

Specialty Crops 25 Acre Incubator  
Business Model **(DRAFT TEMPLATE)**

This is a business plan model we have tailored to capture the message of a Specialty Crops Business. Some questions may not make sense or fit with your particular situation. If this is the case please feel free to change or delete sections as you see necessary. Not all sections have been filled in to allow for better personalization.

*1234 ST RT 1 Anywhere, Ohio 87654*

10/1/2011

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## **Section I: Executive Summary**

*The Executive Summary comes first, but can be written last, after the Human Resources, Operations, Marketing, Finance and Strategic Planning & Management sections are completed.*

The purpose of this business plan is to provide a practical tool so that staff and managers per program of a local incubator/training farm, can have a common understanding of:

- The daily work that needs to be accomplished to meet the vision, mission, and goals of the program.
- What services and activities exist and in what priority.
- How success of service and activities is measured.

### **A. Company Overview**

1. *Company Name* – ABC Specialty Crops Farm
2. *Location* – 1234 ST RT 1 Anywhere, Ohio 87654 (benefits ~ has the ability to ramp-up from a 1-5-25 acre operation, limitations ~ no known, zoning issues ~ no known)
3. *Legal Structure & When Formed* ~ cooperative, formed ~ 2011
4. *Type* (growing marketing co-op)
5. *Size* (sales ~ \$204,800 gross income per year) 25 acre facility
6. *History Highlights* ~ TBD
7. *Mission – Why you exist (values)* ~ The mission of the farm is to improve the economic conditions and personal health of our community through cost effective, regional, grower-owned business and training.
8. *Vision – Where you want to go (nonspecific, directional, motivational)* ~ We want to provide an environment to support training of local growers and the development of local foods marketing systems.
9. *Important company features (customers, employees, other Stakeholders value)* ~ Located and operated by XYZ farm and in partnership with other interested community agencies using the resources and leadership available through those resources.

### **B. Nature of the Business**

1. *What product/service you sell?* ~ Specialty Crops (Such as fruits and vegetables)
2. *What need/problem/opportunity? (Benefit to buyer?)* ~ Safe, fresh locally grown produce.
3. *For what market area and target audience (market potential)* ~ The markets will be local Community Supported Agriculture (CSA) members and Farmers' Markets.
4. *What are the alternatives to your product/service?* ~ Wholesale markets (restaurants, grocery stores, schools, food banks, etc.),
5. *(Competitive advantage)* ~ Main target customers are high value niche market consumers.

### C. Key Characteristics of the Industry

*Brief Summary of the Size of the Industry, Types of Businesses, History, Trends, Critical Issues and Your Business “Fit” in the Industry. This type of business model we feel is the future and to be able to train the local growers and the development of local foods in our state we feel this is the most feasible way to do so because it provides the educational aspect to the job itself while providing an income to the student as well as product to take to market to serve the surrounding community. This industry is ever growing; however two main issues with the industry will cause it to falter in its growth: The education aspect and the lack thereof and the cost of buying enough property to get started. The major factor however, once the above is covered, is that you as a grower/producer be able to hit the ground running and not be left behind trying to learn all aspects of the job. This is where this model comes in covering all the above mentioned issues.*

### D. Brief Financial Highlights

**Sales Forecast** ~ a 25 acre farm financial model is attached and shows gross income revenue: **\$204,800**

- Labor Produce (6.25 acres @ 100% high value prices) \$62,500
- Owner Produce (18.75 acres @ 60% high value prices) \$93,750
- Full-Time Training Farm/Facilities/Equipment Rental \$10,000
- Trainer Salary Revenue \$19,800
  - 1. Farm growing instruction 300 hrs - \$6,600
  - 2. CSA management instruction 300 hrs - \$6,600
  - 3. Internship/OJT coordination 300 hrs - \$6,600

Other questions you may need to answer is the - Breakeven Point, Financing if needed – how much and for what/when payback

With this particular model our goal is to just break even to fit with the nonprofit example. We do show a slight net profit of \$4,155 however this is more to be used for unexpected costs that may arise throughout the season.

Our financial worksheets show a loan/s being obtained for a tractor/implement purchase and necessary other fixed assets for a produce farm as well as an operating loan. This loan is amortized for 84 months at a 9% rate. This is not necessarily based off of a current banks rate and terms it is just showing the payment that can be expected for this type of request. This may be an area you can save significantly based on variable factor such as; credit and interest rates at the time of obtaining a loan.

### E. Strategic Management

1. **How you are addressing internal strengths** ~ In most cases the incubator farm will provide the farm land and facilities and some equipment at no cost to the operation, **weaknesses** ~ some

equipment, as well as a farm manager, may need to be acquired as per the operational specifications.

2. What are the external opportunities and threats?
3. Summary of short range & long range goals ~ provide working, profit making, self-sustainable incubator farm as a vehicle for education and training by spring 2012.
4. Key measurable “drivers” that impact your costs, revenue and business goals, return on investment, # of employees per \$, inventory turns, product rejection rate, quality, capacity?

For this model we have used 4 different types of income;

- Labor Produce raised on 6.25 acres @ 100% value prices
- Owner Produce raised on 18.75 acres @ 60% value prices
- Full-time training farm/facilities/equipment rental
- Trainer Salary Revenue

Costs are associated the same way having 6 different areas;

- Incubator CSA Farm manager
- Trainer Costs (paid by training program school)
- Trainee Labor payments
- Total Cost of sales (seed/plants, fertilizers, chemicals)
- Fixed Business Expenses (repairs, insurance, fuel, supplies)
- Other Expenses (loan, depreciation, etc.)

Our goal is to not necessarily get a return on our investment but to be able to break even while providing both an educational experience as well as a product that can be taken to market and added to the locally grown supply chain. In this 25 acre incubator model, it supports very well the need for 10 student workers earning a very lucrative rate of \$980/m over a 5 month span (during harvest) as well as 5 contract laborers earning a very respectable rate of \$8/hr. over a 5 month span (during harvest). This can obviously be replicated with larger acreage as we have shown in the attached 50 acre financial models. The inventory turn, product rejection rate, quality and capacity is all factored in showing that 25% of the crop will be sold at premium while 75% will be sold at a discounted rate of 60% premium price. This creates an average sale price per acre of \$7,000 which is reasonable particularly for this industry depending on the cropping mix you decide to raise.

## **Section II: Management**

### **Human Resources**

#### **A. Owner, Manager/s**

(experience and key skills – skill level) ~ The non-profit would be the owner, but if lacking experience/skills necessary to operate/manage the incubator farm, a Farm Manager will need to be secured, as well as employees who would have experience in farm operation and management.

## **B. Employees**

HR Policies & Procedures (Job analysis and job descriptions, hiring strategy, compensation, performance evaluation process, employee training, retention, motivation) ~ The labor needed to operate the farm will be supplied by volunteers and student workers. CSA job analysis and job description information is available for review on the OCDC website. Volunteers and student workers will be identified through training institutional enrollment processes. Every step of every task has already been established and again can be found on the OCDC website.

## **C. Consultants & Advisors**

(Attorney, Accountant, Insurance Agent, etc.)

Brad Bergefurd OSU Horticulture Specialist

Chris Smalley OSU Small Business Development Specialist

## **D. Organizational Structure/Communications**

(job descriptions - who does what and reports to whom?)

See OCDC website for this information

## **E. Individual & Organizational Development**

As the business owner, how will you prepare for on-going continuous improvement for yourself and others throughout the organization? Establish an advisory/steering committee to provide on-going feedback.

## **F. Management Strategies**

How will you make the most of the people involved with your business? What can you delegate or outsource? What help and support do you need? How would you describe your organizational culture?

## **Operations**

### **A. Location & Equipment**

Where is the business located and conducted? (why: features? any zoning issues?) What equipment and inventory items are required to start and run your business? What do you currently own? What will you lease? What will you purchase? Refer to the Start-Up Cost Worksheet in the attached financial projections for necessary equipment and operating dollars.

### **B. Hours of Operation**

When does your business operate? (regular business hours, seasonal/special events) Normal operation occurs during planting season as well as the 5-6 month harvest from June-November.

### **C. How do you Purchase, Produce and Distribute?**

Production and Inventory Procedures/Sales and Distribution/Quality

## Section II: Management (continued)

### **D. Data Management**

How do you manage data (entry, processing, back-up, contacts, correspondence, bookkeeping, other files)? ~ We would like to obtain or develop profit-tracking software which will help monitor all specialty crop profit data.

### **E. Risk Management**

How do you manage risk? (prevent & protect) ~ We will look at the availability of crop insurance and as a farmer's market distributor we would also need to purchase marketing related liability coverage as well as property and facility liability coverage.

### **F. Insurance**

What have you learned from an insurance broker about costs/types of insurance you need? As a farmer's market distributor we would also need to purchase marketing related liability coverage as well as property and facility liability coverage.

### **G. Taxes**

Which local, state and federal regulations and taxes apply to your business? Given that the cooperative is a legal corporation in the state of Ohio, it is subject to standard corporate taxes with the exception of special federal provision (Sub Chapter-T) which allows the business to shelter 80% of its profits if reinvested into the Business.

### **H. Licenses & Permits**

What permits and licenses have you determined apply to your business? Good Agriculture Practices (GAP) training, third party audits.

### **I. Business Cycles**

What do you know about your business cycles? (Production, Delivery, Sales, Inventory, Financials) This depends on the type of specialty crops you are raising.

### **J. Operational Strategies**

How will you make the most of your location, purchasing & production processes?

### **Section III: Marketing**

*This information can be taken from your Marketing Plan Developed from the Marketing Plan Template.*

#### **A. Business, Industry and Situation Overview**

General description of the business. Specialty Crops (Such as fruits and vegetables)

#### **B. Target Market & Trade Area**

Who is your target market (who and where)? The markets will be local Community Supported Agriculture (CSA) members and Farmers' Markets.

#### **C. Products/Services**

Product/Service - What need/problem/opportunity? Safe, fresh locally grown produce such as fruits and vegetables).

#### **D. Competitive Advantage**

What is your competitive advantage/positioning? Main target customers are high value niche market consumers.

#### **E. Marketing Strategies**

What are your overall marketing strategies?

#### **F. Sales Forecasts and Assumptions**

How much money will you generate? Include a sales forecast summary and narrative on your assumptions - how you developed projected revenue. We have attached a financial model for a 25 acre incubator farm as well as the CSA Grower/Manager Training Program showing \$204,800 gross income. This is a rough average as the final income has several uncontrollable variables including crop choice, weather, market etc. This model also includes the farm manager's wages which is obviously negotiable through a room and board agreement. In this model we have used a \$19/hour example assuming the approximate \$500 credit for room and board would also be available. The 10 student's contract labor is included as well, which was established using a formula of (28% gross revenue from the sale of all fruits or vegetables). This model also covers all operating costs associated with said business. We have included a CSA Grower/Manager Training Program worksheet for discussion in the appendix.

#### **G. Measures of Success**

What are the key factors you will measure and when will you measure them? (\$/customer, number of customers/day or month, expansion of trade area, product return rate, etc.)



## **Section IV: Money**

### **A. Financial Assumptions**

1. Discuss assumptions made to arrive at financial projections – how did you determine your cost of production, pricing, dollars of sales, etc. Financial projections were reached in this model by compiling industry standard averages. These numbers will change from operation to operation as it depends on what type of specialty crop you are raising and the costs associated with such crop. Once you determine your desired crop/s we can then have a better idea on the total income expected.
2. If seeking funding for your project, discuss how much money you are seeking and what that money will be used for. How will the money be repaid? Do your financial worksheets support this? Our financial worksheets show a loan/s being obtained for a tractor/ implement purchase and necessary other fixed assets for a produce farm as well as an operating loan. Total monthly (principal and interest) payment figured is \$643.56. This also can change as a larger loan may be needed or none at all if all the necessary equipment is already obtained.
3. Discuss your Break Even Analysis. With this particular model our goal is to just break even to fit with the nonprofit example. We do show a slight profit of \$4,155 however this is more to be used for unexpected costs that may arise throughout the season.
4. If you are a Start-up, include a Start-up Costs worksheet. Start-up cost worksheet included has all costs itemized.
5. Describe where needed funds will be obtained and what all funds will be used for. (i.e., personal contribution of 20% used to acquire equipment, loan for building, etc.) Start-up cost worksheet included has all costs itemized.

### **B. Bookkeeping, Record-keeping, Accounting System & Process**

1. Ratio Analysis (liquidity, leverage, activity, profitability, growth)
2. Business Financing (personal savings, equity financing - risk & reward, debt financing - can you pay/debt ratio; will you pay/credit score; what if you don't pay/loan to value, other sources of financing) In this model we show there is a need for a line of credit due to the desired level of cash flow not being available at the time expenses come due. At years end

however everything evens out. The debt we are seeking to finance should be eligible for 100% financing as our income statement supports that monthly payment.

3. Discuss Factors such as Character, Capacity, Capital, Collateral, Credit, Cash flow, Conditions of the industry, market & economy, Confidence/Commitment.

### **C. Financial Worksheets Included**

1. Start-up Costs Worksheet included
2. Salaries and Wages Worksheet included
3. Year One Projected Income Statement included
4. Year One Projected Cash Flow Statement included
5. Year One Balance Sheet included

## **Section V: Milestones & Measures**

### **A. Goals**

1. Where do you want to go? (vision; short & long range strategic objectives/priorities) SMART Goals – Specific Measurable Attainable Rewarding Timed
2. Tactics - How are you are going to get there? (manageable tasks & precise action plans
3. Data Gathering & Analysis - Track & adjust to progress. How does performance compare to target measures? What are your key milestones and critical success factors? What “benchmark” information do you need for data-based decisions? Who will measure what/when? Measure what is meaningful.

### **B. SCENARIO PLANNING**

1. Long View ... If/Then - Key crossroads, milestones and other factors that prompt you to continue or modify strategic directions?

### **C. AFTER THE PLAN**

1. What do you need to Keep Doing (Preserve), Stop Doing (Destroy/Let Go), Start Doing (Create/Change)?
2. Project Notebook/s, Portfolio, Customer Comments, Recognition & Awards, Mentoring, Continuing Education, Individual & Organizational Development–Time Management, Organizational Skills, Creativity, Communication...

**Section VI: Appendix**

**In appendix, attach any supporting information such as resumes, promotional materials, contracts with customers, etc.**