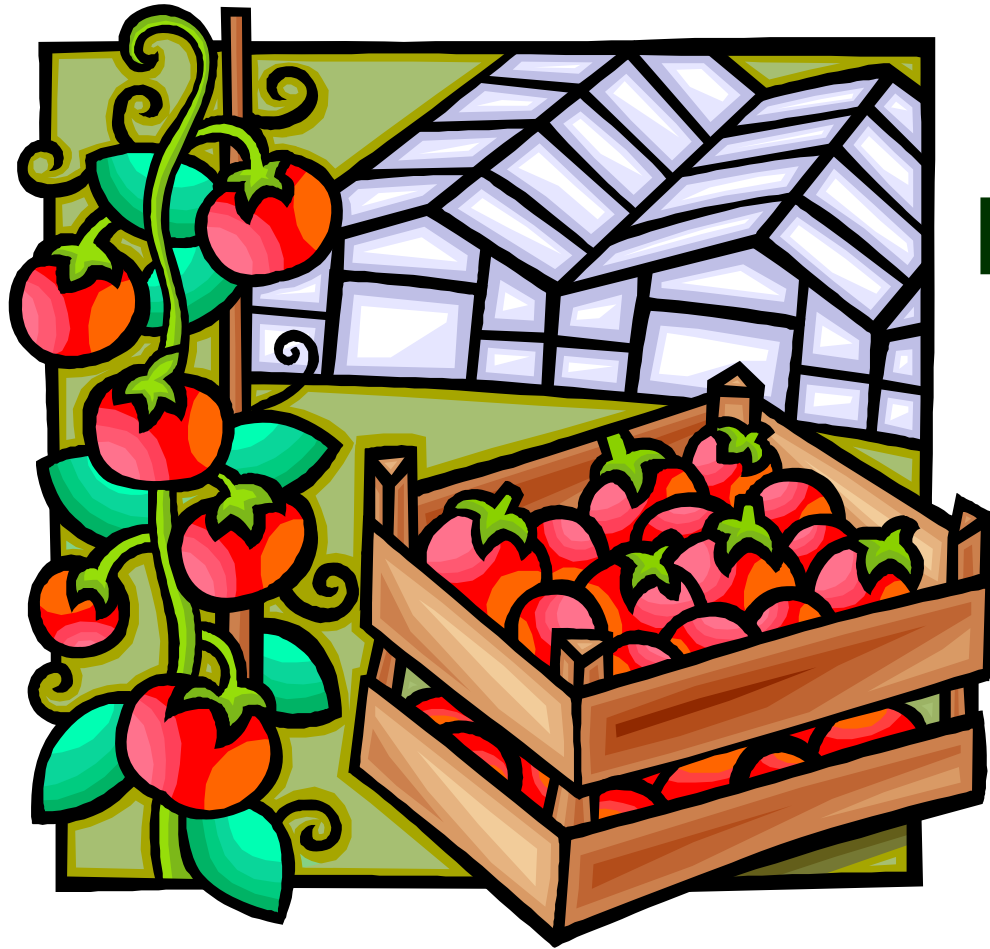
- **Be proactive** – always look for an opportunity to benefit yourself and your business
- **Begin with the end in mind** – create your dream on paper first, followed by a “physical” second creation
- **Put first things first** – follow the plan to realize its accomplishment in terms of satisfaction, income, a legacy for family and other values

Stephen Covey, *The 7 Habits of Highly Effective People*



Questions to help entrepreneurs start thinking about greenhouse business planning

- What exactly is my greenhouse business all about?
- What changes am I considering & why?
- How good is my idea?
- Will I be able to sell my products?
- What are my personal and business goals?
- What are my approximate cash needs?
- Am I willing to take the time to plan my success?



Greenhouse business plans:

*What goes in
&
How to get
started?*



What goes in depends on what you, the entrepreneur, wants to get out

- Plans are personalized to meet your management needs and style
 - Can be informal handwritten plans or formal documents
 - As long as they include information which helps make decisions!



Business plans might have specific purposes

- Choosing the best mix of enterprises
- Developing value-added enterprises
- Transitioning to new farming methods
- Planning for generational succession
- Maximizing profit potential with limited assets
- Deciding if and how to expand
- Obtaining loans

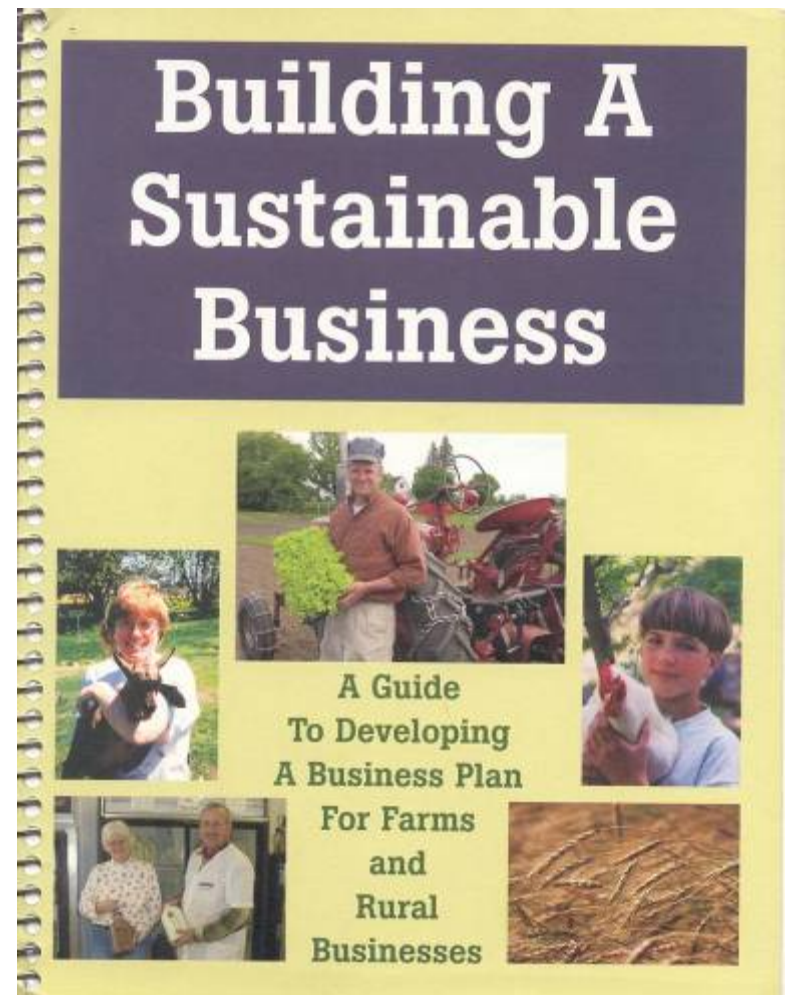


Start with an “Idea Notebook”

- Begin gathering relevant information and loosely organize into business planning sections
 - Include articles about farm businesses with enterprises similar to those you are planning
 - Organize the information collected
 - Write down ideas about business and family goals
 - Gather financial, land and other asset information
 - Gather business planning resources
- Add to the notebook often and date items

'Building a Sustainable Business'

- Available as book (\$17) or free download
- Minnesota Institute for Sustainable Agriculture & SARE
- <http://www.misa.umn.edu>





Work on Five Planning Tasks

1. Identify values
2. Review history and take stock of current situation
3. Clarify the vision, develop a mission statement, and identify goals
4. Strategic planning and evaluation
5. Present, implementation and monitoring of the business plan



Four key management areas are woven into the planning tasks

1. Marketing
2. Operations/Production
3. Human Resources
4. Finance



Task #1 What do you value?

- Personal values
- Economic values
- Environmental values
- Community values


Consider how will these values will affect planning & management decisions?



Task #1 Share your values

- Family & business partners
- Do we have common values?

Write them down!



Task #2: Farm History & Current Situation

What are you working with?

- Prepare a brief history of family, farm, business
- Assess your current situation
 - Marketing
 - Operations
 - Human resources
 - Finances
- Conduct a whole farm SWOT analysis
- Prepare the History & Current Situation section of business plan



The 4 P's of marketing can help you assess the markets you plan to serve

■ Product

- Are your products differentiated (organic, heirloom, unique, timing)?
- How good is the quality & freshness?

■ Pricing

- What is the pattern of price changes over time?
- How does the price differ in various market venues?

■ Promotion

- Are you using your community relationships?
- What kinds of media are being used to communicate?

■ Placement

- Where are products being sold?



Take stock of the operational resources available for use

- Physical Resources

- Is a greenhouse already in place or do we need to purchase?
- What water, electricity, major roads or other assets do we have?

- Which production systems will we choose?

- Will we go organic?
- How will we work towards sustainability?

- What management systems do we have in place to support our business?

- Do we have accounting software?
- What decision making methods do we use?



People are essential

- **Current workforce**
 - Who is involved & what roles do they play?
- **Skills**
 - What are the unique skills?
 - What skills are lacking?
- **Anticipate changes**
 - How will the labor force change?



Current financial knowledge is your springboard to the future

- What are the family living expenses?
- What is past performance and how strong is your current financial position?
 - Income statement
 - Balance sheet
 - Cash flow statement
- What types of risk is the business exposed to?
- How might the financial environment be changing?
 - Government policies
 - Interest rates

Task #3 Vision, Mission and Goals: Where do you want to go?

- Think about your:
 - Vision
 - Mission
 - Goals

DREAM!!!





What is your vision?

What do you hope to accomplish?

- What are your passions?
- What do you want your day to look like?
- Your year?



Mission Statement

A set of guiding principles or statement of purpose

“The mission of this farming enterprise is to produce organic food that is sold to local customers at a fair price; will provide us with enough income; will improve the soil, air and water quality on our farm; and is a vehicle to raise community awareness of sustainability and environmental issues”

Riverbend Farm



Task #4 Strategic Planning & Evaluation

How can you get there?

- Develop a business strategy
- Evaluate strategic alternatives
- Choose the best whole farm strategy
- Develop contingency plans



Strategy is a plan for achieving goals

“You’ve envisioned your future, based on your goals and values, so you know what you want the “end” to look like. Now you need to take the time to carefully think through the steps you can take to get there”

-Building a Sustainable Business



Marketing Strategy

- Who are the target customers and what do they value?
- How can the business be more customer focused?
- What marketing methods will be chosen?

Colorado Proud

- www.coloradoproud.org
- Free marketing program
- Sponsored by CDA



Potential markets

- Restaurants
- Farmers Markets
- CSA
- Co-op CSA
- Farm stand





Operations Strategy

- How will you store inventory and maintain quality?
- How much can be produced?
- What is the production schedule?

Production Schedule

Kale&Mustard, 9/15	Mesclun ½ bed, 1/1	Chinese cabbage, Tat Soi, Pac choi, 100 plants 9/15
Tomatoes 3/15	Mesclun 2/1	Spinach 9/1
Spinach 2/15	Lettuce, 240 plants 12/15	Mesclun 10/8
Tomatoes 3/15		Carrots 10/1
Bell Peppers, 50, 4/1	Mesclun, ½ 11/15, ½ 12/1	Lettuce 150 plants 9/15

From: Walking to Spring, Paul & Alison Wiediger

Proper postharvest handling

- Refrigeration units on farm?
- Shipping
- Tools needed:
 - Scissors, knives
 - Plastic bins or baskets
 - Salad spinner
 - Food storage bags
 - Rubber bands





Human Resource Strategy

- How can you fill labor gaps?
- What is fair compensation for family and others?
- Who will manage the business and how?
- What does the organizational chart look like?




Financial Strategy

- How will you manage for risks?
- Will the business be a legal partnership, sole proprietor or LLC?
- How will the business finance capital requirements?



Create a Whole Farm Strategy and Evaluate Strategic Alternatives

- Will this new strategy increase farm income?
- Will it generate sufficient cash flow?
- Will it lead to growth in net worth?
- Will it affect the risks faced by the business and family?



Task #5 Present, Implement and Monitor the Business Plan- Which route will be taken & how will you check your progress?

- You're ready to complete the Plan!
- Implementation and Monitoring
 - Develop an To-Do list
 - Establish monitoring checkpoints
 - Maintain records
 - Review progress



Good luck with all your ventures!

Questions?