

Beginning Farm Business Plan

Example

Prepared June 2008

This is a sample farm business plan, provided by NYFarmNet / NYFarmLink. It is based on a real farm plan written by a real farm family in Upstate NY. The identity of the farm and proprietary information have been deleted. Each section will give you a good sense of what should be in the plan. This particular plan was written to communicate management intentions to a financial partner like a bank or investing family member.



Executive Summary

An overview of the farm, the purpose of the business plan and its conclusions (about 200 words). Write the executive summary last, but it will be positioned first in the document for a quick overview and refresher.

Farm Description

..... own 71 acres in the town of South Bend of Sheffield County. There are 55 acres of tillable land currently all in grass for hay and pasture. The family currently raise approximately 200 goats for meat production and the sale of breeding stock.

..... has been in operation since 1984, starting out as a sheep farm dealing in Polypay sheep for freezer lamb and wool. Recognizing an emerging market for meat goats and the acquisition of leased 38 acres of brushy land, Farm sold off the sheep and acquired Boer bucks and does to begin the current herd in 1992.

Long Range Strategy and Implementation:

Short Term Goals: (Within 2008 calendar year)

1. Determine best alternative to establish a goat dairy
2. Establish financing for selected alternative

Intermediate Term Goals:

1. Sign contract and build barn/milking facility or locate suitable farm for purchase and establishment of dairy in existing facility.

Long Term Goals:

1. Goat dairy is a final phase for complete utilization of time and energy in the enterprise.

Options:

The owners are considering two options:

One possibility is to build a milking facility on their current property.

Debt load may be larger

Allows for alternative use of existing barn

Avoids cost of moving entire enterprise

Second possibility is the purchase of an existing facility near Watertown and move the enterprise to that location.

Facility could be modified, not built from scratch
More land may be available
Debt load is minimal with sale of current facility and house.
Cost and stress of moving entire enterprise is high.

Product Description

The dairy prides itself on producing high quality milk for the production of cheese and growing high quality breeding stock for market trade.

Organization and Management

Description of business format: sole proprietor, partnership, LLC, or corporation. Any other characteristics that help explain the business structure to the reader.

Management Team

----- Owner and operator

Responsible for:

feeding and care
Hay harvesting
Long term planning decisions

-----:

Responsible for:

Youngstock care and development
Long term planning decisions

Additional part-time labor will be utilized in the dairy operation once under way.

Product Marketing

Milk from the..... dairy will be marketed in two ways. The primary market will be to freeze the milk in shipping bags and transported periodically to the Old Chatom Cheese company in Albany, NY. The second market is developing a branded product in conjunction with Kutter's Cheese. The current market price for milk is \$.94 per pound.

The Financial Plan

The current plan is to begin milking 150 of the current 200 goats and then bring the operation up to 400 animals within three years. The attached income projections show a positive cash flow both years due to current sale of goats that will continue. The transition period of 100 animals develops over \$18,000 in useable income after expenses (not including any debt service). Projected debt service on a \$160,000 loan at 7% for 15 years would be \$17,258. Debt service for vehicles totals \$8340 for a total debt service of \$25,598. Net Income after debt service is projected to be short by \$7515 while herd is at 150 animals and rises to \$54,300 once 400 animal goal is reached and projected income and expenses fall within the expected parameters.

(Financial projections are often attached to a business plan like this - use a spreadsheet to show a list of anticipated expenses, and anticipated income, and how the reserves will be spent).

Assumptions:

All economic data are based upon current values provided by and an economic spread sheet dairying from the University of Wisconsin at Spooner.

Strengths:

The have a long history of successful production of animals for the meat and breeding markets. Knowledge of the industry and research regarding marketing of the milk is current and realistic.

The potential exists for developing a processing agreement with a local cheese manufacturer. This would increase potential for profitability as the product would be a local, high quality product, and transportation costs would drop dramatically.

Debt load is very small with a net worth of \$578,120 and a debt to asset ratio of .08. This does include the residence as well.

Risks:

The primary issue at the current location is the land base and available land to provide necessary forage given the tight land market and hay market in the past few years. Ensuring access to adequate forage is a necessity prior to working toward the 400 animal goal.

An additional unknown is the availability of a part time labor force to cover the time invested in running 400 animals through the parlor as well as keeping feed costs in line.

Moving to Watertown would require additional time to finish interior of house and bring the existing property up to speed in preparation for sale.

Existing cash flow is a concern. Debt capacity is strong, but income from meat sales will decrease some as herd size is increased by retaining more young for breeding / milking potential.

Moving to northern NY increases land base and should require very little debt if current farm is sold. However, the time involved may set back dairy plans by up to 12 months.

Summary

The dairy enterprise does develop positive cashflow and is within the management capabilities of the owner. The choice to construct a new facility in Arcade given the land constraints or move north for more land and less start-up costs is a challenging decision. Both avenues can work, although the long term debt load is very different between the two choices. Moving costs were not analyzed as a part of this business plan development, but may be a factor in the decision as well. The have strong herd numbers at this time with more growth available from within. The major issue is the choice of direction to go. Cash flow is improved by adding a dairy component versus relying on meat and breeding stock as an income source.

Financial Tools to Include:

- **Income Statement**
- **Balance Sheet**
- **Cash flow Statement**