

# *The Whole Farm Planner*

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## *Farm Profile—*

### **Holistic Business Plan Guides the Expansion of a Diverse Horticultural Business: A Conversation**

Financial planning is often a weak link in whole farm planning. Yet conventional business plans can be used as a visioning tool for a farm, incorporating both profitability and quality of life goals. David Tait and Kim Knorr have used their business plan as a springboard to planning for their entire farm operation in central Pennsylvania.

Tait Farm produces apples, pick-your-own raspberries, cut flowers, Christmas trees, and vegetables including asparagus, salad greens, sweet corn, onions, and vine crops. David's father owns the land, and performs many of the field operations. He also manages the composting of chicken manure and leaves that provides most of the fertility for the crops. David's brother John is another partner in the family farm. He manages the apple orchard and the 27-acre Christmas tree farm.

David pointed out that much of the need to develop a detailed business plan came from the need to restructure the farm so that it more fully reflected the two brothers' approaches to risk management and growing practices, as well as their cropping and marketing preferences. John prefers to grow trees and tree fruits and to sell them retail on the farm; David and Kim grow small fruits and vegetables, and they also process their own and purchased produce through their new value-added venture, Tait Farm Foods.

"In our case, excess was the mother of invention," David says, explaining how turning surplus from their raspberry patch into vinegar allowed them to preserve the financial and food value of a highly perishable crop. Using salvaged dairy equipment, he and Kim process, bottle, label and pack the berry harvest. They market their raspberry products and other processed foods to historical institutions, gourmet food stores and trade shows throughout the Northeast and Midwest.

#### **KIM AND DAVID'S THOUGHTS**

**David:** I forget who it is at Penn State who keeps saying, "Farming isn't a way of life. It's a business that will support a way of life—if you're lucky." I think a lot of people when they first get into farming don't

approach it like a business. They approach it like a lifestyle that they want. Certainly when John and I started farming, all we wanted to do was quit our desk jobs and work outside. If you had asked us in 1980 for a business plan, or asked what our cash flow was, we would have just gotten on the tractor and driven away. And we paid for that ignorance and for our subsequent education.

If John and I had been trained to do this process from the beginning, if we had done a ten-page business plan—a real one, not one just for the bank, but one that spoke to our vision of what we wanted it to become and how fast we wanted it to get there, and what our philosophy was about farming and about borrowing money and spending money and a whole range of things—we might not have needed to restructure the farm. As it was, we didn't talk about those things because when you're in business with your family, you're often in it for other reasons besides choice. We fell into our partnership rather than choosing it.

**Q. As I understand it, you didn't really need a business plan until you restructured the farm.**

**David:** We have written quasi-business plans in the past, but the bank loaned us money based on the value of the land, so they didn't demand of us the kind of detailed business plan we would need if we had just come to them with a business idea.

**Kim:** There's another piece to the puzzle, which is that a number of years ago, a good friend of ours, who's the CEO of a medium-sized company, felt that a strategic planning process he had been involved in might be valuable to us. So as a business and a family we started that work together, about what our vision was. We started identifying possibilities, everything from circus farming to opening a restaurant to more acres of more crops.

**Q. So you were already doing visioning/inventory taking through this friend, and you also needed to go to the bank to establish a line of credit as a result of restructuring the farm. Was there a point when you merged the two processes, when you said, now we're**

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**going to sit down and write a ten-page vision statement?**

**David:** I think that point is when we decided to get help from SCORE, the Senior Corps of Retired Executives, a free service of the Small Business Administration. Our objective until then was to write just enough for the bank to give us the money—whatever it took to do that, but no more.

We have good bookkeeping and we get good numbers, but I had this feeling that just looking at the profit and loss statements wasn't telling us enough, particularly because more of our business was manufacturing. I thought there must be standard ratios of profit and loss that manufacturers use to tell them how they compare with others in the same field. So I contacted SCORE.

These guys are retired from businesses of all stripes. We scheduled an interview with this guy, and we started meeting with him every two to three weeks.

**Kim:** Our business grew 300 percent last year, but we didn't have a road map for that! He asked us "What's your production capacity?" We didn't know. "How many times do you turn your inventory over?" We didn't know!

**David:** He asked, "If you keep growing at 300 percent and the Christmas season hits, can you bottle that much stuff? Well, you better find out!" He kept asking us embarrassing questions about things we needed to know.

**Kim:** Our mentor from Hell!

**David:** I see that experience as our turning point because we couldn't fake it any more. I wanted a quick answer to questions about profit/loss ratios.

**Kim:** But every time we went in, he asked, "Are your numbers talking to you? What's your break-even?" We didn't know.

**Q. Don't you need to know your break-even to do taxes? Isn't it the same as deducting farm costs from total income?**

**David:** No, although it's related. To find your break-even point, you need to chart fixed costs, like insurance, that don't change much. You pay insurance whether you're growing one ear of corn or 200 acres of corn. You can chart fixed costs into the future; for example, if you buy a second truck, you can figure out how much insurance costs increase.

Then you figure out what it costs to grow each unit of production. If you're growing corn, you figure out what it costs to grow each bushel of corn. And those are your variable costs. Then you chart your income. The difference between that and your variable costs will be gross profit. Subtract your fixed costs from that, and what you have left is net profit. Charted over time, you can come up with a break-even line. Everything above

the line, income over and above the fixed costs and variable costs, is profit.

If you do one of these break-even analyses, it will lead you to the place where you say, "You know what? I can't grow six acres of corn, wholesale it, and make a living. It's right here in front of me—I don't need to grow it to find out."

So what's the next step? If I can find a way to retail it, then I can change the slope of my income line so I reach my break-even quicker. If I don't want to deal with the public, I want to stay in the wholesale business, the chart will show me how many acres I'd need to grow to reach break-even, how many to make the profit I want.

**Q. When did you start incorporating your family goals, your quality of life statement?**

**David:** It started when our friend began the visioning work with us. We just made up things about what our farm could be like; sometimes incredible scenarios like the whole barn full of retail space. It's not that you really want to do these things, it's just to get away from the mentality of immediately figuring out why you can't do something. When we started actually writing the business plan, we could begin to see how our true vision might be realized.

At 48, I can now look ahead and see the point in my

*Business Plan*, continued on page 3.

*The Whole Farm Planner* is published by The Minnesota Project, coordinating organization of the Great Lakes Whole Farm Planning Network. The Network brings together farmers, farm service providers, sustainable agriculture groups and farm organizations to develop and disseminate information about whole farm planning. The project, begun in January, 1995, involves working groups in Ontario and each of the Great Lakes states. The Network is funded by the Great Lakes Protection Fund, the Charles Stewart Mott Foundation, and the Joyce Foundation.

The Minnesota Project is a nonprofit organization working with leaders in rural areas as they build their capacity to resolve their own issues of sustainability and natural resource management.

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Jill MacKenzie, production editor.

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life when most people retire. I started to think about what I do now that I don't want to be doing then. At the moment, I don't do enough outdoor work; I want to do more when I'm 60, but it can't be as hard physically as when I was 40. I want to spend less time on the road.

We can build these things into our business plan, and have some chance that it will come out that way. Say we develop the business so that I'm on the road for the next three or four years and then it tapers off, and in eight years I'm not going on the road any more. If someone needs to do it, it will be someone we hire. Or we might build the business to a place where nobody has to go out on the road. That's just one example.

Kim knows that for her peace of mind, she needs to spend a certain amount of time digging in the dirt, no matter what. We can't build a business that requires her to sit in an office 60 hours a week.

**Q. So one of your initial goals was to create a business that involved all your many interests, but then that business may grow so fast it ends up narrowing your life.**

**David:** It's certainly possible for a farm to take the owners to a place where they are not having much fun. Then they might get more enjoyment out of driving a school bus or some other job, and gardening on weekends.

I think it's valuable to write down your plans because it's easy to "cheat" if you're just talking about it. If you only talk about it when you're feeling good about what you're doing, then it's pretty easy to say, "Oh, yeah, next year we're going to do three acres of tomatoes because one acre did well for us this year," and you can spin that out so it seems wonderful and great.

But if you write it down, you can show it to other people. To your partner, for starters—hopefully you're

writing it together—and to whoever your coaches are. You know, your banker, or parents, or friends not involved in the business. And they might say, "This is great, but this says you're going to grow three times as much as last year, and I don't see any mention of paid help. How is that going to work?"—a little reality check.

If you write it down and keep updating it, I think it's a really powerful process. It's a way of integrating hopes, dreams, time, money and relationships so you have a shot at getting where you want to go.

—Eric and Anne Nordell

*Adapted from an article that appeared in the March, 1996 issue of Growing for Market, a monthly newsletter for market gardeners. For information, or to subscribe (\$30/year U.S. subscribers, \$/year Canadian subscribers), contact Growing for Market at P.O. Box 3747, Lawrence KS 66046, 785-748-0605.*

*Eric and Anne updated this story with the following information:*

The sad news is that David died last year of cancer. The good news is that their goal-setting process not only allowed them to build their business to the point that Kim could take over alone, but also allowed David to back out of management responsibilities during his last year so he could devote himself to "coaching" other farmers in the decision-making process.

## **www.farmplan.new: The Whole Farm Planning Website**

A new farm planning website, compiled by Great Lakes Basin Farm Planning Network steering committee member Michelle Miller and designed by Kathleen Davidson of The Minnesota Project, awaits your visit. The site has information about the Network and about the activities of the state and province working groups. There are links to many related sites, such as the Center for Holistic Management and integrated pest management and rotational grazing pages.

All issues of *The Whole Farm Planner* are available here, as are *Successful Whole Farm Planning* and reports from the Wallace Institute and from the National Association of State Departments of Agriculture.

Visit this site at <http://www.something>. Anne Holmes of The Minnesota Project will be the manager for this site.

# Privacy and Whole Farm Plans

Any time a farmer starts working with an outside advisor on a farm plan, the question of privacy raises its head. If the advisor happens to be from the government, say a conservation agency, the farmer might wonder if frank discussion of problems could lead to enforcement actions, maybe by another agency. Even private advisors with access to detailed information face thorny questions about whether individual farmer data should be shared with or sold to chemical companies, equipment dealers, or food processors. The widespread ability to store and manipulate data on computers, and then broadcast it across the Internet, means that we all need to think more clearly about the value of privacy. Even well intentioned farm advisors might not realize how farm plan data they keep might come back to hurt the farmer.

These concerns were the basis of a recent national workshop held by the Natural Resources Conservation Service (NRCS) and the Arbor Day Farm in Nebraska City, Nebraska on November 18-19, 1998. "Information Privacy, Confidentiality, and the Right to Know: A Growing Challenge for Workers in Agriculture and Natural Resource Management" was the theme that brought together many interested organizations.

It turns out there is little legal or academic agreement on the evolving concern of privacy. In the public sector, the individual's right to privacy is generally balanced against the public's right to know, and where decisions finally come down is often open to interpretation.

One issue we thought would be troublesome turned out to be a non-issue in the eyes of agencies: the information the public demands in order to hold government programs accountable for their spending. For example, it is not easy to find out what Environmental Quality Incentive Program money is being spent on, what the results have been, or whether the program meets expectations. NRCS says they have already figured out how to collect that kind of performance information without revealing individual farm plans. The problem is now merely in the implementation of data entry and enabling public access.

## PRIVACY GUIDELINES FOR GOVERNMENT

The Minnesota Project suggested the following policy to the workshop, and it was generally well received. The extent of data privacy should relate to the level of public interest in a particular activity. For agricultural conservation and the environment, we suggested three basic policies.

**1. Full Disclosure for Regulated Activities** *Example:* Clean Water Act permits for feedlots should be fully public, including a required nutrient management plan. Citizens have the right to full information so that they can make meaningful comments prior to issuance of the

permit. After a permit is issued, citizens need access to all information so they can monitor compliance. The Clean Water Act recognizes the importance of citizen complaints and even citizen lawsuits to assist in enforcement of the law, and information about compliance is an essential component. A permit is a privilege, and the permittee gives up some privacy and freedom in exchange.

Similar regulated activities might include pesticide use, grazing permits on public lands, well drilling, and underground storage tanks.

**2. Data Released in Aggregated Form for Subsidized Activities** *Example:* The Environmental Quality Incentives Program should collect detailed data about the farms, conservation practices to be implemented, costs, schedules, environmental outcomes, etc. While individual conservation plans may not be made public, such data should be collected and combined by watershed, county, or conservation priority area and released to the public.

Ideally, such information will be easily accessible by computer, much like Conservation Reserve Program data is, so that the public can assess the successes, progress and failures of EQIP. Such data collection and analysis is absolutely essential in order to build the case for continued and expanded funding of the program. A subsidy or incentive is a benefit to the farmer which comes with some responsibilities, including accountability.

Similar cost-share examples might include Conservation Reserve Program, Forestry Incentives Program, and Wetlands Reserve.

**3. Complete Confidentiality for Voluntary Activities** *Example:* Whole farm plans prepared voluntarily by farmers should be confidential, if the farmer desires. Identification of resource problems, action plans and timetables should be private. Technical assistance and records of the advice given by government staff to an individual can also be private.

Interestingly, while farmers often cite the desire for an option of confidentiality, many are quite happy to share their whole farm plans with advisors, peers, and the general public. As long as there is no regulatory or public dollar investment, the option to disclose should be up to the landowner.

Other voluntary programs include Farm\*A\*Syst, nutrient management plans for small feedlots, and individual technical assistance from agencies.

*Privacy, continued from page 5.*

# IFARM—Integrated Farm and Resource Management

New from the Center for Rural Affairs in Nebraska is IFARM, a farm planning tool something like the Ontario Environmental Farm Plan, customized for farmers in Nebraska and Iowa. Like Ontario's, these worksheets address soil management; water management; storage and handling of pesticides, manure, fertilizer, and fuel; grain and silage storage; woodland and wetland management; cropping systems; grazing; and management of noise and odor. Farmers using the worksheets rate their practices "Best," "Good," "Fair," and "Poor," and the worksheets note which practices are illegal in Nebraska and Iowa.

In addition to the environmental assessment worksheets, the IFARM book also contains worksheets for goal-setting and for the identification of resources such as crop consultants, real estate, education, and skills. Three additional farm assessment and planning sections are marketing, production, and finances. The marketing section emphasizes spreading risk over different products, times, or markets. The production planner helps farmers consider the relationship between quality, quantity, management techniques, and markets. The financial planning process included in the IFARM book is fairly traditional, covering balance sheets, debt repayment schedules, and cashflow estimates.

The IFARM process takes a comprehensive look at the farm. Its content fulfills the criteria set by the Great Lakes Basin Farm Planning Network in *Successful Whole Farm Planning* in nearly every way—it addresses farm goals, economics, water quality and management, soil conservation and management, nutrient management, pest management, crop rotations, tillage, health and safety, grazing, woodlot management, energy efficiency, noise and odor, and fish and wildlife management.

The goal-setting section is particularly strong. A self-assessment helps start participants thinking about farm activities that they find enjoyable, their values in terms of family finances and lifestyle, and their satisfaction with their performance as business managers and members of their communities. Then a worksheet prompts the writing of goals for farm operation, family life, marketing, production, finances and environment.

This process has some limitations. It would probably be best used in a workshop setting, where technical assistance would be available, because unlike the Ontario book, IFARM does not include resource material on alternative practices.

In addition, while most of the IFARM text is quite encouraging and easy to use, there is almost no direction given on integrating goals, resources and the separate action plans for production, environment, marketing and finances into a comprehensive whole. Included in the binder are a set of forms for the "IFARM Plan," and some of the introductory material mentions integrating ideas, but there is no section of text or worksheets devoted to the process of "pulling it all together."

Still, this tool should be quite useful to farmers in Iowa and Nebraska, particularly if they are able to use it in a group setting in addition to working through the sections on their own.

—Jill MacKenzie

**Privacy**, *continued from page 5.*

## PRIVATE SECTOR CONCERNS

One surprising finding of the workshop was the sense that government privacy issues are minor in comparison to privacy concerns in the private business sector. It turns out that ownership of information is a matter of opinion, and rights and responsibilities are not at all clear. The current wave of new technologies such as precision farming has many companies dreaming up ways to make money off data they manipulate, while farmers wonder what, if anything, is in it for them. Who should benefit and who should pay for information about farms? A fair practices business code was called for, to clarify privacy ethics.

A disturbing presentation on how massive adoption of information technologies will drive structural change in agriculture painted an alarming picture: Fewer farmers, larger farms, more use of inputs, the "Walmarting" of rural services, and depopulation of rural areas is the predicted result. Advocates of whole farm planning need to give careful thought to whether private advisors should have the right to use or sell information about the farmers they assist.

—Loni Kemp

## **New Publications**

Subscribers to *The Whole Farm Planner* have received two new publications with this issue.

### **MINNESOTA PROJECT BOOKLET**

*The Little Engine That Could: Stories About Plans and Fans.* This booklet from The Minnesota Project features ten case studies of farmers in the Great Lakes Basin who have used various planning methods in managing their farms. These farmers raise cash grain, sheep, dairy cattle, beef cattle, vegetables, and tree fruits. The farm planning methods include Holistic Management<sup>®</sup>, the Ontario Environmental Farm Plan, organic farm plans, a strategic partnership between landlord and tenant, and ???

Additional copies of this 32-page booklet are available for \$3.00 from The Minnesota Project. *The Little Engine* is also on-line at <http://www.misa.umn.edu/mnproj.html>.

### **ONTARIO BOOKLET**

Also included with this issue is a publication from Ontario: measurable results, progress towards stewardship

Additional copies, find it online.

## **Back Issues Available**

If you would like back issues, let us know!

V. I #1: UT Rancher—Farm Bill—Processes

V. I #2: PA One Plan—Farm Bill—EQIP

V. I #3: IN Grazier—Crop Consultants—EQIP

V. I #4: MI Producer/Retailer—NRCS Projects

V. I #5: Ontario Profile—Dutch Yardstick—Farmer  
Forums—Organic Planning

V. II #1: Holistic Management—CFO—Graziers

V. II #2: NY Dairy—Wildlife—Nutrient Budget

V. II #3: Motivation to Plan—Manure—Readers'  
Survey—Wallace Report

V. III #1: WI CROP Program—HRM—Farm Bill  
Planning Guide—Sustainability Assessment

V. III #2: Pork Producers Plan—Quality of Life  
Modules—Holistic Management in KS

V. III #3: MN Horse Ranch—Research Needs—MN  
Workshops—CFO Sabotaged

Feel free to make copies to share. You can also find this newsletter online—see page 3.