



# CHAPTER 1

## Creating Goals and Taking Inventory



# Chapter 1 Overview

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# Smith Acres Farm

John and Kimberley Smith dreamed for years about returning to rural North Carolina. When John's aunt died in 1999, he inherited a five-acre tract of land with her small house. John and Kim were able to purchase the rest of her farm, 40 acres adjacent to the house parcel, from the estate. The couple, who work in Raleigh, have rented the house to several local tenants. The acreage was rented at a low rate to a neighbor who baled hay and used the 10-acres of pasture for heifers. That farmer is now over 70 and has mentioned to John that he will not need the additional land in the future, as he will no longer expand his cattle herd. He has also mentioned that the pasture fences will soon need to be repaired or replaced.

John and Kimberley are both 52. They have worked in the communications and information technology fields; John served four years in the military after college. Their youngest child will

graduate from high school in 2016. Kimberley now works part-time; John could easily retire from his current full-time job in 2017. The farm is 55 miles from their current home.

John remembers fishing from the farm pond and helping his aunt feed her chickens when he visited as a boy. He worked summers in high school helping local farmers bale hay and straw. Kimberley has long kept a garden at their suburban houses. She has thought her communications background could be good to help sell food grown on a farm. They are both interested in improving the acreage to be productive and profitable while preserving the acreage to pass on to one or more of their three children. While both are used to working long hours, they would like to be able to leave the farm for more than a few days to visit their three older children, who are going to school or working along the East Coast.

## Financial Details

The Smiths have about \$10,000 in principal left on the farm purchase note. They have enough equity in their home to cover the expense of remodeling and renovating the aunt's house into Kimberley's dream "cute little farmhouse." When they move to the farm, John will have part-time work options available by telecommuting. Beyond John's part-time income, the Smiths estimate they will need another \$20,000 per year to cover all expected expenses during the next 10 years. They would like to generate this additional amount from the farm and avoid accessing their retirement savings until their 60s. They have about \$30,000 cash available for investment into the farm.

## Summary

John and Kimberley are a common example of new North Carolina farmers, says Gary Bullen, NCSU Extension. “We have seen a large number of people in mid-career or nearing retirement looking to shift their lifestyle to farming or rural entrepreneurship,” he says. Many of those people are motivated by past family connections to land or farming.

The Smiths have some obvious strengths: they are financially stable and have cash available for investment into the farm. That’s important, says Bullen. “Most farm enterprises generating reasonable returns on investment will require time and capital to establish,” he says.

## 1.1 Creating Goals

Writing down goals is a first step in developing the farm business plan.

### Goals...

- Are written statements describing results you are committed to achieving
- Provide a way to measure your progress
- Need to include input from those most directly affected
- Give you, your family, and any business employees a map to the same destination
- Improve communication and reduce stress - all are working toward the same end!

Identifying three things can help a farm business set goals:<sup>1</sup>

1. **Resources** include the “stuff” you already have to start the farm business. Resources include items that are tangible (machinery, equipment, land, cash and investments) as well as intangible (people, including their talents and interests).

2. **Financial Needs** include the actual cost of operating the farm business or new enterprise. Financial needs include annual operating costs – like feed, seed and harvest costs. Financial needs also include fixed (or long-term) costs for items that will be used in multiple seasons – like fences, machinery and irrigation systems.

3. Finally, a **timeline** projects how long it will take to achieve the established goals.

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<sup>1</sup> Adapted from “To Market...To Market...Seven Steps to a Marketing Plan for Horticultural Producers.” Karen Mundy, Charles W. Coale, Jr., Susan B. Sterret. Virginia REAP. July 1997.

<http://www.hort.vt.edu/ghvegetables/documents/Economics/Reference%20Other/REAP%2029%20Marketing%20Plan%20for%20Vegetables.pdf>

## Goals: Defining the Terms

**Operating or variable costs** include the money spent directly on producing your agricultural product. This is the direct cost of production, money spent during the process of growing a crop or animal: purchases of seeds, chicks, feeder animals, bags and boxes to send the product home with your buyer.

**Fixed costs** include money spent on equipment and inputs not used up in a single year – like fencing, machinery and vehicles. These items are used over many years and for different farm enterprises.

**Production goals** refer to quantities produced and/or sold: acres, animals, quantities of a crop.

**Net return** is the money made after all costs have been accounted.

*Definitions for these and other terms are included in the Appendix.*

## Smith Acres Farm Resources

The Smith's first step to setting specific goals is to make an inventory of their resources and farm property. They can then start evaluating enterprises that could fit both their property and their long-term goals. John and Kimberley sit down to develop their goals, starting with these lists:

### Personal Resources (including talents and interests)

#### John

*Organizing information*

*Always wanted to be a cowboy*

*Thrives outdoors*

*Good recordkeeping skills*

#### Kimberley

*Communicating*

*Would like to connect directly with food buyers*

*Is talented at managing people toward a goal*

*Good recordkeeping, accounting skills*

## Smith Acres Farm Property Resources continued....

### **Land**

*45 acres total*

*5 acres with house, trees and 100' x 25' garden space*

*20 acres pasture and hay*

- *Approximately 10 acres pasture has been soil tested and fertilized annually*
- *Approximately 10 acres hay was last soil tested 8 years ago*

*20 acres unmanaged woods/timber*

- *Some trees may have been cut for timber in the 1950s*

### **Water**

- *Well supplies water to house*
- *Water line to small barn used infrequently*
- *1/5-acre spring-fed pond*

### **Buildings**

- *Old chicken coop; exterior in disrepair; interior salvageable*
- *Small barn (20 x 40') – currently hay storage*
- *Cattle lean-to (15' x 30')*

### **Equipment**

- *John's pickup truck*

*Because they have already determined the amount of income they wish their farm to generate annually, the Smiths include their financial goal at the end of their resource lists.*

### **Target Net Farm Return**

*\$20,000 annually (after all expenses, including taxes and value of operator labor) within two years of moving to farm.*

The Smiths have completed their first steps toward setting goals for their farm. Use Worksheet 1.A to begin setting goals for your farm.

## 1.2 Pinpointing Farm Goals

Looking back at our opening case study narrative, we see how John and Kimberley Smith can identify some goals using their specific personal and financial assets and a desired time period:

- *We want to be able to generate income from the farm property we have inherited and purchased in order to be able to pass it along to a younger generation.*
- *We wish to generate a \$20,000 annual net return from our farm two years after starting our new enterprise.*
- *We are aiming for enterprises that focus our time from late spring to early fall and can either stop, or continue with minimum labor requirements, from November through January.*
- *We have \$25,000 available to establish the enterprises and an additional \$5,000 that could be available for production expenses during the first year.*

Notice that the Smiths are starting from scratch - with no existing farm enterprises and virtually no farm equipment or supplies. A second case, included at the end of this chapter, illustrates how a farm family might set goals for expanding an existing honey enterprise.

Let's take a closer look at the Smith's goal statement and break it down into more specific and measurable goals.

### Short-term and Long-term Goals

Goals can be short-term or long-term. Long-term goals usually reflect a family's values, their aim for business or life many years in the future.

The Smiths identify three key long-term goals for Smith Acres Farm:

1. *To preserve the farm property for the future*
2. *To generate annual net farm income of \$20,000*
3. *To allow time for John's part-time work (about 600 hours per year) as well as family commitments during late fall and winter months*

Short-term goals involve objectives that can be specifically measured. At this point, the Smiths have one measurable short-term goal for Smith Acres Farm:

*To generate \$20,000 annual net farm income in about two years.*

### 1.3 Estimating Time

Starting a new farm enterprise – or any other new business endeavor – will likely take much more time than you first expect. In fact, that’s a bit of an understatement – weather changes, equipment breaks and the unexpected is bound to occur.

New enterprises also require time for management and marketing. You might be able to grow the most beautiful blueberries in the county, or the finest looking cattle around – but do you know how much you are actually spending to produce your products? How much time will it take to discover a consistent market for your product? How will you set aside adequate time during the year to take a hard look at the dollars and cents, to determine if your farm really moving toward your goals?

Smith Acres Farm will be both home and job – but John will also be working part-time, from the farm, to meet their annual financial needs. John and Kimberley are also prioritizing time for family and other commitments. A “time

resource calendar” helps establish how much time is available for a new farm enterprise. Since the Smiths still have not picked specific enterprises, they begin with some general estimates of the time they will have available throughout the year

**Table 1. Smith Acres Farm Time Resource Calendar (Hours Available)**

Month	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Activity												
<b>Financial and Planning</b>												
Hours per month	20	30	30	20	20	20	20	20	20	20	20	20
<b>Marketing</b>												
Hours per month	0	5	20	20	20	40	40	40	40	40	20	0
<b>Production</b>												
Hours per month	20	30	40	60	60	80	80	60	60	40	20	20
<b>TOTAL</b>	<b>40</b>	<b>65</b>	<b>90</b>	<b>100</b>	<b>100</b>	<b>140</b>	<b>140</b>	<b>120</b>	<b>120</b>	<b>100</b>	<b>60</b>	<b>20</b>

Table originally adapted from Sterrett, et al. and others



### 1.4 Land, Property and Financial Resources

New enterprises require space and property. Rented or leased land and property may not be available year-round – or may have restrictions on use. Property – including existing farm equipment – may be devoted to other uses at different times during the year. Land use may also involve additional considerations. Soil types, fencing and water requirements can all impact production expenses.

The Smiths have few farm property assets, besides the land. That means they can start from scratch, selecting their farm enterprises to fit their available time and capital. They input the labor hours from their first calendar into a calendar with room for farm property and equipment use (Table 2, below).

John knows he will potentially need to use his pickup truck to do some commuting for his part-time job in certain months. He also knows that the farm pond – which could provide a possible water source – tends to be much lower in the late summer months. They decide to assume only a limited amount of water may be available in July and August.

<b>Table 2. Smith Acres Farm Labor and Property Resource Calendar</b>												
Month	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>Labor Available</b>												
Hours	40	65	90	100	100	140	140	120	120	100	60	20
<b>Equipment Use</b>												
Pickup (Hours in use)		30	30			30	30			30	30	
<b>Other Property</b>												
Pond (Gallons for irrigation)				10,000	20,000	20,000	5,000	5,000	10,000			
Adapted from Sterrett, et al.												

As John and Kimberley look over their time available for Smith Acres Farm, certain seasons appear more available for their new enterprises: March through May; August through October. They notice these seasons correspond roughly with the times that John will *not* have to travel for his part-

time work. They also see their summer irrigation options, at least from the farm pond, is likely limited.

Pinpointing time and property available will help the Smiths select suitable farm enterprises. They next move to identifying their available financial resources.

### **Financial**

The Smiths have set goals and have some specifics about how much time (by each month) and money (\$30,000 total) they have available for new farm enterprises. Their next step is a side-by-side comparison of enterprises that might fit their farm.

Matching non-financial resources with the amount of capital available will be vital to successfully choosing a new farm enterprise. For Smith Acres Farm, as most farms, financial considerations will drive enterprise selection.

You will complete an in-depth financial look at your new farm enterprise in future sessions. For now, consider these important questions as you think through finances:

- Can you afford to lose the money you've saved or borrowed?
- Do you have a realistic cost projection for the new enterprise?
- Do you have a written plan for financing the new enterprise?

There are three important tools for measuring farm financial health:

**Balance sheet** – Lists the value of a farm's **assets** and **liabilities**. The difference between assets and liabilities is net worth.

**Income statement** – Lists money received (income) and money spent (expenses) for a certain time period (usually one year).

**Cash flow statement** – Lists money coming in (cash inflows) and money spent (cash outflows) by smaller time periods (usually monthly or quarterly).

Remember: Often, the higher-returning a farm enterprise, the higher upfront investment is needed. Enterprises like a beef cattle herd, strawberries, blueberries, asparagus and apples will not produce a crop or financial return for several years. This makes it important to work through the costs and returns of each possible enterprise.

### 1.5 Enterprise Budget Example

Strawberries are a crop John and Kim have been interested in growing on their farm since attending an Extension meeting on small farm enterprises. Using enterprise budgets from NCSU,

they determine that it would take about \$20,000 to establish an acre of strawberries and cover the harvest and production costs before any income is realized. They use this number to start their financial resources worksheet:

Table 3. Smith Acres Farm Sources of Capital – Strawberries								
				(Other Sources of Funds)				
Enterprise	Startup Cost (\$)	Money Available (\$)	Difference(\$)	Bank (\$)	Interest rate (%)	Other (\$)	Interest rate (%)	
Strawberries	\$20,000	\$30,000	+10,000					
Total		\$30,000						

Adapted from Sterrett et al.

John and Kimberley also learned that there are several distinct time periods in growing a strawberry crop. Soil preparation begins the fall before planting. Expenses are highest in the planting year, when plants must be purchased and an irrigation system

purchased. Most strawberry production systems have no income in the planting year, as fruit is not produced until the year after planting. There are also capital requirements in the year after planting, before fruit sales are realized, as strawberries are controlled for pests and harvested for sale.

The following sample strawberry budget, developed by the NCSU Department of Agricultural and Resource Economics, provides detailed cost estimates for strawberries.

**Table 4. Strawberry Cost Estimates for Stages of Production**

<b>Stage</b>	<b>Equipment Costs</b>	<b>Material Costs</b>	<b>Labor Costs</b>	<b>Total Costs</b>
Land Preparation	223.92	112.60	264.42	\$600.94
Pre-Plant (Yr. 1)	510.29	1,367.43	289.45	\$2,167.18
Transplant (Yr. 1)	445.75	3,874.23	412.79	\$4,732.76
Dormant (Yr. 1-2)	15.50	1,338.44	972.14	\$2,326.07
Pre-Harvest (Yr. 2)	741.30	979.95	1,024.41	\$2,745.66
Harvest (Yr. 2)	177.87	2,679.49	3,093.37	\$5,950.74
<b>Total per Year</b>	<b>\$2,114.63</b>	<b>\$10,352.14</b>	<b>\$6,056.58</b>	<b>\$18,523.35</b>

Source: Strawberry Budget 2013, NCSU Agricultural and Resource Economics

<http://ag-econ.ncsu.edu/extension/strawberry-budgets>

This cost summary would help John and Kimberley understand the total capital needed for a strawberry enterprise. It also would help them see that their estimate of a cost of \$20,000 is right in the ballpark, even a bit higher than expected. The higher estimate is fine; when completing farm financial analysis, especially if there is little

production experience for a new enterprise, it is safer to be on the high side when estimating expenses.

John and Kimberley are now ready to tackle a more detailed production budget for strawberries. A sample, detailed budget follows, from NCSU 2013 estimates.

Take some time to skim the detailed budget to understand the kind of work you will need to do for each enterprise. Fortunately, there are plenty of budget templates and examples to help you get started. Your instructor can direct you to those.

After reviewing a sample enterprise budget, proceed to Worksheet 1.C. This worksheet will help you outline the resources (equipment) and financial capital (money) needed in the different stages of developing your enterprise.

**ESTIMATED STRAWBERRY PRODUCTION COSTS PER ACRE**

	Yield =	18,000	pounds, or	3,000	4qt buckets)					
<b>Year One: June to January</b>						<b>Equipment</b>	<b>Materials</b>			
<b>Soil Preparation, Planting, Dormant</b>						<b>Costs</b>	<b>Costs</b>			
						<b>Labor</b>	<b>Total</b>			
						<b>Costs</b>	<b>Costs</b>			
							<b>Your</b>			
							<b>Costs</b>			
June: Burndown, Lime, Cover Crop						\$223.92	\$112.60	\$264.42	\$600.94	
July-Aug: Till cover crop, irrigate, fertilize, fumigate, seed ryegrass in aisles						\$510.29	\$1,367.43	\$289.45	\$2,167.18	
Sept: Purchase transplants, transplant plugs, irrigate plugs						\$739.82	\$4,817.43	\$551.41	\$6,108.66	
Oct: Replant, irrigate, disease and insect control						\$54.90	\$218.30	\$60.40	\$333.61	
Nov: Anthracnose spray and deer control						\$14.56	\$205.93	\$6.61	\$227.09	
Dec.-Feb: Bed maintenance, dormant spray, floating row covers						\$15.50	\$1,338.44	\$972.14	\$2,326.07	
<b>FIRST YEAR TOTAL</b>						<b>\$1558.99</b>	<b>\$8,060.13</b>	<b>\$2144.43</b>	<b>\$11,763.55</b>	
<b>Year Two: Preharvest</b>										
Feb: Winter maintenance, pest control						\$43.13	\$373.09	\$356.40	\$772.62	
Mar: Weed, fertilize, row covers, pesticide, freeze protection, pollination						\$412.46	\$329.36	\$561.39	\$1,303.22	
April: Freeze protection, pest control, fertilizer						\$285.71	277.49	165.95	729.15	
<b>TOTAL PRE-HARVEST</b>						<b>\$741.30</b>	<b>\$979.95</b>	<b>\$1,024.41</b>	<b>\$2,745.66</b>	
April: Harvest labor, UPick supervision and checkout, irrigation, pest control, fertilizer						\$41.74	\$685.60	\$780.27	\$1,507.61	
May: Harvest labor, UPick supervision and checkout, irrigation, pest control, fertilizer						\$136.13	\$1,993.89	\$2,313.09	\$4,443.12	
<b>TOTAL HARVEST</b>						<b>\$177.87</b>	<b>\$2,679.49</b>	<b>\$3,093.37</b>	<b>\$5,950.74</b>	
<b>TOTAL VARIABLE COSTS PER GROWING SEASON</b>						<b>\$2,114.63</b>	<b>\$10,352.14</b>	<b>\$6,056.58</b>	<b>\$18,523.35</b>	
<b>Annual Administrative Costs and Taxes</b>									<b>\$226.00</b>	
<b>Total Annual Cash Costs</b>									<b>18,749.35</b>	

**Production Budget Planning Resources**

Detailed budget estimates for common farm enterprises in North Carolina may be downloaded as PDF or spreadsheet files at:

<http://ag-econ.ncsu.edu/extension/budgets>

## 1.6 Comparing Potential Enterprises

After finishing the hard work of goal-setting, listing their farm resources, and starting to develop budget projections for different enterprises, John and Kimberley are ready to compare different farm enterprises. They refer to the “Budgets” website at the NCSU Department of Agricultural and Resource Economics to get some ideas of different enterprise costs. They also look at other resources, like Penn State University Ag Alternatives and the Agricultural Marketing Resource Center, to find overviews of financial requirements for different crop and livestock enterprises.

John also goes to visit the neighbor who is currently leasing the pastureland. They walk and ride around the property, and John is able to learn more

about the condition of fences and water availability for livestock. During their conversation, the neighbor mentions that he might be interested in selling John some of the brood cows that are currently on the farm or selling some calves to John in the spring.

After all their research, John and Kimberley identify possible crops and products that both interest them and would move them toward their net farm return goal of \$20,000 per year. While they are talking, they discover that both of them would like to combine crops with some animals on the farm. They list three potential crops and three animal enterprises.

Strawberries	Beef cattle
Blueberries	Sheep and/or goats
Tomatoes	Poultry (eggs)

## Marketing First!

The market is critical. You cannot make a profit without a place to sell your farm's production! We will discuss marketing in-depth in future chapters and follow the Smiths through some marketing decisions. For now, the Smiths list potential markets for each product. They also put estimated costs and returns from each enterprise into a chart, along with the time requirements for each enterprise.

Strawberries	Farm stand, farmers market, Pick Your Own, grocery store
Blueberries	Farm stand, farmers market, Pick Your Own
Sweet corn sold directly	Farm stand, farmers market
Beef cattle	Auction, direct private treaty sales
Sheep and/or goats	Live animals to auction for Raleigh buyers
Poultry (eggs)	On-farm sales, local farmers market

The chart on the following page summarizes the possible enterprises for Smith Acres Farm. You may wish to develop a chart similar to this in order to help you evaluate the enterprises you start with.

Chapter 1

Enterprise	Annual Labor Requirements	Key Labor Months	Capital Equipment Requirements	Startup Costs per acre (in addition to capital eqpt.)	Annual Per acre Costs at Maturity	Average Annual Per acre Net Return	Owner Labor Hrs Included in Net (hourly return to owner labor and management)	Yrs. to Annual Return	Yrs. to payback startup
Strawberries (40% UPick)	2,200 / acre	April – May	30-50 HP tractor, PTO blast sprayer, mulch layer, irrigation	\$12,800	\$6,000	\$15,000	400 (~\$38)	2	2
Blueberries (50% UPick)	500 / acre	May – July	40-50 HP tractor, PTO blast sprayer	\$9,300	\$8,600	\$12,000	400 (~\$30)	3-4	4-6
Tomatoes	3,600 / acre	May - July	60 HP Tractor, Boom Sprayer, Mulch Layer, Tillage Equipment	\$18,000	\$18,000	\$8,000	440 (~\$18)	1	1
Beef Cattle									
Summer Grazing 20 steers*	40	May – Sept	Tractor, mower, fences, corral/handling system	\$20,000	\$130 / steer	\$75 / steer	40 (~\$38)	1	1
Meat goats 50 does	160	Feb – Sept	Tractor, mower, fences, feeders, handling	\$10,000	\$120 / doe	\$50 / doe	160 (~\$16)	1	3-5
Poultry (eggs) 200 hens	250	Mar – Nov	Tractor, manure spreader, buildings	\$4,500	\$6,775	\$750 (at \$2.50 per dozen)	60 (~\$13)	1	2

Chart References and Discussion

**Remember: This chart is provided for case study illustration purposes only. Actual costs and returns for farm enterprises will vary greatly depending on farm size, situation, operator experience and established capital resources.**



## Chapter 1

Working through a production budget for a new or expanded farm enterprise has benefits beyond getting a handle on how much it may actually cost to produce a new product. Working line-by-line through a production budget helps you think through the specific tasks involved in a new enterprise, identifying time and equipment requirements. The process may also help identify ways of spreading costs between enterprises. For example, you might be able to purchase inputs (like seed, boxes, egg cartons) more cheaply at higher volumes.

For a farm, or any other business, there will be production levels necessary to justify some purchases. In the example of Smith Acres Farm, the Smiths are able to net \$75 per head for 20 cattle. But the return from 10 cattle may be less than \$75 per head because there may be some costs that have to be incurred no matter how many cattle are produced. One of the goals for a new farm enterprise is to discover the points at which your resources can be used in a way to minimize the cost of production, per unit produced, for your size and scale of production.

The following resources were consulted while developing this example:

Strawberry and tomato: NCSU Extension, <http://ag-econ.ncsu.edu/extension/budgets>

Cattle, goats/sheep: Virginia Livestock Budgets <http://pubs.ext.vt.edu/446/446-048/446-048.html>

Blueberries: University of Kentucky Center for Crop Diversification and Penn State Ag Alternatives

Poultry (Eggs): NCSU Extension <http://ag-econ.ncsu.edu/extension/poultry>; Penn State Ag Alternatives

\*Beef cattle estimate is for 20 feeder calves grazing summer pasture for four months. Assumes one animal per acre. Costs and returns estimated per animal.

## Smith Acres Farm – Enterprise Evaluation

John and Kimberley now have the information in hand to start to make more concrete decisions about their new farm enterprise. One of their first realizations after listing some enterprise specifics is that it will take *at least* two years to reach their goal of \$20,000 in net farm income. They also notice a wide range of values for the return to their own labor, depending on their enterprise.

Another discovery the Smiths make while generating their budget estimates is how much the selling price impact potential profits from fruit and vegetable crops. They also see how Pick

Your Own can help reduce the labor time needed for harvest, but wonder about the logistics and potential liability from opening up their farm to U-Pick customers. The impact of price per unit is similar in the small-scale egg laying enterprise.

The Smiths think they can probably meet their income goals by combining a berry crop with some cattle and egg enterprises. But before they move ahead with more specifics, they must answer a most important question: how will they market what their farm is producing? Take the time to evaluate this and the rest of the topics using the worksheets on the following page.

## **Worksheet 1.A Resource Inventory**

Taking stock of available resources is the important first step before setting goals. Use this inventory to list your family and farm resources for a new enterprise.

### **1. Personal Inventory**

Gather the family members that will be involved in your farm and list their personal resources/experiences and passions that could contribute to the new farm enterprise.

### **2. Property and Resource Inventory**

A. Property – List the resources available on your farm property (land, buildings, improvements such as water lines and fencing)

B. Equipment – List the machinery, equipment and supplies you already own that could be available for your new enterprise. Be sure to note times/seasons of the year that the equipment is already being used and might not be fully available to a new enterprise.

C. Financial – List the financial resources available for investment into a new farm enterprise. This includes cash on hand designated for the new enterprise, as well the net income from any assets that you might liquidate to fund the new enterprise.

## Worksheet 1.B      Setting Farm Goals

It is helpful to think through the specific resources available to meet a farm's goals, including time, property and labor.

List the specific time, land and property that you have available for your new enterprise(s). Use the back of this sheet or additional space as needed.

What are your goals for the new farm enterprise? Use the space below to list all different kinds of goals.

Now, drill down and divide your goals between long-term goals – which may reflect your values – and short-term goals, which may be more measurable.

Long term \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Short term \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Finally, remember this key question: Does everyone involved agree to these goals? \_\_\_\_\_  
(If the answer is "No," you may be wise to revisit your goals until there is mutual agreement!)

## Worksheet 1.C      Marketing Questions

Start to think about marketing using the questions below:

What type of market outlets (places to sell your farm products) are you considering right now?

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Where are those markets located? \_\_\_\_\_

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What else do you need to find out about how to sell at those markets?

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## Chapter 1 Take-Home Assignment

1. Select three enterprises you are thinking of implementing as a business plan and find three budgets that represent those enterprises.
2. Inventory your current resources for starting your own enterprise and estimate their value.
3. Complete the goals and mission statement sections of your business plan.

Use the following online resources as starting points for your estimates:

- NCSU Extension Budgets <http://ag-econ.ncsu.edu/extension/budgets>
- Virginia Livestock Budgets <http://pubs.ext.vt.edu/446/446-048/446-048.html>
- Penn State Ag Alternatives <http://extension.psu.edu/business/ag-alternatives>

The following pages contain a few resources that will be critical to you as you continue to plan for your new enterprise:

- The Labor, Equipment and Money Resource Planning Template on the following page (pg.22) is a continuation of taking inventory in this chapter. This sheet will help you to think of how you will plan the resources you currently have and look at more resources you will have to acquire in your first year of business.
- The Single Year Enterprise Budget Template (pg.24) is a good resource for you to use as a comparison of what you are looking for in a budget in part one of your take home assignment. We will refer back to this sheet as we begin to build a more detailed look at what financial resources you will need for the first year of business.

Don't be intimidated or worried if you don't understand all the numbers on these sheets, especially if you have never run a business before. Even if you have your own business, considering new enterprises is a challenging process that we want to take you through step by step. Take the time now to look over these sheets so you are familiar with the categories as we begin to develop your first year budget and resource planning.







## Single Year Enterprise Budget Template

	Quantity	Unit (lb, box, etc)	\$/Unit	Total (=Quantity x \$/unit)
<b>GROSS RETURNS</b>				
			\$	\$
<b>VARIABLE COSTS</b>				
Production				
Plants, Seeds			\$	\$
Soil amendments (lime, sulfur, etc.)		ton	\$	\$
Fertilizer		Lb	\$	\$
Fertilizer: Starter		Lb	\$	\$
Fertilizer: Ammonium Nitrate		lb	\$	\$
Weed Control		qts	\$	\$
Insect Control	1	acre	\$	\$
Disease Control	1	acre	\$	\$
Irrigation			\$	\$
Hired Labor		hours	\$	\$
Machinery Fuel, Oil, Lube	1	acre	\$	\$
<b>Total Preharvest Variable Costs</b>				<b>\$</b>
<b>HARVESTING AND MARKETING</b>				
Containers			\$	\$
Hired Labor				
Harvest & Pack			\$	\$
Misc. Harvest Labor			\$	\$
Transportation			\$	\$
Other Marketing Costs			\$	\$
<b>Total Harvesting and Marketing Cost</b>				<b>\$</b>
Interest on Variable Costs (if borrowing operating capital)				
<b>TOTAL VARIABLE COST</b>				<b>\$</b>
<b>RETURN ABOVE VARIABLE COSTS</b>				<b>\$</b>
(Gross Returns – Total Preharvest – Total Harvest)				
<b>FIXED COSTS</b>				
Depreciation				\$
Taxes on Land				\$
Insurance				\$
<b>TOTAL FIXED COSTS</b>				<b>\$</b>
<b>RETURN TO OPERATOR LABOR, LAND, CAPITAL, &amp; MGT.</b>				<b>\$</b>
(Gross Returns – Total Preharvest – Total Harvest – Total Fixed Costs)				

## Chapter 1 References and Resources

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## Appendix 1

### Terms and Definitions

**Asset** - An asset is something that the farm owns or controls and uses in production.

**Balance Sheet** - A summary (including assets, liabilities and net worth) of a farm's financial position at a point in time.

**Cash flow statement** - The statement listing the amount of cash received (inflows) and cash spent (outflows) over a period of time, often monthly or quarterly.

**Fixed costs** – Costs that do not vary with the amount produced, including money spent on equipment and inputs not used up in a single year – such as fencing, machinery and vehicles. These items may be used over many years and for different farm enterprises.

**Income Statement** – A statement of expenses and receipts over a certain period of time

**Labor** – Time (man hours) needed to accomplish a particular task

**Liability** – A farm's debts or the current balance money owed against an asset

**Market** – A group of buyers and sellers bargaining over the exchange of goods and/or services

**Marketing** – The activities that coordinate a farm's production with meeting the quantities and product quality demanded by customers

**Net return** – the money made after all costs have been accounted for.

**Net worth** – the farm's total assets less total liabilities

**Variable costs** - the money spent directly on producing your agricultural product that varies with output. This is the direct cost of production, money spent during the process of growing a crop or animal: purchases of seeds, chicks, feeder animals, bags and boxes to send the product home with your buyer. Sometimes called operating costs/expenses.

