TASK 1

Worksheet 1.1 My Values

Think about your values and list them in the space below. Consider what it means for you to be "successful" in farming, or try distinguishing between personal, economic, environmental, and community values. If you are having trouble putting values onto paper, try drafting a brief essay. Begin by recalling a critical turning point in your life when you were faced with a serious tradeoff: What values guided you?

Personal Values:

Economic Values:

Environmental Values:

Community Values:

Worksheet 1.2 Common Values

TASK 1

Use the space below to identify common or shared values among your planning team members. You may want to begin by simply listing the values identified by each team member and then determine what values you share as a team. If you are uncomfortable sharing personal values, focus on the environmental, finance and community values that you share.

Values Identified by Individual Planning Team Members:

Values That We Share as a Planning Team:

TASK
1

Worksheet 2.1 A Brief History of Our Farm Operation

Write a brief history describing the important events and decisions in your life and operation. Why did you make the choices you did? What have been the most important outcomes resulting from the interaction of your own choices and external circumstances? What key lessons have you learned? Include planning team members in this review. Use whatever time frame (one, five, ten years) best describes why and how you've arrived at your current business situation.

TASK 2

Worksheet 2.2 Current Market Assessment

Complete this worksheet for each of your major products or services. Be as specific as you can and, where relevant, include numeric facts and figures. These will be the basis for projections you'll make later on for the strategies that you consider.

Product/Service: ______________________________

Markets Served: Geographic/Customer Segments
Answer the following questions for each major market segment (geographic and/or customer type) you serve. Use additional sheets if this product has more than three major market segments.

TASK 2

Segment	**1.** ____________	**2.** ____________	**3.** ____________
	____________	____________	____________
Potential Number of Customers	**a.** ________	**a.** ________	**a.** ________
Current Number of Customers	**b.** ________	**b.** ________	**b.** ________
Current Sales Volume	**c.** ________	**c.** ________	**c.** ________
Current Sales per Customer (c / b)	**d.** ________	**d.** ________	**d.** ________
Potential Sales Volume (a x d)	**e.** ________	**e.** ________	**e.** ________

Unique Characteristics
What are the unique features that distinguish this product or service? For which customer segments are they important? How easily can they be imitated by competitors?

Characteristic 1: ______________________________

Appeals to which segments? ______________________________

Easy for competitors to imitate? _____Yes _____ No

Characteristic 2: ______________________________

Appeals to which segments? ______________________________

Easy for competitors to imitate? _____Yes _____ No

Distribution
Describe the current distribution channels for this product.

Logistics: ______________________________

____

____

Market Locations: ______________________________

____

____

Market Intermediaries: ______________________________

____

Marketing Costs (transportation, labor, spoilage, price discounts for intermediaries):

____

____

____

____

CONTINUED

Pricing
What price do you receive for this product or service, and how does it compare to the price of a typical competitor? How much power do you have to set the price for this product or service? How sensitive is demand to price changes?

Typical Price and Price Range:

____

____

Price Relative to Competitor:

____

____

Our Power to Set Prices: _____ Low _____ Some _____ High

____

Demand Sensitivity to Price Changes: _____ Low _____ Some _____ High

____

Promotions
Describe the strategies you use to promote consumer awareness of this product or service. How effective are they in reaching your most important potential customers? How costly are they?

____

____

____

____

____

____

____

____

Changing Market Conditions
Describe important trends of the supply and demand side of the market for this product or service. Are there important new competitors or competing products? Is demand expanding?

____

____

____

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____

Worksheet 2.3 Tangible Working Assets

Use this worksheet to describe the non-land physical assets used in your current farm operation. Be as specific as you can be about size, capacity and condition.

	ITEM	SI ZE	CAPACITY	CONDITION	VALUE
Buildings/Permanent Structures					
Machinery and Equipment					
Livestock Equipment					
Breeding Livestock					

TASK 2

Worksheet 2.4 Institutional Considerations

Describe institutional factors that currently affect your ability to use and manage physical resources. Include any long-term leasing arrangements, conservation easements, permit requirements, legal restrictions, production or marketing contracts.

Long-term Leasing Arrangements for Real Estate
(specify whether items are leased in for your use or leased out for the use of others)

Long-term Agreements and Easements

Permit and Legal Restrictions
(specify the agency responsible for issuing permits, conditions and compliance factors, fees, and your ability to meet these conditions)

Long-term Production Contracts and Marketing Agreements

TASK 2

Worksheet 2.5 Describing Crop Production Systems

Complete this worksheet for each major crop enterprise. Be as specific and accurate as you can be, since this information will be the basis for projections you'll make later for the strategies that you consider.

Crop Enterprise: ____________________ Current Acreage: ____________________

	Machinery Operations				Operating Input				Labor	
Month	Operation	Hrs/ Acre	Machine 1	Machine 2	Item	Quantity/ Acre	Units	Price/ Unit	Hrs/ Acre	Type

Worksheet 2.6 Describing Livestock Production Systems

Complete this worksheet for each major livestock enterprise. Be as specific and accurate as you can be, since this information will be the basis for projections you'll make later for the strategies that you consider. Specify diets on a separate sheet if appropriate.

Livestock/Poultry Production System: ______________________ Current Number of Units: ______________

Month or Period	Facility Space Req.	Labor		Feed Required	Vet & Medications Items & Amounts	Machinery & Equipment Req.	Other Inputs
		Hours	Type				

TASK 2

Worksheet 2.7 Enterprise/Calendar Matrix

Summarize and combine your crop and livestock production systems in this calendar. Look for bottlenecks or conflicts in timing of operations.

Enterprise and Tasks	Hours/Month											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Total Hrs/Month												

TASK 2

Worksheet 2.8 Human Resources Matrix

Use this worksheet to identify the people involved in your operations and the roles they play.

Person	Enterprise						

TASK 2

Worksheet 2.9 Assessing Worker Abilities and Needs

Use this worksheet to describe the experience, skills and goals of each member of your workforce. Then estimate your average cost for this person and consider where this person ideally fits into your operation.

Name and Current Position:

1. What is the person's background-experience and education?

2. What particular abilities does this person have?

3. What are this person's strengths and weaknesses?

4. What are the person's interests? What motivates them?

5. What are the person's own personal goals in life?

6. What are we currently paying this person ($/hour)?

7. Conclusion: Where might this person best fit in meeting our human resource needs?

Worksheet 2.10 Likely Changes in Our Human Resources Situation

Use this worksheet to describe likely changes in your human resources situation over the next year, five years or ten years.

Current Workforce: Will anyone who currently works in our operation be leaving for other work or for personal reasons? What activities/enterprises will this affect?

Future Workforce: Will any new people be joining our operation? What new knowledge and skills will they bring? Do we have enough physical and financial resources for them to be fully employed and appropriately paid?

Future Management: Do we foresee a change in the allocation of decision-making and management responsibilities?

TASK 2

Worksheet 2.11 Estimating Family Living Expenses and Income Needs

Use this worksheet as a guide for estimating your annual family living expenses and necessary income contribution from the farm business.

Family Living Expenses ($/year)

Food and meals		________
Medical care and health insurance		________
Cash donations		________
Household supplies		________
Clothing		________
Personal care		________
Child / dependent care		________
Gifts		________
Education		________
Recreation		________
Utilities (household share)		________
Nonfarm vehicle operating expense		________
Household real estate taxes		________
Dwelling rent		________
Household repairs		________
Nonfarm interest		________
Life insurance payments		________
Other		________
Total cash family living expense		________
Family living from the farm		________
Total family living expenses	**(a)**	________

Other Nonfarm Expenditures

Income taxes		________
Furnishings & appliances		________
Nonfarm vehicle purchases		________
Nonfarm real estate purchases		________
Other nonfarm capital purchases		________
Nonfarm savings & investments		________
Total other nonfarm expenditures	**(b)**	________
		________
Total cash family living investment & nonfarm capital purchases	**(c) = (a + b)**	________
Nonfarm income	**(d)**	________
Necessary contribution from farm business (net farm income)	**(c) – (d)**	________

TASK 2

Worksheet 2.12 Income Statement

Use this worksheet as a guide for constructing income statements for the past several years. Where possible, include itemized revenue and expense details. Suggested crop and livestock expense categories are listed in worksheets 2.5 and 2.6. You may want to use a computerized package such as FINPACK to collect and process the information needed for your income statement.

For the period beginning ____________________

and ending ______________________________

Gross farm income				______________
Total cash operating expenses			–	______________
Inventory changes				
Crops and feed (ending – beginning)	+/–	______________		
Market livestock (ending – beginning)	+/–	______________		
Accounts receivable (ending – beginning)	+/–	______________		
Prepaid expenses and supplies (ending – beginning)	+/–	______________		
Accounts payable (beginning – ending)	+/–	______________		
Accrued interest (beginning - ending)	+/–	______________		
Total inventory change			+/–	______________
Depreciation			–	______________
Net farm income from operations			=	______________

TASK 2

Worksheet 2.13 Balance Sheet

Construct your current and historical balance sheets. Where possible, include itemized details under each asset and liability category. You may want to use a computerized package, such as FINPACK (see "Resources"), to collect and process the information needed for your Balance Sheet.

Balance Sheet Date ____________________

Assets (in dollars)		**Market Value**	**Cost Value**
Current Farm Assets			
Cash and checking balance		________	________
Prepaid expenses & supplies		________	________
Growing crops		________	________
Accounts receivable		________	________
Hedging accounts		________	________
Crops and feed		________	________
Crops under government loan		________	________
Market livestock		________	________
Other current assets		________	________
Total Current Assets	**(a)**	________	________
		________	________
Intermediate Farm Assets		________	________
Breeding livestock		________	________
Machinery and equipment		________	________
Other intermediate assets		________	________
Total Intermediate Assets	**(b)**	________	________
		________	________
Long-term Farm Assets		________	________
Farm land		________	________
Buildings and improvements		________	________
Other long-term assets		________	________
Total Long-term Assets	**(c)**	________	________
		________	________
Total Farm Assets	**(d) = (a + b + c)**	________	________
		________	________
Nonfarm Assets	**(e)**	________	________
		________	________
Total Assets	**(f) = (d + e)**	________	________

Liabilities (in dollars)		**Market Value**	**Cost Value**
Current Farm Liabilities			
Accrued interest		________	________
Accounts payable & accrued expense		________	________
Current farm loans		________	________
Principal on CCC loans		________	________
Principal due on term loans		________	________
Total Current Farm Liabilities	**(g)**	________	________
Intermediate Farm Liabilities	**(h)**	________	________
Long-term Farm Liabilities	**(i)**	________	________
Total Farm Liabilities	**(j) = (g + h + i)**	________	________
Nonfarm Liabilities	**(k)**	________	________
Total Liabilities	**(l) = (j + k)**	________	________
Retained Earnings	**(m) = (f_2 – l)**		________
Net Worth	**(n) = (f_1 – l)**	________	
Market Valuation Equity	**(o) = (n – m)**	________	

f_1 = Market Value of Total Assets
f_2 = Cost Value of Total Assets

Worksheet 2.14 Earned Net Worth Change Analysis

Use this worksheet to calculate your overall change in wealth earned from farm and nonfarm income after adjusting for living expenses and partner withdrawals.

For the period beginning ____________________ **and ending** ______________________

Net Farm Income		________
Nonfarm Income	+	________
Family Living/Partner Withdrawals	–	________
Income Taxes	–	________
Earned Net Worth Change	=	________

TASK 2

Worksheet 2.15 Financial Ratios Based on the Balance Sheet and Income Statement

Use information from your balance sheet and income statement to calculate the following ratios that measure liquidity, solvency, profitability, repayment capacity and efficiency.

Current Ratio:
This is a primary measure of liquidity used by most businesses.

Current Assets (Balance Sheet)		______________
Current Liabilities (Balance Sheet)	÷	______________
Current Ratio	=	______________

A current ratio of 2:1, with two dollars of current assets for every dollar of current debt, is usually considered adequate. If your current ratio approaches 1:1, your ability to sustain your business during a financial downturn may be limited.

TASK 2

Debt to Asset Ratio:
This solvency measure is sometimes referred to as your percent in debt.

Total Liabilities (Balance Sheet)		______________
Total Assets (Balance Sheet)	÷	______________
Debt to Asset Ratio	=	______________

When calculated based on the market value of your assets, a debt to asset ratio under 40% is usually considered comfortable; over 60% is usually considered vulnerable.

Rate of Return on Assets:
This profitability measure can be interpreted as the average interest rate being earned on the financial resources invested by you and lenders in your business. Adjust net farm income for the estimated opportunity cost of unpaid family labor to make your figures comparable to those for businesses that hire labor and management

Net Farm Income (Income Statement)		______________
Interest Expense (Income Statement)	+	______________
Opportunity Cost for Family Labor and Management (estimated)	–	______________
Return on Assets	=	______________
Total Farm Assets (Balance Sheet)	÷	______________
Rate of Return on Assets	=	______________

The amount you deduct for labor and management depends on your goals for how much income you feel you need from the farm. Since farming has not historically been a high return business, a rate of return greater than 5% (when assets are valued at market value) is usually considered adequate. Remember, though, if you are earning only 5% and paying interest at 10%, you may be headed for problems. You may be able to maintain this if your debt to asset ratio is low. But if you have substantial debt, you will need to set your profitability goals a bit higher.

CONTINUED

Term Debt Coverage Ratio:
This measure of repayment capacity indicates whether your business is generating enough income to make principal and interest payments on intermediate and long term debt.

Gross Farm Income (Income Statement)		________
Cash Operating Expenses (Income Statement)	–	________
Scheduled Interest Payments on Intermediate and Long-term Debt (Income Statement)	+	________
Family Living Expenses and Taxes (from the Earned Net Worth Change Worksheet)	–	________
Funds Available for Debt Payments	=	________
Intermediate and Long-term Debt Payments	÷	________
Term Debt Coverage Ratio	=	________

A term debt coverage ratio of over 150%, meaning that you are producing $1.50 of income that is available for debt repayment for each $1.00 of scheduled debt repayment, is usually considered adequate.

Operating Expense Ratio:
This measure of overall efficiency indicates the percentage of business revenues that are available for family living expenses, debt repayment and new investments.

Cash Operating Expenses (Income Statement)		________
Interest Expense (Income Statement)	–	________
Gross Farm Income (Income Statement)	÷	________
Operating Expense Ratio	=	________

While thumb rules for the ratios listed above can be used across farm types and across industries, operating expenses will vary substantially from business to business and industry to industry. As a general guideline, most farm business strive to keep operating expenses under 70% of gross revenues. If you are operating a small farm that employs sustainable practices, your financial success probably depends on operating efficiency. In that case, you should probably strive to keep operating expenses below 60% of revenues. If you are involved in a retail business, sales volume might be more important to your bottom line than operating expense levels if cost of goods sold is included. In that case, a much higher operating expense ratio might be expected. So, this ratio is useful for internal tracking of your business, but not very useful for comparisons with other businesses.

TASK 2

Worksheet 2.16 Whole Farm Trend Analysis

Use the table below as a guide for doing a trend analysis for important measures of physical resources, operating efficiency, financial position and financial performance.

Year					
Physical Resources					
Number of acres					
Number of cows					
Operating Efficiency					
Hay yield (tons/acre)					
Milk per cow (lbs/year)					
Financial Position					
Ending net worth					
Current ratio					
Debt to asset ratio					
Term debt coverage ratio					
Financial Performance					
Net farm income					
Rate of return on assets					
Labor and management earnings					
Operating expense ratio					

Worksheet 2.17 Risk Management

Briefly rank your business' exposure to production, environmental, market, contract, and personal risk. Then briefly describe how you currently manage for risk.

Market Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: ____________________

Tools for minimizing risk: ____________________

____

____

Production Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: ____________________

Tools to minimize risk: ____________________

____

____

Contract Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: ____________________

Tools to minimize risk: ____________________

____

____

Financial Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: ____________________

Tools for minimizing risk ____________________

____

____

Personal Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: ____________________

Tools for minimizing risk: ____________________

____

____

TASK 2

Worksheet 2.18 Whole Farm SWOT Analysis

Summarize the internal strengths and weaknesses and the external opportunities and threats for your business as it exists today. Consider all aspects of your business—marketing, operations, human resources and finances—as well as the links among these aspects.

Internal Factors	External Factors

Strengths:

Opportunities:

Weaknesses:

Threats:

Worksheet 3.1 Dreaming a Future Business Vision

Choose a timeframe from one, five to ten years (or more). Revisit your values if necessary. Next, develop a description of your business and personal future using some or all of the questions that follow. Or if you prefer, write a story, draw a map. Dream a little! Don't worry about the development of specific goals or action strategies—you will be setting goals and developing business strategies in the Worksheets and chapters that follow. For now, keep your vision fairly general and, if possible, address your critical planning need in some way. Remember—have each of your planning team members develop their own personal and business vision for the future. Most importantly, ask, What will our farm or business look like in one, five or ten years?

Worksheet 3.2 Creating My Business Mission Statement

Use the questions below to begin sketching a brief mission statement that communicates your values, management philosophy, and future vision. Remember to have each one of your planning team members complete this Worksheet. Then share your statements, discuss your similarities and differences, and draft a final mission statement. Going through this process as a team will generate more ideas and will result in a common mission statement that every one of your planning team members support. Try to limit your response to each of the questions so that, once combined, your mission statement does not exceed five to six sentences. Remember, write in the present tense and keep it positive.

I would like our business to be known for the following in the future:

The internal and external purpose of my business is to:

Our business mission statement will communicate to:

Based on your answers above, write internal and external mission statements that communicate your business' purpose and the qualities for which you would like your business to be known:

Internal mission:

External mission:

Worksheet 3.3 Estimating Our Family's Goal for Profit

Estimate future family expenses—family living, education, retirement and vacation expenses—to determine your minimum income ("necessary contribution") from the business. It may be easiest to work from your current expenses (Worksheet 2.9) when estimating future expenses.

Family Living Expenses ($/year)		**Current**	**Future**
Food and meals		________________	________________
Medical care and health insurance		________________	________________
Cash donations		________________	________________
Household supplies		________________	________________
Clothing		________________	________________
Personal care		________________	________________
Child / dependent care		________________	________________
Gifts		________________	________________
Education		________________	________________
Recreation		________________	________________
Utilities (household share)		________________	________________
Nonfarm vehicle operating expense		________________	________________
Household real estate taxes		________________	________________
Dwelling rent		________________	________________
Household repairs		________________	________________
Nonfarm interest		________________	________________
Life insurance payments		________________	________________
Other		________________	________________
Total cash family living expense		________________	________________
Family living from the farm		________________	________________
Total family living expenses	**(a)**	________________	________________
Other Nonfarm Expenditures			
Income taxes		________________	________________
Furnishings & appliances		________________	________________
Nonfarm vehicle purchases		________________	________________
Nonfarm real estate purchases		________________	________________
Other nonfarm capital purchases		________________	________________
Nonfarm savings & investments		________________	________________
Total other nonfarm expenditures	**(b)**	________________	________________
		________________	________________
Total cash family living investment & nonfarm capital purchases	**(c) = (a + b)**	________________	________________
Nonfarm income	**(d)**	________________	________________
Necessary contribution from farm business (net farm income)	**(c) – (d)**	________________	________________

TASK 3

Worksheet 3.4 Identifying Our Family Business Goals

Have each member of your planning team draft personal goals as well as one or more short-term and long-term goals for each functional management area of your business.

Short-term Goals (1-5 years)

Intermediate Goals (5-10 years)

Long-term Goals (10 Years +)

TASK 3

Worksheet 3.5 Prioritizing Goals

Use the questions below to prioritize goals for your family and business. Remember high priority goals need not receive all of your attention and resources; priorities are not permanent. Simply use this worksheet as a starting point for family discussions and planning in the chapters to come.

(A) Which goals are most important for family well-being and for business success?

(B) Which short-term goals, if attained, would help you achieve long-term goals?

(C) Which short-term goals conflict with or impede your long-term goals?

(D) Which goals are so important that they should be attained even if it prevents you from reaching other goals?

(E) List your top five goals by priority.

1.

2.

3.

4.

5.

TASK 3

Worksheet 4.1 Customer Segmentation

TASK 4

Complete this Worksheet for each major product you plan to produce. Develop a profile of the customer(s) you intend to target by market segment. Note the geographic, demographic, and psychographic characteristics of each segment. Be sure to describe your customers' needs and preferences and what they value. Use additional sheets of paper if this product has more than three major market segments.

Product: ______________________________

Customer Segment:	1	2	3
Geographic			
Demographic			
Psychographic			
Needs/Preferences			

Worksheet 4.2 Potential Sales Volume

Complete this Worksheet for each major product you plan to produce. Use your information about average product consumption, geographic location, and customer preferences to develop simple sales projections for each segment of your market. Be sure to specify the timeframe (month, season, year) for each projection. You may want to calculate your potential sales volume for best and worst case scenarios—adjusting the estimated sales volume per customer and the potential number of customers as market conditions may change. If you decide to look at more than three customer segments, more than one sales season, or best and worst case sales projections, use additional paper or Worksheets to calculate and record your business' potential sales volume. Finally, describe any assumptions upon which your sales estimates are based. Be sure to list data sources (such as surveys, market reports, sourcebooks, etc.).

Product: ______________________________

Time Frame: ______________________________

Customer Segment:	**1** ____________	**2** ____________	**3** ____________
	____________	____________	____________
Potential number of customers: (a)	____________	____________	____________
Estimated volume per customer (b)	____________	____________	____________
Potential sales volume (a x b) =	____________	____________	____________

Market Assumptions/Research Results

Describe your marketing assumptions and research. Include information about general industry conditions, competition, and future market potential for your product.

TASK 4

Worksheet 4.3 Product and Uniqueness

Complete this Worksheet for each major product you plan to produce. Describe your product and why it will appeal to each market segment. Begin by noting industry trends and general market conditions. Describe supply and demand market trends for this product. Discuss whether they are short-term fads or long-term, emerging trends. Note perceived marketing opportunities that may exist locally, regionally, nationally or internationally. Include evidence that supports your ideas. Then, describe the unique features that distinguish this product within the marketplace. For which customer segments are these unique features important? How easily could competitors imitate these features?

Product: ______________________

Industry Trends/Changing Market Conditions:

____

Product Characteristic 1 ______________________

Appeals to which segments? ______________________

Easy for competitors to imitate? Yes/No __________

Product Characteristic 2 ______________________

Appeals to which segments? ______________________

Easy for competitors to imitate? Yes/No __________

Product Characteristic 3 ______________________

Appeals to which segments? ______________________

Easy for competitors to imitate? Yes/No __________

Summarize the unique characteristics of this product and why it is valuable to your target market:

____

TASK 4

Worksheet 4.4 Competition

Complete this Worksheet for each major product you plan to produce. List your competitors in each market segment for this product. Describe competitors' product marketing strategies and the prices they charge for each product. Note any advantages and disadvantages you may have with respect to your competition. Then, develop and describe your strategy for competing or positioning your business in the marketplace.

Product: ______________________________

Customer Segment:	**1**	**2**	**3**
Competitor names			
Competitor products			
Major characteristics			
Product price range			
Our advantages			
Our disadvantages			

Competition strategy:

TASK 4

Worksheet 4.5 Distribution and Packaging

Complete this Worksheet for each major product you plan to produce. Describe how you intend to move and package this product for each target market segment. Note where and how the product will be shipped (location and scope) and what type of distribution channel you will utilize (movement). Next, based on each distribution plan, research and describe one or more packaging strategies for this product. Consider what type of packaging might be valued by customers (e.g. convenience) or even required by intermediaries and distributors. Describe a delivery and handling schedule by period (month, season, year). Then, summarize your distribution and packaging strategies for this product.

Product: ______________________ **Period:** ______________________

Customer Segment: ____

Location: ____

Scope: ____

Movement (distribution channel): ____

Industry packaging requirements / certification requirements: ______________________

Packaging ideas: ____

Delivery schedule & handling: ____

CONTINUED

TASK 4

Worksheet 4.5 Distribution and Packaging

CONTINUED

Complete this Worksheet for each major product you plan to produce. Describe how you intend to move and package this product for each target market segment. Note where and how the product will be shipped (location and scope) and what type of distribution channel you will utilize (movement). Next, based on each distribution plan, research and describe one or more packaging strategies for this product. Consider what type of packaging might be valued by customers (e.g., convenience) or even required by intermediaries and distributors. Describe a delivery and handling schedule by period (month, season, year). Then, summarize your distribution and packaging strategies for this product.

Product: ____________ **Period:** ____________

Customer Segment: ____________

Location: ____________

Scope: ____________

Movement (distribution channel): ____________

Industry packaging requirements: ____________

Packaging ideas: ____________

Delivery schedule & handling: ____________

TASK 4

Worksheet 4.6 Pricing

Complete this Worksheet for each major product you plan to produce. List the price range for similar products offered by competitors (Worksheet 4.4) or industry buyers. Next, think about how you might price this product. Consider how much power you have to set the price for this product and how sensitive the demand for this product is to price changes. Then describe your pricing strategies for this product and list your low, expected, and high product price under each pricing strategy alternative. Finally, summarize your pricing strategy in the space provided.

Product: ______________________

Competitor/Industry Price Range: ______________________

Our Power to Set Prices: _____**Low** _____ _____**Some** _____ _____**High**

Demand Sensitivity to Price Changes: _____**Low** _____ _____**Some** _____ _____**High**

Price Range:	Low	Expected	High
Pricing Strategies			
Strategy #1:			
Strategy #2:			

Pricing Strategy:

TASK 4

Worksheet 4.7 Promotion

Complete this Worksheet for each major product you plan to produce. Choose an advertising approach (product, image, total) for each customer segment. Then use your information about customer needs and preferences (Worksheet 4.1) to develop a promotional message for this product. Next, think about what advertising tools and delivery methods you can use to communicate your message. Describe how often you intend to promote your product and communicate with customers (timing and frequency). It may be helpful to use a calendar or blank sheet of paper to map out an advertising plan that corresponds with slow demand periods or peak product availability. Finally, summarize your promotion strategy for this product.

Product: ____________________

Customer Segment:	**1**	**2**	**3**
Approach (product, image, total):			
Message:			
Tools:			
Delivery:			
Timing/frequency:			

Promotion strategy:

TASK 4

Worksheet 4.8 Inventory and Storage Management

Using the space below, describe how you will store and manage inventories for each product. Consider any regulations or industry standards that might apply to your business (Worksheet 4.11). Note how you will comply with any standards for product quality.

Product: ______________________________

Industry regulations/standards:

Product storage:

Inventory management:

Quality control:

TASK 4

Worksheet 4.9 Marketing Strategy Summary

Complete this Worksheet for each major product you plan to produce. Compile your market research (Worksheets 4.1–4.7) for each year in your transition period and for your long run or expected market outlook, as appropriate. Begin with a description of your target market (by segment). Then summarize product characteristics and competition, as well as your plans for distribution, pricing and promotion. Next, use the space below to estimate gross sales revenue and to record marketing expense estimates. You will use this expense information when evaluating the business' projected financial performance in the Evaluation section of Planning Task Four. Finally, summarize your marketing strategies for this product or the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will be the start of your marketing strategy section for the written business plan.

Product: ______________	**Long Run (Expected)**	**Transition Period Year 1**	**Year 2**	**Year 3**
Target Market Segments				
Number of Customers (a)				
Sales Volume/Customer (b)				
Potential Sales Volume (c) = (a x b)				
Product Characteristics (appeal and value)				
Competition				
Distribution				
Packaging				

CONTINUED

TASK 4

	Long Run (Expected)	Transition Period Year 1	Year 2	Year 3
Promotion				
Price Range/Unit (d)				
Gross Sales Revenue (e) = (c x d)				
Marketing Expenses:				
Distribution & Handling				
Storage				
Packaging				
Advertising				
Other Promotion				
Licensing and Legal Fees				
Membership Fees				
Market Research/Consultant				
Other				
Total Expenses				

Business Plan Input—Marketing Strategy Summary:

Worksheet 4.10 Production System and Schedule

Use the space below to describe the production management system(s) that you use for each enterprise. You may have more than one enterprise for each product that you plan to produce. Be sure to detail your management plans for all enterprises. If you plan to gradually transition into a new management system, complete this Worksheet for each year or season during the transition period. You might find it helpful to use a map or calendar to describe any seasonal or transition-related management plans.

Enterprise ______________________________

Year ______________

System

Schedule/Rotation

TASK 4

Worksheet 4.11 Regulations and Policies

List any permits, institutional requirements, and other government policies that will affect your operations. When noting permit requirements, be sure to describe any ongoing compliance issues such as annual permit renewals and fees. Next, describe your ability to meet these conditions.

Permit/License/Policy ______________________________

Issued by: ______________________________

Conditions and compliance issues: ______________________________

____

____

Fees: ______________________________

____

Can we meet these conditions? ______________________________

____

____

Permit/License/Policy ______________________________

Issued by: ______________________________

Conditions and compliance issues: ______________________________

____

____

Fees: ______________________________

____

Can we meet these conditions? ______________________________

____

____

Permit/License/Policy ______________________________

Issued by: ______________________________

Conditions and compliance issues: ______________________________

____

____

Fees: ______________________________

____

Can we meet these conditions? ______________________________

____

____

Worksheet 4.12 Describing Potential Crop Production Systems

Complete this Worksheet for each major crop enterprise. Be as specific and accurate as you can, since this information will be the basis for the resource acquisition strategies that you consider.

Crop Enterprise: ______________________ Current Acreage: ______________

Month	Machinery Operations				Operating Input				Labor	
	Operation	Hrs/ Acre	Machine 1	Machine 2	Item	Quantity/ Acre	Units	Price/ Unit	Hrs/ Acre	Type

TASK 4

Worksheet 4.13 Describing Potential Livestock Production Systems

Complete this Worksheet for each major livestock enterprise. Be as specific and accurate as you can, since this information will be the basis for the acquisition strategies you consider.

Livestock/Poultry Production System: ______________________ Projected Number of Units: ______________________

Month or Period	Facility Space Req.	Labor		Feed Required	Vet & Medications Items & Amounts	Machinery & Equipment Req.	Other Inputs
		Hours	Type				

Worksheet 4.14 Resource Needs and Acquisition

Return to Worksheets 2.3 (Tangible Working Assets), 2.5 (Describing Crop Production Systems), and 2.6 (Describing Livestock Production Systems) where you described your current resource base and use. Study these Worksheets and compare them to Worksheets 4.12 and 4.13. Think about how your resource needs will change as you add a new enterprise, expand markets, or reallocate resources. If you used a map in Planning Tasks Two and Three to describe your current situation and future vision, then you may want to do so again here. Illustrate which parcels of land will be devoted to buildings, crops, livestock, recreation, education and wildlife according to your operations management strategy. Then, using the space below, describe any gaps between current resource availability and future resource needs. Lastly, develop your acquisition strategy for meeting or filling future resource needs. Will you redirect or make better use of current resources? Will you purchase or rent additional resources (new or used)? Or will you gain access to resources through agreements, custom-hire or contracting services? List your acquisition strategy alternatives in the space provided.

Enterprise ______________________________

Resource Needs:	**Acquisition Strategy 1**	**Acquisition Strategy 2**
Land		
Buildings		
Machinery and equipment		
Breeding livestock		
Supplies		

TASK 4

Worksheet 4.15 Institutional Considerations

Describe institutional factors that will affect your ability to use and manage physical resources under your new operations strategies. Include any long-term leasing arrangements, conservation easements, permit requirements, legal restrictions, and production or marketing contracts.

Long-term Leasing Arrangements for Real Estate

Specify whether items will be leased in for your use or leased out for the use of others.

Long-term Agreements and Easements

Permit and Legal Restrictions

Specify the agency responsible for issuing permits, conditions and compliance factors, fees, and your ability to meet these conditions.

Long-term Production Contracts and Marketing Agreements

Worksheet 4.16 Estimating Output and Capacity

Complete this Worksheet for each major product you plan to produce. Compile your market research (Worksheets 4.1–4.7) for each year in your transition period and for your long run or expected market outlook, as appropriate. Begin with a description of your target market (by segment). Then summarize product characteristics and competition, as well as your plans for distribution, pricing and promotion. Next, use the space below to estimate gross sales revenue and to record marketing expense estimates. You will use this expense information when evaluating the business' projected financial performance in the Evaluation section of Planning Task Four. Finally, summarize your marketing strategies for this product or the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will be the start of your marketing strategy section for the written business plan.

Enterprise: ______________________

	Long Run (Expected)	**Transition Period Year 1**	**Year 2**	**Year 3**
Typical output				
Expected output				
High output				
Low output				
Production capacity				

At the whole-farm level, we plan to (grow/maintain/contract) our business:

TASK 4

Worksheet 4.17 Operations Strategy Summary

Complete this Worksheet, using your research from Worksheets 4.9–4.16, for each new enterprise or an existing one that will change. Begin with a brief description of the management system and implementation (describe your crop rotation, pasture layout and rotation, milking schedule, etc.). Next, list new resource needs and your strategy for acquiring them. Then record all operating expenses associated with this enterprise, including the overhead value of new equipment, machinery, and breeding livestock that may be needed. Try to allocate your overhead costs across this and other enterprises in proportion to use. Finally, summarize your operations strategies for this enterprise and the whole farm in the space provided. This will be the start of your operations strategy section for the written business plan. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis.

Enterprise: ______________________

	Transition Period		
	Year 1	**Year 2**	**Year 3**
Production System and Rotation			
Resource Needs and Acquisition			
Land			
Buildings			
Machinery & equipment			
Breeding livestock			

TASK 4

CONTINUED

Worksheet 4.17 Operations Strategy Summary

CONTINUED

Enterprise: ______________________

	Transition Period		
	Year 1	**Year 2**	**Year 3**
Labor			
Supplies			
Other inputs			
Permits			
Output			
Storage			
Operations Expenses			
Seed			
Fertilizer			
Chemicals			
Irrigation energy			
Other direct crop expenses			
Feeder livestock expenses			

CONTINUED

TASK 4

Worksheet 4.17 Operations Strategy Summary

CONTINUED

Enterprise: ______________________

	Transition Period		
	Year 1	**Year 2**	**Year 3**
Feed and forages			
Breeding fees			
Veterinary			
Livestock supplies			
Fuel and oil			
Repairs and maintenance			
Storage			
Processing			
Dues and professional fees			
Office supplies			
Utilities			
Rent and leases			
Equipment/ machinery			
Breeding livestock			
Buildings			
Land			
Other			
Total expenses			

TASK 4

Business Plan Input - Operations Strategy Summary:

Worksheet 4.18 Tasks and Workload

Use the space below to describe the marketing, operations, human resources and finance tasks associated with each new enterprise. Refer to Worksheets 4.11–4.12 (Describing Potential Crop and Livestock Systems) for operations workload estimates. Then estimate the workload (hours) associated with each task. If your business tends to be seasonal, distribute the total hours for each activity by periods of the year. Use a separate sheet of paper if more space is needed or make copies of this Worksheet to detail workload changes for each year in your transition period, as appropriate.

Enterprise ______________________________ **Timeframe** ______________________________

	Hours/Month											
Tasks	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marketing:												
Operations												
Management:												
Finances:												
Total Hrs/Month												

TASK 4

Worksheet 4.19 Filling Workforce Needs

Use the space below to flesh out new position titles and task descriptions for each new enterprise or existing enterprise that is short on labor. Next, if adding labor, describe the type of position that will be created—full-time or part-time, temporary or permanent, seasonal or year-round—as well as the skills desired for each position. Lastly, describe your strategy for addressing workforce gaps and acquiring and training labor. Workforce strategies may include: reassigning current labor; adding new labor (family, employees, volunteers, interns); hiring out work to custom operators or consultants; or developing work trade arrangements with neighbors or relatives. You might also consider reducing some of your labor needs through the use of additional equipment and machinery or through new business arrangements.

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

CONTINUED

TASK 4

Worksheet 4.19 Filling Workforce Needs

CONTINUED

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

TASK 4

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

2. How will training be accomplished?

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):				
Typical industry benefits:				
Tax rate:				

TASK 4

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)				

TASK 4

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?

TASK 4

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:

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**		**Transition Period**	
______________	**(Expected)**	**Year 1**	**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:

TASK 4

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: ______________________________

____

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:

____

____

____

____

____

____

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:

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	**=**	____________________

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

TASK 4

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	$		

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			

TASK 4

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 (Expected)**	**Transition Period** 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				

Business Plan Input–Financial Strategy Summary:

TASK 4

Worksheet 4.29 Summarize a Whole Farm Strategic Plan of Action

Ask yourself if each of the marketing, operations, human resources, and finance strategy alternatives you've identified are compatible as a system. If you are considering more than one functional strategy (such as two marketing strategies or two finance strategies), be sure to explore on paper how these different strategies will affect the business as a whole. How will they affect other functional areas of the business? Rule out those strategies that are not compatible with one another or your business vision as a whole. Then, use the space below to name one or more system-wide business strategies for your whole farm and describe, in one to two paragraphs, how each strategy addresses your critical planning needs, vision, mission and goals.

Whole Farm Strategy Alternative # 1:

Whole Farm Strategy Alternative # 2:

TASK 4

Worksheet 4.30 Annual Operating Expenses for the Whole Farm

Using your current tax records (if applicable), estimate total variable and fixed expenses for your base plan—for your business as is. Then, list annual operating expenses for each major whole-farm strategy alternative that you are considering. Be sure to calculate and include (1) annual ownership costs of machinery, equipment, and buildings (depreciation, interest, repairs, taxes and insurance); and (2) start-up costs as either one-time cash expenses or as part of annual debt or lease payments (it depends on how you decide to finance these costs). Try to break all of your annual whole farm expenses up into variable- and fixed-expense categories.

	Base Plan	Alternative One	Alternative Two
Direct Expenses			
Marketing			
Seed			
Fertilizer			
Chemicals			
Crop insurance			
Other direct crop expenses			
Feeder livestock purchases			
Feed and forages			
Breeding fees			
Veterinary			
Livestock supplies			
Other direct livestock expenses			
Custom hire			
Fuel and oil			
Repairs and maintenance			
Storage			
Processing			
Dues and professional fees			
Interest on operating loan			
Sales taxes			
Other operating expenses			
Total variable costs			
Overhead Expenses			
Utilities			
Rent			
Hired labor			
Depreciation			
Farm insurance			
Repairs and maintenance			
Taxes			
Interest on intermediate debt			
Interest on long-term debt			
Other fixed costs			
Total fixed costs			

TASK 4

Worksheet 4.31 Enterprise Budget Break-even Analysis

Calculate your break-even value or volume for each enterprise or product. If you plan to look at break-even volumes, use the cost estimates that you developed in Worksheet 4.25 along with market values developed in Worksheet 4.6. Try experimenting with a range of market prices to see how they affect your break-even volume. Then, compare your break-even volume to the sales volume projections and output capacity estimates that you generated in Worksheets 4.2 and 4.12, respectively.

Likewise, when calculating break-even values, look back at Worksheets 4.4 and 4.6—can you break even and still remain competitive? Is your break-even value below the projected market price that you identified in Planning Task Four?

Break-even Volume
Enterprise or Product: ______________________________

Annual overhead costs	(a) =	____________________	
Direct costs/unit	(b) =	____________________	
Estimated market value/unit	(c) =	____________________	
Break-even value	**(a) / (c – b) =**	____________________	
Estimated sales volume	=	____________________	(Worksheet 4.2)
Upper limit or output capacity	=	____________________	(Worksheet 4.12)

How does our break-even volume for this product compare to our projected sales volume and production capacity estimates? Can you break even?

____
____
____
____
____

Break-even Volume Enterprise or Product ______________________________

Average overhead expenses	(a) =	____________________	
Average direct expenses	(b) =	____________________	
Production volume	(c) =	____________________	
Break-even value	**(a+b)/(c) =**	____________________	
Estimated sales volume	=	____________________	(Worksheet 4.2)
Upper limit or output capacity	=	____________________	(Worksheet 4.12)

How does our break-even value for this product compare to our projected sales volume and production capacity estimates? Can you break even?

____
____
____
____
____

Worksheet 4.32 Partial Budget

If appropriate, calculate and record the impact of each whole farm business strategy using the partial budget approach. Begin by estimating additional income (added inflows) and new expenses (additional outflows). Next, estimate any reduction in your annual expenses (reduced outflows) and income (reduced inflows) that will occur as a result of your proposed strategy or business change. Lastly, total up the positive impact of your business strategy (e) and the negative impact (f). What is the net effect on profit and cash flow? What is your return on assets?

Whole Farm Strategy: ______________________

Added Inflows	Profit	Cash Flow	Added Outflows	Profit	Cash Flow
Subtotal (a) =			**Subtotal (b) =**		
Reduced Outflows			**Reduced Inflows**		
Subtotal (c) =			**Subtotal (d) =**		
Total (a + c) = (e)			**Total (b + d) = (f)**		
			Net (e – f) = (g)		
			Added Interest (h) =		
			Total Investment (i) =		
			Return on Assets [(g + h) / i] =		

TASK 4

Worksheet 4.33 Long-Range Projected Income Statement

Use the space below to record average income and expenses (variable and fixed costs) for your present business (base plan) and the whole farm strategy alternative you are considering. The base plan should project the average expected future results for your current farm operation. Do this column first based on past history (Worksheet 2.10) and then build on it for each of your alternative strategies using information from your gross sales revenue projections (Worksheet 4.8) and the whole farm cost analysis (Worksheet 4.27). Then, calculate the net farm income for each alternative by subtracting total expenses from total revenue. How do your proposed alternatives compare to your present business income? Remember, when projecting the income for each strategy alternative, assume that your strategy has been fully implemented.

Revenues:		**Base Plan**	**Strategy #1**	**Strategy #2**
Gross product sales				
Cull breeding livestock				
Other income				
Total revenue (a)				
Expenses:				
Annual variable expenses				
Annual fixed expenses				
Other farm expenses				
Total expenses (b)				
Net farm income (a – b)				

TASK 4

Worksheet 4.34 Long-Range Projected Cash Flow

Use the space below to calculate and compare your business' present cash flow and its cash flow under the alternative whole-farm strategies that you are considering. Begin by estimating total cash inflows and outflows. Then subtract outflows from inflows. If the projected net cash flow is positive, then the plan will cash flow—it will be able to make debt payments on time. On the other hand, if the net cash flow is negative, the business alternative will have trouble servicing short-term debt.

		Base Plan	Strategy #1	Strategy #2
Projected Cash Flow:				
Net farm income				
Depreciation expense				
Interest expenses on term debt				
Nonfarm income				
Total cash inflows	**(a)**			
Owner withdrawals				
Income and social security taxes				
Principal and interest payments on term debt				
Loan				
Loan				
Loan				
Loan				
Loan				
Loan				
Total cash outflows	**(b)**			
Projected net cash flow	**(a – b)**			

TASK 4

Worksheet 4.35 Projected Balance Sheet

Construct a projected balance sheet for your business base plan and for each whole farm strategy alternative you are considering. Where possible, include itemized details under each asset and liability category. Then, calculate your overall change in wealth earned from farm and nonfarm income after adjusting for living expenses and partner withdrawals. You may want to use a computer software package, such as FINPACK (available from the Center for Farm Financial Management), to collect and process the information needed for your projected balance sheet.

Year: ______________________

		Base Plan	Strategy #1	Strategy #2
Assets				
Current Farm Assets				
Cash and checking balance				
Prepaid expenses & supplies				
Growing crops				
Accounts receivable				
Hedging accounts				
Crops and feed				
Crops under gov't loan				
Market livestock				
Other current assets				
Total current assets	**(a)**			
Intermediate Farm Assets				
Breeding livestock				
Machinery and equipment				
Other intermediate assets				
Total intermediate assets	**(b)**			
Long-term Farm Assets				
Farm land				
Buildings and improvements				
Other long-term assets				
Total long term assets	**(c)**			
Total Farm Assets	**(d) = (a + b + c)**			
Nonfarm Assets	**(e)**			
Total Assets	**(f) = (d + e)**			

TASK 4

CONTINUED

CONTINUED

TASK 4

Year: ______________________

		Base Plan	Strategy #1	Strategy #2
Liabilities				
Current Farm Liabilities				
Accrued interest				
Accounts payable & accrued expense				
Current farm loans				
Principal on CCC loans				
Principal due on term loans				
Total Current Farm Liabilities	**(g)**			
Intermediate Farm Liabilities	**(h)**			
Long-term Farm Liabilities	**(i)**			
Total Farm Liabilities	**(j) = (g + h + i)**			
Nonfarm Liabilities	**(k)**			
Total Liabilities	**(l) = (j + k)**			
Net Worth	**(m) = (f – l)**			
Earned Net Worth Change Per Year				
Net Farm Income (from Worksheet 4.33)	**(n)**			
Nonfarm Income	**(o)**			
Family Living/Partner Withdrawals	**(p)**			
Income Taxes	**(q)**			
Earned Net Worth Change	**(r) = (n + o) – (p + q)**			

Worksheet 4.36 Risk Analysis

Use the space below to record and compare the results of a five percent decrease in market prices, a five percent increase in expenses, or a two percent increase in interest rates for each whole-farm strategy alternative. You will need to use software or another sheet of paper to calculate the effect of these very real market uncertainties. How do these market and finance-related shocks affect your present business and its future under the whole-farm strategy alternatives that you are considering?

	Base Plan	Strategy #1	Strategy #2
Effect of a 5% decrease in prices			
Net farm income			
Net cash flow			
Effect of a 5% increase in expenses			
Net farm income			
Net cash flow			
Effect of a 3% increase in interest rates			
Net farm income			
Net cash flow			

TASK 4

Worksheet 4.37 Transitional Cash Flow

Use the space below to project the business' first three years' cash flow. Begin by recording gross income from sales of products. Then, record other farm and nonfarm income as well as borrowed funds that will be used by the business. Record total projected income or total inflows (a) for each year. Next, record all cash outflows (b), including annual farm expenses, owner withdrawals (for family living), taxes, and debt payments. Subtract total cash outflows (b) from total cash inflows (a) to calculate net cash flow for the year.

Whole Farm Strategy:

		Year 1	Year 2	Year 3
Projected Cash Inflows:				
Gross product sales				
Other income				
Nonfarm income				
Capital sales				
New borrowings				
Total Cash inflows (a)				
Projected Cash outflows:				
Farm expenses				
(excluding interest)				
Owner withdrawals				
Income and social security taxes				
Capital purchases				
Debt payments				
Total cash outflows (b)				
Net cash flow (a – b)				
Cumulative net cash flow				

TASK 4

Worksheet 4.38 Scoring and Deciding on a Final Business Strategy

Use each of the strategy tests (described in Figure 96) to assess your whole farm business alternatives. Give each strategy a subjective score, from one to five (five being the highest), for each test. Once each strategy is scored, sum the scores across all tests. The strategy with the highest score is apparently the best for the farm and your planning team. If more than one strategy ranks similarly, then spend more time researching and evaluating the remaining strategies before making a final decision about which direction to take your business.

Proposed Strategy:	**Base Plan**	**Strategy #1**	**Strategy #2**
		________	________
		________	________
Strategy Tests (high = 5, low = 1)			
Vision Consistency	________	________	________
Goodness of Fit	________	________	________
Building for Future	________	________	________
Performance	________	________	________
Importance	________	________	________
Feasibility	________	________	________
Resources	________	________	________
Confidence	________	________	________
Total Score	________	________	________

Which whole farm or enterprise strategy will we pursue?

TASK 4

Worksheet 4.39 Contingency Statement

Describe future challenges and risks for the business. Think about what internal circumstances or external events might positively and negatively affect the business and how the business would respond to each.

TASK 4

Worksheet 4.40 Executive Summary

Use the space below to draft an executive summary for your business plan. Remember, this is perhaps the most important section of your plan—it should provide a snapshot of what the business is about and how it will be successful. At the very least, your executive summary should communicate information about goals, market potential and sales volume, production management and capacity, expenses, profitability, cash flow and risk management.

Worksheet 5.1 Business Plan Outline

Use the space below to develop an outline for your business plan. Remember to think about how the plan will be used—who is going to see it and why.

TASK 5

Worksheet 5.2 Implementation To-do List

Use the space below to develop an implementation "to-do" list for your business. You may find it helpful to develop a to-do list for each functional area of the business (marketing, operations, human resources and finance). Regardless of how you choose to organize your list, be sure to note who will be responsible for each task and a deadline for doing so.

Task	Person Responsible	Deadline

TASK 5

Worksheet 5.3 Monitoring

Briefly describe your plans for checking-in with your planning team to track and evaluate business progress. Then, list monitoring checkpoints for the business as a whole and for each functional business component.

Check-In Schedule

Whole Farm Checkpoints

Marketing

Operations

Human Resources

Finance

TASK 5