

2.0 Small Farm Business Planning

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Introduction: Small Farm Business Planning

UNIT OVERVIEW

This unit provides practical advice on how to approach business planning in the start-up phase of a small farm. Lecture 1 provides an overview of why and how to plan. Lecture 2 provides a detailed examination of a sample business plan with interactive exercises. The third lecture demonstrates how to develop a month-by-month cash flow projection for the first two years of a new farm.

The main goal of this unit is to encourage students to see holistic business planning as a necessary and integral part of farming. For students who have learned how to develop a farm plan suitable to specific soils and climates, this unit will teach them how to think about modifying the farm plan to address specific marketing opportunities and resource limitations. The objective of the unit should be that each student leaves with a business plan well started.

MODES OF INSTRUCTION

- > LECTURE/DEMONSTRATION (presented in one half-day session or three 50-minute classes)
 - Lecture 1 introduces the concept of business planning and the critical elements of a business plan. Lecture 2 reviews a sample business plan, including discussion and interactive exercises. Lecture 3 and the Step-by-Step Exercise review and demonstrate a cash flow spreadsheet, and include discussion of elements of cash flow planning and proper categories for sources and uses of cash.

LEARNING OBJECTIVES

CONCEPTS

- The rationale behind business planning
- The essential components of business planning for start-up, developing and mature farming enterprises

SKILLS

- Ability to develop a basic 5-part business plan for a start-up farming enterprise including: values and goals assessment, resource analysis, market analysis, market plan, time management plan, farming plan, and financial analysis
- Ability to develop a basic 2-year cash flow budget for a small farm enterprise and assess the economic viability of the operation

Lecture 1 Outline: Introduction to Business Planning and the Critical Elements of a Business Plan

Note: See also *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*. Co-published by the Minnesota Institute for Sustainable Agriculture and the Sustainable Agriculture Network (see Resources section).

A. The Rationale behind Business Planning

1. Time and money are often scarce resources
2. One will need to do research to generate accurate information on the economic viability of a farm operation if one is to manage time and money successfully
3. Many small businesses fail
 - a. Wells Fargo study using data of the U.S. Census Bureau showed about half of businesses that employ people are still operating five years after they open. The study estimates that over the lifetime of a business, 39% are profitable, 30% break even, and 30% lose money, with 1% falling in the “unable to determine” category (Business Week, September 30, 1999).
 - b. Businesses with fewer than 20 employees have only a 37% chance of surviving four years and only a 9% chance of surviving 10 years. Of those failed business, only 10% of them close involuntarily due to bankruptcy. The remaining 90% close because the business was not successful, did not provide the level of income desired, or was too much work for their efforts (Agricultural Development Center. ADC Info #24, October 1998. Agricultural Extension Service, University of Tennessee).
4. Small-scale farming is much more difficult to succeed in financially than most other small businesses – The financial viability of U.S. small farms (see Appendix 1: Characteristics of Small Farms Differ Markedly from Large Farms, and Unit 1.0: Small Farm Viability Today)
 - a. 94% of all U.S. farms (1,945,190 out of a total of 2,068,000) are “small farms” (defined by sales of less than \$250,000)
 - b. 74% (1,531,760) of all U.S. farms are small farms having sales of less than \$50,000/year, with an average net cash farm income of negative \$1,702
 - c. These farming operations rely heavily on non-farm income (e.g., off-farm jobs, retirement, etc.)
 - d. 20% (413,431) of U.S. farms have sales of \$50,000–\$250,000/year with an average net cash income of \$23,159
 - e. Therefore, entry-level farmers lacking supplemental or off-farm income must compete with growers who have supplemental incomes (e.g., pensions, off-farm jobs) in an environment where net farming income is low or negative
5. Potential disadvantages of entering agriculture without thorough business planning – As agriculture is capital intensive it may result in the investment and loss of significant amounts of both time and money
6. Proper business planning allows one to analyze the financial viability of the proposed farming business and help one make more informed and strategic decisions that may increase the chances of success and reduce the risk of financial losses
7. Business planning might also change your mind about entering farming, result in delaying the start of your business until additional resources are secured, or might radically alter your business concept toward options with greater likelihood of financial success

B. The Business Planning Process and the Written Business Plan

1. The process of business planning is to think methodically about all aspects of building a new business, including: determining the compatibility of farming professionally with personal values and goals; analysis of personal resources (e.g., skills, funding, and support network); market analysis and market planning; financial analysis; farming/production plan to match known market and marketing plan; and time management planning (see below for further details)
2. To be successful in any business, business planning is essential
3. The form that business planning takes is less important than it contain all of the elements listed above and makes sense to you. It does not have to be formal.
4. In contrast to the larger process of business planning, a written “business plan” usually means a formal document designed to be presented to potential investors, lenders, or other stakeholders in the enterprise
5. Making a formal business plan for outside investors is probably not an early priority
6. If the off-the-shelf business planning software packages and “How to write a business plan” guides help guide you through the process, use them
7. Caution: Don’t let a slick format in an easy-to-use software package fool you into thinking you have done the proper research and analysis if you haven’t (see below for the essential elements of a business plan)

C. Critical Elements of a Business Plan for the Start-up Phase of a Small Farm Enterprise

1. Vision, values, and goals
 - a. Self-evaluation, determination of personal values and goals, and their compatibility with farming as a profession/occupation – This is a separate exercise, not covered in this class, but everything depends on it. (For resources on self evaluation and developing a personal and business vision, see *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*. Co-published by the Minnesota Institute for Sustainable Agriculture and the Sustainable Agriculture Network, in Resources.)
 - b. The specific vision, values, and goals for the business will be the similar but different in that they support your personal vision, values, and goals.
2. Resource analysis
 - a. Resource analysis – An evaluation of the total personal resources available to apply toward the development and maintenance of the farming business
 - b. Skills assessment – Identify the skills you have that will benefit the business (e.g., farming skills, accounting, marketing, etc.)
 - c. Identify personal advisors
 - i. They do not need to be experts, they just need to know you well
 - ii. The role of the advisors may include the following –
 - Help you set and meet business planning goals
 - Make you justify your business decisions
 - Their role is NOT to provide free ad-hoc advice regarding matters they know nothing about
 - d. Time allocation – Time is a major constraint and needs to be budgeted as carefully as money
 - e. Since you can’t borrow time, you actually need to budget time more carefully than money
 - f. Constraints – Identify the major resource constraints, e.g., time, money, access to land, farming experience, business skills, etc.

3. Market analysis
 - a. Assess what is currently taking place in the market. Questions to investigate include: What are the established markets? What is being sold currently at what prices and through what marketing segments? What is there a demand for that is not being met?
 - b. As a farmer looking for a marketing outlet, where should I focus first? You may know that you ultimately want to have a market base that is 1/3 farmers' market, 1/3 wholesale, and 1/3 CSA, but you might not be able to develop those three market channels simultaneously in your first year.
 - c. Is there a marketing niche that can be occupied?
 - d. Identify the regions and segments where you might market your products
 - i. A region – a contiguous geographical area, e.g., Central Coast of California
 - ii. A segment – a specific marketing outlet such as direct retail, value-added, or wholesale
4. Marketing plan
 - a. How am I going to build my market(s) in my chosen region(s) and segment(s)?
 - i. Consider both what you like and what you think is most likely to work
 - Work with your strengths – If you don't like talking to the public you won't do well at a farmers' market. (Consider hiring others for this work.)
 - You may not want to drive an extra two hours to get to the more lucrative farmers' market, but doing so may be the only realistic way to get the restaurants in that area to consider buying directly from you
 - b. Establish a niche
 - i. The more specifically adapted to a particular market you become, the more likely you are to survive financially
 - ii. Ideally your business is so specifically adapted to a certain market that you become a necessary part of the local economy
 - c. Diversify
 - i. Attempt to develop another niche or two just in case there are changes in the market
5. Financial analysis
 - a. Capital needs analysis – Define how much equipment you truly need. List it out and get prices on both new and used equipment.
 - b. Start-up cash flow analysis – Define accurately when will you have to purchase supplies and equipment. This should correspond exactly to your farm plan. Price supplies from different sources.
 - c. Phase-one cash flow analysis – Define when you will start to generate revenue, and what your selling costs and ongoing operational costs will be
 - d. Revenue estimates will depend on your preliminary marketing plan as well as your estimates of yields and prices. Selling costs include transportation, selling supplies such as bags and boxes, and possibly sales help.
6. Farming plan
 - a. **The farming plan is essentially the crop plan** and defines what crops will be grown, how much of each crop, and at what times of the year
 - b. **The farming plan must serve the marketing plan**, which is based on the market analysis
 - i. Determine what will sell first, then decide what to grow
 - c. **The farming plan is constrained by the financial plan**
 - i. Example: If you are not in a financial position to establish an orchard it doesn't matter if there is a great market for apples

- ii. Consider how you can adapt the farm plan to lessen seasonal cash flow problems.
Example: if you can grow vegetable starts inside and sell them early in the spring, it will help generate cash to buy other necessary supplies needed at that time.

7. Time management plan

- a. A time management plan is just like a cash flow plan only for hours instead of dollars. You can also think of it as a time “budget”
 - i. Example: It simply cannot take three days to make your planting beds perfect, because the only way to accomplish everything you need to do that week is to get the beds done in 12 hours
 - ii. Example: If your farm plan says that you are going to use your tractor in February, you need to make sure that you have time to buy the tractor in January or before. If you plan to start selling at the farmers’ market in April, you have to get your booth and supplies together in March, as well as tending to your farming demands.
- b. A time needs and availability analysis for the first two years of operations is necessary, because the workload on a farm is not spread out evenly
- c. The time analysis must match the cash flow worksheet and the farm plan
- d. Develop a visual planner/calendar – Get a big calendar and list the major tasks in the weeks that need to be accomplished, with an estimate of how long they should take
 - i. Schedule time for administration and marketing in every week
 - ii. Schedule driving to deliver orders and purchase supplies
 - iii. Schedule time to accomplish cultivation, harvest and packing tasks
 - iv. Do not schedule consecutive 105 hour work weeks—such a schedule is not sustainable
- e) Since you can’t “borrow” time, you will need to define how you will you manage a time deficit

D. Critical Elements of a Business Plan for the Development Phase

1. Complete in the start-up phase if possible, but realistically they will happen organically, out of need as the business matures
2. Should stay on your mid-term list of things to do
3. Risk analysis
 - a. Identify risks (financial, production, marketing, legal and regulatory, family and personal)
 - b. Identify strategies to avoid or mitigate such risks
 - c. Plan on some setbacks occurring. If you are serious about staying in business you will have some strategy for mitigating setbacks when things go wrong.
4. Plan for developing infrastructure
 - a. Infrastructure development plan – As your business grows it becomes more important to have efficient systems for recordkeeping, internal communication, managing human resources, etc. Usually these systems are developed in the first few years and then improved as needs dictate.
 - b. Recordkeeping systems – Any system you develop to get you through the first few years will need to be reviewed for efficiency and accuracy and updated and expanded as the business grows
 - c. Internal communication and decision-making processes – As more people are added this need will make itself known
 - d. Recruiting, training, and retaining assistance – When employees become a valuable resource, it makes sense to invest in them through salary increases, benefits, housing, and supplemental training

E. Critical Element of a Business Plan for a Mature Business

1. Exit strategy
 - a. Exit strategy defined: An exit strategy is a formal plan for transitioning out of the business. It might include selling the business, placing a conservation easement on the land, or converting fields to orchards. It is particularly difficult for farmers to transition out of farming and generate retirement income without selling the house and land, and moving off the farm.
 - b. You start over again, identifying personal goals and values
2. Strategy for beginning farmers – Find someone currently working on an exit plan and see about synchronizing your plans to start a farm with their plans to exit (see California FarmLink in Resources section for more information)

Note to Instructor: Time allowing, use PowerPoint to take a quick look at the sample cash flow spreadsheets (Appendix 4) and the sample business plan (Appendix 2), or begin individual work on part one of the business plan template (Appendix 3) contained in this curriculum or in “Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses”.

Lecture 2 Outline: Review of a Sample Business Plan

Note: The following lecture notes are to be used in association with Appendix 2: Sample Business Plan. Following an overview of the sample business plan students may be given Appendix 3: Business Plan Template for use in developing a simple business plan independently or in small groups.

PART 1: BUSINESS VISION, GOAL, PRELIMINARY RESOURCES, AND MARKET ANALYSIS

A. Business Vision

B. Business Goal

Note to Instructor: The hours budgeted for marketing here are probably unrealistically low. Question the students if they think that this is sufficient time to spend marketing. You can return to this question after doing the marketing exercises.

C. Resources

1. Skills and Experience:
2. Personal Reputation:

Note to Instructor: Discuss the importance of volunteer work in developing a network. Encourage students to count their volunteer work as part of their marketing budget for time. Discuss how a personal network can help to advance a business.

D. Potential Market

1. Segments
2. Regions

Note to Instructor: Ask the group to come up with their own market segments and regions to explore.

E. Constraints

Note to Instructor: Discuss the significant constraint affecting start-up farms and why they need to be kept in mind in assessing business alternatives.

F. Strategies for Meeting Goals

1. Market Analysis/ Marketing Plan

Note to Instructor: The Market Analysis/Marketing Plan strategies (a–f) outlined in Appendix 2: Sample Business Plan are an example of how one person might express their strategies based on their values and business goals. Discuss these strategies as possibilities and encourage students to propose their own strategies.

2. Time Management
3. Financial Management
4. Farm Management

Note to Instructor: This point—that the crop plan should serve the marketing plan and be constrained by the financial plan—should be emphasized. Holistic business planning requires that all of the aspects of the business work together.

PART 2: MARKET ANALYSIS/ MARKETING PLAN

A. Research and define each segment and region and rank according to priority

Note to Instructor: Step the students through the Market Analysis Matrix in Appendix 2: Sample Business Plan. Change the left hand "Segment" column to match the students' choices and have an interactive class discussion to fill in the two grids and rank the segments and regions in order of potential importance. The point of the exercise is 1) to show that you don't have to be an expert to do market analysis; 2) to identify areas on which students may need to do subsequent research (e.g., the ease of entry into a particular farmers' market that has received a high ranking through this market analysis process).

B. Analyze skill set, products, resources, constraints and goals; match to market segment/region

Note to Instructor: Develop additional sample segments, message, and product mix with the class's own ideas.

C. Develop plan for market segments

1. Develop a plan for the top two or three segments and regions. Tailor your message and offerings to that segment/region.

Note to Instructor: Fill in the Example Segment #2 with the suggestions/ideas from the class.

2. Develop a plan for each segment and region specifying attainable market goals for the segment/region.

Note to Instructor: Have the class come up with some good questions to ask, and maybe some good local resources to call.

3. Develop a plan for each segment and region detailing communication and product mix and pricing strategies (message, event participation, materials) tailored to that segment / region
4. Develop a plan for each segment and region with a timeline by month and year for accomplishing marketing goals in the region/segment

D. Pricing Strategies

Note to Instructor: The examples below are based on the values and goals expressed earlier in this sample business plan. Different pricing strategies would support different goals and values.

1. Establish strategic pricing strategies to maximize short- and long-term revenues, smooth cash flow, and create a good long-term relationships with clients
2. To do: Develop sample price sheets to support cash flow revenue projections. Develop different scenarios for price and product mix.

PART 3: TIME MANAGEMENT

A. Establish time management / project management procedures

1. Objectives of time management
2. Time management tools and techniques: Need to consider software, palm pilot, calendars, etc. Define what will work for you, the business.
3. Time management to do's
 - A time needs and availability analysis for the first two years of operations. Make sure that all of your assumptions match the cash flow worksheet and the farm plan.
 - Discuss assumptions and options by _____ (date)
 - Begin following the plan by _____ (date)
4. Time management considerations

Note to Instructor: Since you can't "borrow" time, how will you manage a time deficit? Discuss the relationship between time and values, i.e., if you value health but do not allow time to sleep or exercise, you do not have a holistic (or realistic) business plan

PART 4: FARM/CROP PLAN

Note to Instructor: Remind students that the Farm/Cropping Plan is based on a well-defined Marketing Plan, which is in turn based on a Market Analysis and constrained by a Financial Plan. The Crop Plan would be included here in the business plan.

PART 5: FINANCIAL MANAGEMENT

A. Financial Management Essentials

1. Define budgeting procedures
2. Define cash flow management procedures
3. Define bookkeeping procedures
4. Include the following –
 - a. Marketing plan: short-term, mid-term, and long-term needs (target months to complete each stage)
 - b. Budget for necessary technology and training (target month to have budget and begin using new system)
5. Update business plan, budgets, and cash flow projections often (target month to do first update)

Note to Instructor: Most of the discussion surrounding this part of the business plan is best had while demonstrating the cash flow spreadsheet (see Appendix 4: Sample Cash Flow Spreadsheets)

Lecture Outline 3: Cash Flow Spreadsheets, Cash Flow Planning, and Proper Categories for Sources and Uses of Cash

Note to instructor: This section is designed to be presented using a PowerPoint projector to show the students the design and organization of a cash flow spreadsheet line by line (see Appendix 4: Sample Cash Flow Spreadsheets (Excel file) for a sample small farm cash flow plan). Students may use Appendix 5: Cash Flow Template (Excel file) and Appendix 6: Second Year Cash Flow Projections (Excel file) as a template to develop individual cash flow projections for actual or hypothetical farming operations. These Excel files can be downloaded free from www.ucsc.edu/casfs (go to the link for **Teaching Direct Marketing and Small Farm Viability: Resources for Instructors**).

A. Introductory Statements

1. Assumed business ownership structure for sample cash flow: "Sole Proprietorship"
2. There are many other types of legal entities to consider for operating a business. Each has advantages and disadvantages (not addressed in this lecture). Examples of other business ownership structures include –
 - a. Corporation (also called a C-corporation and an S-corporation for the different sections of the tax code)
 - b. Partnership
 - c. Limited Liability Company (LLC)
 - d. Not for Profit Corporation (501(c)3)
3. Terminology: Some of the terms used in this cash flow exercise would be different if one were to organize a business under a different business ownership structure (e.g., legal corporation or legal partnership). Different terms would be used to show how investors would contribute and draw money to or from the business.

B. Introduction to the Small Farm Cash Flow Spreadsheet (Appendix 4)

1. The cash flow spreadsheet allows you to enter your beginning cash investment and your assumptions about monthly inflows and outflows of cash. The spreadsheet automatically calculates the summarized activity every month, and you can see, based on the negative or positive balance projected for your checking account at the end of the month, if you need to change your assumptions.
2. The Small Farm Cash Flow Spreadsheet (Appendix 4 and on web) is easy to use
 - a. Entries are made in the yellow and tan cells (purple cells in online template)
 - b. The green cells have imbedded formulas
 - c. The white cells identify what information goes in the row or the column
 - d. Column C is for January. There is a column for each month of the year.
 - e. Sheet 2 is for your second year projections
3. How the Small Farm Cash Flow Spreadsheet is organized
 - a. Monthly organization – because this is the frequency of significant cash flow fluctuations

4. Components of Small Farm Cash Flow Spreadsheet and how to use them
 - a. Personal Savings – Personal savings figures are included to encourage good saving habits. (You could have a section here instead showing your personal checking account.)
 - b. Business Checking – All business transactions should go through the business checking account
 - i. To do: Open a new checking account to be used exclusively for business transactions
 - ii. The beginning balance in this example is zero (see: “Checking”/ “Beginning Cash in Ckg”/ Jan.). The cash (\$12,000) is transferred in from the savings account (see: “Business Checking”/ “Contribution to (From) Savings”/ Jan.)
 - iii. The section under the Business Checking account (“Ending Balance”) summarizes the cash flow activity of each month. Note: You will not enter any figures here. All of the cells in this section contain formulas that automatically calculate totals from the figures entered in the worksheet sections described in detail below (e.g., Non-Operational Sources of Cash [Borrowing]; Non-Operational Uses of Cash; Operating Income; Operating Expenditures; Capital Expenditures; etc).
 - iv. Actual hard currency cash income should be deposited in and withdrawn from the business checking account
 - v. Petty cash (cash you keep on hand) should not be substantial enough to change basic cash flow planning
 - vi. There is no benefit to hiding cash “under the table” in your start-up years as you will want to show a taxable profit so that you will have the option of applying for credit to help finance the development of your operation
 - vii. “Operating Income” – All income generated from the sale of produce.
 - viii. “Operating Expenditures” – All of the direct expenses associated with the growing of crops for eventual sale. Operating expenditures are termed “period expenses” (i.e., are used up once the crop is harvested). This is unlike the expenses of buying a piece of equipment that will last many years, which would be listed under Capital Expenses (see below). Individual Operating Expenses are entered under the “Operating Expenditures.”
 - ix. “Net Cash Flow from Operations” – This is the critical line. Can you get to a positive cash flow from operations or do you have to borrow to fund operations as well as capital acquisitions?
 - x. “Cash From Borrowing” – If you are negative after operations, you will need to borrow or fund your business from personal monies. Allowing your checking account to run negative is not an option. Note: In any month when you see an automatic calculation of a negative amount in your checking account, you need to manually put in the amount of cash you need to borrow to keep your checking account balance above zero.
 - xi. “Capital Expenditures” – Equipment is considered to be capital like cash. The purchase of equipment is considered a capital expenditure as it benefits the business over many years. Unlike inputs such as soil amendments, it does not get used up within the crop year.
 - xii. Be careful not to skew your cash flow from operations by putting equipment purchases in with operating expenses
 - xiii. “Debt Reduction” – This is also in a category by itself, since it is neither operational nor capital. You will need to make payments on your debts according to the terms of the loan (e.g., an equipment loan may require monthly payments, whereas your family may let you pay nothing for the first six months, and then make monthly payments thereafter). Paying debt is critical so that you do not ruin your credit. Enter the amount of debt you need to pay each month according to the terms of the loan.
 - xiv. Again, be careful not to skew your cash flow from operations by putting debt service in with operating expenses

- xv. "Draws" – This is a cash flow projection for a specific business enterprise—your farm. Your personal budgeting needs to be done separately in order to determine how much cash you need to take out of the business. When you take cash out of the business, it is called a "draw." At the end of the year, all the cash you took out of the business is called your "draws."
- c. Non-Operational Sources of Cash (Borrowing) – This section is to show the detail of sources of financing. If you need to borrow cash in order to keep a positive balance in your checking account, enter the amount of cash to be borrowed here.
- d. Non-Operational Uses of Cash (Draws and Debt Repayment) – This section is to show the detail of draws and debt service. Contributions to Savings are a kind of "Draw." You can adjust your monthly draws and debt payments in this section based on Net Cash Flow From Operations. Enter the amount you expect to take home and the amount you need to pay business debts in this section.
- e. Operating Income – This section is to show the detail of sources of income. Enter each major market or each major crop on a row and put your monthly sales projections in each column. You can use a separate worksheet to do detailed calculations based on crop mix, price, and volume to support your entries in this section.
- f. Operating Expenditures – This section is to show the details of your cultivation costs. Enter all expenses associated with cultivation here. Your overall farm plan should provide information to help you determine when your expenses will fall/decline. Shop around and make sure you are using good pricing assumptions.
- g. Capital Expenditures – This section is to show the detail of your equipment needs. Your farm plan should provide information to help you determine when your expenses will fall. Shop around and make sure you are using good pricing assumptions. Use a new row for each piece of equipment, and enter the expected purchase price in the column corresponding to the month you expect to purchase the equipment.

C. The Use of Business Terms and a Cash Flow Spreadsheet in Approaching Lenders

1. A lender will want figures presented in this way and will use the terms presented in this unit. One should be conversant with these terms when approaching any lending agency.
2. If you bring in a cash flow projection that demonstrates that you do not understand the difference between "operations" and "debt," you are unlikely to get a loan
3. A lender wants to see that income from operations will cover your basic living expenses and your monthly debt service
4. If you cannot demonstrate this, you will need to demonstrate how you will self-finance the operation (i.e., show that you have income from an outside job that you will contribute to the business)

D. Cash Flow Projection Year Two: Summary

1. Started with more cash but still needed credit. Compare cell C8 (Beginning Cash in Checking) with row 12 (Cash from Borrowing).
2. Still have not recovered initial investment (look at cells N5 and N 17 and compare to the initial \$12,000 investment)

E. Assessing Economic Viability: Can This Farm Succeed?

1. The farm must show positive cash flow from operations, sufficient to cover draws and debt service, in order to be financially viable. If you must use outside earnings or credit to fund operations your farm does not have even minimal viability. If outside earnings must fund personal living expenses and debt service for the farm, you have a chance. If you need credit but you cannot obtain it, you do not have a viable farm plan.

Step-by-Step Exercise: Entering Your Financial Information into the Small Farm Cash Flow Spreadsheet

Note: This step-by-step exercise should be used with Appendix 5: Cash Flow Template, and Appendix 6: Second Year Cash Flow Projections, in developing a cash flow projection and assessing the economic viability of an actual or hypothetical farming operation. Appendices 5 and 6 are available as Excel files that can be downloaded from the Center for Agroecology & Sustainable Food Systems web site, www.ucsc.edu/casfs; go to the **Teaching Direct Marketing and Small Farm Viability: Resources for Instructors** link. The following is designed to be used by the students on their own computers; you can walk them through the process by projecting the Excel files with a PowerPoint projector.

1. Only make entries in yellow cells. DO NOT MAKE ANY ENTRIES IN THE GREEN CELLS. The green cells have imbedded formulas. White cells identify what information is in the row or the column. Column C is for January. There is a column for each month of the year. Appendix 6 is for your second year projections.
2. Initial Investment
Start with an entry in cell C3 to show how much cash you have saved up to start the business
3. Start Up Loans, Equipment Loans
Make entries in C 21 and 22 if you expect to receive loans to start your business. Identify the loans in cells B 21 and B22. Enter the money you plan to take out of the business in C 26 and 27. Identify loan payments in cells B 30 and B31. Enter your loan payments in C 30 and 31—you usually will not have a loan payment due your first month of operations.
4. Operating Income
Identify major sources of income (such as markets or crops) at B 35–B38. Cells C35–C38 are for your projected income from your first month of operations for each market or crop. These cells should be empty because you won't have any income until you have something to sell.
5. Operating Expense
Detail your operating expenses in cells B42–B73. Cells C42–C73 are for your projected operating expenses for your first month in business.
6. Equipment Purchases (Capital Expenditures)
Identify the specific equipment you need to buy in cells B78–B162. Cells C78–C162 are for the equipment you plan to purchase in your first month in business.
7. Summary of Activity
When you have entered all of your information for January in rows 21 through 162, go back to the top of the worksheet to look at the summary for the month of January
 - a. Cash Flow from Operations (Sales less Expenses)
Row 11 shows negative cash from operations because you worked but had no sales
 - b. Cash from Borrowing
Row 12 shows the cash infused into the business from borrowing. Row 13 shows the total cash you had available after operations and borrowing.
 - c. Capital Expenditures

Row 14 shows your capital expenditures

d. Debt Payment

Row 15 shows your debt payment for the month (zero in your first month of operations since you just took out the loan)

e. Draws, and Contributions to or from Savings

Row 16 shows your personal draws. Row 17 shows a NEGATIVE draw—in this case your contribution of cash from your savings account.

In future months row 17 will show the amount of money you take out of the business to put back into savings

f. Question: How long will it take you to restore your initial savings account balance?

8. Now you can continue entering information for each successive month. You can enter month by month (column by column) or category by category (row by row).
9. The most important part of the process is to return to the summary and study row 18—Ending Balance (of your checking account.). You cannot leave a negative balance in row 18.
10. Borrowing to cover a deficit – If you are confident of your operational income and expense numbers, and you are planning to borrow each month to fund a deficit, study rows 21 and 22 and enter there the amount you need to borrow—month by month—to keep row 18 positive. Remember to schedule the REPAYMENT in future months, as per the terms of the loan.
11. Changing assumptions about operating income and expense so that you will show positive cash flow – You should start with your best and most realistic estimates of operating income and expense based on your farming and marketing plan. You may need to change your farming and marketing plans based on your initial cash flow projections. If you do this, then you can change the amounts you enter on your cash flow projections. Just changing the numbers so that you will come out positive defeats the whole purpose of business planning.
12. About draws – You can show zero draws, or very small draws, to make your cash flow projections look better to you...but a lender will not believe that you can live on a hundred dollars a month. Be prepared to demonstrate to a lender that you have outside income (or the equivalent, say you have free rent because you take care of your granddad) and that you are capable of covering your basic living expenses. You may need to show a lender a basic personal budget to convince them that you are being realistic.

Resources

SUGGESTED READINGS (SEE ANNOTATIONS BELOW)

- The Accounting Game: Basic Accounting Fresh from the Lemonade Stand, by Darrell Mullis and Judith Handler Orloff. Educational Discoveries. Sourcebooks, 1998.
- Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses. USDA SARE and the Sustainable Agriculture Network, 2003.
- Sustainable Vegetable Production from Start-up to Market, by Vern Grubingers. Natural Resources Agriculture and Engineering Services (NRAES), 1999.

PRINT RESOURCES

- The Accounting Game: Basic Accounting Fresh from the Lemonade Stand, by Darrell Mullis and Judith Handler Orloff. Educational Discoveries. Sourcebooks, 1998.
- This book uses a lemonade stand to teach the basics of financial language and record keeping. Covers all the basics of accounting in a very accessible and entertaining way. Covers the basic language of business concepts such as cost of goods sold, expenses, bad debts, accrual vs. cash methods of accounting, capitalizing vs. expensing, depreciation, and the difference between cash and profit.*
- Backyard Market Gardening, The Entrepreneur's Guide To Selling What You Sow, by Andy Lee and Jim Hightower. Good Earth Publications, 1993 (5th printing).
- A complete why-to and how-to of small-scale market farming. Email goodearth@rockbridge.net.*
- Bookkeeping the Easy Way, by Wallace W. Kravitz. Barrons Educational Series, Inc., 1993.
- A simple guide to setting up an easy-to-use bookkeeping system and understanding accounting fundamentals.*

Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses. USDA SARE and the Sustainable Agriculture Network, 2003.

A thorough introduction to business planning for sustainable agriculture entrepreneurs. Provides sample worksheets for setting goals, researching processing alternatives, determining potential markets, and evaluated financing options. Blank worksheets help the reader develop a detailed, lender-ready business plan or map out strategies to take advantage of new opportunities. Includes many examples of actual business plans. A very user-friendly and value-based approach to business planning. See: www.sare.org; www.misa.umn.edu/publications/bizplan.html for description, ordering information, and pdf version of the document.

Community Supported Agriculture—Making the Connection: A 1995 Handbook for Producers, by Bill Kaye-Blake. UC Cooperative Extension, Placer County, 1995.

Pulls together the experience of many innovative projects. While describing the diversity of CSAs, this handbook for producers also addresses common questions and concerns. Available from UCCE Placer, Attn: CSA Handbook, 11477 E Ave., Auburn, CA 95603. \$25 plus \$5.00 s/h, check payable to "UC Regents".

Dynamic Farmers' Marketing: A Guide to Successfully Selling Your Farmers' Market Products, by Jeff Ishee. Bittersweet Farmstead, 1997.

An informal book dedicated to the sole topic of selling at farmers' markets. Save two years of trial and error just by studying and implementing the tips found in this book.

Farm Business Management: The Decision-Making Process, by Emery N. Castle, Manning H. Becker, and A. Gene Nelson. Macmillan Publishing Co., 1987.

A comprehensive academic textbook on farm management for the undergraduate-level student.

Farming Alternatives—A Guide to Evaluating the Feasibility of New Farm-Based Enterprises, by Nancy Grudens Schuck, Wayne Knoblauch, Judy Green, and Mary Saylor. Cornell University, Ithaca, New York, 1988.

A concise and easy-to-use resource for evaluating the feasibility of new agricultural enterprises. Includes self-assessment exercises used to identify and define personal values and goals and their compatibility with a career in agriculture. Also includes assessments of personal resources such as capital, skills, and equipment necessary to succeed in agricultural businesses. Available from www.cce.cornell.edu.

The Flower Farmer: An Organic Grower's Guide to Raising and Selling Cut Flowers, by Lynn Byczynski. Ball Publishing, 1997.

A comprehensive introductory guide to commercial cut flower production, including variety recommendations, cultivation, harvest and post-harvest handling, flower marketing, yield and pricing, woody ornamentals, dried flowers, arranging, profiles of successful growers, and an appendix with production and harvest advice on 100 species. A lovely book as well. Available from Growing for Market, P.O. Box 3747, Lawrence, Kansas 66046. Phone: 785-748-0605, Fax: 785-748-0609. E-mail: growing4market@earthlink.net. Also see www.growingformarket.com.

How to Farm for Profit: Practical Enterprise Analysis, by Donald M. Fedie and Michael H. Prosser. Iowa State University Press, Ames, IA, 1997.

"This book introduces basic financial principles, procedures and the enterprise analysis that is widely accepted in other industries, including a discussion of standardized financial reporting and the information derived from this process, such as extent of profitability, sources and uses of cash, and changes in owner's equity for the reporting period. After laying out the procedures for financial reporting, the book presents a farming and ranching operation with five enterprises—cropping, cattle feeding, hog farrow-to-finish, dairy, and calf production, and shows how to analyze each enterprise in terms of income, expenses, and break-even costs." – Missouri Alternatives Center Library

Keeping the Books: Basic Record Keeping and Accounting for the Successful Small Business, by Linda Pinson Dearborn. Trade Publishing, 2004.

A simple guide to setting up an easy-to-use bookkeeping system and understanding accounting fundamentals.

Market Farm Forms: Spreadsheet Templates for Planning and Tracking Information on Diversified Market Farms, by Marcie A. Rosenzweig, 1999.
Developed to help with planning, planting, and income diversification. The book explains how to enter your farm's information into the templates, and what the calculated data tell you. Cross-platform CD (included) works seamlessly with Excel. Computerless farmers can use the printed forms with a pencil and calculator. Available from Full Circle Organic Farm, 3377 Early Times Lane, Auburn, CA 95603. E-mail: fullcircle@jps.net. \$45 plus \$5 shipping and handling. California residents pay \$3.26 state tax.

Metro Farm: The Guide to Growing for Big Profit on a Small Parcel of Land, by Michael Olson. TS Books, 1994.

Thorough and fun to read, this book generates a million ideas and helps you chart your course for creating a new small farm enterprise. Available from www.metrofarm.com.

The New Farmers' Market: Farm-Fresh Ideas for Producers, Managers and Communities, by Vance Corum, Marcie Rosenzweig, and Eric Gibson. SARE, 2001.

Provides extensive information in a clear, nuts-and-bolts manner. Contains invaluable insight and advice for both those selling at market, and those organizing them. Available from www.sare.org.

The New Organic Grower: A Master's Manual of Tools and Techniques for the Home and Market Gardener, by Eliot Coleman. Chelsea Green Publishing Co., 1988.

Great general guide for the principles of intensive crop management.

Rebirth of the Small Family Farm: Handbook for Starting a Successful Organic Farm Based on the Community Supported Agriculture Concept, by Bob and Bonnie Gregson. Island Meadow Farm, 1996.

Describes how two middle-aged, relatively novice farmers make a decent living from two acres of land. Available from IMF, Box 2542, Vashon Island, WA 98070. \$9.95, including postage.

Risk Management Training for Diversified

Family Farmers. USDA Risk Management Agency, Farm Services Agency and Farm and Agriculture Collaborative Training Systems.

Based on a series of workshops, the 7-workbook series is designed to assist diversified family farmers manage risk proactively through addressing many elements that contribute to creating a financially healthy farming operation. Covers the following topics: Introduction to Risk Management; Managing Family and Personal Risk; Managing Financial Risk; Managing Production Risk; Managing Marketing Risk; Managing Legal and Regulatory Risk. An extensive resources listing is also included. Available online through CAFF (see below) at www.caff.org/programs/rma/rma.shtml.

Small Operator's Handbook: How to Start Your Own Business, Keep Your Books, Pay Your Taxes, and Stay Out of Trouble, by Bernard Kamoroff, 2000. 27th edition.

Contains general information about starting and running a small business, including worksheets and resources. Available from www.starvingmind.net.

Successful Small-Scale Farming, An Organic Approach, by Karl Schwenke. Storey Publishing, 1991.

Goes beyond growing crops to show everything you need to know—including which direction to begin plowing your fields, machinery you might not need, how to pull up old fence posts, and other information you missed from your farming grandparents!

Sustainable Vegetable Production from Start-up to Market, by Vern Grubingers. Natural Resources Agriculture and Engineering Services (NRAES), 1999.

Covers equipment thoroughly, as well as farm planning and business management. Contains a section on grower profiles for 18 crops, including their enterprise budgets. A great overview for farmers starting out or those looking for different angles. Available from www.nraes.org.

Western Profiles of Innovative Agricultural Marketing: Examples from Direct Farm Marketing and Agri-Tourism Enterprises. Western Extension Marketing Committee, Cooperative Extension of the University of Arizona, Publication AZ1325, 2003.

Provides 16 case studies of successful, innovative direct farm marketing enterprises.

PERIODICALS

Growing for Market

A very useful national monthly newsletter for direct market farmers. Covers production and marketing of vegetables and flowers. P.O. Box 3747, Lawrence, Kansas 66046. Phone 785.748-0605, Fax 785.748-0609, email growing4market@earthlink.net. See also www.growingformarket.com.

Marketing Your Produce

A compilation of the best marketing articles that appeared in Growing For Market, 1992–1995. Chapters include information on specialty produce, selling to restaurants and/or supermarkets, farmers' markets, CSA projects, and expanding your market. Ends with a list of recommended books. See above for ordering information.

Small Farm News

Small Farm News is a quarterly publication of the UC Small Farm Center. The newsletter features farmer and farm advisor profiles, research articles, farm-related print and web resources, news items, and a calendar of state, national, and international events. See www.sfc.ucdavis.edu for the online editions.

Small Farmer's Journal

Provides information on farming with horses, and great general information and tales about farming. Available from Small Farmer's Journal, Inc., PO Box 1627 Sisters, OR 97759. Published quarterly.

WEB RESOURCES

California Department of Food and Agriculture Regulations:

www.cdffa.ca.gov/cdfa/pendingregs

California Department of Food and Agriculture Regulations (CDFAR) is a California state agricultural agency with divisions of Animal Health and Food Safety Services; Fairs and Expositions; Inspection Services; Marketing Services; Measurement Standards; and Plant Health and Pest Prevention Services. The web site contains links to the services and programs of the above agencies as well as links to county agricultural commissioners and official statements and policies of the USDA, FDA, and CDFAR on current events in agriculture.

California Federation of Certified Farmers' Markets:

www.cafarmersmarket.com

An information clearing house on certified farmers' markets in California. Provides comprehensive information on certified farmers' markets; links to locate farmers markets in a given area; product specific listings of associations and organizations; links to information on agriculture and trade policy, and much more. The California Federation of Certified Farmers' Markets is a statewide non-profit membership organization of California Certified Farmers' Markets.

Community Alliance with Family Farmers (CAFF):

www.caff.org

A nonprofit family farming advocacy organization encouraging economic and environmental sustainability through farmer oriented land use and crop production workshops, publications, policy initiatives, and economic development programs encouraging regional food systems and public education programs.

Growing New Farmers:

www.growingnewfarmers.org

Growing New Farmers is a community of new farmers and service providers organized through the New England Small Farm Institute. This web site will assist the spectrum of beginning farmers, from those assessing whether they want to get started to those finalizing business plans. Though created for farmers in the Northeast it has a wealth of information for California farmers, including worksheets, articles, and a user-friendly question and answer section.

Nolo Press:

www.nolo.com

Dedicated to helping people handle their own everyday legal matters or make more informed legal decisions, Nolo Press publishes reliable, plain-English books, software, forms, and up-to-date legal information covering almost any legal topic. Includes an extensive list of publications and online articles on the types of legal ownership structures that are available and do-it-yourself manuals on forming sole proprietorships; partnerships; limited partnerships; limited liability companies (LLC); nonprofit corporations; and nonprofit cooperatives. Includes links to other helpful web sites.

Organic Agriculture Products: Marketing and Trade Resources:

www.nal.usda.gov/afsic/AFSIC_pubs/OAP/srb0301.htm

A comprehensive listing of electronic resources addressing the following subject areas: Regulation, Laws, and Legislation governing organic production and trade; How-to Guides on Marketing, Business Planning, and Sample Enterprise Budgets; Guides to Data, Suppliers, Outlets, and Events; Industry and Data Sources; Market and Consumer Studies; Support Organizations. Compiled by Mary V. Gold of the National Agricultural Library in association with the Agricultural Research Service of the U.S. Department of Agriculture.

Resources for Economic Viability in Sustainable Agriculture:

www.mvls.info/revsa/

Annotated resource listings compiled by the Mohawk Valley Library System containing business planning resources for small-scale farmers (see Generalized Tools for Small Businesses).

UC Small Farm Center:

www.sfc.ucdavis.edu

The Small Farm Center was established to enhance the viability of small- and moderate-scale agricultural producers by stimulating research and extension education in production systems, marketing, and farm management. Contains a fully searchable library and database for many topics on small-scale agriculture in California.

POWER POINT RESOURCES

Reap New Profits: Marketing Strategies for Farmers and Ranchers: A PowerPoint presentation for Educators on CD-ROM

This PowerPoint presentation developed by the Sustainable Agriculture Network depicts some basic alternative marketing strategies and will help answer common questions from producers seeking to increase profits. The presentation describe how you might help farmers explore new ways to market and add value to their products through such tried-and-true techniques as: farmers markets, farm stands, agritourism, community supported agriculture, creating value-added farm products, working in a successful cooperative, selling directly to restaurants, mail order and Internet sales. Available from Sustainable Agriculture Research and Education (SARE), 301.504-5326, or email san_assoc@sare.org. Order online at www.sare.org/publications/marketingCD.htm.

Glossary

Capital Expenditures

Expenditures for long-term assets that will benefit the business over many years.

Draws

Cash removed from the business for personal use including personal savings.

Net Cash Flow From Operations

Operating Income less Operating Expenditures – demonstrates the profitability of the operation before considering debt service, equipment purchases or any personal financial needs of the owner.

Non-Operational Sources of Cash

Cash contributed to the business other than from sales of farm products. Cash contributed from personal savings, from borrowing, or from selling farm assets like equipment.

Non-Operational Uses of Cash

Draws, debt service, capital expenditures.

Operating Income

Sales, the income associated with the regular business of the farm. Not income from unusual activities such as a one-time sale of an old piece of equipment.

Operating Expenditures

The direct expenses associated with growing crops for sale. They are period expenses, i.e. they are all used up when the crop is harvested—unlike the expenses of buying a piece of equipment that will last many years.

Appendix 1: Characteristics of U.S. Small Farms (sales less than \$250,000) Differ Markedly from Large Farms

	LESS THAN \$50,000	\$50,000- \$249,999	ALL SMALL FARMS	FARMS WITH SALES OF \$250,000 OR MORE	ALL FARMS
Number of farms	1,531,760	413,431	1,945,190	122,810	2,068,000
Share of all farms	74.1%	20.0%	94.1%	5.9%	100%
Value of Production	9.5%	31.3%	40.8%	59.2%	100%
Average gross cash farm income	\$12,482	\$117,320	\$34,764	\$686,606	\$73,474
Livestock sales	\$4,671	\$45,910	\$13,436	\$272,625	\$28,828
Crop sales	\$3,662	\$52,117	\$13,960	\$331,236	\$32,802
Government payments	\$1,067	\$5,343	\$1,976	\$14,427	\$2,715
Other farm income	\$3,082	\$13,948	\$5,392	\$68,318	\$9,129
Average net cash farm income	\$-1,702	\$23,159	\$3,582	\$152,724	\$12,439
Average asset value	\$264,784	\$569,295	\$329,505	\$1,618,751	\$406,068
Commodity Specialty					
Cash grain	12.6%	38.4%	18.1%	30.4%	18.8%
Other field crops	19.3%	7.7%	16.8%	10.7%	16.4%
High-value crops	6.0%	8.7%	6.6%	13.4%	7.0%
Beef	40.4%	14.0%	34.0%	11.1%	33.4%
Hogs	3.7%	4.2%	3.8%	6.5%	4.0%
Dairy	1.1%	17.5%	4.6%	14.6%	5.2%
Other livestock	16.8%	9.6%	15.3%	13.3%	15.2%
Farms able to generate returns equivalent to average U.S. household income	7.6%	38.8%	14.2%	70.5%	17.6%

Source: 1995 Agricultural Resources Management Survey. Economic Research Service, USDA.

Appendix 2: Sample Business Plan

PART 1: BUSINESS VISION, GOAL, PRELIMINARY RESOURCE AND MARKET ANALYSIS

A. Business Vision:

To produce high quality organic products in an environment conducive to my own health, as well as the health of the environment, others who work or play on the farm, and those who consume farm products.

B. Business Goal:

Within 7 years, to net an average of \$50,000/year from a total of 1,470 hours in the field, 490 hours marketing, 245 hours spent in research and education, and 245 hours spent administering the business, leaving three weeks for vacation and illness. This schedule is comparable to other successful small business owners, and assumes 49 50-hour work weeks per year.

C. Resources:

1. Skills and Experience:

- a. *Worked in produce purchasing*
- b. *Degree in soil science*
- c. *Equipment/labor utilization process (learned during internship)*
- d. *Field work and classes in bio-controls*

2. Personal Reputation:

- a. *Local recognition*
- b. *Good relationship with local market and local restaurants*
- c. *Used to be on the board of local organization(s)*
- d. *Invited to talk to kids at local school*

3. Circle of Advisors:

To Do ASAP: Draw up a short list of advisors, have them over for dinner, show them first draft of the business plan, and ask them to be advisors. (Also, get a gift for each.)

D. Potential Market(s):

1. Segments: Examples

- a. *Farmers' Markets*
- b. *Community Supported Agriculture*
- c. *Direct to restaurants*
- d. *Specialty caterers – weddings, flowers, special jams for wedding favors*
- e. *Value-added (e.g., personal label jams, edible flower bouquets, and winter "gift gourds")*

2. Regions: Examples

- a. *Santa Cruz*
- b. *Half Moon Bay*
- c. *Monterey Peninsula*
- d. *San Francisco*

E. Constraints:

1. *Capital*
2. *Time (and distance)*
3. *Competition from other small farms*

4. Downward pressure on all agricultural producers
5. Matching height of production to market demand

F. Strategies for Meeting Goals:

1. Market Analysis/ Marketing Plan: Summarizing the strategic value/key components of Market Analysis and a Marketing Plan
 - a. Develop marketing plans by segment and region and implement strategically over time.
Motto: "Find a market niche and diversify."
 - b. Pursue highest dollar value per effort opportunities first—this means considering where the highest price can be charged (and/or most product sold) and where it is most costly to do business, and weighing the costs and benefits of pursuing new opportunities
 - c. Evaluate skills and focus on offering products and services in a way that will maximize revenue in the short run and build the business and secure revenues in the long run
 - d. Establish strategic pricing strategies to maximize short- and long-term revenues, smooth cash flow, and create long-term relationships
 - e. Establish a "feedback loop" to evaluate how goods and services are received (solicit comments on quality and diversity and service)
 - f. Never stop evaluating and adapting
2. Time Management: Summarizing the strategic value/key components of a Time Management Plan
 - a. Establish time management / project management procedures to –
 - i. Ensure professional and timely delivery of goods and services to clients
 - ii. Maximize opportunities to build on good relationships with clients
 - iii. Minimize errors and misunderstandings with employees and clients
 - iv. Reduce the stress of a hectic work schedule
3. Financial Management: Summarizing the strategic value/key components of a Financial Management Plan
 - a. Establish budgeting, cash flow management, and bookkeeping procedures (and follow them!)
 - b. Include short-term, mid-term, and long-term needs in marketing plan, and budget for necessary technology and training
 - c. Update business plan, budgets, and cash flow projections often
4. Farm/Crop Plan:
 - a. Serves the marketing plan
 - b. Follows the financial plan

PART 2: MARKET ANALYSIS/MARKETING PLAN: SAMPLE

A. Research and define each segment and region and rank according to priority. (Assign task and set due date for completion.)

** Note: "Future potential" means "Will this help me grow my business in the future?" The best example of this would be going to a farmers' market for a year in order to develop a client base to start a CSA in the future.*

SEGMENT	EASE OF MARKETING HARD =1 EASY=10	AVAILABLE \$\$\$ LITTLE=1 LOTS=10	COST OF DOING BUSINESS EXPENSIVE=1 CHEAP=10	*FUTURE POTENTIAL NONE=1 LOTS=10	SCORE	RANK BY HIGHEST SCORE
Farmers' Markets						
CSA						
Restaurants						
Specialty caterers – weddings						
Value-added						
REGION	EASE OF MARKETING HARD =1 EASY=10	AVAILABLE \$\$\$ LITTLE=1 LOTS=10	COST OF DOING BUSINESS EXPENSIVE=1 CHEAP=10	*FUTURE POTENTIAL NONE=1 LOTS=10	SCORE	RANK BY HIGHEST SCORE
Santa Cruz						
Half Moon Bay						
Monterey Peninsula						
San Francisco						

B. Analyze skill set, products, resources, constraints, and goals; match to each market segment/region. (Do this with advisors, assign task and set due date.)

SKILL	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
Perform well at Farmers' Markets	I sell well People see what they get Easy for me to go there	But I have not been at that market long Prices are low, lots of competition Never know what I am really going to sell

KEY: Establish a presence, get loyal customers, find out what they like

PRODUCT	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
Flowers	Beautiful Brings 'em to my stand	Unnecessary Labor intensive

KEY: Get them to buy the food that goes with the flowers

RESOURCE	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
Farm lease	I can afford Nice barn	Long drive, hill, cannot have groups of visitors

KEY: Maintain relationship and keep an eye on alternatives

CONSTRAINT	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
Lack of equipment	NONE	I spend too much time in the field and not enough time selling

KEY: Get financing and buy the equipment I need

C. Develop plan for market segments:

1. Develop a plan for the top two or three segments and regions. Tailor your message and offerings to that segment/region. (Assign task and set due date.)

EXAMPLE SEGMENT #1 IN REGION:

Farmers' Market in San Francisco

Example Message:

"Everything you need for the week is available right here at the farmers' market, and most of it at my booth. All week long you can remember this beautiful day, and the story I am going to tell you about how hot it was when we picked these melons, and how we went swimming in the creek after and that you got invited to come up and visit sometime."

Sample product mix:

1. Summer fruit (e.g., melons, tomatoes)
2. Flowers
3. Hard Squash

EXAMPLE SEGMENT #2 IN REGION:

Message:

Product mix:

- 1.
- 2.
- 3.

2. Develop a plan for each segment and region specifying attainable market goals for the segment/region. (Assign task and set due date.)

Call 5 people a week in each segment/region. Ask five good questions:

- a. Would you advise me to sell in this region or market?
- b. What do you think the critical elements for success will be?
- c. What do you think will sell best there?
- d. Do you have any specific advice for me about breaking into this region or market, or about marketing my particular crop mix?
- e. Who else should I talk to?

Get leads and take notes. At end of month evaluate marketing plan and determine next steps.

CALL LIST WEEK OF ____/____/____ (DATE)

SEGMENT #1	SEGMENT #2	REGION #1	REGION #2
1.			
2.			
3.			
4.			
5.			

QUESTIONS:

- _____?
- _____?
- _____?

· Who else should I talk to?

· Besides word of mouth, what other avenues should I pursue in order to establish clients in this area?

3. Develop a plan for each segment and region detailing communication and product mix and pricing strategies (message, event participation, materials) tailored to that segment / region (after first date)

4. Develop a plan for each segment and region with a timeline by month and year for accomplishing marketing goals in the region/segment (after first date)

D. Pricing Strategies

1. Establish strategic pricing strategies to maximize short- and long-term revenues, smooth cash flow, and create a good long-term relationships with clients
 - a. Short term strategy – base price on competition
 - b. Long term strategy – figure out what it costs you to grow and price accordingly
2. To do: Develop sample price sheets to support cash flow revenue projections. Develop different scenarios for price and product mix. (Set date.)

PART 3: TIME MANAGEMENT

A. Establish time management / project management procedures

1. Objectives of time management –
 - Ensure professional and timely delivery of services
 - Maximize opportunities to build on good relationship
 - Minimize errors and misunderstandings
 - Reduce the stress of a hectic work schedule
2. Time management tools and techniques: Need to consider options: Software, palm pilot, calendars, etc. Define what will work for you, the business?
3. To do –
 - A time needs and availability analysis for the first two years of operations. Make sure that all of your assumptions match the cash flow worksheet and the farm plan.
 - Discuss (options?) by ___/___/___(date)
 - Begin (what?) by ___/___/___(date)
4. Time management considerations –
 - 52 weeks x 50 hours a week equals 2,600 hours
 - 3 weeks of vacation and sick equals 150 hours
 - There are 2,450 work hours in the year
 - 1 day a week marketing equals 490 hours
 - 1/2 day a week administration equals 245 hours
 - 1/2 day a week research/education equals 245 hours
 - There are 1,470 farming hours left in a year
 - The workload in agriculture is not spread out evenly

PART 4: FARM/CROP PLAN

PART 5: FINANCIAL MANAGEMENT

A. Financial management:

1. Define budgeting procedures. Discuss by ___/___/___(date)
2. Define cash flow management procedures. Discuss by ___/___/___(date)
3. Define bookkeeping procedures. Discuss by ___/___/___(date)
4. Complete cash flow budget by ___/___/___(date)
5. Include the following –
 - a. Marketing plan: short-term, mid-term, and long-term needs
 - b. Budget for necessary technology and training
6. Update business plan, budgets, and cash flow projections often (target month)

Appendix 3: Business Plan Template

TABLE OF CONTENTS OF THE START-UP PHASE BUSINESS PLAN:

Part 1: Vision and Goals for the Business

Personal values and goals: Will be based on a self-evaluation and determination of personal values and goals, which is a separate exercise. Note: See *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*. Co-published by the Minnesota Institute for Sustainable Agriculture and the Sustainable Agriculture Network (see Resources section).

Business visions and goals: Separate and specific values and goals for the business

Resource Analysis

Skills

Personal reputation

Advisors

Time allocation

Constraints

Part 2: Market Analysis (What's out there? Where should I focus first? Do I see a niche?)

Region

Segment

Marketing Plan (How am I going to build my market(s) in my chosen region(s) and segment(s)?)

Establishing a Niche

Diversifying

Part 3: Time Management Plan

Strategies for tracking time and tasks

Analysis of available time/time flow budget

Part 4: Farming Plan

Serves the marketing plan

Is constrained by the financial plan

Part 5: Financial Analysis

Capital needs analysis

Start-up Cash Flow Analysis

Phase-one Cash Flow Analysis

Template begins on next page

PART 1: VISION, GOAL, PRELIMINARY ANALYSIS

A. Vision:

To produce _____ in an environment that is _____ for the benefit of _____

B. Goal:

Within _____ years, to net an average of \$____K/year from a total of _____ hours in the field, _____ hours marketing, _____ hours spent in research and education, and _____ hours spent administering the business, leaving _____ weeks for vacation and illness. This schedule is comparable to _____, and assumes _____ workweeks per year.

C. Resources:

1. Skills and Experience:

- a.
- b.
- c.

2. Personal Reputation:

3. Circle of Advisors:

- a.
- b.
- c.

D. Potential Market:

1. Segment:

- a.
- b.
- c.

2. Regions:

- a.
- b.
- c.

E. Constraints:

- 1.
- 2.
- 3.
- 4.
- 5.

F. Strategies for Meeting Goals:

1. Market Analysis/Marketing Plan

- a. Summarize the strategic value/key components of Market Analysis and a Marketing Plan

2. Time Management Plan

- a. Summarize the strategic value/key components of a Time Management Plan

3. Financial Management Plan (including Cash Flow)

- a. Summarize the strategic value/key components of a Financial Management Plan

4. Farm/Crop Plan

- a. Summarize the strategic value/key components of Farm and Crop Plan based on known markets and constraints of Financial Management Plan.

PART 2: MARKET ANALYSIS/ MARKETING PLAN

**A. Research and define each segment and region and rank according to priority.
(Assign task and set due date.)**

SEGMENT	EASE OF MARKETING HARD =1 EASY=10	AVAILABLE \$\$\$ LITTLE=1 LOTS=10	COST OF DOING BUSINESS EXPENSIVE=1 CHEAP=10	*FUTURE POTENTIAL NONE=1 LOTS=10	SCORE	RANK BY HIGHEST SCORE
REGION	EASE OF MARKETING HARD =1 EASY=10	AVAILABLE \$\$\$ LITTLE=1 LOTS=10	COST OF DOING BUSINESS EXPENSIVE=1 CHEAP=10	*FUTURE POTENTIAL NONE=1 LOTS=10	SCORE	RANK BY HIGHEST SCORE

B. Analyze skill set, products, resources, constraints and goals; match to market segment/region. (Do this with advisors, assign task, and set due date.)

SKILL	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
--------------	----------------------------	-------------------------------

KEY:

PRODUCT	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
----------------	----------------------------	-------------------------------

KEY:

RESOURCE	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
-----------------	----------------------------	-------------------------------

KEY:

CONSTRAINT	MARKETING ADVANTAGE	MARKETING DISADVANTAGE
-------------------	----------------------------	-------------------------------

C. Develop plan for market segments:

1. Develop a plan for the top two or three segments and regions. Tailor message and offerings to that segment/region. (Assign task and set due date.)

SEGMENT #1 IN REGION:

Message:

Product mix:

- 1.
- 2.
- 3.

Farm Plan:

- 1.
- 2.
- 3.

SEGMENT #2 IN REGION:

Message:

Product mix:

- 1.
- 2.
- 3.

Farm Plan:

- 1.
- 2.
- 3.

2. Develop a plan for each segment and region specifying attainable market goals for the segment/region. (Assign task and set due date.)

Note: Call five people a week in each segment/region. Ask five good questions such as: Would you advise me to sell in this region or market? What do you think the critical elements for success will be? What do you think will sell best there?

Do you have any specific advice for me about breaking into this region or market or about marketing my particular crop mix? Who else should I talk to? Get leads, take notes. At end of month evaluate marketing plan and determine next steps.

CALL LIST WEEK OF ____/____/____ (DATE)

SEGMENT #1	SEGMENT #2	REGION #1	REGION #2
1.			
2.			
3.			
4.			
5.			

QUESTIONS:

- _____?
- _____?
- _____?

3. Develop a plan for each segment and region detailing communication and product mix and pricing strategies (message, event participation, materials) tailored to that segment / region.
4. Develop a plan for each segment and region with a timeline by month and year for accomplishing marketing goals in the region/segment.

D. Establish pricing strategies

1. Establish strategic pricing strategies to maximize short and long-term revenues, smooth cash flow and create a good long-term relationships with clients.
 - a. Short-term strategy – base price on the prices set by your competition
 - b. Long-term strategy – determine the actual costs of production and price accordingly
2. To do: Develop sample price sheets to support cash flow revenue projections. Develop different scenarios for price and product mix. (Set date for completion.)

PART 3: TIME MANAGEMENT

A. Establish time management / project management procedures

1. Objectives of time management –
 - Ensure professional and timely delivery of services
 - Maximize opportunities to build on good relationship
 - Minimize errors and misunderstandings
 - Reduce the stress of a hectic work schedule
2. Time management tools and techniques: Need to consider options: Software, palm pilot, calendars ,etc. Define what will work for you, the business?
3. To do –
 - A time needs and availability analysis for the first two years of operations. Make sure that all of your assumptions match the cash flow worksheet and the farm plan.
 - Discuss options by _____ (date)
 - Begin implementing time management plan by _____(date)
4. Time management considerations –
 - 52 weeks x 50 hours a week equals 2,600 hours
 - 3 weeks of vacation and sick equals 150 hours
 - There are 2,450 work hours in the year
 - 1 day week marketing equals 490 hours
 - 1/2 day a week administration equals 245 hours.
 - 1/2 day a week research/education equals 245 hours
 - There are 1,470 farming hours left in a year
 - The workload in agriculture is not spread out evenly throughout the year

PART 4: FARM/CROP PLAN

PART 5: FINANCIAL MANAGEMENT

1. Define budgeting procedures. Discuss by ____/____/____(date)
2. Define cash flow management procedures. Discuss by____/____/____(date)
3. Define bookkeeping procedures. Discuss by ____/____/____ (date)
4. Complete capital needs analysis by ____/____/____ (date). You may use Appendix 4: Sample Cash Flow Spreadsheet, Section VII, for a list of possible equipment needs. Refer to both the equipment list in the spreadsheet and your specific farm plan for equipment needs.
4. Complete cash flow budget by ____/____/____ (date)
5. Include the following:
 - a. Marketing plan: short-term, mid-term, and long-term needs
 - b. Budget for necessary technology and training
6. Update business plan, budgets, and cash flow projections often. (target month)
Insert Cash Flow worksheets here

Appendix 4: Sample Cash Flow Spreadsheet for the First Two Operating Years

(see www.ucsc.edu/casfs for Excel file)

Year One

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
I. Personal Savings or checking Account													
Opening Balance	12,000	-	100	200	300	400	500	600	700	800	900	1,000	
Contribution (Draw)	(12,000)	100	100	100	100	100	100	100	100	100	100	100	
Ending Balance	-	100	200	300	400	500	600	700	800	900	1,000	1,100	
II. Business Checking Account													
Beginning Cash in Ckg		3,111	288	257	119	396	425	652	719	659	426	4,743	Year's Total
Operating Income	-	-	-	1,000	2,300	4,800	7,200	9,600	10,400	9,600	9,400	4,700	59,000
Operating Expenditures	(8,433)	(2,023)	(2,731)	(3,793)	(3,223)	(4,471)	(3,173)	(4,733)	(3,660)	(3,033)	(2,283)	(2,645)	(44,200)
Net Cash Flow From Operations	(8,433)	(2,023)	(2,731)	(2,793)	(923)	329	4,027	4,867	6,740	6,567	7,117	2,055	14,800
Cash From Borrowing	41,000	1,000	4,500	6,000	3,000	1,500	-	-	-	-	-	-	57,000
Subtotal - Available	32,568	2,088	2,057	3,464	2,196	2,225	4,452	5,519	7,459	7,226	7,543	6,798	71,800
Capital Expenditures	(40,257)	-	-	(1,545)	-	-	-	-	-	-	-	-	(41,802)
Debt Reduction	-	(500)	(500)	(500)	(500)	(500)	(2,500)	(3,500)	(5,500)	(5,500)	(1,500)	(500)	(21,500)
Draws	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(14,400)
Contribution To (From) Savings	12,000	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	10,900
Ending balance	3,111	288	257	119	396	425	652	719	659	426	4,743	4,998	4,998
III. Non-Operational Sources of Cash (Borrowing)													
Farm Service Agency (FSA) Loan	41,000												41,000
Other Loans		1,000	4,500	6,000	3,000	1,500							16,000
Subtotal	41,000	1,000	4,500	6,000	3,000	1,500	-	-	-	-	-	-	57,000
IV. Non-Operational Uses of Cash (Draws and Debt Repayment)													
Draw	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Medical Insurance	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Total Draws	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Contribution to Savings	100	100	100	100	100	100	100	100	100	100	100	100	1,100
FSA Loan Payment		500	500	500	500	500	500	500	500	500	500	500	5,500
Other Loan Payments							2,000	3,000	5,000	5,000	1,000		16,000
Total Debt Repayment	-	500	500	500	500	500	2,500	3,500	5,500	5,500	1,500	500	21,500
V. Operating Income													
Ukiah Farmer's Market					800	1,200	2,400	2,800	3,200	3,200	3,200	1,500	18,300
Willits Farmer's Market					400	800	1,200	1,600	2,000	2,000	2,000	1,000	11,000
San Francisco Farmer's Market				800	800	2,400	3,200	4,800	4,800	4,000	4,000	2,000	26,800
Restaurant				200	300	400	400	400	400	400	200	200	2,900
Subtotal	-	-	-	1,000	2,300	4,800	7,200	9,600	10,400	9,600	9,400	4,700	59,000
VI. Operating Expenditures													
Labor, on farm (1 person @\$8/hr)	1,120	1,120	1,120	1,120	1,920	1,920	1,920	1,920	1,920	1,280	1,120	1,120	17,600
Labor, at market (1 person @\$10/hr)					600	600	600	600	600	600	600	### #####	4,800
Worker's Compensation	1,000												1,000
Subcontracted Labor				500						500			1,000
Organic Certification	800												800
Rent (3 acres @ \$350 per acre)	88	88	88	88	88	88	88	88	88	88	88	88	1,056
Utilities	85	85	85	85	85	85	85	85	85	85	85	85	1,020
Gasoline/Diesel Fuels	140	140	200	250	250	200	200	225	225	200	140	### #####	2,310
Banking/Accounting	150			100									250
Office Expense	100	40	40	40	40	40	40	40	40	40	40	40	540
Auto Maintenance/repairs	50			50		100		50	50		50		350
Auto Insurance			188			188			187			### #####	750
Liability Insurance			225			225			225			### #####	900
Tractor Maintenance		200						200					400
Soil Tests	350												
Seed	4,000							500					4,500
Amendments													
Compost			350			350		350					1,050
Manure			250			250		250					750
Gypsum			85			85		85					255
Kelp Meal				200									200
Fish Meal				150									150
Liquid Kelp	350												350
Liquid Fish	200												200
Biological Inoculants				100									100
Veggie Mix Meal			100			100		100					300
Farmers Market Fees				160	240	240	240	240	240	240	160	### #####	1,920
Season Extension													
Row Cover				600									600
Plastic Mulch		350											350
Miscellaneous													
Plastic Shopping Bags				350									350
Total Operating Expense	8,433	2,023	2,731	3,793	3,223	4,471	3,173	4,733	3,660	3,033	2,283	2,645	43,850

Sample Cash Flow Spreadsheet for the First Two Operating Years (cont'd)

VII. Capital Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Greenhouse/Cold Frame													
20' x 48' Insulated Greenhouse	2,500												2,500
Bench Warmer	950												950
Propane Heater	500												500
Propane Supply	700												700
Propagation Tables	250												250
20' x 96' Cold Frame (x2)	3,000												3,000
Irrigation													
Rainbirds and Irrigation pipe	1,775												1,775
Mazzei Injectors	90												90
Drip Tape (5,000 ft)	300												300
Header Pipe	100												100
Plastic Valves and Fittings	150												150
Filters	75												75
Tools/Supplies													
Power/Hardware Tools	800												800
Felcos (x3)	90												90
Clippers (x3)	30												30
Harvest Knives (x5)	50												50
Knife Sharpeners	30												30
Rubber Bands	30												30
Boxes	300												300
Plastic Box Liners	75												75
Twist-ties	50												50
Stirrup Hoes (x3)	60												60
Hand Hoes (x5)	50												50
Eye Hoes (x2)	40												40
Forks-digging (x2)	50												50
Spades (x2)	50												50
Shovels (x3)	75												75
Soil Rake	25												25
Leaf Rake (x1)	20												20
WheelBarrows (x2)	100												100
Gloves (x3)	30												30
Fence Posts	320												320
Post Pounder	15												15
Post Hole Digger	50												50
5 Gal Buckets (x15)	60												60
Rubbermaid totes	150												150
Backpack Sprayer	100												100
Propane Backpack Flamer	250												250
Ground Cover Fabric	200												200
Garden Carts (x2)	300												300
Thermometer	25												25
Propagation													
Watering Wands (x2)	30												30
Hoses	100												100
Trays	210												210
4 inch pots and trays	110												110
Tags	17												17
Peat Moss (30 bales)	380												380
Vermiculite (25 bags)	350												350
Worm Castings (50 bags)	500												500
Bone Meal	60												60
Potting Soil (60 bags)	430												430
Dolomite Lime	50												50
Watering Can	30												30
Ground Cover Fabric	200												200
Pack-out													
Spray Nozzles	60												60
Hoses	75												75
Wash Tanks	160												160
Tables	250												250
Miscellaneous	50												50
Marketing													
Digital Scale				500									500
Battery				60									60
Awning				75									75
Tarps				30									30
Baskets				200									200
Umbrella				100									100
Cash Box				30									30
Tables				200									200
Tablecloths				150									150
Miscellaneous Market Supplies				200									200
Equipment													
50 Horsepower tractor	8,000												8,000
5 ft. Rototiller	1,500												1,500
Rotary Mower	850												850
Disc	500												500
Chisel	500												500
4 Horsepower Rototiller	1,500												1,500
Weedwacker	300												300
Earthway seeder	80												80
Lawn Mower	150												150
Cargo Van	10,000												10,000
Total Capital Expenditures	40,257	-	-	1,545	-	41,802							

Appendix 4 (cont'd): Sample Cash Flow Spreadsheet for the First Two Operating Years

Year Two

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
I. Personal Savings or checking Account													
Opening Balance	1,100	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	
Contribution (Draw)		100	100	100	100	100	100	100	100	100	100	100	100
Ending Balance	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	
II. Business Checking Account													
Beginning Cash in Ckg	4,998	1	53	297	329	481	385	287	229	1,044	486	1,178	Year's Total
Operating Income	500	500	1,400	2,600	2,300	4,800	7,200	9,600	10,400	9,600	9,400	4,700	67,998
Operating Expenditures	(7,698)	(2,148)	(2,856)	(3,768)	(3,348)	(4,596)	(3,498)	(4,858)	(3,785)	(3,358)	(2,408)	(2,770)	(45,090)
Net Cash Flow From Operations	(7,198)	(1,648)	(1,456)	(1,168)	(1,048)	204	3,702	4,742	6,615	6,242	6,992	1,930	22,908
Cash From Borrowing	4,000	3,500	3,500	3,000	3,000	1,500	-	-	-	-	-	-	18,500
Subtotal - Available	1,801	1,853	2,097	2,129	2,281	2,185	4,087	5,029	6,844	7,286	7,478	3,108	41,408
Debt Reduction	(500)	(500)	(500)	(500)	(500)	(500)	(2,500)	(3,500)	(4,500)	(5,500)	(5,000)	(500)	(24,500)
Draws	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(14,400)
Contribution To (From) Savings	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(1,200)
Ending balance	1	53	297	329	481	385	287	229	1,044	486	1,178	1,308	1,308
III. Non-Operational Sources of Cash (Borrowing)													
Farm Service Agency (FSA) Loan													-
Other Loans	4,000	3,500	3,500	3,000	3,000	1,500	-	-	-	-	-	-	18,500
Subtotal	4,000	3,500	3,500	3,000	3,000	1,500	-	-	-	-	-	-	18,500
IV. Non-Operational Uses of Cash (Draws and Debt Repayment)													
Draw	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Medical Insurance (2 people)	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Total Draws	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Contribution to Savings	100	100	100	100	100	100	100	100	100	100	100	100	1,200
FSA Loan Payment	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Other Loan Payments							2,000	3,000	4,000	5,000	4,500		18,500
Total Debt Repayment	500	500	500	500	500	500	2,500	3,500	4,500	5,500	5,000	500	24,500
V. Operating Income													
Ukiah Farmer's Market	500	500	1,000	1,000	800	1,200	2,400	2,800	3,200	3,200	3,200	1,500	21,300
Willits Farmer's Market	-	-	400	600	400	800	1,200	1,600	2,000	2,000	2,000	1,000	12,000
San Francisco Farmer's Market	-	-	-	800	800	2,400	3,200	4,800	4,800	4,000	4,000	2,000	26,800
Restaurant	-	-	-	200	300	400	400	400	400	400	200	200	2,900
Subtotal	500	500	1,400	2,600	2,300	4,800	7,200	9,600	10,400	9,600	9,400	4,700	63,000
VI. Operating Expenditures													
Labor, on farm (1 person @\$8/hr)	1,120	1,120	1,120	1,120	1,920	1,920	1,920	1,920	1,920	1,280	1,120	1,120	17,600
Labor, at market (1 person @\$10/hr)					600	600	600	600	600	600	600	### #####	4,800
Worker's Compensation	125	125	125	125	125	125	125	125	125	125	125	### #####	1,500
Subcontracted Labor				500							500		1,000
Organic Certification	800												800
Rent (3 acres @ \$350 per acre)	88	88	88	88	88	88	88	88	88	88	88	88	1,056
Utilities	85	85	85	85	85	85	85	85	85	85	85	85	1,020
Gasoline/Diesel Fuels	140	140	200	250	250	200	200	225	225	200	140	### #####	2,310
Banking/Accounting	150			100									250
Office Expense	40	40	40	40	40	40	40	40	40	40	40	40	480
Auto Maintenance/repairs	50			50		100		50	50		50		350
Auto Insurance			188			188		187				### #####	750
Liability Insurance			225			225		225				### #####	900
Tractor Maintenance		200						200					400
Soil Tests	350												
Seed	4,000							500					4,500
Amendments													
Compost			350			350		350					1,050
Manure			250			250		250					750
Gypsum			85			85		85					255
Kelp Meal				200									200
Fish Meal				150									150
Liquid Kelp	350												350
Liquid Fish	200												200
Biological Inoculants				100									100
Veggie Mix Meal			100			100		100					300
Farmers Market Fees				160	240	240	240	240	240	240	160	### #####	1,920
Season Extension													
Row Cover				600									600
Plastic Mulch		350											350
Miscellaneous													
Plastic Shopping Bags	200			200			200			200			800
Total Operating Expense	7,698	2,148	2,856	3,768	3,348	4,596	3,498	4,858	3,785	3,358	2,408	2,770	44,740

Appendix 5: Cash Flow Template

(see www.ucsc.edu/casfs for Excel file)

*** Note: Purple cells for input
Green cells have formulas**

I. Personal Savings or Checking													Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Opening Balance		-	-	-	-	-	-	-	-	-	-	-	
Contribution (Draw)													
Ending Balance	-	-	-	-	-	-	-	-	-	-	-	-	

II. Business Checking													Year's Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Beginning Cash in Ckg		-	-	-	-	-	-	-	-	-	-	-	
Operating Income													
Operating Expenditures													
Net Cash Flow From Operations													
Cash From Borrowing													
Subtotal - Available													
Capital Expenditures													
Debt Reduction													
Draws													
Contribution To (From) Savings													
Ending balance													

III. Non-Operational Sources of Cash (Borrowing)													
Farm Service Agency (FSA) Loan													
Other Loans													
Subtotal													

IV. Non-Operational Uses of Cash (Draws and Debt Repayment)													
Draw													
Other Necessary personal expenses													
Total Draws													
Contribution to Savings													
FSA Loan Payment													
Other Loan Payments													
Total Debt Repayment													

V. Operating Income													
Source #1													
Source #2													
Source #3													
Source #4													
Subtotal													

VI. Operating Expenditures													
Labor, on farm (hoursxrate)													
Labor, at market (hoursxrate)													
Worker's Compensation													
Subcontracted Labor (hoursxrate)													
Organic Certification													
Rent (acresxrate)													
Utilities													
Gasoline/Diesel Fuels													
Banking/Accounting													
Office Expense													
Auto Maintenance/repairs													
Auto Insurance													
Liability Insurance													
Tractor Maintenance													
Soil Tests													
Seed													
Amendments													
Compost													
Manure													
Gypsum													
Kelp Meal													
Fish Meal													
Liquid Kelp													
Liquid Fish													
Biological Inoculants													
Veggie Mix Meal													
Farmers Market Fees													
Season Extension													
Row Cover													
Plastic Mulch													
Miscellaneous													
Plastic Shopping Bags													
Total Operating Expense													

Cash Flow Template (cont'd)

VII. Capital Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Greenhouse/Cold Frame													
20' x 48' Insulated Greenhouse													-
Bench Warmer													-
Propane Heater													-
Propane Supply													-
Propagation Tables													-
20' x 96' Cold Frame (x2)													-
Irrigation													
Rainbirds and Irrigation pipe													-
Mazzei Injectors													-
Drip Tape (5,000 ft)													-
Header Pipe													-
Plastic Valves and Fittings													-
Filters													-
Tools/Supplies													
Power/Hardware Tools													-
Felcos (x3)													-
Clippers (x3)													-
Harvest Knives (x5)													-
Knife Sharpeners													-
Rubber Bands													-
Boxes													-
Plastic Box Liners													-
Twist-ties													-
Stirrup Hoes (x3)													-
Hand Hoes (x5)													-
Eye Hoes (x2)													-
Forks- digging (x2)													-
Spades (x2)													-
Shovels (x3)													-
Soil Rake													-
Leaf Rake (x1)													-
WheelBarrows (x2)													-
Gloves (x3)													-
Fence Posts													-
Post Pounder													-
Post Hole Digger													-
5 Gal Buckets (x15)													-
Rubbermaid totes													-
Backpack Sprayer													-
Propane Backpack Flamer													-
Ground Cover Fabric													-
Garden Carts (x2)													-
Thermometer													-
Propagation													
Watering Wands (x2)													-
Hoses													-
Trays													-
4 inch pots and trays													-
Tags													-
Peat Moss (30 bales)													-
Vermiculite (25 bags)													-
Worm Castings (50 bags)													-
Bone Meal													-
Potting Soil (60 bags)													-
Dolomite Lime													-
Watering Can													-
Ground Cover Fabric													-
Pack-out													
Spray Nozzles													-
Hoses													-
Wash Tanks													-
Tables													-
Miscellaneous													-
Marketing													
Digital Scale													-
Battery													-
Awning													-
Tarps													-
Baskets													-
Umbrella													-
Cash Box													-
Tables													-
Tablecloths													-
Miscellaneous Market Supplies													-
Equipment													
50 Horsepower tractor													-
5 ft. Rototiller													-
Rotary Mower													-
Disc													-
Chisel													-
4 Horsepower Rototiller													-
Weedwacker													-
Earthway seeder													-
Lawn Mower													-
Cargo Van													-
Total Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix 6: Second Year Cash Flow Projections (see www.ucsc.edu/casfs for Excel file)

Purple cells for input
Green cells have formulas

I. Personal Savings or Checking	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution (Draw)													
Ending Balance	-	-	-	-	-	-	-	-	-	-	-	-	-

II. Business Checking	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year's Total
Beginning Cash in Ckg	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income													
Operating Expenditures													
Net Cash Flow From Operations													
Cash From Borrowing													
Subtotal - Available													
Debt Reduction													
Draws													
Contribution To (From) Savings													
Ending balance													

III. Non-Operational Sources of Cash (Borrowing)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Farm Service Agency (FSA) Loan													
Other Loans													
Subtotal													

IV. Non-Operational Uses of Cash (Draws and Debt Repayment)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Draw													
Other Necessary personal expenses													
Total Draws													
Contribution to Savings													
FSA Loan Payment													
Other Loan Payments													
Total Debt Repayment													

V. Operating Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Source #1													
Source #2													
Source #3													
Source #4													
Subtotal													

VI. Operating Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Labor, on farm (hoursxrate)													
Labor, at market (hoursxrate)													
Worker's Compensation													
Subcontracted Labor (hoursxrate)													
Organic Certification													
Rent (acresxrate)													
Utilities													
Gasoline/Diesel Fuels													
Banking/Accounting													
Office Expense													
Auto Maintenance/repairs													
Auto Insurance													
Liability Insurance													
Tractor Maintenance													
Soil Tests													
Seed													
Amendments													
Compost													
Manure													
Gypsum													
Kelp Meal													
Fish Meal													
Liquid Kelp													
Liquid Fish													
Biological Inoculants													
Veggie Mix Meal													
Farmers Market Fees													
Season Extension													
Row Cover													
Plastic Mulch													
Miscellaneous													
Plastic Shopping Bags													
Total Operating Expense													

