Every Operation Needs a Plan

Fail to plan or plan to fail—or so the saying goes. Whether you’re just starting out or have a well-established farming operation, creating a business plan is one key to success. While taking the time to sketch out a business plan can seem tedious, there are significant benefits to having a thoughtful path forward for your farm. Preparing a plan helps you look beyond daily farm tasks to focus on your goals. It provides focus and direction, which will help your operation run more smoothly.

Get it on paper
Many farmers we talk with say they have business plans—but they haven’t found time to commit them to paper. Without a written plan, it’s easy to run off course. A written plan is even more important for businesses with multiple owners. It aids decision making and helps avoid conflicts. As you draft, evaluate and revise your business plan, be sure to include all owners in the process. This may lead to some uncomfortable conversations, but in the end will make the rest of your year—and your operation—much more productive. And, most important, a written plan increases the likelihood you will achieve your goals. The plan helps you envision your operation’s future, lay out sales and operational forecasts, and measure progress. Look at your business plan as a road map for your operation’s success.

Focus on the essentials
Business plans tend to follow a standard format, and many online resources and templates can be adapted for your operation. Make your plan as simple or as complex as you like. The main goal is to create a plan that is useful to you and meets your needs. We recommend including the following components in your business plan:

1. Operation overview
   This is the “elevator pitch” about your farm. Describe the basics of your operation related to your mission and objectives, the crops you produce and acreage.

2. Ownership summary
   Include information about ownership and company structure. With any type of business, different owners bring different expertise. It’s always good to evaluate each owner’s strengths and what he or she brings to the operation.

3. Strengths and weaknesses
   Identify ways to use your ownership team’s strengths to your advantage and plan for ways to overcome any weaknesses in your operation.

4. Sales and marketing strategy
   Once you have identified your operation’s strengths, look for opportunities to leverage them to your competitive advantage as you create sales and marketing strategies.

5. Financials (budget and balance sheet)
   This is the most important part of your business plan. Include a budget and a balance sheet that reflects your assets, liabilities and net worth. In the budget section, project income and expenses for the upcoming year. This is not a time to be optimistic. It is best to plan for the worst-case scenario. Try to avoid underestimating expenses or overestimating income. The balance sheet helps you understand and evaluate working capital and net worth. Comparing balance sheets year over year offers a good picture of how your operation is progressing toward your goals. Your net worth should increase steadily each year. If not, that’s a red flag.
6. Goals
Research has shown that the simple act of recording goals will increase the likelihood of achieving them. Write down both short- and long-term goals, such as purchasing a new combine or paying down debt. Your goals should be SMART (specific, measurable, achievable, realistic and time-bound). Remember to involve all owners in identifying and setting goals. Also, identify risks that may impede your goals, and create a contingency plan for them. The more you prepare for challenges, the easier they will be to deal with when they do occur. For example, crop insurance is one smart way to mitigate damages from drought, flooding and other natural disasters.

Keep it current
The best business plans are continually revisited, revised and updated when changes occur in the operation or marketplace. Keep your goals and business plan in a visible place to remind you of where you’re going and what you’re working toward. Set aside time with your fellow owners to review the plan and make adjustments. This could be done on a quarterly or annual basis—just find a time that works and then stick to it. Getting started is often the hardest part. Begin with a simple plan that meets your immediate needs and build it from there. The best business plan is a continual work in progress and a plan for success.

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