

Ways to Grow

**Small Farm
Decision-Making
&
Enterprise Planning
Workbook**



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Decision-Making: A Textbook Model

1. Set goals

Defining personal and business goals gives you some key guidelines for assessing your options.

2. Identify and analyze your options

Gather information on a range of options, including the market demand, production and labor requirements, start-up and operating costs, and returns of promising enterprises.

3. Select the option that best fits your goals

Sounds simple enough. But have you thought about *who* ought to be involved in this decision? How you and your family come to this decision can have a profound effect on the success of your business.

4. Make a plan

Writing down your farm business plan helps you to think through all the steps needed to achieve your goals. A good plan will include a goals statement, market assessment and marketing strategy, production plan, labor and management plan (who's in charge of what?), and a careful financial plan with profitability and cash flow projections and loan requirements, if any. This workbook will give you a start on your plan.

5. Implement your plan

This is the fun part — the part we usually think of as "farming."

6. Monitor your progress and evaluate your results.

Good record-keeping is a key to good decision-making. After all, the decision-making process is not complete until you've considered the outcome. How are you doing compared to the goals you originally set? Do you need to modify your plans? Taking the time to analyze your records and evaluate the decisions you've made is the way to become a better manager.

Decision-Making: Real Life!

In real life, we seldom do as the textbooks say! Many factors besides pure logic affect our choices. Often we feel too busy to take the time for careful planning and research. And sometimes we simply forget to consider some important issues. Here's a chance to slow down and check where you are in your own decision-making process.

How carefully have you thought about....

- Personal and Family Goals**
- Family Labor and Management Resources**
- The Marketplace**
- Farm Physical Resources**
- Family Financial Resources**

Give yourself a ☆
if you're ahead of the game, a ✓
if you're okay, or ✗
if work needs to be done.

Your New Enterprise's:

- Marketing strategy**
- Start-up costs and profit potential**
- Cash-flow patterns**
- Production requirements**
- Labor and management requirements**
- Legal, regulatory and liability issues**

Personal and Family Considerations in Starting a New Enterprise

Can you guess what is the most critical factor in the success or failure of every single type of business in the world? It's the Human Factor. But business owners, including farmers, sometimes become so wrapped up in technical problems that they get completely out of touch with the personal issues that can make or break a business. In a family-run business, stresses related to the business carry over directly to the family, and vice-versa.

Have you thought about...

- ◆ **Your personal characteristics as a manager** — Your level of drive, self-discipline, ability to work with people, creativity, decisiveness, and organization will be a key to the success of your new enterprise.
- ◆ **Unique needs and perspectives of all participants** — Everybody sees things differently, and each family member will be affected by the new enterprise, like it or not.
- ◆ **Communication** — In working with family members, with employees, and with customers, how we say it is at least as important as what we say!
- ◆ **Teamwork** — The family in business needs to develop a decision-making system that gives everyone a voice and allows conflicts to be resolved.



Reality Check: Is the Rest of the Team Still With You?

It has been shown that in family-run businesses, the principle manager is often a lot more enthusiastic about the business than the rest of the family team. This can really spell trouble. Decision-making in a family business has to take into account the needs and opinions of all family members. How well do you know your team members? Answer the following questions as you think your spouse/partner would, or as your parent, child or “significant other” would answer. Then make sure you talk about it at home! If you’re single, go ahead and fill in your own answers.

- | | Agree | Disagree |
|--|--------------------------|--------------------------|
| 1. Our family spends too little time together. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. I really enjoy working hard to make the farm a success. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I’m very enthusiastic about our new farm enterprise. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. The farm business is too much for us to handle now. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I too often sacrifice the things I like to do for the sake of the farm business. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I’m not worried about having enough spending money. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Being able to work on the farm is more important than having lots of money. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. The family should always come before the business. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. I believe we could handle some financial risk with our new enterprise. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. It’s more important for the children to work on the farm than to be involved in a lot of other activities. | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. I feel like my opinions and feelings about the farm business are taken seriously. | <input type="checkbox"/> | <input type="checkbox"/> |

Communication: Key to Survival for Business and Family



People see the same situation differently. It's a normal, healthy thing about us human beings. Rather than trying to avoid conflict, we can use conflict in a positive way to strengthen our relationships, and to make better decisions. It's all in the way we communicate with each other. After all, two (or more) heads *are* better than one!



Negative conflict — Provokes hurt feelings, insecurity and distrust of each other; makes us lose self-respect and/or respect for others; makes rational discussions difficult or impossible; wastes time and energy for everyone involved; causes stress and sometimes breakup of relationships.



Positive conflict — Helps us understand what others feel is important to them; helps clarify issues, values and choices; clears the air of unspoken disagreements; can result in a new understanding or relationship which brings new energy to the family; can bring a sense of respect to all; and can lead to new or redefined goals which are more satisfactory to everyone.

Making Decisions as a Family

Two Keys to Successful Farm Business Meetings:

1. Participants

Each person involved in a meeting contributes to its success. When each person feels responsible, an effective meeting results. If you expect it to be a waste of time, it probably will be. Participants are responsible to:

1. Be on time.
2. Come prepared with information, concerns, or questions.
3. Listen. Think before reacting.
4. If you have an opinion, voice it, but make sure you're addressing the topic.
5. Accept the group consensus and support it, once a decision is made.

2. Chair, or facilitator

The chairperson sets the tone of the meeting and provides leadership. Sharing leadership at the appropriate times makes the group more effective. The chair is responsible to:

1. Organize the agenda, including suggested time limits.
2. Include everyone in the discussion, encouraging quiet individuals to speak up.
3. Keep discussion on track and within time limits.
4. Help manage conflicts in a positive way.
5. Recognize and encourage individual strengths.
6. Define and assign tasks.

Planning Your Farm Business Meetings

Do you want to discuss:

Farm business *Family issues* *Both*

Who should be involved?

What are the types of issues you most need to discuss with your family?

How should decisions be made?

Majority rule *Consensus* *Other*

How often should you meet?

Where should you meet?

Kitchen table *Restaurant* *Farm office*
 In the car ... Other _____

Who would be the best chair to organize and run meetings?

Should this change?

Goals and Objectives for Your New Enterprise

What is the single most important goal you and your family hope to achieve by starting this new farm enterprise?

What additional goals do you and your family members have for the enterprise?

What are the most important personal goals of family members over the next three to five years?

List the family members who would like to be actively involved in the new enterprise, and the responsibilities each would like to take on:

If you already run a farm business, what are your goals over the next three to five years for the enterprise you are currently involved in?

Maintain at about the same level Expand

Explain: _____

Cut back some.

Explain: _____

Get out altogether.

Other: _____

What are your financial goals for this new enterprise? For example, once the enterprise is established, what amount of your family income do you expect from the following sources:

Current farm enterprises _____

New enterprise _____

Off-farm employment _____

Other _____

Total _____

Know Your Options

Land resources:

Buildings available:

Machinery and equipment:

Water, other resources:

Labor available:

Special skills:

Local and regional marketing resources:

Farmers markets

Restaurants

Groceries, specialty stores

Ethnic markets

Wholesalers

Processing plants

Slaughterhouses

Roadside possibilities

Other?

Financial resources for start-up _____

What are your enterprise options?

Enterprise option

Pros

Cons

Enterprise option	Pros	Cons
_____	_____	_____
_____	_____	_____
_____	_____	_____

Planning for Successful Marketing

How much do you already know about:

- Your customers, and how to reach them?
- Your competition?
- Your marketing options?
- Trends in demand, production and prices?
- Costs of marketing?

Give yourself a ☆
if you're ahead of the game, a ✓
if you're okay, or ✗
if work needs to be done.

Do you know how to find out what you don't already know?

- How to do your own market detective work?
- How to find published market information?

Plan your marketing strategy — Do you have the four P's?

- A Product that consumers are looking for?
- A unique Position in the marketplace?
- An appropriate Price?
- Effective Promotion?



Understanding Your Customers

A business can't be all things to all people. Choose your "Target Market" carefully.

What do you know about your target market? Answer these questions from your customers' perspective!

How old are we?

Where do we live?

Where do we work?

How much money do we make?

Are we married? Single? With kids?

Double income? (How busy are we?)

What ethnic group?

What education level?

What about lifestyle?

What are our values, wants and needs?

What are we looking for in your product?

Understanding Your Competition

Determining who your competitors are, the specific types of buyers they serve (their target market), and their competitive strengths and weaknesses will help you define your own position in the marketplace. Your *direct competitors* are those businesses who are supplying the same types of products as you to the same potential customers. Your *indirect competition* is any *other* type of product which customers might buy instead of yours. Make it your business to find out all you can about your direct and indirect competition.

Who Are Your Direct Competitors?

What to find out

	Competitor A	Competitor B	Competitor C
Business name and location			
Quality and price of product			
How much of your product do they sell?			
Other products and services offered			
Type of buyer targeted			
Competitive strengths			
Competitive weaknesses			

What is your indirect competition?

Keeping In Touch With Your Market

Effective marketing depends on staying tuned to your local customers and competitors, and also to regional and national consumer trends, industry changes and the economy. Remember - *always think like a consumer first, a producer second!*

Doing your own market detective work

- Visit your competitors and other producers, and talk to suppliers
- Talk with your current customers — survey if needed
- Visit with wholesale buyers
- Travel as widely as possible — see how people do things elsewhere
- Visit terminal markets, restaurants, and farmers markets — see what is selling
- Do your own test marketing — maybe try a consumer "focus group"
- Other ideas? Be creative!

Finding published market information

- Subscribe to trade and food magazines, association newsletters
- University and public libraries - ask for help with a computerized search for articles and publications
- Contact your State Data Center or the US Bureau of the Census, Data User Services Division (301) 763-4100
- Try the USDA Economic Research Service (301) 786-1512
- Read the popular press and business papers like the *Wall Street Journal*
- Contact local planning, business or economic development agencies

More Marketing Questions...

As you plan to start a new farm-based business enterprise, you will need to gather additional information for marketing strategies. Here are some important issues to think about, and space for taking notes.

What are your marketing options?

Option 1	Pros	Cons
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Option 2		
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Option 3		
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Others		
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Information on past and future trends in production, consumer demand, and price for your product?

Ideas for promoting your business?

Other marketing notes (whom to talk to, questions, ideas...)

Production and Financial Planning For Your New Enterprise

Before launching your new enterprise, you'll need to gather as much information as you can about production and financial aspects. Below are some questions you will want to think about, and space for jotting down important notes.

What capital purchases are required (buildings, improvements, equipment, land, breeding stock...)? Costs?

What legal, regulatory and liability issues might affect your business? How will you deal with them?

What will be your major production and marketing tasks, such as planting and other field operations, harvest, advertising, sales, etc. When should they occur?

JAN	FEB	MAR	APR	MAY	JUN
JUL	AUG	SEP	OCT	NOV	DEC

For each of these tasks, you will eventually want a good estimate of input requirements and their costs. This will be the beginning of your enterprise budget.

Plan to improve your financial management skills. Each of the following is an important tool for business managers. Do you know how to prepare:

- An enterprise budget to project costs and returns?
- A cash flow budget showing when to expect expenses and receipts?
- An income statement to calculate your profit for the year?
- A balance sheet showing all your assets and liabilities?

Ask your Extension agent for help in developing these skills.