

Business and Market Plans: An Overview with Considerations for Organic Operations

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Introduction

Business and market plans are essential foundational tools for farm businesses. These plans can be structured as individual documents or combined to form one comprehensive report. Business and market plans have multiple functions that include but are not limited to

- defining and describing a business,
- identifying goals and objectives,
- formulating strategies and techniques for conducting a business,
- determining resources on hand and those needed,
- assessing risks and challenges associated with operating a business and marketing its products, and
- seeking partners, financing from a lending institution, and/or venture capital for a beginning or continuing business.

Finally, these plans can be used as powerful tools to monitor and evaluate a business over time, modify decisions and operations when necessary and appropriate, and plan for future contingencies.

The information contained in this publication is intended to introduce the content and major sections of business and marketing plans, along with information that may apply to organic agricultural operations. Additional resources that are available to assist farmers in developing their own plans are also included in this document.

Plan Contents and Development

Creativity, research, coordination, and organization are required to develop business and market plans. It is important to note, however, that there is no single format or ‘right way’ to construct these plans. Some plans are succinct and concise while others are lengthy and elaborate. Content, organization and clarity are noteworthy characteristics of superior business and market plans. Ultimately, each plan should be tailored to meet the needs of the business and contain only as much information as is necessary to fully and accurately portray the operation. The plan is an invaluable tool for proceeding with the implementation of the proposed business. Following is a sample format, which combines main sections from both business and market plans, a brief description of each section, and, where appropriate, selected considerations for organic enterprises.

- Cover page
- Executive summary
- Table of contents
- Business description
- Marketplace analysis
- Products and services
- Sales and marketing
- Management
- Financial information
- Appendices

Cover page. A plan’s cover page must include all pertinent business information such as name of business, date the plan was written, name and titles of business owners, contact information, website listings, and any recognizable brands, labels or logos for the business.

- **Organic considerations.** Include any distinguishing organic identifiers, for example, the logo of the operation’s accredited certifying agent, programs in which the operation participates, or other seals as allowed (e.g., USDA Organic). These identifiers serve as important market tools.

Table of contents. A table of contents lists and identifies all major plan sections that follow, with page numbers included. Subsections within major sections may also be identified here.

Executive summary. This section summarizes key points from all other sections of a plan. Because the executive summary is likely to be the first—and possibly only—section read by on-the-go business people, potential lenders or investors, it is important to construct this section as a ‘stand alone’ document. It is essentially a shorter, more concise version of the complete plan. It must contain the major points and elements of the plan and should be short—one to three pages in length. This section is best written after all other parts of a business plan are clearly developed. One example is provided at the end of the publication (Figure 1).

Business description. A business description contains a clear, concise statement of what the business is, and its products and services. For example, ‘Coastal Organic Farm is a vegetable and small fruit farming operation that produces and markets high quality fresh and specialty organic products direct to consumers through farmers markets, and to small independent retail operations in the Central Coast region of California’. This statement is simple, declarative, and sufficient for the purposes of this section.

The business description further includes a mission statement, or overarching vision for the business, both short and long-term goals and objectives, information on how the business is or

will be funded, resources that are currently available, and a brief explanation of what makes the business unique or competitive with respect to other similar businesses.

- **Organic considerations.** This section should also contain a reference to experience with organic agriculture in addition to wider experience in agricultural enterprises, for example, total number of years the operation has been in business, when (or if) transition from conventional to organic management took place, and number of years functioning as an organic operation. The business section should further reference participation in or compliance with state registration and federal organic certification programs. Information may also be included that highlights characteristics that differentiate an organic operation from a conventional business. For example, discuss special structures or equipment that are necessary to store and handle bulky production materials, or other facilities and systems that may be necessary to maintain organic product integrity as required by state and federal regulations.

Marketplace analysis. This section compiles background research data and information on current status and emerging trends within the marketplace. This information can include prices and shipping volumes, statistics on demographics and consumer trends, market competition, and expected profit margins. Social and environmental issues that influence the marketplace might also be considered. It can also include information about the supporting infrastructure such as the availability of suppliers, cooling and shipping facilities, or other means of transportation and handling.

Sources of information include, but are not limited to, local, state, and federal government agencies such as USDA Agricultural Marketing Service (USDA-AMS), university cooperative extension offices, trade associations, trade publications, other support organizations, farmers, and industry suppliers. This information should be as current as possible, realistic, and support a rationale, connection, or need for the business. The internet currently provides access to most of the information that is needed for a marketplace analysis. For example, the USDA-AMS Market News website is an especially valuable resource because it provides historic and current wholesale prices and shipping volumes, arranged by shipping point source, for a wide range of products in diverse major domestic and foreign cities. It also has historic and current data on shipping point volumes from diverse US and foreign shipping points arranged by product type.

- **Organic considerations.** Research data and reporting systems for organic products and markets are not as well developed as for agriculture as a whole. This is especially true with respect to historical data and information. Many sources of information, however, have more recently made significant strides in tracking and compiling background data, statistics on organic agriculture, and information on consumer preferences and trends. For example, the USDA's Agricultural Marketing Service (AMS) and Economic Research Service (ERS) now have a limited number of web-based reports for organic wholesale and farmgate prices. A resource list specific to organic agricultural information is included at the end of this chapter (Table 2).

Products and services. An expanded description of a business's products and services is the major emphasis of this section. Products that will be the mainstay of an operation should be

identified and briefly discussed. For example, crop type(s), number of producing acres, and expected yield and quality could be included here. Information on services that the business may provide should also be offered here. Examples of services include custom farm work and/or cooling and shipping for neighboring operations.

A discussion of plans for new products, and their development, as well as anticipated challenges and pitfalls, and how they might be dealt with, are also part of this section. Unique aspects of particular products and services—those that fill a particular niche or that can be differentiated in the marketplace—should be included in this discussion.

- **Organic considerations.** A business/market plan for an organic operation should note special requirements or needs for the business and how these requirements are handled. For example, note availability and ease of sourcing organic inputs and/or access to farm services, cooling, and shipping facilities that cater to organic operations. If new products or changes to an existing business are proposed, it is important to include potential successes and challenges, and how these would be managed within the context of the organic industry.

Sales and marketing. The sales and marketing section of a farm business plan is arguably the most important aspect of a business in total. It encompasses not only the physical act of selling products and/or services, but also identifying, developing and retaining customers. Consumers currently drive the farm marketplace, signaling producers and buyers as to their preferences through purchasing patterns and habits. It is important that farm owners and managers carefully evaluate the marketplace as noted above, and then strategically target their preferred market segments. An effort should be made to provide projections of anticipated yields – in different size classes if necessary – and anticipated unit costs and sales prices during distinct production periods. These figures can then be consolidated into overall average sales prices and unit costs based on anticipated volumes. In other words, it is vital that farm businesses identify and select one or more potentially valuable market segments, understand consumers within each segment, and anticipate and plan products and services accordingly.

Sales and marketing plans often include measurable objectives, with accompanying strategies to meet the objectives. For example, one objective might be to improve profit margins on a subset of offered products by 2 percent for the next year. One strategy to meet this objective might be to evaluate current price and cost structures, as well as to project different price and cost scenarios to determine if the objective is realistic and attainable. The plan would then describe the steps or techniques that would be used to implement such a strategy, or adjust objectives periodically as experience suggests new, more efficient alternatives.

As a part of this section, the operator(s) should also assess their strengths and weaknesses with respect to selling and marketing. This may result in hiring a person with specialized organic sales and/or marketing experience if the farmer is lacking in these skills. Finally, farmers should project potential income from sales, and the costs associated with both production and marketing.

- **Organic considerations.** Organic products, by law, require special handling and record keeping to insure product integrity as it moves through market channels. An organic-focus

business/market plan might therefore describe the operational strategies and procedures used to maintain product integrity in its sales and marketing section. If appropriate, potential pitfalls, such as a lack of experienced sales representatives or wholesalers, how the business proposes to work with such constraints, and anticipated business impacts, should also be noted. Histories and current prices for organic products are limited. However, research-based information with respect to costs of production and potential returns to growers has expanded over time. Table 2 at the end of this chapter references current sources of information for organic cost and price structures.

Management. This section includes a description of the administrative structure of the business, including owners, managers, and other key personnel. The responsibilities of each person should be briefly discussed, with previous farm business or other relevant skills and experience included. Resumes and other background details may be included as supplemental documentation in the appendices section if desired.

- **Organic considerations.** Points to include in this section include experience of personnel, with special reference to organic production, post harvest handling, labeling, food safety, sales and marketing, and level of familiarity or understanding with organic regulation and the organic industry as a whole.

Financial information. Not surprisingly, the financial information section of a business plan is essential. This part of a plan could include historical production and price data that a business has had available to it. For new businesses, this information might come from university cooperative extension research, local agricultural commissioner's crop reports or USDA statistics. Continuing businesses likely have this information documented in their farm records. One to three years of detailed projected business budgets, including cash flow, are also important elements of this section. Income statements and balance sheets may also be included here. Alternatively, they may be included in the appendices section.

Every farm business has risk associated with its operations. In this section, potential sources of risk should be identified and discussed. Examples include production risks such as crop failures from natural disasters, or market risks such as unpredictable price fluctuations. Risk also arises when production is pushed forward or back into periods with short supply but higher prices, due either to planned production season extension or poor climatic conditions. Yet, pushing a significant proportion of the production into target market windows could be a sound business strategy. Strategies to handle and/or minimize risks, for example, crop diversification or insurance, should be also discussed here.

Some businesses include contingency plans in their financial information section. Contingency plans demonstrate that a farmer understands the potential for unexpected change, and has alternative tactics or strategies on hand to account for these changes. Contingency planning can be simple, declarative 'if...then' type statements, or more detailed scenario plans.

- **Organic considerations.** As previously discussed, Table 2 resources can be used to assist with information needs for organic enterprises. For established organic operations, record-keeping requirements would serve as an excellent source of information for compiling

financial information. Organic enterprises typically have crop rotation and diversification plans as a part of their organic farm plans. Reference to, or a summary of, these plans could be included in this section to address risk.

Appendices. This section is used to include support documents or other information relevant to a proposed or continuing business. These documents can include other financial documents such as balance sheets and income statements, a business history, resumes, and graphics.

Integration into Business

When constructed, business and market plans become an important working document or tool to guide and direct a business. Plans can be referred to periodically to change the business vision, monitor and evaluate goals and objectives, use identified strategies to meet objectives and/or overcome challenges, and modify farm operations and business decisions when appropriate.

Checklist

It is worthwhile to have a one-page checklist of key points to consider and address with respect to business and market plan development. Table 1 provides a checklist that can be used to keep track of progress and indicate completion of a particular section as the plan is developed.

Resources

There are many resources available to farmers to help with business and market plan development (Table 2 and References Section). Some of these resources are interactive in that they present questions that the reader can respond to, and further provide detailed worksheets to assist in the development and construction of plans.

Figure 1. Example: Executive Summary for Coastal Organic Farm.

Background and Goals

Coastal Organic Farm is a proposed small to mid-scale (gross annual sales under \$500,000) organic operation, which, for its size, expects to become a strong and reliable competitor in the production and (self) marketing of high quality fresh and specialty vegetables and small fruits. Its primary function is to ensure consistency in the diversity, volume, and quality of organically produced mixed vegetables and berries. The operation consists of 35 acres, a portion of which will be in production each year. It will house office space, a packing facility and equipment sufficient to coordinate transportation of product to market. Coastal Organic Farm is targeted for 'start-up' because of its location in one of the premier agricultural regions in the state as well as its proximity to large urban areas (San Francisco, San Jose) with a demonstrated demand for diverse high quality specialty, ethnic, and organic products.

Marketplace Analysis

California leads the nation in production of fruits, vegetables and specialty products, providing the U.S. with over 50 percent of its total supply. Statistics show that between 1976 and 2003 per capita consumption of fresh and processed fruits and vegetables increased by 15 percent. More specifically, demand for specialty ethnic, vegetable and organic products show potential for notable growth in the future. Coastal Organic Farm recognizes that organic growers of various scales (large, medium, and small) already conduct business in the Central Coast. However, market research also shows that opportunities exist for competitive, business-oriented operations with diverse, high quality products that are locally or regionally produced. Coastal Organic Farm does not intend to compete with the larger players mentioned above, but rather carve out a niche for its size and scale of production.

Products and Services

Coastal Organic Farm will function as a producer and marketer of high quality fresh and specialty agricultural products. As such, the operation will produce 'mainstream' crops that have demonstrated demand (e.g., lettuce and broccoli) and specialty crops that show 'increasing demand' (e.g., chili peppers and Asian vegetables).

Sales and Marketing

Coastal Organic Farm will take a proactive, professional business-oriented stance with respect sales and marketing. It will market primarily to California based organic wholesalers, as well as local and regional independent retail grocers. Coastal Organic Farm has developed a relationship with, and received a commitment from, organic produce wholesalers and a group of coastal natural foods grocers for California and locally grown specialty ethnic vegetables, herbs, and small fruits. In addition to the business orientation mentioned above, Coastal Organic Farm will attract and retain buyers of its products by keeping abreast of new and emerging market trends and research, with special emphasis on changes in demographics and consumer demand. This information will be periodically evaluated and incorporated into the farm's market strategies. Please also refer to the larger sales and marketing section of this plan for greater detail and analysis.

Management and General Operations

Coastal Organic Farm recognizes that top-notch management is critical to the success of an organization. Equally important are building strong business relationships and honoring commitments. The owners will serve as 'start-up' managers and marketers to handle daily operations for the farm business, set priorities, manage finances, plan for contingencies, and project activities for the future. The owners expect to recruit and hire a professional business manager/marketer as the operation expands.

Table 1. Key Points and Checklist for Business and Market Plan Development

Section	Key Points	Completed (✓)
Cover page	<ul style="list-style-type: none"> - Business name and type - Owner name(s) - Contact information - Website - Brands, logos, certification - Date of plan preparation 	
Table of contents	<ul style="list-style-type: none"> - Major sections - Sub sections 	
Executive summary	<ul style="list-style-type: none"> - 1-3 Page summary of entire plan 	
Business description	<ul style="list-style-type: none"> - Concise description/statement - Mission statement; vision of business - Short and long-term goals; funding - Uniqueness/competitiveness 	
Marketplace analysis	<ul style="list-style-type: none"> - Background data - Industry trends - Consumer trends - Market competition - Social/environmental issues - Infrastructure/transportation 	
Products and services	<ul style="list-style-type: none"> - Crop type(s) or enterprises - Production acres - Expected yield/quality - Other services provided - New products and development 	
Sales and marketing	<ul style="list-style-type: none"> - Target market(s) and customer(s) - Measurable short and long term objectives - Business strengths and weaknesses - Unit costs and sales - Projected income and profit 	
Management	<ul style="list-style-type: none"> - Administrative structure - Key personnel and skills 	
Financial information	<ul style="list-style-type: none"> - Historical data - 1-3 years budgets, cash flow statements, balance sheets, income statements - Risk management strategies/contingency plans 	
Appendices	<ul style="list-style-type: none"> - Support documents, resumes, graphics 	

Table 2. Selected Informational Resources for Organic Enterprises

Agency/Organization	Website (URL) Listing
CA Dept. of Food & Agriculture: California Organic Program Certified Farmers Market Program	http://www.cdfa.ca.gov/is/i_&c/organic.html http://www.cdfa.ca.gov/is/i_&c/cfm.html
National Sustainable Agriculture Information Service	http://www.attra.org
Rodale Institute: Organic Price Report (OPR) Organic Transition Course	http://www.rodaleinstitute.org/Organic-Price-Report http://www.tritrainingcenter.org/course/
Organic Ag Info	http://www.organicaginfo.org/
Organic Farming Research Foundation (OFRF)	http://ofrf.org
Organic Materials Review Institute (OMRI)	http://www.omri.org
Organic Trade Association (OTA)	http://www.ota.com
UC Davis – Agricultural Issues Center	http://aic.ucdavis.edu/research1/organic.html
UC Davis – Cost & Return Studies UC Sustainable Agriculture Research & Education Program (SAREP)	http://coststudies.ucdavis.edu http://www.sarep.ucdavis.edu/Organic/index.htm
UC Vegetable Research & Information Center (VRIC)	http://vric.ucdavis.edu/veg_info_topic/organic_production.htm
US Small Business Administration (for guidance in writing a business plan)	http://www.sba.gov
USDA – Agricultural Marketing Service & Market News (for price and volume data)	http://www.ams.usda.gov http://marketnews.usda.gov
USDA – Economic Research Service and Organic Price Information	http://www.ers.usda.gov http://www.ers.usda.gov/Data/OrganicPrices/
USDA – National Organic Program	http://www.ams.usda.gov/AMSV1.0/nop

References and Additional Resources

- Title: Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses.
Authors: DiGiacomo, G., R. King and D. Nordquist.
Publisher: Minnesota Institute for Sustainable Agriculture and The Sustainable Agriculture Network. 2003. 280 pages.
Web Link: <http://www.sare.org/publications/business/business.pdf>
- Title: Sustainable Vegetable Production From Start-Up to Market.
Author: Grubinger, V. P.
Publisher: Cornell University Natural Resource, Agriculture and Engineering Service (NRAES) Cooperative Extension. 1999. 268 pages.
Web Link: None Available.
- Title: Writing a Business Plan: A Guide for Small Premium Wineries.
Authors: Pisoni, M. E. and G. B. White.
Publisher: Cornell University. EB 2002-06 Department of Applied Economics and Management. 2002. 35 pages.
Web Link: None available.
- Title: Getting Started in Farming? Five Keys to Success.
Author: Richards, S.
Publisher: Cornell University Department of Applied Economics and Management. Smart Marketing Series. 2002. 4 pages.
Web Link: <http://marketingpwt.aem.cornell.edu/SmartMarketing/pdfs/richards10-02.PDF>
- Title: Knowing Your Market – The Most Challenging Part of a Business Plan.
Author: Schlough, C.
Publisher: Cornell University. Department of Applied Economics and Management. Smart Marketing Series. 2001. 4 pages.
Web Link: <http://marketingpwt.aem.cornell.edu/SmartMarketing/pdfs/schlough2-01.pdf>
- Title: Travel the Road to Success with a Marketing Plan.
Author: Uva, W. L.
Publisher: Cornell University Department of Applied Economics and Management. Smart Marketing Series. 1999. 4 pages.
Web Link: <http://marketingpwt.aem.cornell.edu/SmartMarketing/pdfs/uva.PDF>
- Title: Developing a Strategic Marketing Plan for Horticultural Firms.
Author: White, G. B. and W. L. Uva.
Publisher: Cornell University Horticultural Business Management & Marketing Program. 2000. 28 pages.
Web Link: <http://hortmgt.aem.cornell.edu/pdf/resources/eb2000-01.pdf>