

Introduction to Farm Business Planning

Business planning provides farm owners an opportunity to strategically map out the start or expansion of their farm businesses. No matter the size or scale of the operation, business planning is essential for the long-term sustainability and success of a farm business. The steps in the business planning process can ultimately lead to the selection and implementation of a plan that will assist a farm business in becoming the first choice of its target customers. Business planning can also assist farm owners in maximizing the return on the initial investment they put into a farm business by developing strategies for maximizing long-term profitability and efficient resource utilization. Business planning equates to developing a written plan for doing the right things and doing them well for business success.

The Planning Process

The goal of the business planning process is the development of a written farm business plan:

1. That is compatible with the personal and business values of the farm owner.
2. That seeks to accomplish the farm's mission and goals.
3. That allows the farm business to receive the highest return on initial investment.
4. That builds on business strengths and available resources and accounts for weaknesses that may inhibit business success.
5. That allows the farm business to take advantage of any market opportunities but also reduces any marketplace threats that will inhibit business success.

When preparing to develop a written farm business plan, it is necessary to go through a business planning exercise, including:

1. Assessing the internal and external farm business and market environments.
2. Creating or revising the values, vision and mission that provide the framework for the development or expansion of the farm business.
3. Creating goals that will drive farm business operations.
4. Writing the farm business plan.

Assessing the Internal and External Farm Business and Market Environments

Assessing the internal and external farm business and market environments requires the farm owner to evaluate the factors that could impact farm business success. To assess the internal business environment, the farm owner must evaluate existing personal and business strengths and weaknesses that may impact farm business success. Identifying strengths will assist in the development business goals. Any weaknesses not identified or addressed during the planning process can impede the farm business from achieving its goals. To assess the external business and market environments, the farm owner must evaluate all potential opportunities for —and threats against — farm business and market success. While many of these opportunities and threats may be outside the control of the farm owner, they must still be accounted for. Business and market opportunities and threats ultimately impact profitability.

This assessment is done through a SWOT (strengths, weaknesses, opportunities and threats) analysis. For the SWOT analysis, the farm owner will write down a list of all the strengths, weaknesses, opportunities and threats that could impact the farm business. This list is important to the business planning process as it provides a reference for items that are achievable within the scope of setting up or expanding the farm business. An example of a farm SWOT analysis is shown in Table 1.

Table 1. Example Farm SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ◆ Excellent in leafy green production. ◆ Good soil on farm. ◆ Wife has off-farm income and insurance. 	<ul style="list-style-type: none"> ◆ Financial management. ◆ Communication with customers. ◆ Do not have sufficient farm equipment.
Opportunities	Threats
<ul style="list-style-type: none"> ◆ Proximity to local farmers markets. ◆ Children interested in farming. ◆ Not many local farmers growing year-round. 	<ul style="list-style-type: none"> ◆ Proximity to other farms that spray synthetic pesticides and herbicides. ◆ Steady workforce. ◆ Obtaining capital financing.

Developing the Farm Values, Vision and Mission

Values explain how the farm business is going to conduct itself in the context of what and who it values. To develop values, the farm owner should consider the following questions:

1. What do you consider to be a “successful farming operation?”
2. What are your personal, economic, environmental and community values?
3. Who do you value?

The result can be a series of words or statements that describe the farm’s values.

Murray Family Farms, Bakersfield, Georgia

- *Quality: Everything should be done to bring a better quality of food to tables everywhere.*
- *Education: Every person should be given the tools they need to make healthy choices.*
- *Experience: Everyone who visits us is a member of our family.*
- *People: Show respect and encourage growth in members of our organization at every level.*
- *Sustainability: We should utilize our resources carefully and in a safe and sane way.*

The **vision statement** states the farm owner’s aspirations for what the farm could be. In thinking about the farm vision, a farm owner should consider the following questions:

1. Why are you going into business as a farmer?
2. What, how and how much are you going to produce?
3. Who are your customers and how are you going to attract them?
4. Where do you see your farm in five or more years?

“Titan Farms will be perceived by its customers as the benchmark of the peach industry. While being environmentally friendly, Titan Farms will strive to create a safe, rewarding working environment for its employees. It will continue to grow and diversify using state-of-the art agricultural practices while achieving financial success with utmost efficiency.”

– Titan Farms, Ridge Spring, South Carolina

The **mission statement** defines the farm business in the context of its primary business function, its products and how it seeks to produce them, its customers and what unmet customer need it seeks to fill. A farm mission statement can either be broad or narrow. A **broad mission statement** is typically vague and is a general statement of what the farm does. A **narrow mission statement** clearly states what the farm’s products are, production techniques used and the primary market outlet.

“Our mission is to lovingly grow and provide quality cut flowers that will enchant and delight.”

– Sierra Flower Farm, Carson Valley, Nevada

“To bring family, food and fun together by sharing sustainably grown produce and an authentic farm experience.”

– Murray Family Farms, Bakersfield, Georgia

Developing Farm Goals

Goals are open-ended statements of what a farm owner wishes to accomplish and provide a reference point for decision-making and measuring business progress. The values, vision and mission that have been defined for the farm business will influence the goals set and the priorities placed on them. When creating goals, farm owners should ensure that the goals are SMART so that they are attainable. SMART goals have the following characteristics:

1. **Specific:** A farm owner must specify exactly what they are trying to accomplish.
2. **Measurable:** A farm owner must specify how they will know when the goal has been accomplished.
3. **Attainable:** A farm owner must ensure that the goal is realistic within the scope of their business efforts and commitment. They must also ensure that they have the resources to achieve the goal, and if they do not have the resources, they must identify how they will obtain the resources.
4. **Relevant:** A farm owner must specify why the goal is important to farm business success.
5. **Timely:** A farm owner must specify when they will achieve the goal.

Goals can be narrowed down into a series of timely categories: short-term, intermediate and long-term. **Short-term goals** should span one to three years. **Intermediate goals** span four to six years. **Long-term goals** span more than seven years. Long-term goals may differ from intermediate and short-term goals. Goals may change over time due to factors such as age, financial condition, family status and farming experience.

Farm owners also have the task of balancing goals that may compete with one another. When prioritizing goals, farmers must consider:

1. Which goals are important for farm business success?
2. Which short-term and intermediate goals, if attained, would help to achieve long-term goals?
3. Which short-term and intermediate goals conflict with or impede the long-term goals?

To evaluate the importance or timeliness of goals, a farm owner must consider the urgency in which the goal needs to be completed. Table 2 provides a framework to evaluate the importance of goals.

“Our farm will produce local, quality, healthy and sustainable food. We will enhance the biological diversity and ecological integrity of the agricultural landscape through diverse farming practices and promotion of native species and systems. Our farm will support the surrounding community and seek to educate and connect people with their food and the land.”

– Lakeside Prairie Farm – Alexandria, Minnesota

Table 2. Goal Importance Criteria

	Goal Urgent	Goal Not Urgent
Goal Important	<p>Goal necessary for business success The goal is necessary and important for business success.</p>	<p>Goal is important but not immediate The goal is necessary and important to business success but does not need to be completed right away.</p>
Goal Not Important	<p>Goal is deceiving The goal may be important based on the needs of others but is not important to business success.</p>	<p>Goal is a waste of time The goal creates no value to the business.</p>

Developing a Written Farm Business Plan

The final step in the business planning process is the development of a written farm business plan. The **farm business plan** brings together all the important components that the farm owner has compiled and developed during the business planning process. For farm owners seeking to start a new farm, a written business plan is often necessary to obtain financing

and other capital resources as well as provide a roadmap for the future direction of the farm business. For farm owners looking to expand their farming operations, a written business plan is necessary to plan activities. These activities include mapping out a farm expansion or creating a value-added component, such as product processing, to the farm.

For more information:

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