Business Planning
Concepts & Methods
Business Planning Can Enhance Sustainability by Providing You With a Roadmap You Can Use in Operating Your Ranch
Sustainability of Agriculture

- Planning Can Help Overcome Challenges
  - Profitability (or lack thereof)
  - Aging population
Profitability

- Rancher’s share of the food dollar
  1910 = $.40
  2009 = $.11 (steak)
U.S. Farm & Ranch Income

Average farm operator household income from farm and off-farm sources, 2004-2009F

- Farm income
- Off-farm income
- Total household income

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.

Farm operator household income varies by commodity specialization, 2008

- General cash grain
- Wheat
- Corn
- Soybean
- Rice, cotton, and peanuts
- Other field crops
- High value crops*
- Beef cattle
- Hogs
- Poultry
- Dairy
- General livestock

Farm income
Off-farm earned income
Off-farm unearned income

*Includes fruit, nuts, vegetables, greenhouse, and nursery.
Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
The majority of agricultural operators are between 45 and 64, but the fastest growing group is those 65 years and older.

Source 2007 Census of Agriculture
Age Demographics

The map illustrates the distribution of age demographics across the United States. The colors indicate the percentage of the population in different age groups. The data is sourced from the U.S. Department of Agriculture, National Agricultural Statistics Service.
Age Demographics

Age distribution of farm operators, 1978-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of farm operators</th>
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</thead>
<tbody>
<tr>
<td>1978</td>
<td>2,500,000</td>
</tr>
<tr>
<td>1982</td>
<td>2,000,000</td>
</tr>
<tr>
<td>1987</td>
<td>1,500,000</td>
</tr>
<tr>
<td>1997</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2002</td>
<td>500,000</td>
</tr>
<tr>
<td>2007</td>
<td>0</td>
</tr>
</tbody>
</table>

- 65 years and over
- 55 to 64 years
- 45 to 54 years
- 35 to 44 years
- 25 to 34 years
- Under 25 years
Sustainability of Agriculture

- Planning Can Help Create New Opportunities
  - Increase Financial Options
  - Improve Resource Utilization
  - Bring Family Members Back
Increasing Financial Options

- **Help Increase Income**
  - Current operation may be viable, but more income is desired to meet objectives, and more income is possible from existing resources

- **Help Distribute Cash Flow**
  - Bring cash returns to the land unit’s operation at various times throughout the year vs. once or twice
  - Multiple products and/or services can be timed to accomplish this objective

- **Help Reduce Financial Risk**
Improving Resource Utilization

- Labor resources
- Facilities and equipment
- Natural and cultural resources
Keeping the Family on the Ranch

- Often not enough income from existing operations to support more than one family

- Planning can help identify new opportunities to support multiple families
Key to Proper Planning is Communication
Roll play
Planning (But Not in a Vacuum) Is Important

- to Overcome:
  - The Lack of Profitability
  - Aging Population
- to Create New Opportunities
  - Increase Financial Options
  - Improve Resource Utilization
  - Bring Family Members Back
- and Ensure Sustainability
Break
Business Planning Process
The First Step in Planning: Assessing Your Operation

- Communicate, Communicate, Communicate, Communicate
Getting Started: Assessment

- Look at existing enterprise
- Identify values and goals
Assessing Your Ranching Operation

- Explore personal and family values
- Develop personal, family and operational goals
- Evaluate skills and traits for each family member
- Inventory all resources associated with the farm or ranch
- Develop a SWOT analysis
Assessing Your Ranching Operation

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Personal and Family Values

- Fundamental core of one’s life
- Standards and convictions
- What is important to you, what interests you or concerns you
Personal and Family Values

Examples

- Fundamental beliefs
  - Honesty, integrity, religious beliefs

- What’s important to you
  - Open spaces, viewing wildlife
  - Working with your family
  - Money?
  - Heritage
Personal & Family Values

- Are your values in line with those of the entire family?
- Communicate your values
Assessing Your Ranching Operation

- Explore personal and family values
- **Develop personal, family and operational goals**
- Evaluate skills and traits for each family member
- Inventory all resources associated with the farm or ranch
- Develop a SWOT analysis
Goals

“If You Don’t Know Where You’re Going, You’ll Probably End Up Somewhere Else.”
Goal Setting

- SMART Goals
  - Specific
  - Measurable
  - Attainable
  - Relevant
  - Time-bound

- Written Goals
- Prioritize Goals
- Shared Goals
Assessing Your Ranching Operation

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- Develop personal, family and operational goals
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Assessing Skills and Traits

- Personal Traits and Characteristics
- Lifestyle and Family Traits
- Family Financial Management
- Business Skills & Traits
- Natural Resource Characteristics
- Community Characteristics
Skills & Traits

- Balance goals and values of everyone with an interest in the enterprise
- Don’t assume you know other people’s goals or values
Assessing Your Ranching Operation

- Explore personal and family values
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Resource Inventory

- Human Resources
- Financial Resources
- Marketing Resources
- Land, Soil, Plant, Water Resources
- Livestock
- Facilities
- Equipment/Machinery

- Wildlife Resources (consumptive and non-consumptive)
- Fishery Resources
- Cultural Resources
- Recreation Resources
- Community Resources
Incorporating monitoring into the business planning process can be an important management tool.
Assessing Your Ranching Operation

- Explore personal and family values
- Develop personal, family and operational goals
- Evaluate skills and traits for each family member
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Enterprise Feasibility

- **Assess**
  - **Strengths**
  - **Weaknesses**
  - **Opportunities**
  - **Threats**
## SWOT Analysis

<table>
<thead>
<tr>
<th>INTERNAL</th>
<th>POSITIVE</th>
<th>NEGATIVE</th>
</tr>
</thead>
</table>
| Strengths | • Good land stewards  
• Value open space  
• Know cattle operation well  
• Willing to set family goals  
• Want to raise kids on ranch | Weaknesses |
|          | • Not enough $ to support all family members returning  
• Lack of marketing knowledge  
• Doesn’t know where to get help | |

<table>
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<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
</table>
|          | • Premium being paid for “natural”  
• Could market timber  
• Interest in local foods | • Potential reduction in grazing AUMs  
• Drought conditions  
• Small population in community |
Summary: Steps to Sustainability

- Assess
- Determine Feasibility
- Then Implement

- Communicate, Communicate, Communicate
Components of a Business Plan
A business plan is a formal statement of business goals, the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the team attempting to reach those goals. (Wikipedia)

- It is not just your financial statements
- Cindy’s definition: A communication tool to enhance your success and ensure your survival
Business Plan Components

- Executive Summary
- Overview of the Industry and the Business
- Market Analysis
- Market Plan
- Management Team
- Financial Plan
- Break-even Analysis
Business Plan Components

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- Appendix
Executive Summary

- An overview of the plan
  - Business idea
  - Market opportunities
- Answers “who, what, where, when and how”
The Industry and the Business

The industry:
- Industry trends
- Market size, growth trends
- New products, developments, markets
- Customers

The business:
- Business structure
- How the business fits into the industry
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Market Analysis & Market Plan

- 4 Ps of Marketing
  - Product
  - Placement/distribution
  - Price
  - Promotion
Marketing Claims

- Source & Age Verification
- Natural, Organic
- Grass-fed
- NHTC
- Humane Treatment
Regional/local food programs can lead to sustainability

- Direct marketing
- Community supported ag (CSA) programs
- Farmers’ markets
Business Plan Components

- Executive Summary
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- Management Team
- Financial Plan
- Break-even Analysis
Management Team

- Family members
- Key employees
- Others
  - Accountant
  - Attorney
  - Consultants
Business Plan Components

- Executive Summary
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- Market Analysis
- Market Plan
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- Financial Plan
- Break-even Analysis
Financial Plan

- Financial statements
  - Profit and loss projections
  - Cash flow projections
  - Pro-forma balance sheets
Break-even Analysis

- The point at which total costs equals net sales
- Fixed costs
- Variable costs
- Quick way to look at whether realistic to make change
Appendix

- Resumes
- Job descriptions
- Maps
- Permits
Summary Benefits of Planning & Communicating
Benefits of Planning & Communicating

- 1
- 2
- 3
- 4
- 5
- 6
Resource Tools Available

- Sustaining Western Rural Landscapes, Lifestyles and Livelihoods *Agricultural Enterprise Diversification Resource Guide*

- Team of professionals
  - NRCS, Cooperative Extension, Ag Marketing
  - Small Business Development Center
Questions?
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