

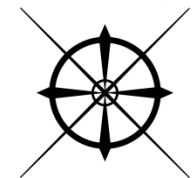
Charting the Path of Your Agritourism Business – the Components of an Effective Business Plan

2nd Annual Visit Iowa Farms
Conference

March 7, 2009

Presented By ISU Extension Value Added Agriculture Program
Marsha Laux

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Why Bother With *Planning*?

“If you *Fail to Plan*, you *Plan to Fail*”

Aristotle

“Good plans shape good decisions. That’s why good planning helps to make elusive dreams come true.”

Quote from Lester R. Bittel, professor emeritus at James Madison University

“Good fortune is what happens when opportunity meets with planning.”

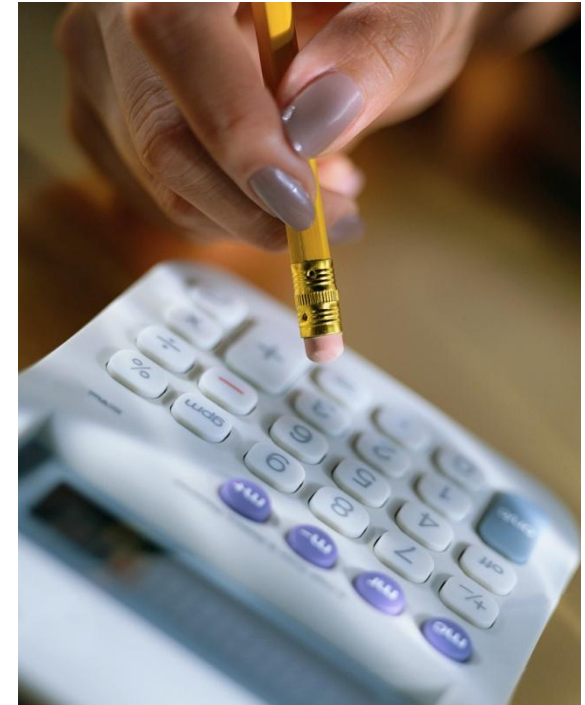
Thomas Alva Edison (Most famous American Inventor who, singly or jointly, held a world record 1.093 patents. In addition, he created the world's first industrial research laboratory, 1847-1931)

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A Good Farm Business Plan

- Is created by the owner and family/partners and becomes a personal game plan
- Summarizes the past, present and future activities of the farm business
- Makes sure the farm business is carefully planned and makes sense from a holistic perspective
- Will not end up on a dusty shelf, but will continue to be used as a management tool



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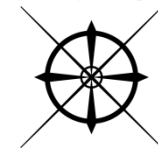
Farm Business Planning?...

Whenever we pause to think through *how current decisions affect our future*, we are, in essence, **planning**, and it is the best way to tackle our journey into the future.



Photo from tour of Brickyard Orchard, in SW Iowa – the next generation --- “planting the future.”

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Farm Business Planning Can Not...



- Predict the exact future like a crystal ball
- Prevent every mistake

But...it can help discover many pitfalls before they happen!

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Farm Business Planning Can...

- **Communicate** owner's goals to family, partners and lenders
- **Evaluate** alternative strategies
- **Integrate** various activities from growing to sales
- **Organize** and use valuable information about the farm business
- Put goals and ideas into practice
to achieve the owner's dreams



Growing Family Fun Farm



Darrell and Malinda
Geisler

- Downloaded a simple business planning tool off the web
- Made decisions about how they could add agritourism
- Planned to include family members in the business
- Secured a bank loan and liability insurance
- www.growingfamilyfun.com



Planning Builds Confidence



Planning Helps Move
the Business Owner
From a Position of
Dependence Upon
Life's Happenings,
to a Position of
Independence



Planning Makes Happier Family/Partners



Ditmar's Orchard, Council Bluffs, IA

- Allows family/partners to contribute management skills to the new business
- Facilitates open communication and problem solving
- Helps family/partners discover the values driving the farm business
- Reduces unknowns and stress during times of change

Planning Allows Business Owners to Anticipate a Successful Future

“Management has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals. It is not given to mortals to do well any of these things. But lacking divine guidance, management must make sure that these difficult responsibilities are not overlooked or neglected, but taken care of as well as humanly possible.”

Peter Drucker, Management Tasks, Responsibilities, and Practices

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Covey Reminders

- **Be proactive** – always look for an opportunity to benefit yourself and your business.
- **Begin with the end in mind** – create your dream on paper first, followed by a “physical” second creation.
- **Put first things first** - follow the plan to realize its accomplishment in terms of satisfaction, income, a legacy for family and other values.

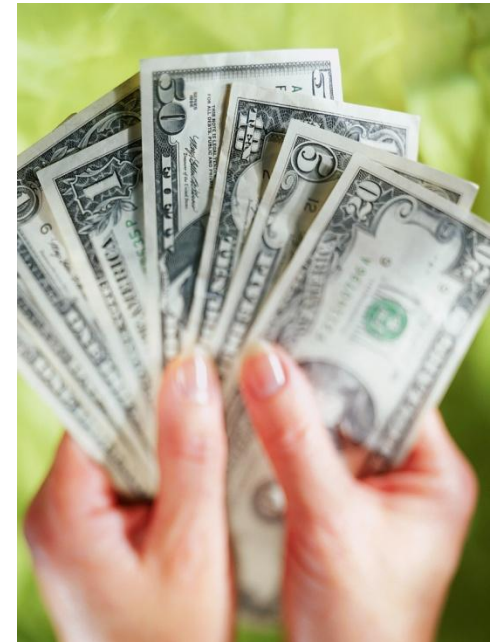
Stephen Covey, The 7 Habits of Highly Effective People

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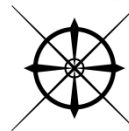


Questions to Help Entrepreneurs Start Thinking About Farm Business Planning

- What exactly is my farm business all about?
- What changes am I considering and why?
- How good is my idea?
- Will I be able to sell my products?
- What are my personal and business goals?
- Do I have the necessary skill, knowledge and ability?
- What are my approximate cash needs?
- Am I willing to take the time to plan my success?



Source: http://www.agf.gov.bc.ca/busmgmt/bus_guides/direct_guide.htm



Farm Business Plans: *What Goes In and How To Get Started?*



What Goes In Depends on What the Entrepreneur Wants to Get Out

- Business plans can be personalized to meet the entrepreneur's management needs and style:
 - Can be **informal** hand written plans or formal documents
 - As long as they include **information which helps make decisions**



Business Plans can Have Specific Purposes

- Choosing the best mix of enterprises
- Developing value-added enterprises
- Transitioning to new farming methods
- Planning for farm business generational succession
- Maximizing profit potential with limited assets
- Deciding if and how to expand
- Obtaining loans



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Start With an “*Idea Notebook*”

- **Begin gathering** relevant information and loosely **organize** into **business planning sections** (*on handout*):
 - Include articles about farm businesses with enterprises similar to those you are planning
 - Organize the information collected
 - Write down ideas about business and family goals
 - Gather financial, land and other asset information
 - Gather business planning resources
- Add to the notebook often and date items



Building a Sustainable Business

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



- This is a practical handbook for farm business planning
- The entire handbook is available in book form or as a free download
- From the Minnesota Institute for Sustainable Agriculture and SARE

<http://www.misa.umn.edu/vd/bizplan.html>

Work on the Five Critical Planning Tasks

1. Identify Values
2. Review History and Take Stock of Current Situation
3. Clarify the Vision, Develop a Mission Statement and identify Goals
4. Strategic Planning and Evaluation
5. Present, Implement and Monitor the Business Plan



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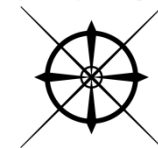


Four Key Management Areas are Woven into the Critical Planning Tasks



1. Marketing
2. Operations/
Production
3. Human
Resources
4. Finance

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Managing People (HR) is the Secret to Succeeding at the Other Three Management Areas!

"What is your passion, if your passion is to go fishing, go and fish. Do it beautifully, but remember to find somebody that absolutely passionately loves to market, and you have to have somebody who is absolutely passionate about financial management."

Ernesto Sirolli

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1. Identify Values –What's Important?

- Discuss values: What are they and how do they affect business planning and management decisions?
- Identify entrepreneur values
- Identify common values among the planning team
- Prepare the Values section of business plan



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2. Farm History and Current Situation – What Have You Got?

- Prepare a brief history of the family, farm and business
- Assess current situation in:
 - Marketing
 - Operations
 - Human Resources
 - Finances
- Conduct a whole farm SWOT analysis
- Prepare the History and Current Situation section of the business plan



The 4 P's of Marketing can Help Assess the Markets You Plan to Serve

- Product
 - Are the products offered differentiated (organic, heirloom, etc)?
 - How good is the quality and freshness of products offered?
- Pricing
 - What is the pattern of price changes over time?
 - How does the price differ in various market venues?
- Promotion
 - Are sales people aggressive?
 - What kinds of media are being used to communicate?
- Placement
 - Where are products being sold?

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Take Stock of the Operational Resources Available for Use

- Physical Resources
 - What land and buildings can we use? (Draw a map!)
 - What fences, livestock, water, electricity, major highways or other assets do we have?
- Which Production Systems will we choose?
 - What crop rotations, conservation practices or equipment are we using?
 - How will we work towards sustainability?
- What Management Systems do we have in place to support our business?
 - Do we have accounting software?
 - What decision making methods do we use?

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People are Essential

- Current Workforce

- Who is involved in the business and what roles do they play?

Skills

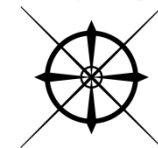
- What are the unique skills?
- What skills are lacking?

Anticipate Changes

- How will the labor situation change?



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Current Financial Knowledge is Your Springboard to the Future

- What are the family living expenses?
- How well has the farm business performed in the past and how strong is your current financial position?
 - Income Statement
 - Balance Sheet
 - Cash Flow Statement
- What type of risk is the business currently exposed to?
- How might the financial environment be changing?
 - Government policies
 - Interest rates

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.

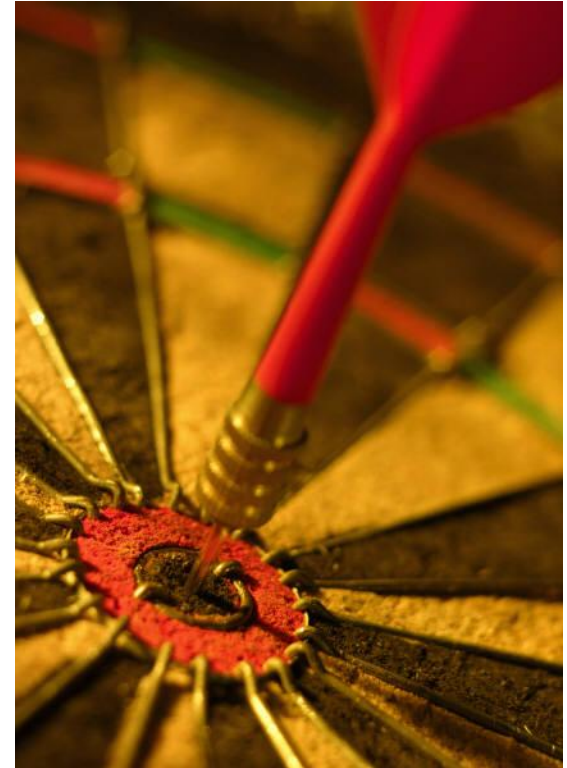
Balance Sheet Date _____

Assets (in dollars)	Market Value	Cost Value	Liabilities (in dollars)	Market Value	Cost Value
Current Farm Assets			Current Farm Liabilities		
Cash and checking balance	_____	_____	Accrued interest	_____	_____
Prepaid expenses & supplies	_____	_____	Accounts payable & accrued expense	_____	_____
Growing crops	_____	_____	Current farm loans	_____	_____
Accounts receivable	_____	_____	Principal on CCC loans	_____	_____
Hedging accounts	_____	_____	Principal due on term loans	_____	_____
Crops and feed	_____	_____	Total Current Farm Liabilities (g)	_____	_____
Crops under government loan	_____	_____	Intermediate Farm Liabilities (h)	_____	_____
Market livestock	_____	_____	Long-term Farm Liabilities (i)	_____	_____
Other current assets	_____	_____	Total Farm Liabilities (j) = (g+h+i)	_____	_____
Total Current Assets (a)	_____	_____	Nonfarm Liabilities (k)	_____	_____
Intermediate Farm Assets			Total Liabilities (l) = (j+k)	_____	_____
Breeding livestock	_____	_____	Retained Earnings (m) = (f₂ - l)	_____	_____
Machinery and equipment	_____	_____	Net Worth (n) = (f₁ - l)	_____	_____
Other intermediate assets	_____	_____	Market Valuation Equity (o) = (n - m)	_____	_____
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)	_____	_____			

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

3. Vision, Mission and Goals – Where Do You Want to Go?

- Dream a vision for the future
- Develop a mission statement
- Set and prioritize goals
- Prepare the Vision, Mission and Goals section of Business Plan



“Obstacles are those frightful things you see when you take your eyes off your goal.”
Henry Ford

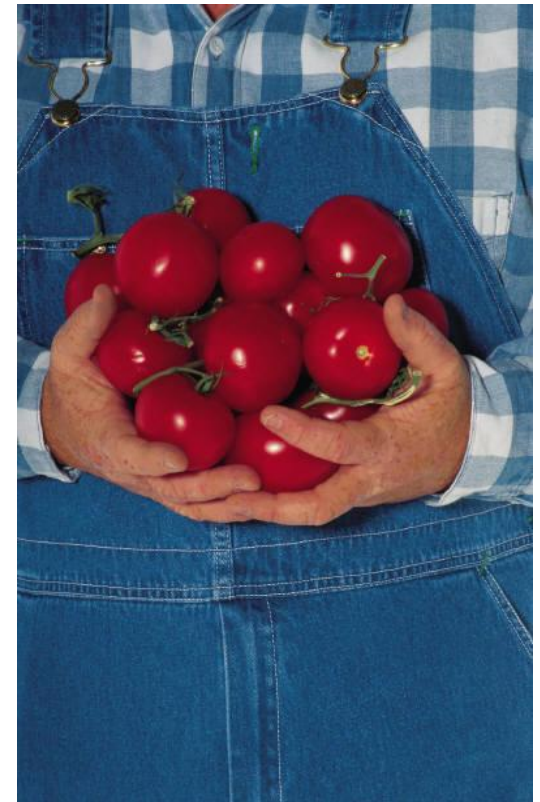
Mission Statement – A Set of Guiding Principles or Statement of Purpose

“The mission of this farming enterprise is to produce organic food that is sold to local customers at a fair price; will provide us with enough income; will improve the soil, air and water quality on our farm; and is a vehicle to raise community awareness of sustainability and environmental issues.”

Riverbend Farm

4. Strategic Planning and Evaluation- What Routes Can Be Taken to Get Where You Want to Go?

- Develop a business strategy
- Evaluate strategic alternatives
- Choose the best whole farm strategy
- Develop Contingency plans
- Develop the Strategic Planning section of Business Plan



Strategy is a Plan for Achieving Goals



“You’ve envisioned your future, based on your goals and values, so you know what you want the “end” to look like. Now you need to take the time to carefully think through the steps you can take to get there.”

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Marketing Strategy



- Who are the target customers and what do they value?
- How can the business be “customer focused?”
- What marketing methods will be chosen?

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Operations Strategy

- What alternative enterprises will be considered?
- How will you store inventory and maintain quality?
- How much can be produced?
- What is the production schedule?



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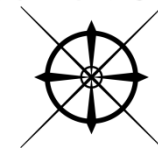


Human Resource Strategy

- How can you fill labor gaps?
- What is fair compensation for family and others?
- Who will manage the business and how?
- Who does the organizational chart look like?



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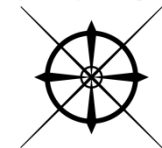


Financial Strategy

- How will you manage for risks?
- Will the business be a legal partnership, sole proprietor, or LLC?
- How will the business finance capital requirements?



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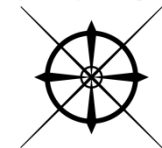


Create a Whole Farm Strategy and Evaluate Strategic Alternatives



- Will this new strategy increase farm income?
- Will it generate sufficient cash flow?
- Will it lead to growth in net worth?
- Will it affect the risks faced by the business and family?

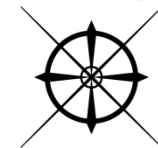
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5. Present, Implement and Monitor the Business Plan – Which Route Will be Taken, and How Will You Check Progress Along the Way?

- You're ready to complete the Business Plan
- Implementation and Monitoring
 - Develop an Implementation “To-Do” List
 - Establish Monitoring Checkpoints
 - Maintain Records
 - Review Progress

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Business Planning Resources

- ISU Value Added Agriculture Program
www.iavaap.org
- The Agricultural Marketing Resource Center
www.agmrc.org
- Iowa Market Maker
www.marketmakeriowa.com
- AgPlan: The Agriculture, Fisheries and Small Business Planning Website
www.agplan.umn.edu

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The Value Added Agriculture Program (VAAP) provides unbiased, science-based information to help establish or expand agricultural-related businesses in Iowa. Whether it's a new start-up, or an established business wanting to expand, the VAAP works directly with the owners of the business.

The Value Added Agriculture Program team develops resources for Iowans on topics ranging from organizing a value-added group and starting a business to developing niche markets and enhancing business profitability.

Assistance is available in several areas:

Focus Groups - a research method to help businesses learn what potential consumers think about a new product or service the firm may be offering.

Feasibility Studies - formal documents that detail necessary information used to educate investors or lenders of possibilities for success or failure of the new business.

Business Plans - formal documents created by the business owners. VAAP will assist the owners to ensure the business plan represents their wants and needs and clearly presents the business to other investors and lenders.

Contact

1111 NSRIC
(National Swine Research
Center)
Ames, IA
50011-3310
Phone: (515) 294-9483
Fax: (515) 294-9496
E-mail:
swoods@iastate.edu

Office Hours
8 am to 5 pm
Mon to Fri

[Find Us](#)

Upcoming Events

March 7 - 2nd Annual Visit Iowa Farms Conference - "Becoming a Destination," at Honey Creek Resort near Lake Rathbun, Iowa. www.visitiowafarms.org

March 16-17 - Starting with Holistic Management at Quality Inn, Ames, Iowa.
[Conference/Registration Flier](#)

Web address: www.iavaap.org

Need Information on a Market Niche You are Considering?

Check out the [Agricultural Marketing Resource Center](#) for specific commodity information, the latest trends in value-added agriculture or help developing your business!

ISU Extension Livestock News

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business development

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Below are fact sheets, analysis tools, videos and other educational materials to help you create and operate a successful value-added agricultural business.

Getting Prepared

- [Value-added Agriculture](#)
- [Business Skills](#)
- [Business Development Aids](#)
- [Keeping Current](#)

Starting a Business

- [Market/Business Assessment](#)
- [Creating a Business](#)
- [Raising Money](#)
- [Special Types of Businesses](#)
- [Ending a Business](#)

Operating a Business

- [Marketing](#)
- [Direct Marketing](#)

Business Planning Resources

Attend seminars, *learn* about educational programs, *find* resources on the web, *connect* to the people who can assist you..... Just start planning diligently

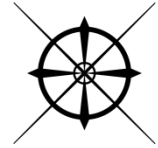
- Farm Bureau's Renew Rural Iowa program
 - <http://www.renewruraliowa.com>
- Samples of Ag Business Plans can be found at:
http://www.bplans.com/farm_and_food_production_business_plan_templates.cfm?gclid=CNzn74abjKCFQ8gDQod3yq_lw
- Business Plan Workbook: free 280 page download
 - <http://www.misa.umn.edu/vd/bizplan.html>
- Find a service provider such as ISU Extension (Value Added Ag program, or in your County office)

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Contact for more information:

Marsha Laux

Iowa State University Extension

Value Added Agriculture Program

1111 NSRIC Ames, IA 50011-3310

515-294-6269

mlaux@iastate.edu