

Building a Sustainable Business

A Guide to Developing a Business Plan
for Farms and Rural Businesses

Developed by the Minnesota Institute for Sustainable Agriculture (MISA)
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Position/Task (Title)	Type of Position Part/full time Temp/permanent	Skills/Experience Desired	Acquisition Strategy
Herdsman	Full time	Experience with rotational grazing	College, rotational grazing schools Offer part ownership in the herd.
Field Supervisor	Full Time	Supervisory experience Knowledge of vegetable production	Conferences on CSA's, Contact other growers, Advertise in trade pub.

Worksheet 4.19 Filling Workforce Needs

CONTINUED
Acquisition Strategy

Position/Task (title)	Type of Position (full time/part time, temporary/permanent)	Skills/Experience Desired	Acquisition Strategy
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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1. Describe training that may be required for new positions or new members of the workforce:

2. How will training be accomplished?

Describe training needed for new positions or new members of the workforce.

Safety training for new employees

Rotational grazing schools

Gap training for a new positions in a CSA

Oklahoma Food and Technology Center

How will the training be accomplished?

Contact Oklahoma Food and Tech. Center for
GAP

Contact a local EMS or Vo-tech for Safety training

Attend conf., look in trade pub., talk to extension
about opportunities for grazing education

Worksheet 4.20 Compensation

Research and record standard wage, salary and benefits for each new job or position. If you plan to create more than four new positions, make copies of this Worksheet or use additional sheets of paper.

	Position/Job 1	Position/Job 2	Position/Job 3	Position/Job 4

Average industry
wage/salary/fees
(\$/hour):

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Typical industry benefits:

Tax rate:

Research and record standard wage, salary and benefits for each new job or position.

	Position/Job 1	Position/job 2
	Herdsman	Field Supervisor
Avg. industry wage/salar y (\$/hour)		
Typical Industry Benefits	Vacation Sick Leave	
Tax Rate	Income taxes Fica Medicare/ Medicade Workers Comp.	

Worksheet 4.21 Human Resources Expense Estimates

Use the space below to estimate and record your human resources input expenses for all family members and hired labor. Make these estimates as realistic as possible—use your research about industry standards and tax rates as well as your own compensation goals.

	Position/Job 1	Position/Job 2	Position/Job 3	Position/Job 4
Job title/description	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Name	_____	_____	_____	_____
Wages/salary/fees (\$/hour)	_____	_____	_____	_____
Benefits (health care, retirement)	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
	_____	_____	_____	_____
Insurance (workers compensation)	_____	_____	_____	_____
	_____	_____	_____	_____
Other	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Total labor expenses (a)	_____	_____	_____	_____
Total hours worked (b)	_____	_____	_____	_____
Total labor expenses/hour (a) / (b)	_____	_____	_____	_____

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Worksheet 4.22 Management Strategy

Return to your skills assessment in Worksheet 2.7. Are you ready to manage the operation? If not, who will? As you answer the following questions, try to be honest and realistic. Then, develop a strategy for whole farm business management.

1. Are you willing and ready to manage the operation and hired labor? If so, what skills do you bring to the management position? Are you a good communicator?

2. Will you share management responsibilities? If so, how will you divide tasks? Will you develop a written management agreement? What skills do other management team members bring to the business?

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3. Can the business function without you? Who will manage the operation when you are gone or ill? Who is your back-up?

4. How often will you check in with family and other members of your workforce?

5. Our management strategy can be summarized as follows:

Are you willing and ready to manage the operation and hired labor? If so, what skills do you bring to the management position? Are you a good communicator?

I have management and supervisory experience from xxx corp.

Part of my former job was to present detailed reports to staff about ongoing projects.

Will you share management responsibilities? If so, how will you divide tasks? Will you develop a written management agreement? What skills do other management team members bring to the business?

I have a business partner with whom I will share management responsibilities. Tasks are divided based on areas of expertise. There will be a written management plan outlining responsibilities.

Can the business function without you? Who will manage the operation when you are gone or ill? Who is your back-up?

At this time (startup) no, but my goal is to develop two employees as quickly as possible to manage the business in my absence.

How often will you check in with family and other members of your workforce?

Once a week meeting with management and depending on the season, every other week for non-management personnel

Our management strategy can be summarized as follows

Worksheet 4.23 Human Resources Strategy Summary

Complete this Worksheet for each major enterprise. Compile your research (from Worksheets 4.18–4.22) for each year in your transition period (if appropriate) and for the long run or expected market outlook. Begin with a description of workload requirements. Next, describe your labor and management strategy for meeting workload requirements. Use additional paper if needed. Next, record your human resources expenses for this enterprise. You will use this expense information when evaluating the business' projected financial performance. Finally, summarize your human resources strategies for this enterprise or the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis for each strategy. This will be the start of your human resources strategy section for the written business plan.

Enterprise: _____	Long Run (Expected)	Year 1	Transition Period Year 2	Year 3
Workload (hours/month)	_____	_____	_____	_____
Labor and Acquisition	_____	_____	_____	_____
Management	_____	_____	_____	_____
Expenses				
Recruitment	_____	_____	_____	_____
Wages	_____	_____	_____	_____
Fees	_____	_____	_____	_____
Training	_____	_____	_____	_____
Education	_____	_____	_____	_____
Salary	_____	_____	_____	_____
Benefits	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
Insurance	_____	_____	_____	_____
Other	_____	_____	_____	_____

Business Plan Input - Human Resources Strategy Summary:

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Enterprise Livestock CSA	Long Run Expected	Year 1	Year2	Year 3
Workload Hours/ Month	200 hrs/mont h	240 hrs month	220 hrs month	210 hrs month
Labor and Acquisition	Have a core group of full time Trained staff	Hire needed Workers and train	Have two backup management employees in place	
Managemement		Set up preliminary staff chart	Modify as needed	
Expenses	Ask bank for extension	Secure 3 year operating loan	Make payments	Make payments
Summary Human Resources	Develop a team who mutually support each other and the business. Keep staff informed in a timely manner of changes. Provide shares (meat share/CSA) in addition to wages as benefit. Having employees use the product will help maintain good GAP practices.			

Worksheet 4.24 Risk Management

Complete this Worksheet for each enterprise or the whole farm as appropriate. Briefly rank your business' exposure to market, production, environmental and personal risk. Talk over risk management ideas with members of your planning team, a financial consultant, or an accountant. List tools that you might use to reduce future risk. Then, summarize your strategy for managing and minimizing your business' risk exposure.

Enterprise: _____

Production Risk

Exposure to production risk: ___ Low ___ Medium ___ High

Type of production risk: _____

Tools to minimize production risk: _____

Market Risk

Exposure to market risk: ___ Low ___ Medium ___ High

Type of market risk: _____

Tools to minimize market risk: _____

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Financial Risk

Exposure to financial risk: ___ Low ___ Medium ___ High

Type of financial risk: _____

Tools to minimize financial risk: _____

Personal Risk

Exposure to personal risk: ___ Low ___ Medium ___ High

Type of personal risk: _____

Tools to minimize personal risk: _____

Our risk management strategy can be summarized as follows:

Enterprise
Livestock/
CSA

Production
Risk

Low

Medium
X

High

Types of
prod. Risk

Weather, spray drift, conception
rates

Tools to
minimize

Drip irrigate, Hedgerows+inform
neighbors, good nutrition program

Market
Risk

x

Storage coolers
Backup generators

Financial
Risk

X

Cash flow during the first three years

Make sure to borrow enough to
cover expenses and set up an
operating line of credit

Personal
Risk

x

Knowledgeable about business and
agri.

Seek opportunities to learn each
year. Budget for it.

Our Risk

Good budgeting, educated
workforce, insurance, working
relationships with bank(s)

Worksheet 4.25 Business Organization

Use the space below to record information about the organizational alternatives that you are considering for the business. Your state's Small Business Association is an excellent place to begin your research. If you are planning a major reorganization of the business, be sure to consult a lawyer regarding necessary documentation and tax ramifications. Be sure to note advantages and disadvantages of each alternative as it pertains to your current situation, business vision and personal goals.

Organizational Alternative 1 _____

Ownership: _____

Tax rates: _____

Filing requirements: _____

Advantages: _____

Disadvantages: _____

Organizational Alternative 2 _____

Ownership: _____

Tax rates: _____

Filing requirements: _____

Advantages: _____

Disadvantages: _____

Organizational Alternative 3 _____

Ownership: _____

Tax rates: _____

Filing requirements: _____

Advantages: _____

Disadvantages: _____

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Organizational Alt. 1 Sole proprietorship

Ownership Family

Tax Rates Personnel

Filing Requirements Quarterly payroll taxes

Advantages Full Control

Disadvantages Full liability, risk all assets personnel + business

Worksheet 4.26 Farmland Affordability

Use this Worksheet to estimate what price you can afford to pay for farmland.

Gross cash farm income = _____

Cash expenses (excluding interest) - _____

Income taxes - _____

Principal payments on term debt - _____

Depreciation reserve - _____

Social security taxes - _____

Total cash family living investments
& nonfarm capital purchases - _____

Nonfarm income + _____

Cash available for principal and
interest on added land debt = _____

Down payment on land + _____

**Maximum financially feasible
land price = _____**

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This worksheet was adapted from *Analyzing Land Investments*, videotape, Gayle S. Willett, 1988.

Worksheet 4.27 Finance

Use the space below to begin developing your financing strategy for any start-up, annual operating, and longer-term capital and real estate needs associated with each major business strategy alternative (for marketing, operations, and human resources). Begin by having each member of your planning team (if appropriate) evaluate the importance of the financing criteria described in Figure 82 (control, cost, risk, liquidity). Next list money that will be needed to finance start-up, operating, and long-term needs as well as one or more financing strategy for each. If any of your strategies include the use of external financing, be sure to research and record interest rates and financing conditions in the space provided. Be sure to talk with your local lender, accountant or Extension educator—they can help you locate and evaluate which finance strategy best fits your personal criteria and business needs.

Strategy Criteria

Rank the importance of each of the following finance strategy criteria:

Control ___ Low ___ Medium ___ High

Cost ___ Low ___ Medium ___ High

Risk ___ Low ___ Medium ___ High

Liquidity ___ Low ___ Medium ___ High

Financing Needs

List money needed for each expense category. Then, briefly describe one or more financing strategies for each.

	Value	Strategy One	Strategy Two
One-time start-up needs	\$ _____	_____	_____
Annual operating needs	\$ _____	_____	_____
Intermediate needs (5-7 years)	\$ _____	_____	_____
Long-term needs (7-10 years)	\$ _____	_____	_____
Real estate needs	\$ _____	_____	_____

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Finance Options

If you plan to seek outside financing (including government cost-share payments), research interest rates and other financing conditions (such as easement terms) from up to three sources for each financial need.

Need	Source/Institution	Interest Rate	Conditions
Start-up	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Operating	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Intermediate	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Long-term	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Real estate	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

Strategy Criteria	Low	Medium	High
Control			x
Cost		x	
Risk	x		
Liquidity		x	
Financing Needs	Value	Strategy One	Strategy two
Start-up			
Annual Operating			
Intermediate (5-7yrs)			
Long Term (7-10yrs)			
Finance Operations	Source	Interest Rate	Conditions
Start-up			
Operating			
Intermediate			
Long-term			
Real Estate			

Worksheet 4.28 Financial Strategy Summary

Complete this Worksheet for each enterprise or for the whole farm. Use information from Worksheets 4.24–4.26 to record information about your strategies for risk management, organization and financing. If appropriate, describe how your strategies will change throughout your transition period. Then, list available financial expense information. Last, summarize your financial strategy for this enterprise and the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis in your strategy summary.

Enterprise:	Long Run	Transition Period		
	(Expected)	Year 1	Year 2	Year 3
Risk exposure and management	_____	_____	_____	_____
	_____	_____	_____	_____
Organization and taxes	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Financing needs (\$) and strategy	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Financial Expenses	_____	_____	_____	_____
Consultant	_____	_____	_____	_____
Filing fees	_____	_____	_____	_____
Software	_____	_____	_____	_____
Membership fees/collateral	_____	_____	_____	_____
Interest on operating loan	_____	_____	_____	_____
Interest on intermediate debt	_____	_____	_____	_____
Interest on long-term debt	_____	_____	_____	_____
Insurance	_____	_____	_____	_____
Other	_____	_____	_____	_____

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Business Plan Input–Financial Strategy Summary:
