



UNIVERSITY OF
MARYLAND
EXTENSION



Planning for Success

What's Your Game Plan for Your Business?

Kim Rush Lynch

Agriculture Marketing Specialist, UMD Extension

Prince George's County

kimrush@umd.edu | 301.868.8780

farmPGC.com





UNIVERSITY OF
MARYLAND
EXTENSION

Why Develop a Business Plan?

- Road map
- Gain clarity
- Prioritization tool
- Communication tool
- Fundraising tool
- Time management





UNIVERSITY OF
MARYLAND
EXTENSION

What Are My First Steps?

1. Define goals.
2. Research enterprises that align with your goals (and passion).
3. Can I do it? (Suitability of property)
4. Define target market.
5. Explore market channels.
6. Develop partnerships.





UNIVERSITY OF
MARYLAND
EXTENSION

Suitability of Property

- Soils
- Water Access & Irrigation
- Size
- Zoning
- Additional Infrastructure





UNIVERSITY OF
MARYLAND
EXTENSION

Let's Go!





UNIVERSITY OF
MARYLAND
EXTENSION

Elements of a Business Plan

1. Executive Summary
2. Mission & Goals
3. Background Information
4. Farm Strategy
5. Marketing Strategy & Plan
6. Enterprise Budgeting
7. Financial Plan
8. Management/Human Resource Plan
9. Implementation Strategy
10. Exit Strategy





UNIVERSITY OF
MARYLAND
EXTENSION

Executive Summary

- Summary of business goals & objectives
- Written last



page 5





UNIVERSITY OF
MARYLAND
EXTENSION

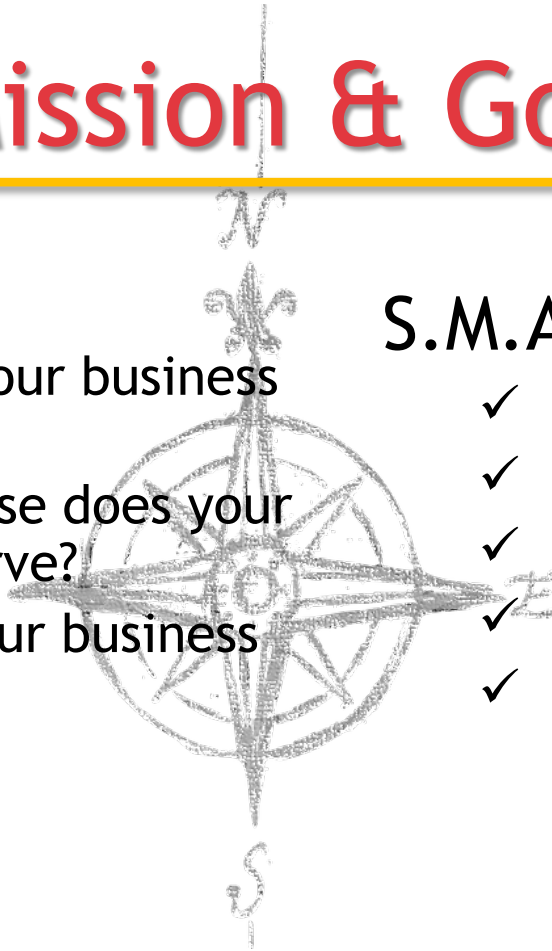
Mission & Goals

Mission

- ✓ Why does your business exist?
- ✓ What purpose does your business serve?
- ✓ Where is your business headed?

S.M.A.R.T Goals

- ✓ Specific
- ✓ Measureable
- ✓ Attainable
- ✓ Rewarding
- ✓ Time Bound



pages 6-7





UNIVERSITY OF
MARYLAND
EXTENSION

Write it Down!

You are 42% more likely to achieve your goals and dreams, simply by writing them down on a regular basis.

- *Dr. Gail Matthews, psychology professor at the Dominican University in California*
pages 6-7





UNIVERSITY OF
MARYLAND
EXTENSION

Your Turn!

- Write down one **Short Term Goal** (less than a year)
- Write down one **Long Term Goal** (more than a year)



pages 6-7





UNIVERSITY OF
MARYLAND
EXTENSION

Background Information

- History & Overview
- Operation Layout
- Contracts & Legal Obligations
- Insurance
- Estate Plan/Will
- Retirement
- Conservation/Environmental (BMPs)

Pages 8-12





UNIVERSITY OF
MARYLAND
EXTENSION

Farm Strategy



pages 13-24





UNIVERSITY OF
MARYLAND
EXTENSION

Farm Strategy Development

1. Gather information and conduct **market research**.
2. Analyze the external and internal components of your business using the **S.W.O.T. analysis**.
3. Create **plans of action** and identify areas of **competitive advantage**.
4. Select the **best plan** that fits your overall mission.
5. **Implement and evaluate** the strategy.

Pages 13-24





UNIVERSITY OF
MARYLAND
EXTENSION

Market Research Tools

- Networking
- Demographics data
- Observation
- Surveys
- Focus groups
- Industry Trends



Pages 14-15





UNIVERSITY OF
MARYLAND
EXTENSION

S.W.O.T. Analysis - Internal

Strengths & Weaknesses

- ✓ Financial resources?
- ✓ Management capacity?
- ✓ Infrastructure?
- ✓ Land capacity?
- ✓ Location?



Pages 17-20





UNIVERSITY OF
MARYLAND
EXTENSION

Your Turn!

- Write down one internal strength.
- Write down one internal weakness.



pages 16-17





UNIVERSITY OF
MARYLAND
EXTENSION

S.W.O.T. Analysis - External

Opportunities & Threats

- ✓ New, expanding or existing markets?
- ✓ Regulations or incentives?
- ✓ New technologies?
- ✓ Competition?
- ✓ Barriers to entry?
- ✓ Changing economic conditions?



Pages 17-19





UNIVERSITY OF
MARYLAND
EXTENSION

Your Turn!

- Write down one **opportunity**.
- Write down one **threat**.



pages 17-19





UNIVERSITY OF
MARYLAND
EXTENSION

Plan of Action

Use your strengths & opportunities!

- ✓ Efficiency
- ✓ Values
- ✓ Production methods
- ✓ Market access & penetration
- ✓ Product uniqueness
- ✓ Location



Pages 21-23





UNIVERSITY OF
MARYLAND
EXTENSION

What Makes You Unique?

Write down **two attributes** about your farm products or services that **differentiate** you from the competition.



page 22





UNIVERSITY OF
MARYLAND
EXTENSION

Select a Plan

What **best fits** your mission & goals?

What **steps** do you need to take to implement?

Review & evaluate periodically.



Pages 24





UNIVERSITY OF
MARYLAND
EXTENSION

Marketing Strategy & Plan

How will you convey **value**
(real & perceived) to your customer?

Who is your **target market**?

What are your marketing **goals**?



Pages 25-31

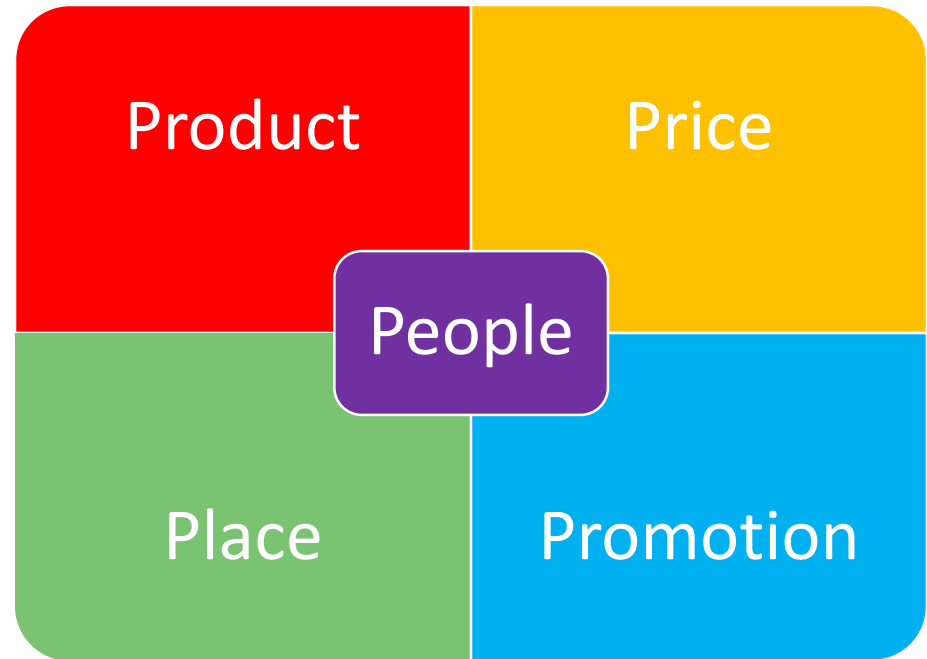




UNIVERSITY OF
MARYLAND
EXTENSION

Evaluate the 4Ps (or 5)!

- Product
- Price
- Place
- Promotion
- *People*



Pages 25-31





Page 31



UNIVERSITY OF
MARYLAND
EXTENSION

Enterprise Budgeting





Enterprise Budget Form

$$\text{NET INCOME} = \text{Total Income} - (\text{Variable} + \text{Fixed Costs})$$

[illegible]



UNIVERSITY OF
MARYLAND
EXTENSION



PennState
Extension

Sample Budget (1 acre strawberries)

1. Custom hire includes plowing, disking, harrowing, pest scouting, and broadcast spreading of soil amendments and grass seed.
2. Includes overhead and trickle irrigation systems.

You should monitor local markets and contact suppliers to determine current prices for all items contained in this sample budget.

extension.psu.edu/strawberry-production





UNIVERSITY OF
MARYLAND
EXTENSION

Sample Budget (1 acre raspberries)

	A	B	C	D	E	F	G	H	I
1	Raspberries 1 acre								
2				Year 1		Year 2		Years 3-10 per year	
3	Item	Unit	Price	Quantity	Total	Quantity	Total	Quantity	Total
4	Gross income	Pint	\$3.00					5,000	\$15,000
5	Variable costs								
6	Plants	Cane	\$2.00	2500	\$5,000	0	\$0	0	\$0
7	Two wire trellis & post	Unit	\$4.00	300	\$1,200	0	\$0	0	\$0
8	Lime	Ton	\$30.00	2	\$60	0	\$0	0	\$0
9	Diazanone	Gal	\$45.00	0	\$0	4	\$180	4	\$180
10	Sevin	Lb	\$10.00	0	\$0	8	\$80	8	\$80
11	Surflan	Lb	\$15.00	1.2	\$18	1.2	\$18	1.2	\$18
12	Nitrogen	Lb	\$0.45	50	\$23	130	\$59	50	\$23
13	Phosphorus	Lb	\$0.35	100	\$35	100	\$35	0	\$0
14	Potassium	Lb	\$0.45	100	\$45	100	\$45	0	\$0
15	Containers	Each	\$0.20	0	\$0	0	\$0	5000	\$1,000
16	Fixed costs								
17	Irrigation	Acre	\$400.00	1	\$400	1	\$400	1	\$400
18	Planting labor	Hour	\$15.00	200	\$3,000	10	\$150	0	\$0
19	Trellis labor	Hour	\$15.00	150	\$2,250	0	\$0	0	\$0
20	Spraying labor	Hour	\$15.00	15	\$225	15	\$225	15	\$225
21	Pruning labor	Hour	\$15.00	0	\$0	75	\$1,125	75	\$1,125
22	Harvest labor	Hour	\$15.00	0	\$0	0	\$0	250	\$3,750
23	Land charge	Acre	\$15.00	1	\$100	1	\$100	1	\$100
24	Interest	%	0.07		\$12,356		\$865		\$2,417
25	Amortization of establishment								\$169
26	Total costs				\$13,220		\$2,586		\$6,901
27	Net income								\$483
28	Total establishment costs (year 1 & 2)								
29	Year 1				13,220				
30	Year 2				2,586				
31	Additional year 1 interest				865				
32	Total establishment costs				16,671				
33	Amortization over 8 years				2,084				
34									
35									
36	Net income above variable and fixed								
37	costs for various yields and prices								
38									

enterprise budget courtesy Dale Johnson

		Price		
	Yield	\$2.50	\$3.00	\$3.50
	4,500	\$1,783	\$4,033	\$6,283
	5,000	\$3,033	\$5,533	\$8,033
	5,500	\$4,283	\$7,033	\$9,783



5 ACRE HOP YARD (GROW, HARVEST, DRY, BALE, STORE)

Authors: J Robert Sirrine, Michigan State University Extension; Julian Post, University of Vermont. Alexander Adams, Harmony Hop Farm.

usahops.org/growers/cost-of-production.html

This document is intended to serve as a tool for producers interested in growing hops. Figures below are estimates based on survey data from small-scale growers in multiple states. Your figures will likely vary; you should add figures that accurately represent your operation. While this document has been vetted by several experts within the hop industry, you may need to add additional rows to account for unintended omissions.

Item	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Years 1-5
Income						
Dried Hop Pellets (lbs./acre)	0	1100	1500	1600	1800	
acres	5	5	5	5	5	
\$/lb.	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
GROSS INCOME	\$ -	\$ 55,000	\$ 75,000	\$ 80,000	\$ 90,000	\$ 300,000
Expenses						
Capital Purchase/Labor						
Hopyard Infrastructure (Appendix A)	\$ 65,146					
Buildout Labor (Appendix B)	\$ 24,880					
Equipment (Appendix C)	\$ 97,000					
Sub-Total Capital Purchase & Labor (accounted for in loan- cell B45)	\$ 187,026	\$ -	\$ -	\$ -	\$ -	\$ 187,026
Annual Expenses-Field						
Twine (2400 pre-cut 22' strings/bale=\$400. ~\$0.17/string)		\$ 1,632	\$ 1,632	\$ 1,632	\$ 1,632	
Labor-Stringing ~(11.5 worker hrs/ac x \$30/hr)		\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	~\$340/acre
Labor- Training (\$150/acre) ~variety dependent		\$ 750	\$ 750	\$ 750	\$ 750	
Fertilizer & leaf feed (N,P,K,S,Zn,B, etc.) yr 1=\$400/ac, yr 2+=\$650/ac	\$ 2,000	\$ 3,250	\$ 3,250	\$ 3,250	\$ 3,250	
Chemicals (all pesticides) yr 1= \$500/ac, yr 2+=\$750/ac	\$ 2,500	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	
Labor- Spraying (\$30/hr x .3 hrs/ac). Yr 1=12, yr 2+=20 sprays	\$ 540	\$ 900	\$ 900	\$ 900	\$ 900	
Labor- Field Harvest (\$800/ac)		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	
Disking (\$120/ac)	\$ 1,280	\$ 1,280	\$ 1,280	\$ 1,280	\$ 1,280	
Tractor Fuel & Oil (gasoline, diesel, propane, etc.) \$150/ac	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	
Parts/Repairs (equipment, irrigation, etc.) Yr 1=\$200/ac, yr 2=\$400/ac	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	
Sub-Total Annual Expenses- Field	\$ 8,070	\$ 20,012	\$ 20,012	\$ 20,012	\$ 20,012	\$ 88,118

	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Years 1-5
Annual Expenses-Harvest & Post Harvest						
Picking Machine Operation Labor (\$12/hr x 4 people=\$48/hr; 960 bines/ac x 2 strings/bine=1920 bines; 1920 bines/ac @120 bines/hr =16 hrs)		\$ 3,840	\$ 3,840	\$ 3,840	\$ 3,840	
Picking machine electricity		\$ -	\$ -	\$ -	\$ -	PTO driven
Oast Fuel (boiler/foil) ~\$200-250/ac		\$ 1,000	\$ 1,125	\$ 1,200	\$ 1,250	
Oast Labor (8-12 hrs/acre; \$12/hr)		\$ 480	\$ 600	\$ 660	\$ 720	
Baling Labor (\$12/hr, 3- 100lb bales/hr)		\$ 220	\$ 300	\$ 320	\$ 360	
Transport bales to custom pellet facility (variable-based on mileage, fuel, truck capacity)		\$ 1,100	\$ 1,500	\$ 1,600	\$ 1,800	\$ 6,000
Custom Processing (pelletize, package) \$1.50/lb.		\$ 8,250	\$ 11,250	\$ 12,000	\$ 13,500	\$ 45,000
Hop Quality Analysis \$125/sample		\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 5,000
Marketing & Sales (10% of purchase price)		\$ 5,500	\$ 7,500	\$ 8,000	\$ 9,000	\$ 30,000
Sub-Total Annual Expenses- Harvest & Post Harvest	\$ -	\$ 21,640	\$ 27,365	\$ 28,870	\$ 31,720	\$ 109,595
Annual Expenses-Loan (annual payment)						
Loan Detail (Appendix D)	\$ 43,913	\$ 43,913	\$ 43,913	\$ 43,913	\$ 43,913	\$ 219,563
Sub-Total Annual Expenses-Loan	\$ 43,913	\$ 43,913	\$ 43,913	\$ 43,913	\$ 43,913	\$ 219,563
TOTAL DIRECT COSTS	\$ 51,983	\$ 85,565	\$ 91,290	\$ 92,795	\$ 95,645	\$ 417,276
Direct \$/acre (not including loan)	\$ -	\$ 4,328	\$ 5,473	\$ 5,774	\$ 6,344	\$ 21,919
Annual Expenses - Farm Overhead						
Farm Supervisory Cost (\$20/hr)	\$ 8,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	
Utilities	\$ 400	\$ 800	\$ 800	\$ 800	\$ 800	
Land lease rate \$200/ac	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	
Property Taxes	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	
Insurance (Appendix E)	\$ 50	\$ 545	\$ 725	\$ 770	\$ 860	\$ 2,950
Unanticipated Expenses (Appendix F)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL FARM OVERHEAD	\$ 10,850	\$ 7,745	\$ 7,925	\$ 7,970	\$ 8,060	\$ 42,550
TOTAL EXPENSES	\$ 62,833	\$ 93,310	\$ 99,215	\$ 100,765	\$ 103,705	\$ 459,826
Income-Expenses						
NET INCOME	\$ (62,833)	\$ (38,310)	\$ (24,215)	\$ (20,765)	\$ (13,705)	\$ (159,826)

usahops.org/growers/cost-of-production.html



UNIVERSITY OF MARYLAND EXTENSION



	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Years 1-5
61 Income-Expenses						
62						
63 NET INCOME	\$ (62,833)	\$ (38,310)	\$ (24,215)	\$ (20,765)	\$ (13,705)	\$ (159,826)

NET INCOME/ ACRE under different lb./ac and \$/lb. scenarios (year 5)						
						Price/lb.
	Yield (lbs./acre)	\$6.00	\$8.00	\$10.00	\$12.00	\$14.00
68	800	\$ (15,941)	\$ (14,341)	\$ (12,741)	\$ (11,141)	\$ (9,541)
69	1000	\$ (14,741)	\$ (12,741)	\$ (10,741)	\$ (8,741)	\$ (6,741)
70	1200	\$ (13,541)	\$ (11,141)	\$ (8,741)	\$ (6,341)	\$ (3,941)
71	1400	\$ (12,341)	\$ (9,541)	\$ (6,741)	\$ (3,941)	\$ (1,141)
72	1600	\$ (11,141)	\$ (7,941)	\$ (4,741)	\$ (1,541)	\$ 1,659
73	1800	\$ (9,941)	\$ (6,341)	\$ (2,741)	\$ 859	\$ 4,459
74	2000	\$ (8,741)	\$ (4,741)	\$ (741)	\$ 3,259	\$ 7,259
75	2200	\$ (7,541)	\$ (3,141)	\$ 1,259	\$ 5,659	\$ 10,059

Estimated establishment cost/acre (Infrastructure + Labor; not including well or excavation) \$ 18,005

usahops.org/growers/cost-of-production.html





UNIVERSITY OF
MARYLAND
EXTENSION

Analyzing Enterprise Budgets

Break-even Analysis		
Enterprise Analysis Methods	Formula	Comments
Variable Costs per Unit Sold	Total Variable Costs/Output in Units	You must make at least the variable cost per unit sold, or the enterprise should be discontinued.
Fixed (or Reduced) Costs/ Cost per Unit Sold	Fixed Costs/Output in Units	In order to be profitable over the long run, you must be able to cover the fixed and variable costs. Knowing the fixed cost per unit enables you to better understand cost structure.
Break-even Price	Fixed Costs + Variable Costs/Output in Units	You will need a selling price above the break-even price to generate a profit.
Break-even Output	Fixed Costs + Variable Costs/Price per Unit	This is the output needed at a given price to reach the break-even point. At the given price, you will need to expand output to improve net income.
Net Income per Unit Sold	Net Income/Output in Units	This is the net income per unit produced.





UNIVERSITY OF
MARYLAND
EXTENSION

Financial Plan

- Balance Sheet (solvency/net worth)
- Income Statement (profitability)
- Cash Flow (liquidity)
- Pro-forma Statements (projections)



Pages 36-43





Balance Sheet

- Assets
- Liabilities
- Net Worth
 - ✓ owns vs. owes
 - ✓ assets - liabilities

Page 38-39

Income Statement

- Projected Profit & Loss
- Cash Farm Income
- Cash Operating Expenses
- Depreciation

[illegible]



UNIVERSITY OF
MARYLAND
EXTENSION

Pro-forma Statements

- Based on income and cash flow
- Best estimate of income and expenses
- Project 3 - 5 years



Page 36





UNIVERSITY OF
MARYLAND
EXTENSION

Cash Flow

- Inflows
- Outflows
- No depreciation
- Use to forecast

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue						
Sales						
Other						
Expenses						
Salaries						
Benefits						
Rent						
Utilities						
Travel						
Supplies						
Depreciation						
Interest						
Taxes						
Other						
Net Cash Flow						
Initial Investment						
Terminal Value						
Net Present Value						
Internal Rate of Return						
Payback Period						

Page 42-43





UNIVERSITY OF
MARYLAND
EXTENSION

Management (HR) Plan

What are the **jobs**?

Who is **responsible** for what job?

What **skills** and training are needed?



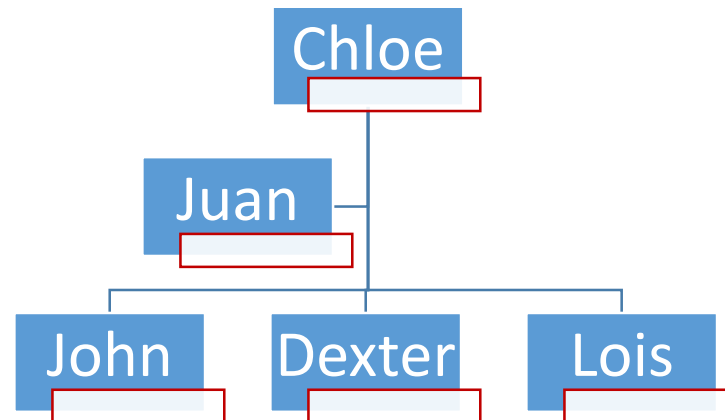
Pages 44-47





Organizational Chart

- **Skillsets** available and needed
- **Training** available and needed
- **Responsible parties**





UNIVERSITY OF
MARYLAND
EXTENSION

Implementation Strategy

- Time
- Production
- Marketing
- Finance/Accounting
- Management



Pages 48-49



Exit Strategy

Farm business is **risky** business!

What **criteria** determines that it's **time to bail**?



- Farm profit/loss?
- Pre-determined age?
- Estate plans & farm transfer?
- Change of markets?



UNIVERSITY OF
MARYLAND
EXTENSION

Resource Inventory

What types of inventory?

- Building & facility requirements
- Building & structure inventory
- Equipment inventory



Image source: imagecreator.co.uk

How can inventory lists help?

- Inform a balance sheet
- Summarize collateral for a loan
- List conditions of assets & identify problems
- Evaluate options & needs for growth
- Document resources in case of fire, theft, damage

Pages 51-54





UNIVERSITY OF
MARYLAND
EXTENSION

Professional Business Plan

agplan

agplan.umn.edu





UNIVERSITY OF MARYLAND EXTENSION





UNIVERSITY OF
MARYLAND
EXTENSION

Register for Free!

The screenshot shows a web browser window with the URL "extension.umd.edu" in the address bar. The page title is "Register". The form contains several input fields for personal information, including a first name field with the text "First Name" and a last name field with the text "Last Name". There are also fields for email address, phone number, and a password field. A red "Back" button and a green "Next" button are visible at the bottom of the form.





UNIVERSITY OF
MARYLAND
EXTENSION

Plan Types





UNIVERSITY OF MARYLAND EXTENSION





UNIVERSITY OF
MARYLAND
EXTENSION

Basic Sections





UNIVERSITY OF
MARYLAND
EXTENSION



Marketing Plan

Market Trends

Customers

Marketing Contracts

Strategic Partners

Pricing

Promotion

Distribution

Market Segments

Target Market

Competitive Advantage

Management & Organization

Management Team

Board of Directors

Advisory Board

Personnel Plan

Professional Services

Financial Plan

Financial Position

Historical Performance

Financial Projections

Asset Management

Benchmarks

Capital Request

Expanded Sections





UNIVERSITY OF
MARYLAND
EXTENSION

Tips





UNIVERSITY OF
MARYLAND
EXTENSION

Resources





UNIVERSITY OF
MARYLAND
EXTENSION

Samples





UNIVERSITY OF
MARYLAND
EXTENSION

Comments





UNIVERSITY OF
MARYLAND
EXTENSION

How did I do?
go.umd.edu/AGTEACH

Kim Rush Lynch

Agriculture Marketing Specialist

UMD Extension

Prince George's County

kimrush@umd.edu

301.868.8780

farmPGC.com



Fresh. Local. Fun.
Prince George's County, Maryland

