

# **Farm Business Plan**

For

**J & J Farms, LLC**

Last Revision: June 25, 2012  
Prepared by: Jon and Joe Farmer

## **Executive Summary:**

J and J Farms, LLC is an operating business that will raise an array of vegetables on our 20 acre farm. These vegetables will be sold through a CSA, at two farmers markets and at the farm stand. Approximately 2/3<sup>rd</sup> of the sales will occur through the delivery of CSA shares and at the farmers markets. Educational classes may be offered at the farm within the next few years. Joe Farmer has a degree in marketing and Jon Farmer has degree in agronomy. In addition, we have 10 years of practical farming experience growing vegetables on our father's farm as well as on other farms. This formal training and farm experience will play an important role in our farm's success.

Our **Mission Statement** is to sell high quality fresh vegetables at a fair price to the community using sustainable farming practices that recognizes the importance of maintaining our environment for future generations.

### **Our Goals**

1. To have 120 CSA members in year one, 240 CSA members in year two and 360 CSA members in year three.
2. Introduce ethnic vegetables to the crop mix in year two after market analysis has been completed
3. Offer educational workshops on the farm by year three.
4. Have the farm breakeven (sales will cover all expenses) by the end of year two.

The farm consists of 20 acres of which 16 are tillable. The farm also includes a barn, a portion of which will be converted to a farm stand and a CSA pick up area. Equipment needed to start up the farm is already owned. Additional equipment may be needed in the future.

## **Business Description:**

### **Overview**

We have formed J & J Farms, LLC. This LLC will be the operating company that will lease and raise a variety of traditional and specialty crops on our anticipated purchase of the 20 acre farm (to be owned by Jon and Joe Farmer personally) located on Beginner Farm Road in Startup, Rhode Island. This property has 16 acres of tillable cropland and an old 30' X 60' storage barn in fair condition. The remaining four acres are lightly wooded.

This farm business will take advantage of the sterling reputation that Joe Farmer Sr. has developed as a grower of superior quality vegetable products, while avoiding the drawback of his surly disposition.

### **Plan of Action**

Jon will be the primary grower and intends to raise about 40 different varieties of vegetables that should be available from late May through mid-October. These crops will be sold through a CSA developed and marketed by Joe, along with selling at two farmers markets, one at Brown University (his alma mater) and one in downtown Providence.

Crops will also be for sale at the farm and the farm will also serve as a CSA pickup location, though it is anticipated that 2/3<sup>rd</sup> of the sales will occur either through the delivery of CSA shares or through the farmers markets. Educational classes may ultimately be offered at the farm, but not until the barn is fixed up and a “mini classroom area” established.

### **Labor Force**

For the first few years we will be the only employees, occasionally supplemented by unpaid family help through the exchange of their dad doing fieldwork for them (his farm is only 10 miles away and he has larger and more modern equipment) that will be offset by Jon helping his father with crop work when time permits.

### **Growth Plan**

We would like to grow this operation fairly rapidly. We anticipate 120 CSA members in year one, 240 CSA members in year two and 360 CSA members in year three. Additional growth in future years will depend upon the ability to rent additional cropland as we anticipate the current cropland will only be able to support a maximum of CSA members based on their estimate of 25 CSA members per crop acre. The farm markets will be primarily used as a location to sell excess vegetables. Future plans are to grow and sell “ethnic produce” based on a marketing study that Joe is currently working on. This may require adding some hoop greenhouses to start crops sooner and potentially run later in the season.

<b><u>Equipment on hand</u></b>	<b><u>Value</u></b>
JD 4 wheel drive 50 HP tractor	\$15,000
JD utility tractor	\$ 5,000
Deep zone tiller	\$ 3,000
Raised bed	\$ 2,000
Harrow	\$ 1,000
Utility wagon	\$ 1,000
Ford F250	\$10,000
Misc. Tools	\$11,000
Sprayer	<u>\$ 2,000</u>
Total	\$50,000

### **Operations:**

#### **Production System**

All crops produced on the 16 crop acres will use conventional production methods utilizing integrated pest management (IPM) practices whenever practical. Vegetables will be sold retail at our farm stand, through CSA shares and at Farmer’s Markets

#### **Risk Management**

We will work with our insurance agent to insure that we have all insurances in place with the proper levels of coverage. Our accountant will make sure that we meet all required federal and state tax regulations. Our attorney will review any legal documents prior to signing.

### **Timeline (first year of operation)**

- Purchase farm in Startup, Rhode Island by September 2012
- Develop social media presence for the farm including website by December 2012
- Develop CSA Agreements by December 2012
- Arrange to sell at 2 farmers markets with each Market Master by January 2013
- Arrange for drop off point for CSA shares by January 2013
- Sell 64 CSA shares by March 2013
- Sell an additional 56 CSA shares by May 2013
- Breakeven in the first year

## **Marketing Plan:**

### **Experience**

We have both worked (both paid and unpaid) closely with Farm Fresh Rhode Island ([www.farmfreshri.org](http://www.farmfreshri.org)), which has given us a great network of contacts. Joe has also developed a website for the farm, along with a Facebook account and twitter site. We will also be linked to the Farm Fresh website which had over one million hits last year.

Joe already has commitments for 64 CSA customers, which brings us more than halfway to our first year goal. Joe is very detail oriented and posts on the website, Facebook and twitter at least twice a week and responds to CSA inquiries within 24 hours.

### **Specialty**

Our big marketing pitch is our combo lettuce special. Through years of trial, Joe Farmer Sr. developed three types of lettuce that when mixed together in a salad have both a pleasing taste and look, based on colors and texture. Joe has test marketed these lettuce varieties in two high end restaurants in Providence to rave reviews. This may also be a future marketing opportunity.

### **Marketing Effort**

Based on the marketing success to date, we do not anticipate the need to utilize discounts or coupons. Our only discount is for CSA customers that sign up and pay by January 15th who get a 10% discount and those that sign up and pay by February 15<sup>th</sup> and get a 5% discount off the \$500/share farm pick and \$650/share delivery (within 20 miles) rate. Note: No new CSA customers will be able to join after May 1<sup>st</sup> in order to allow adequate crop planning.

## **Management:**

### **Management Team**

Management Team consists of Joe and Jon. Outside consultants will be used when required. An attorney, lender, insurance agent and accountant have been engaged to provide guidance.

### **Personnel plan**

No employees will be hired initially. Joe's wife will handle the records for the business.

## **Organization**

Joe and Jon will be 50-50 partners. Joe will handle the sales and marketing and Jon will handle production.

## **Financials:**

### **Current Financial Position**

We have built up about \$75,000 in savings (including a small inheritance from our grandfather) between us, along with about \$50,000 worth of vehicles and equipment. We just finished paying off school loans and have no other debt. Our credit scores are excellent. Our parents are willing to give us a \$50,000 unsecured loan at 0% interest to help us get started.

### **Farm Purchase**

For the purchase of the farm property, we plan to use \$50,000 of our \$75,000 in savings and the \$50,000 that our parents have agreed to lend us at 0% interest. The \$150,000 balance of the purchase price will be financed through a first mortgage with a 20 year payment term. To be safe we have fixed the interest rate at 5% for this 20 year term.

### **Liquidity**

We will keep the remaining \$25,000 in savings for start-up costs and minor repair costs to the barn. Since the CSA members prepay for their CSA shares we do not expect to have any additional borrowing needs, unless we have a major breakdown of their equipment.

### **Financial Analysis**

In support of this business plan and attached below are two items:

- Financial Statements – Included is a historical financial statement that shows equity of \$125,000 that will be invested into this new venture. The second financial shows our equity position after the purchase. While our net worth remains at \$125,000, our leverage increases dramatically to 38%. The third financial statement shows us at the end of the first year. While we expect to make a profit in the first year, this profit will not be adequate to service debt, meet living needs and pay for some equipment replacements. This financial statement is considered our “worst case” financial position and shows our net worth decline to \$104,500 and net worth position fall to 35%.
- Projected Earnings – We have provided a three year projection of our business. Included also are notes for nine items on this projection. This projection shows rapidly growing total income and net farm income. While we expect a cash flow shortfall in year one, we anticipate a slight excess of \$2,000 in year two, which will grow to \$27,000 in year three as the CSA grows.

### **Capital Spending**

In addition to the farm purchase we have budgeted \$10,000 annually for capital replacements. However, other than barn improvements, which will be primarily “sweat equity” and modest out of pocket costs, we do not have any specific capital purchases as our equipment, while old is well maintained and in good condition.

**SWOT Analysis**

We consider the projected earnings to be close to a “worst case” as we are already approaching our first year estimated CSA membership goal. Also, if we get more CSA members the majority of the revenue from additional CSA members goes directly to the “bottom line” as most operating costs are already covered.

**Risk Assessment**

Our biggest risk is weather. We will purchase crop insurance, but it will not cover all crops. We are hedging against the weather in that we will have 40 different crops that span the whole season. We also have adverse weather condition language written into the CSA contracts so that our CSA members are aware that we can control crop growing but we can't control the weather. If certain crops are washed out we will try to make it up on crops that exceed expectations.

**Contingency Plan**

Our other hedge is our parent's farm and their “support”. While they have not verbally committed to additional financial help, they have agreed to let Jon continue to live there with no rent cost (he does a lot of work on the home farm so this is also reasonable). There are some crops that dad raises that we may be able to buy at cost, which we may be able to use to supplement our CSA offerings, if needed.

Our final hedge is our college educations. Either of us could get at least a part-time job to provide financial support for this effort.

Our “optimistic goal” is to achieve year two results in year one and year three results in year two and anticipate being able to do so.