

The background of the slide features a large, faint, circular watermark of the Rutgers University seal. The seal contains the text "RUTGERS UNIVERSITY" and "1823" around a central emblem.

# RUTGERS

New Jersey Agricultural  
Experiment Station

# **Writing Your Business Plan**

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## The Bottom Line



- The main function as a manager is to manage!
- Each farm business possesses a unique bundle of resources.
- Successful managers use these resources to develop their **basic** and **special** core competences that give them a **comparative advantage**.

# Best producers are doing strategic planning

- Look at the “Big” picture.
- Focus on core competencies that lead to competitive advantages.
- Identify strengths to build on and weaknesses to correct or overcome.
- Consider external forces in the industry – many currently negative.
- Anticipate and takes advantage of business trends.
- Aligning the firms activities to the market position.

## Business Description

- How is the farm and its products unique?
- Who are the customers?
- Describe when and how the farm started.
- Describe your farm: size, location, buildings and other facilities.
- Who is the owner? Who are the other key personnel?
- What are the financial capabilities any special business relationships?
- What are its strengths to build upon, and weaknesses to correct or overcome?
- Summarize future plans, timetables, resources required, and personnel or technical gaps to be filled.

## What will I produce and Why

- I will grow bedding plants, poinsettias, hanging baskets, perennials, and garden mums so that I have crops almost all year round.
- I plan to produce my own plugs and rooted cuttings in the winter so that I can insure the top quality for my customers.
- I will sell the extra flats of plugs and rooted cuttings to other producers.
- I will produce perennials for spring sales to garden centers.
- I will grow my own poinsettia stock plants, finished poinsettias, and florist mums.
- I will produce garden mums outdoors for fall sales.

# Garden State Greenhouses Business Description

- Is a wholesale floricultural business specializing in selling unique, high quality plants to retail garden centers.
- The production facility is a 25,000 square foot (2,323 square meter) glass greenhouse.
- I plan to sell bedding plants, poinsettias, hanging baskets, perennials, and garden mums and produce my own plugs and rooted cuttings in the greenhouse.
- I will also produce garden mums outdoors.
- The greenhouse sits on a 5 ha tract of land that also includes a small barn, not currently in use.

# Current Status and Plans for the Future

- Describe when and how the farm started.
- How is the farm and its products unique?
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- Summarize future plans, timetables, resources required, and personnel or technical gaps to be filled.

# Current Status and Future Plans for Garden State Greenhouses

- Garden State Greenhouses is a new business just starting up, purchased from Bill Smith who retired.
- Mary Wilson is the owner/manager.
- The greenhouse building is 30 years old.
- The business specializes in bedding plants and sells mostly to local retail garden centers.
- Mary's husband, John, has an off-farm job to keep the family going while the farm gets started. He is helping with the business plans.
- Their two children, a daughter Linda, who is 14, and a son, Dan, who is 15 will help out with the business a few hours after school each day.



## Customers

- Because of the growth of mass merchandisers who sell plants at low costs, Mary plans to produce high quality plants and unique varieties that are not available in the mass market.
- She plans to sell plants to the retail garden center market whose customers are serious gardeners looking for quality, service, and uniqueness.



## Location



Garden State Greenhouses is located in southern New Jersey just outside of Cape May on a major road. The area contain upscale, Victorian homes where beds of annuals and hanging baskets are prized.

## Facilities

- Garden State Greenhouses has a 25,000 square foot glass greenhouse with a 2000 square foot headhouse and loading dock.
- There is also a small barn that can be used for storage or possible retailing activities.



# Ownership Structure

- Sole proprietorship
- Partnership
- Corporation
- Limited liability partnership
- Cooperative
- Other



## Explain:

- Who holds the title of the farm?
- What proportion each owns if there is more than one owner
- What are the ***Contributions*** of each owner
- What are the ***Responsibilities*** of each owner
- Duration of the business structure agreement
- Description of how profits are shared
- Description of how the business organization will be terminated if necessary



# Ownership Structure Garden State Greenhouses

- Garden State Greenhouses is a partnership with Mary and John Wilson as owners.
- Mary is also the full-time manager
- It has been registered with the state of New Jersey.
- Mary utilized inherited assets to purchase the business, so she was able to provide 75% of the start-up capital.
- Mary provided 75% of the capital and John provided 25%.
- This formula will apply to all aspects of the business structure: taxes, profits and liabilities and dissolution.

# Business Goals

- Goals help you describe what you want from your business.
- They should be specific, measurable, attainable, and have a specific time period.
- Goals can be defined by answering some basic questions.
  - Why are you in business?
  - What do you want to accomplish in your life and business?

## Benefits of Goal Setting:

- Reflects your values, interests, resources and capabilities.
- Provides a basis for your decisions and a focal point for everyone involved.
- Establishes priorities for the allocating of scarce resources.
- Provides a means for measuring progress.



Photo: Nick Minard



## Goal Setting: *Ask yourself....*

- Are my goals written, reasonable and measurable?
- Are my goals attainable in my lifetime?
- Have I shared my goals with everyone involved in the business and have they shared their goals with me?



## Examples of Goals

- Increase sales by 50% over the next five years.
- Reduce labor costs by 20% over the next five years.
- Maintain the same level of sales, but look for ways to reduce costs by 5% next year through inventory management and mechanization.
- Increase production by 25% within two years.
- Add a new crop which will add \$2,000 to sales within the next 5 years.
- Reduce debt by \$2,000 per year.
- Be in a position to transfer full ownership to children when current owners retire within ten years.

# Strategic Planning Starts And Ends With The Profitable Satisfaction Of Consumer Needs



Photo: Lawrence S. Martin

# SWOT Analysis

## Strengths, Weakness, Opportunities & Threats



# Strengths & Weaknesses are resources within your control – Internal to the Business

- What are the abilities and limitations of the manager and key employees?
- How modern and efficient is the physical facility?
- How is the soil?
- How close are you to the market?
- What can you do better than your competitors?
- What is the cash flow position of the business?

# Opportunities & Threats are beyond your control – External Forces

- Market trends
- Consumer demands, demographic, lifestyles
- Strong or weak currency
- Interest rates, inflation rate
- Government policies and regulations
- Labor markets

# Internal Strengths and Weaknesses for Garden State Greenhouses

## Financial

- Strength
  - The business does not have to support the family initially because of John's job.
- Weakness
  - The net worth is tied up in the greenhouses which will rapidly depreciate.



# Marketing

- Strength
  - The business is located outside of a city which boasts 3 supermarkets which could be possible wholesale customers.
- Weakness
  - If the greenhouse moves more into direct marketing, this is a new venture with no customer base.



Photo: Ed Higgins



# Profit

- Strength
  - John's job provided money to live on, so the greenhouse has the luxury of building the business long term.
- Weakness
  - Initially the business will be wholesale, so sales are not high and profit potential is limited.

## Personnel

- Strength
  - The children can help out after school for now.
  - The family is behind Mary's plan to start a greenhouse business.
- Weakness
  - Labor is the largest cost, and will become even higher in 3 to 4 years when the children go off to college, and more labor will need to be hired.
  - The new business will take time away from activities that the family did before.

# Production

- Strength
  - Greenhouses are surrounded by enough flat farm land that agri-entertainment options could be considered. The possibilities include pick-your-own pumpkins, Indian corn, haunted houses, corn mazes, and pick-your-own strawberries.
- Weakness
  - Facilities are old and limit mechanization.

# Sales

- Strength
  - Mary took over an existing business, so there is a customer base from which to draw.
- Weakness
  - The greenhouse is one-half acre, and the previous owner sold wholesale, and only during the bedding plant season, so, unless new items are added to increase production to include other seasons, sales could be limited.

# Facilities

- Strength
  - A small barn is currently not in use, but has potential for a roadside stand. It is highly visible from a heavily traveled road, and lends itself to window boxes and other displays.
- Weakness
  - Greenhouses are in fair condition at best and in need of modernization and repair.

# External Opportunities and Threats For Garden State Greenhouse

## **Cultural and Demographic Trends**

- Opportunity

- A growing number of two-income families with high disposable income.
- Consumers are becoming more sophisticated, and recognize new and different plant material.

- Threat

- There are a growing number of two-income families with little time to garden.

## Market/Globalization Trends

- Opportunity
  - Consumers are looking for a “shopping experience”: urban consumers can buy right from the greenhouse and see how the plants are produced.
  - Consumers are buying local and buying “green”.
- Threat
  - The increase in superstores and warehouse stores which sell plant material from other states and countries with lower costs or more favorable exchange rates are pushing prices down.
  - Consumers are still worried and hesitant to spend money.

# Input Costs

- Opportunity
  - Low cost producers make purchasing standard sized plants cheaper, and allow small producers to buy these in cheaply and concentrate on producing specialty plants that command a higher price.
- Threat
  - Profits are declining as labor costs increase.



# Technology

- Opportunity
  - Communications technology is improving and becoming less costly.
- Threat
  - As a small producer, it is difficult to compete with large, low-cost producers who are mechanized.
  - As a small producer, you can be left behind if you don't embrace social media.

# Regulations

- Opportunity
  - Consumers may want to learn about biological pest control and buy plants produced used reduced pesticides.
- Threat
  - Minor use pesticides that are used in greenhouses are being removed from the market or coming under pressure and becoming more costly as registration costs are passed along to the producers.

# Government Programs/Legislation/ Political Changes

- Opportunity
  - Increasing demand for native, organic, deer resistant, drought tolerant, and environmentally friendly plants.
- Threat
  - Consumers are reluctant to buy landscape plants because deer will eat them, and the political climate is resistant to increased hunting to reduce the deer population.

## Questions to Ask

- What production levels do you have now, or do you want to achieve?
- What is the location? Does it lend itself to direct marketing or wholesale marketing?
- How much land do you own or have access to?
- What machinery and facilities do you have? What is their age and conditions? Can they be better used?
- What is your financial condition?
- What is your cash position?
- What are the skills of the owner/manager?

## More Questions to Ask

- Do the your skills and resources limit the alternatives?
- What are some marketing and production opportunities?
- Do your personal preferences or sense of social responsibility limit the alternatives?
- Can you form alliances with other businesses that could compliment yours?
- What marketing channels are possible?
- Does your strategic plan require greater competence or resources than you currently possesses?

## More Questions to Ask

- What skills and talents do employees possess?
- What family members will be involved in the business and what are their unique talents and interests?
- Who will be the next generation of management?
- How does the layout of the farming operation impact on production efficiencies?
- Do you have an adequate, cost effective water supply?

# The SWOT Analysis

- Match your farm's strengths and weaknesses to external opportunities and threats.
- Analyze the key factors for success and analyze the competition.
- Build a successful business by magnifying strengths, and overcoming weaknesses.

## Develop strategic alternatives

- Evaluate alternative strategies that will attain the objectives of your farm business.
- Match strengths and weaknesses to external opportunities and threats.
- Focus on core competencies that give you a competitive advantage.
- Reducing costs is an important consideration no matter what type of competitive strategy you choose.



Successful producers are competing by :

Defining  
their  
comparative  
Advantage.



Successful producers are competing by :

Listening  
carefully to  
what the  
customer  
wants.



Successful producers are competing by :  
Knowing their costs.



**Rutgers Cost Accounting Programs**  
<http://aesop.rutgers.edu/~farmmgmt>

## Focus on Cost Control

- Not hiring extra people
- Try to maintain work force.





# Reduce costs: Grow their own bio-fuel



# Diversify

Grow more than one  
crop.



# Differentiate by adding new enterprises

Grow something other people do not.





# Right size the operation - Bigger is not necessarily better.



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# Evaluate pricing strategies

- Drop prices
- Store until the price goes up
- Destroy product rather than reducing the price
- Add value to increase price



# Weather can be a bigger factor than the economy



## Add Services

- Retailers
  - Delivery
  - Packaging
  - Advice
  - Quality
  - Value
  - Convenience
  - Selection (relative to the competitor' s)
- Wholesalers
  - User friendly website
  - Point of Sale Materials
  - Pre-Pricing Programs
  - On-line Ordering
  - Early paying discounts
  - Quantity discounts
  - Frequent deliveries

# Integrate horizontally: spread fixed costs over more output



Photo: Lawrence S. Martin

- Few New Jersey greenhouses specialize in only one crop.
- They have vegetables, Christmas trees, flowering potted plants, or other crops to use their facilities and labor much of the year

# Vertically integrate the business: *Make buying an experience*

- 43% of New Jersey farmland is engaged in agritourism.
- A \$57.5 million industry in New Jersey



# Benchmark costs against industry standards.



If you don't know industry standards, benchmark against your own records from year to year.



Partner with other  
producers, cooperatives,  
suppliers, or companies  
to produce, purchase  
inputs, or market.



# Consider not competing in the “Lowest Price” market

Independent  
Garden Centers


Direct to Consumers





Grade and offer higher quality products  
for premium prices

The worse times get....

**The better the**  **Quality!**  
**has to be.**

## Reduce risks

- Pesticide management plan, IPM and more sustainable systems
- Crop, fire, wind, hail, and liability insurance
- Evaluating cash flow and line of credit
- Life insurance
- Disability insurance
- Health insurance
- Estate plans



# Offer Unique Products

## Benefits

- What are the unique benefits?
- Real versus perceived value
  - ⇒ appearance
  - ⇒ performance
  - ⇒ price
  - ⇒ versatility
  - ⇒ durability
  - ⇒ speed
  - ⇒ accuracy
  - ⇒ ease/cost of installation
  - ⇒ ease/cost of training
  - ⇒ ease/cost of use
  - ⇒ ease/cost of maintenance
  - ⇒ quality

## Adding value/service



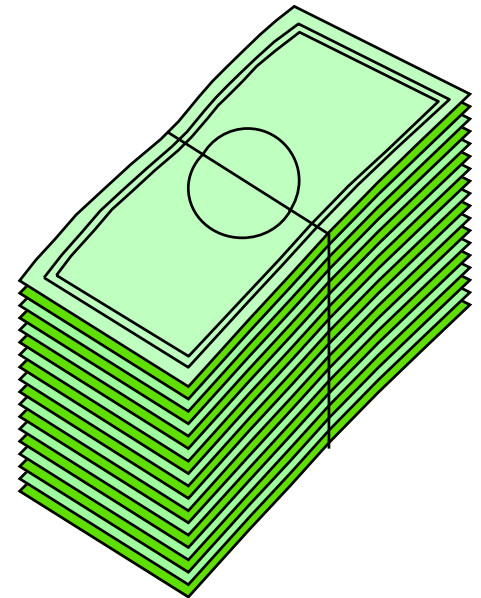
# Find a market niche that local competitors are not serving.





## Focus on the System

- Improve the profitability at the current size before getting bigger.
- Consider ways to eliminate debt or restructure it.
- Implement financial management practices that will.
  - Reduce costs
  - Increase profitability



## Risk Management Plan

- Do we have fire, wind, and liability insurance coverage?
- Do we have life, health, and disability insurance?
- Do we have a retirement plan?
- Do we have crop insurance and, if so, how much?
- Do we have an estate plan?
- Do we have production alliances or networking arrangements with other producers, cooperatives, suppliers, or companies?
- Are there other on-site issues? How do we manage pesticide and fertilizer storage and mixing; fuel storage; and concerns from neighbors?
- How are we addressing environmental issues?

## A Business Plans Helps You:

- Look at the “Big” picture.
- Focus on core competencies that lead to competitive advantages.
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## AgPlan – Free Business Plan

- Center for Farm Financial Management, University of Minnesota AgPlan: <https://www.agplan.umn.edu/>
- New users need to "Register" (under the Login button).
- Also see: Rutgers Farm Management Website To Market, To Market  
<http://aesop.rutgers.edu/~farmmgmt>