



This presentation is part of an educational modular program designed to provide new and beginning farmers and ranchers with relevant information to initiate, improve and run their agricultural operations



United States Department of Agriculture
National Institute of Food and Agriculture

**This program is funded by the
Beginning Farmer and Rancher
Development Program (BFRDP)**

USDA-NIFA-BFRDP 2010-03143



UNIVERSITY OF
ARKANSAS

Starting a Farm



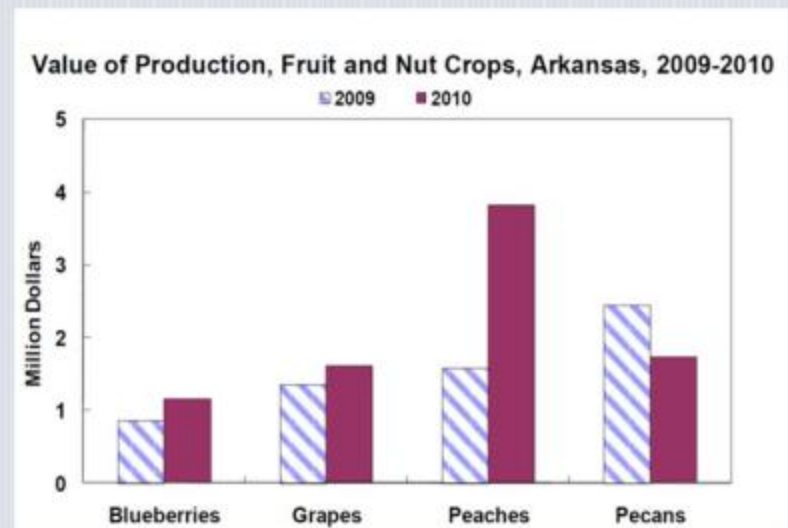
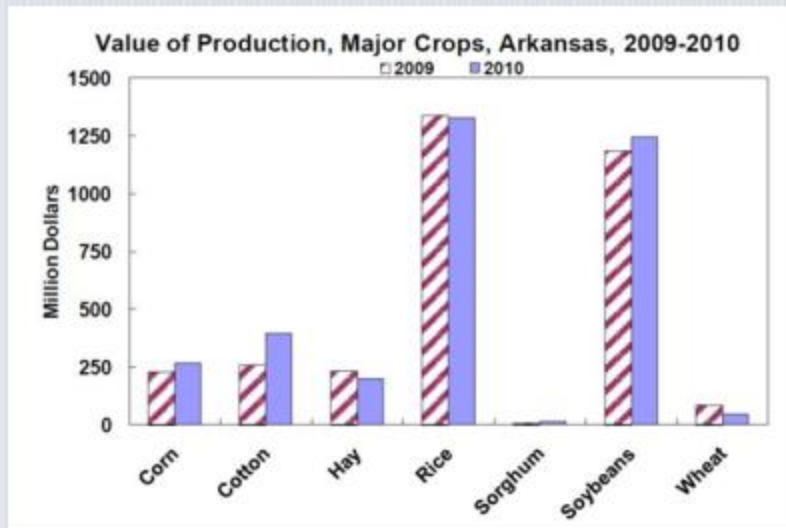
FARMING IS A BUSINESS

Before you can start farming, there are many things that you need to consider and research

- It is not just about liking the outdoors, and being a hard worker

Farming is a business and should be considered as such

Look at the value of some crops in Arkansas (2009-2010)

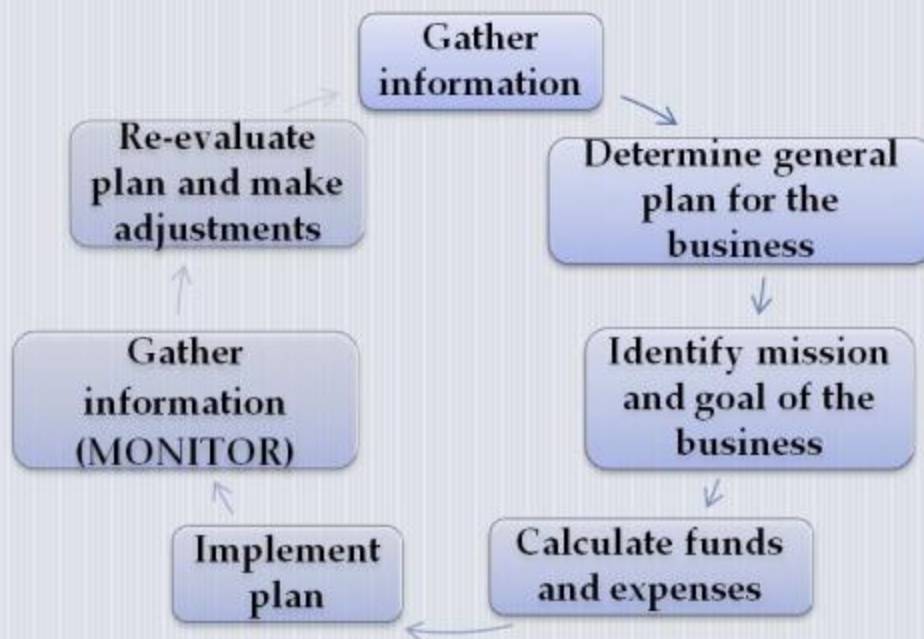




Starting your farming business

Before you start your business there are many steps that will help make sure that you are prepared to make all the tough decisions that will come your way

- These are the steps that are needed to plan your business:





Gather information

Find out which are your options

Before you start farming, try to learn as much as possible about the job:

- Learn about the soil, water and resources in the area
 - Do you have land? Are you planning to lease land? Always get an accurate topographic map of the property, and make a list all the resources and problems with the property
 - Learn about the type of crop or animal that you think that you want to grow
 - Then go visit somebody that is doing what you think you would like to do and learn what it really takes
 - Learn about the market and competitors in the area
- Talk to other producers in the area, the NRCS, NCAT and extension personnel in your area offer information for beginning farmers
 - Keep organized notes of all the information that you gather so that you can use it as you build your business plan

What are the options?

What do you want to produce? Crops

| | |
|--|---|
| Cereal grains | Corn, rice, wheat, barley, sorghum, millet, oats, rye, buckwheat |
| Fruits | Tomato, eggplant, chili peppers, pomegranate, kiwifruit, grape, berries, pumpkin, cucumber, citrus fruits, figs, apples, peaches, plums |
| Vegetables | Potato, carrot, parsnips, lettuce, broccoli, artichoke, leek, celery, rhubarb, onion, legumes, etc. |
| Culinary and/or medicinal herbs | Basil, parsley, rosemary, dill, coriander, lavender, thyme, bay laurel |
| Trees | Timber, firewood, charcoal, maple syrup, paper pulp |
| Others | Oilcrops (palm, soybean, rapeseed, sunflower seed, cottonseed), ginseng, mushrooms, ferns, decorative flowers and branches, hay, seasonal crops |

What are the options?

What do you want to produce?

Animals

| | |
|--------------------|--|
| Livestock | Cattle, pigs, goat, sheep, deer, alpaca, bison, rabbits |
| Dairy | Usually dairy cattle, goats or sheep |
| Poultry | Chickens, turkey, ducks, geese, ostrich, emu, pheasants, quail |
| Aquaculture | Fish (carp, tilapia, sea bass, catfish, cod, salmon, crawfish) |
| Bees | Honey, beeswax, propolis, pollen and royal jelly |

One more option is to have an integrated farm where you can have livestock (multiple species), some kind of crop production and even trees in the same area

What are the options?

How do you want to produce it?

| | |
|----------------------------|--|
| Intensive farming | Characterized by high inputs of capital, labor and technologies to maximize productivity |
| Sustainable farming | Characterized by the use of ecological principles to reduce the use of external inputs and make the most efficient use of on-farm resources to satisfy the needs of the farmer and community, while protecting the health of the ecosystem |
| Organic farming | It follows many of the principles of sustainable farming (low use of external inputs, efficient use of on-farm resources) but also specifically restricts the use of chemicals that can be absorbed and incorporated into the ecosystem (pesticides, fertilizers, antibiotics, genetically modified organisms, and others). There are national and international organizations that regulate and monitor organic farming |



What are the options?

Marketing channels

Farmers markets

Community Supported Agriculture (CSA)

On-farm markets including farm stands and stores, U-picks and agro-tourism

Online marketing through the Internet

Direct sales to restaurants and grocery stores

Combinations of some of the above

Each of these marketing channels offers certain benefits and challenges to farmers



Determine general plan of the business

Using all the information that you have gathered you should be able to make some decisions now:

- What do you want to produce?
- How are you going to do it?
- Is this type of production well suited to your property? (climate, soil, water, slopes, etc.)
- What do you need for this business? (tractor, truck, fences, water well, etc.)
- How and where are you going to sell it?

**Don't try to sell what everybody else is selling!
Find something that will make your farm unique!**



Determine general plan of the business

- Once you have an initial plan you should dig deeper into each decision to make sure that you have considered all the possible aspects of the business

For example, if you have decided that you want to keep laying hens, you will need to know:

- What breed of hens is best for your area and for your goals?
 - When do the hens start laying eggs?
 - How long do they lay eggs? How long do they live?
 - How much feed do they eat daily?
 - How do you clean and store eggs?
 - What kind of equipment or buildings do you need to keep the number of hens that you need to meet your financial goals?
 - How many hours a day does it take to keep that many hens?
- If you are not sure about something, ask!



Identify mission and goal of the business

- Once you have made the difficult decisions of what you want to produce and how you are going to finance it, then it is time to make a draft of the plan of action that you are going to follow
 - Define the goals and mission of your business
 - Visit the other modules in this program about Writing a Business Plan
 - This plan will help you make decisions as your business grows
 - You need to be very clear about what YOU want to get out of this business and what you need to do to meet your goals



Identify mission and goal of the business

- **Once you are happy with the first draft of your plan, show it to your spouse, family and anybody else that will have a say in it**
- **Then show it to other farmers or friends that can give you some feedback about it**

Once you have a good plan and everybody is on the same page about the way to go, there are still some things that you need to consider:

- **How are you going to pay for all the start up expenses?**
- **What are you going to do if something goes wrong?**



What do you need to start a farm?

What you need

- A clear idea of what you want to do
- A clear idea of the resources that you have
- Be open to new ideas and changes
- Patience
- Be willing to review and change your plans
- Be able to swallow your pride sometimes

What you Don't need

- To own a farm
- A rich relative
- A large bank account
- A government grant
- A big tractor, a big pickup truck and a red barn



Calculate funds and expenses

The first step is to get a clear description of your current financial situation

| Current financial situation | |
|--|--|
| Current assured income | Other potential sources of income |
| Off farm check (<u>Somebody needs to have another job!</u>) | Deposits from clients |
| Savings | Friends and family that could give/lend you money |
| Property that could be sold | Commodity payments |
| Investors | Conservation contracts |
| | Crop insurance (that means that if you have a problem, the lender will take the crop as a collateral NOT the land) |
| | Sales of your product |



Calculate funds and expenses

Opening a business will always imply some start up costs

- Once you have calculated the financial resources that you have, you can decide what expenses you can make safely
- And then start to come up with a plan to cover or deter expenses that you cannot cover safely

Running a farm on a personal credit card is the one of the easiest ways to get into bankruptcy!!

In addition to all the money that you will need to buy and contract services directly related to the production part of the business, there are many other expenses associated to the business that you will have to consider



Other expenses of operating a business:

- Deposits with public utilities (telephone, electricity and other public utilities)
- Business licenses and permits
- Name registration fees
- Farmers market fees
- Marketing fees
- Attorney, CPA and other professional fees





Other important things that you will need

- Farming is one of the most dangerous jobs in the world!
 - YOU NEED TO HAVE PERSONAL HEALTH AND LIFE INSURANCE
 - ANY PERSON THAT WORKS IN YOUR FARM WILL NEED TO BE COVERED (EMPLOYEE INSURANCE)
- Farming depends on many factors that are completely out of your control (such as weather and pests)
 - YOU NEED TO HAVE CROP INSURANCE
- Life and things happen
 - YOU NEED TO HAVE AN EMERGENCY PLAN

- IN CASE OF SICKNESS OR INJURY OF THE MAIN OPERATOR
- IN CASE OF DEATH OF THE MAIN OPERATOR
- IN CASE OF DIVORCE OR DISAGREEMENT AMONG THE INVOLVED PARTIES
- IN CASE OF NATURAL DISASTER



Other important things that you will need

Check with your local Farm Service Agency (USDA) to see if your farm has a farm number

- The Farm Service Agency is USDA's county office. They provide farm loans, crop insurance and disaster assistance compensation
- You must be registered with FSA to be eligible for any of these programs
- You must also have a farm number to apply for programs that the NRCS (USDA-Natural Resource Conservation Service) offers, including EQIP (Environmental Quality Incentive Program)
- Also, if you join their mailing list, you can be first to know when a new support program is announced
- Another benefit is that your farm will be counted in the Agricultural Census. Accurate data on the number of farms in your country translate into more resources to support farms in your area





Other important things that you will need

While you are at the FSA office:

- **Ask about the history of the property**

- You don't want to get a contract on a property that gets flooded every 3 years
- A property that is under contract with somebody else
- That has a lot of debt associated with it
- Finally, check that the land that you are planning to buy/lease is actually available for farming. You don't want to get into problems trying to farm in a natural reserve area





Most common starting point

- **Lease property – buildings, land, house or some of these**
- **Buy livestock or seeds, minimal equipment and infrastructure investments**
- **Buy feed**
- **Custom hire when necessary**
 - Sometimes it will be more expensive and take longer to do it yourself for the first time
 - Consider hiring a lawyer and an accountant for the first few years until you get a good grasp of all the things that are involved in the business



Implement your plan

- **START SMALL!**

- Small mistakes are less expensive than big mistakes
- Somebody will have to have An off-farm job to pay help cover all expenses, particularly in the first years
 - FARMING AS A SOLE SOURCE OF INCOME IS VERY RARE!!
 - Cycles and tough patches are very common in farming
- Especially in the beginning it might be cheaper and more effective to hire somebody to come and do something for you and you can learn watching them and asking questions



Implement your plan

- **As you start working, revise the initial plan and mission and goals of your farm often to make sure that all your decisions are in line with what you set up to do**
 - **Always write a business plan**
 - Include plans in case your initial plan doesn't work (like diversification and expansion)
 - Include clear considerations on emergency situations
 - Include all financial considerations in this plan
 - Exit strategy
- You will need this business plan to approach a bank for loans, even for small amounts
 - Think as a banker as you review your plan
 - Make sure that everything is written down in your business plan



Implement your plan

- **KEEP RECORDS OF EVERYTHING!**

- In two weeks time you won't be able to remember details of what you did, less alone next time that you have to do it again
- Records will also help you to understand:
 - What works and what doesn't
 - Where are your biggest expenses and help you decide where you need to make changes (or not)
 - If you want to have a sustainable or organic operation you will need to keep records of everything to prove the production practices that you use in your farm
 - You will need to keep track of expenses to know where your money is going
- Records will help you to understand what actually works in your property and make decisions accordingly



Give yourself specific deadlines

- **Determine specific deadlines to review your plan**
 - At 3, 6 or 12 months (depending on your operation) evaluate your plan and predictions with what actually happened during that period
 - Here is when all the records and notes that you have been keeping will come handy
 - Show your records to your accountant but also to a friend to review your records and interpretations
 - Ask another farmer to review your notes to make sure that your conclusions are accurate

Review your plan and make all the necessary changes to smooth any problem in the process

- **Remember, when you start small you will have less problems in making changes to your process**
 - **And solving any problem will be less expensive**
- **Always have a plan B and a plan C**
- **If you are not sure about something, ASK!**



Final thoughts

- **Starting a farm is easy!**
 - The hard part is being successful at it
- **If you are not making “enough money*” from your farm operation, you will need an exit strategy**
 - Are you going to keep on doing it as a hobby?
 - Drop this production idea and try something else
 - Sell the property or end the lease and try something else

***You need to define “enough money” in your business plan from the beginning**



Need more information?

- Rural Advancement Foundation International (USA) at <http://www.rafiusa.org>
- USDA-Natural Resources Conservation Service <http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/home>
- USDA-Farm Service Agency <http://www.fsa.usda.gov>
- USDA-Start2farm. A service of the National Agricultural Library <http://www.start2farm.gov>



This presentation was prepared by:

Dale Bumpers College of Agricultural, Food and Life Sciences and
the Division of Agriculture; University of Arkansas, Fayetteville

Dan Donoghue
Ixchel Reyes Herrera



Poultry Production and Product Safety Research Unit, ARS, USDA

Annie Donoghue



**This presentation is part of an educational modular program designed to
provide new and beginning farmers and ranchers with relevant
information to initiate, improve and run their agricultural operations**



United States Department of Agriculture
National Institute of Food and Agriculture

This program is funded by the
Beginning Farmer and Rancher Development Program
(USDA-NIFA-BFRDP)

USDA-NIFA-BFRDP 2010-03143



**This project is the result of the
collaboration of these institutions:**



USDA-NIFA-BFRDP 2010-03143