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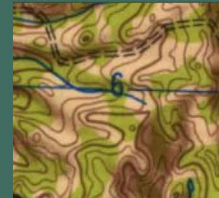
who



what



when



where



how

Small Business Planning for Loggers

Business Plan Template and Instruction Manual

Steven Bick & Chris Lindgren



Northeast Forests, LLC

Small Business Planning for Loggers:

Business Plan Template and Instruction Manual

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Forest Business Program

September 2018

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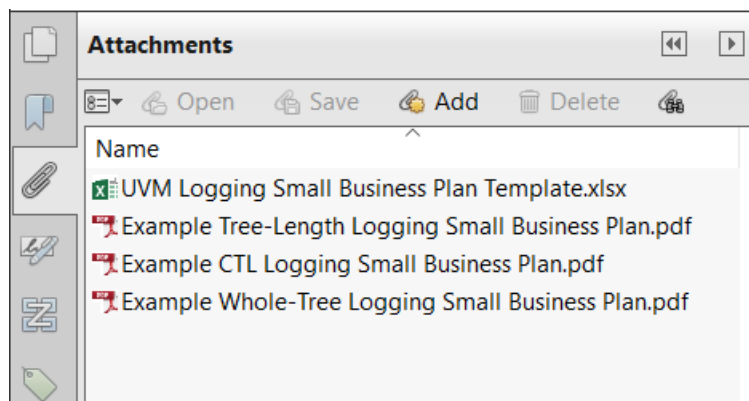
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Introduction

This manual is a companion to the *UVM Logging Small Business Plan Template*. This small business plan template is specific to logging and is intended to be useful for a wide range of logging business types and sizes. The template is in Microsoft Excel format. If you do not have Excel, the file may be opened and filled in using the free Google Sheets program.

The template file is included as an attachment within this document. In Adobe Reader or Acrobat, click on the paper clip button or tab along the left side of the window to show a list of attachments within the file:



Windows users can double-click on the "UVM Logging Small Business Plan Template.xlsx" file to open it. Alternatively, you may right click on the file and then use the "Save As" command to make a copy of it in a new location.

Save the Excel file in a location where you can find it and give it a distinct name. You may end up with several versions of the file over time. You can always get a blank copy by opening it from the original attachment within the PDF version of this manual.

A small business plan is built using this template by filling in information in each of thirteen numbered worksheets in the file. You can access each of these by clicking on the worksheet tabs along the bottom. While the plan follows an information progression from one worksheet to the next, there is no need to follow this order exactly. You may encounter some sections that require a bit more homework on your part than others. In most cases, there is no need to finish one section before moving on to the next.

Each worksheet is carefully formatted. User-supplied information is input in white cells. In many cases there are message boxes that pop up with an explanation of the required information. This manual contains a brief description and advice for each section.

The purpose of writing a plan is two-fold. First, it forces you to focus on the business in a way that is different from the day-to-day operations and serves to help you know your own business better. The process is often more important than the result. Second, it allows you to present and describe your business in terms that are understood by the financial community.

Good luck.

General Information (Worksheet 1)

This section contains routine details about your business. Most items are self-explanatory, such as the business name and contact information, as well as the business life status and the type of legal entity.

The two items that may require some additional thought in this section are the *Business Plan Goals* and the *Brief History of the Business*.

If you are taking the time to write a business plan, chances are you have a goal that set this planning in motion. Enter business goals in the plan in list format. The general goal of most small businesses is to make money in both the present and the future. This might make a good start to your list.

The remainder of your goals are often more specific. This might include the initial growth of the business to the point where it produces regular revenue, pays off debt and increases your equity. For existing businesses, goals are often expansion, new sources of revenue or perhaps an increase in production or trucking capacity. In some instance, a planned contraction that increases profitability may be the goal.

The *Brief History of the Business* section is an opportunity to tell a prospective lender about how the business reached the point where it is today (start-up businesses may leave this section blank).

General Information

Plan Date	February 2018
Company Name:	Olympic Logging
Owners (s):	J&M Lamoreaux
Mailing Address:	17 Twisted Road
City/Town & State:	Penonchang, VT
Zip Code:	45037
Phone (preferred):	888-867-5309
Phone (other):	888-867-5308
Fax:	none
Email:	olympic@logging.net

Business Life Status (check any that apply):

<input type="checkbox"/>	New business
<input type="checkbox"/>	Early Growth Stage Business (1-5 years)
<input checked="" type="checkbox"/>	Established Business
<input type="checkbox"/>	Business Expansion

Experience of Owners (Worksheet 2)

This section gives you the opportunity to share all your relevant work and life experience. Logging businesses have been established by people with all sorts of backgrounds, ranging from those who were born into it to fresh air kids from the city who were drawn to an independent rural lifestyle. There is space in this section to share everything that shows a potential lender or partner why you can make a go of it as a productive and responsible person. Categories include:

- Logging Experience
- Business & Financial Experience
- Supervisory Experience
- Mechanical Experience
- Education & Certifications
- Other Experience

Some people are born writers who can produce a brief essay in each section. Others are more comfortable making a simple list of relevant items. Either approach is fine.

If you find it difficult to complete this section, ask for help from someone who knows you well. Brainstorm about past experiences. People often have far more relevant experience than they realize but need a reminder or two to help put them down on paper.

Logging Experience

Worked as a seasonal logging equipment operator for APB Logging; Purchased log length firewood and produce split, dried cordwood for customers. Felled trees for one season with FPD Brothers, Inc.

Business & Financial Experience

Ran a small business repair services while in high school; Operating a caretaking and snowplowing business with 45 accounts for seven year; Financed the purchase of a building lot and construction of my home.

Key Staff Descriptions (Worksheet 3)

This section requires brief job descriptions for everyone who works in the business. Smaller operations can naturally be expected to have fewer workers with broader sets of responsibilities. Whether the business is very small or has dozens of employees, it's important to use this section to show all aspects of the operation (from production functions to support) are adequately covered. One of the benefits of filling out this section is to identify any gaps in responsibilities.

This section allows you to highlight the experiences of employees. Be sure to indicate how long some of the more experienced staff have been part of the industry or have worked for the company.

Many logging businesses do not have formal job descriptions, but workers clearly have duties. Use this as an opportunity to clarify these responsibilities. Some positions may have multiple employees that can be combined in a single description (e.g. two nearly identical grapple skidder operators).

One useful approach to filling out this section is to ask each employee to tell you what they believe are their duties, responsibilities and strengths.

If the plan is being written as part of an expansion, indicate which of the jobs are existing and which will be added.

Job Title	Experience & Responsibilities
Owner/Forman	
Crew Leader	
Crew Member	

Harvesting Type (Workbook 4)

This section describes the type of logging that is done or intended by the business. Readers of this plan that know about logging will come away with an informed picture of the equipment you use and the timber and terrain where you work. It also serves as a good check of whether the operation fits the resource base it works with.

Most items are simple check boxes or have fill in the blank answers.

First, check off the harvesting equipment system(s) used and then list the equipment. The northeast is the home to many hybrid system types and there is ample opportunity to explain this here.

Break down the mix of forest types where you operate by percentage. Harvest intensity (the types of harvests you do) are similarly filled in by percentage, as are ground conditions and skidding distances.

The last section asks for a general description of harvesting conditions. Do your best to put the fill-in descriptions that precede this into words. Add anything you did not think was captured in the breakdowns you supplied.

This section serves as a check for both you and the reader to see if the equipment and harvesting approach are a good match for the timber types, harvesting intensities and ground conditions where you work.

Description of Harvesting Conditions:

Topography

☐ 20% % mild or flat

☐ 60% % moderate

☐ 20% % steep

☒ 100% total (must = 100%)

Ground Conditions

☐ 10% % wet/soft

☐ 50% % moderate

☐ 40% % rocky

☒ 100% total (must = 100%)

Skidding or Forwarding Distances

☐ 40% % < 2,500 feet

☐ 60% % > 2,500 feet

☒ 100% total (must = 100%)

General Description of Harvesting Conditions

Production Mix & Markets (Worksheet 5)

This section asks you to supply your production mix and a breakdown of your market role and customers. It also asks for a list of the wood products markets where your production is delivered.

The production mix is divided into general products, including hardwood and softwood sawlogs, pulpwood and other roundwood, chipwood and firewood. An "other" category is included for anything that does not fit into these general categories. You supply the percent of both production and revenue attributed to each category. Once this section is filled out, it is instructive to examine the disparities between production and revenue in some categories. Often this illustrates opportunities to focus or improve. While it is usually impossible to simply focus on products that provide the most revenue from the least possible production, opportunities for marginal improvements may exist.

The *Market Role & Customers* category essentially shows how you find timber to harvest – either through purchasing it or providing services to mills or landowners. Again, both percent of volume and revenue are requested. This provides yet another opportunity for introspection.

The last section asks you to list the destination mills or yards for products, including their locations. The number of loads per year should be included. Ask yourself about the strength of each of these markets and

your possible vulnerability to fluctuations in demand that might be experienced by each.

Market Role & Customers		
	% of volume	% of revenue
Purchased Stumpage & Sale of Harvested Products	<input type="text"/>	<input type="text"/>
Contract Harvesting for Sawmills, Pulp Mills or Brokers	<input type="text"/>	<input type="text"/>
Contract Harvesting for Timberland Investment Firms	<input type="text"/>	<input type="text"/>
Contract Harvesting for Individuals/Family Forests	<input type="text"/>	<input type="text"/>
other (specify: <input type="text"/>)	<input type="text"/>	<input type="text"/>
Totals (must equal 100%)	0%	0%

Descriptive Narratives (Worksheet 6)

This section asks for descriptive narratives about the business and competing businesses. This is the opportunity to describe what you intended to do or what you are already doing, in your own words.

These descriptions are not essay contests. Details are more important than style. This is an opportunity to share things that you think may not be fully expressed in the preceding sections. There is plenty of space in the templates for both these items, but do not feel obliged to fill all of it.

The narrative about your business should describe what you do and your intentions for the business, just as you would if you were conversing with someone about it. The same goes for your description of competing businesses.

In describing competitors, stick to general descriptions of business types and locations, along with how many are out there. There is no reason to involve personal or anecdotal details of competitors. Logging tends to be full of friendly competitors who benefit from occasional interaction with each other.

If you have trouble expressing ideas in writing, recruit a family member or friend to write this section for you. For many, this is a great way of getting your ideas across in the best way possible.

Descriptive Narrative

We are a small logging company that specializes in strict adherence to best management practices on difficult terrain. Our niche is hand felling and cable skidding on smaller woodlots with steep ground. We have found ways to be profitable on small volumes that have been overlooked by mills and other competitors because of the harvesting difficulty. Our investment is relatively low and we have alternative revenue sources (split firewood) that we focus on when ground conditions prevent us from harvesting timber. Our reputation leads many landowners to call us to sell timber. Occasionally (20% of the time) we do contract work for sawmills when they have especially challenging timber to harvest.



Maintenance & Repair Plan (Worksheet 7)

Repairs and maintenance are an essential aspect of any logging businesses. Plans for addressing this on-going need range from a fully equipped shop with one or more full time mechanics, to a simple repair trailer with a supply of tools and small inventory of common parts. Production depends on the availability of working equipment.

One often overlooked aspect of repairs and maintenance is financing. New equipment tends to be productive, providing a healthy revenue stream for a time before inevitable breakdowns occur. It is essential to have the funds on hand to pay for parts and repairs when they are necessary. Some lenders even require a dedicated hold back of funds devoted to this. Requirements aside, it is important to have the discipline to ensure the funds are available when needed.

The *Daily Equipment Maintenance Schedule* should list the actions necessary to keep each machine in good running conditions. This schedule should also detail who is responsible for these duties and when they should be performed.

The *Site Repairs Plan* lists field repair methods and resources. What equipment is always on hand, so repairs can be done on site? Is there a service truck that is dispatched from your shop? Smaller operations may have a contract mechanic who can be called as needed for site repairs.

The *Major Repairs Plan* specifies how repairs, upgrades and overhauls that cannot be completed in the woods will be handled. The business may have a dedicated maintenance shop. Perhaps there is a reliable independent shop that prioritizes your work as a regular customer. The ability to produce the revenue needed to pay for equipment and turn a profit hinges on minimizing lost productive time for repairs.

The *List of Common Parts Kept in Stock* forces you to think of the things that will be needed and to gauge the total cost of maintaining this inventory. In a new or expanding business, this requirement is an essential part of estimating operating costs.

	Part	# Stocked	\$ per Unit	Total Cost
1				\$ -
2				\$ -
3				\$ -
4				\$ -
5				\$ -
6				\$ -
7				\$ -
8				\$ -
9				\$ -
10				\$ -
11				\$ -
12				\$ -
13				\$ -
14				\$ -
15				\$ -
Total Parts Inventory Cost				\$ -

SWOT stands for strengths, weaknesses, opportunities and threats. This section of the business plan asks you to list each of these traits within your business. It is an opportunity to show what you do well, what you need to improve, what you want to pursue and what might hold you back.

In the *Weaknesses* category, list the disadvantages or missing skills that are hurdles for your business. Think of these as a list of areas where you want to grow.

In the *Opportunities* category, list the external trends or options that your business can exploit. Think of this as the reasons why you want to start or expand your business.

In the *Threats* category, list the external trends or internal problems that are major concerns for your business. Think of this as both a recognition of risks, but also as a possible source of opportunities you have not yet explored.

Strengths

Opportunities

Weaknesses

Threats

Balance Sheet (Worksheet 9)

This section should only be completed by established businesses.

A balance sheet demonstrates your business assets, liabilities and equities. The balance sheet used in this business plan compares the previous year to the current year, showing any differences. All the calculations required are built into the template.

Current and fixed assets are entered to show equipment, cash, inventory and related items. This demonstrates what the business has in hand for use in the operation.

Current and long-term liabilities show amounts that the business owes, both in the short term and over extended period (as in the case with many equipment loans). This shows your business obligations.

Owner Equity demonstrates how much of the business you actually own. This is an important measure of your credit worthiness and ability to pay back a loan.

The sum of the business assets, liabilities and equity should be zero. This calculation is built in as a check of the previous entries. If the totals do not balance, it is likely there is an entry error or that you have not made a complete accounting.

Current Assets	Prev. Year	Cur. Year	Inc/Dec
Cash	50,000	54,000	\$ 4,000
Inventories	14,000	13,000	\$ (1,000)
Accounts Receivable	24,000	27,000	\$ 3,000
Pre-paid Expenses	3,000	3,000	\$ -
Other	1,500	2,750	\$ 1,250
Total Current Assets	\$ 92,500	\$ 99,750	\$ 7,250.00
Fixed Assets			
Logging Equipment & Trucks	425,000	425,000	\$ -
Land & Buildings	75,000	75,000	\$ -
Other Equipment & Tools	40,000	42,500	\$ 2,500.00
Vehicles	30,000	30,000	\$ -
Other	4,000	5,000	\$ 1,000.00
Less Accumulated Depreciation	90,000	93,000	\$ 3,000.00
Total Fixed Assets	\$ 59,000	\$ 59,500	\$ 500.00
Total Assets	\$ 151,500	\$ 159,250	\$ 7,750.00

Financing Needs & Plan (Worksheet 10)

This section provides the details of the costs necessary to start or expand the business and shows the sources of these funds.

Itemized Costs is a list of all the equipment or materials that must be acquired, along with fees or other bills that must be paid. This is also the place to include any operating fund requirements to see the business through the period of initial growth or expansion when there may be insufficient revenue to cover some of the on-going costs, such as payroll and repairs.

The *Financing Plan* lists both the cash on hand that you will put towards the business and the amount you wish to finance. The total should be the same as the total of the costs itemized in the previous list.

Sources and Uses of Funds lists amounts of loans and any other cash that will fund the business how each will be used. In addition to the loan or loans that may be sought as part of the formal planning process, list cash that you are contributing and any loans or gifts from family or friends.

Itemized Costs

Item	Cost
Total Acquisition Costs:	\$ -
Operating Funds:	
Total Costs:	\$ -

Financing Plan

Cash on Hand:	
Financed Amount:	
Total (must be same as above)	\$ -
difference (if any)	\$ -

Projected Cash Flows (Worksheet 11)

In this section you will supply three years of projected cash flows. The projections should be based on reasonable estimates of production levels, product prices and itemized costs. All calculations are made automatically within the workbook.

Revenue is based upon production level (loads per year, but product type) and prices (\$ per load). Loads are chosen as the unit of measure to simplify the various units (MBF, tons, cords, etc.) used in forest products measurements. Annual revenue is the sum of all the revenue coming from various products. A separate "other revenue" category allows you to enter a lump sum amount of revenue that may come from the other work opportunities that occasionally arise.

Costs are based on the sum of an itemized list of common expenses associated with logging. Existing businesses can usually make estimates based on their bookkeeping records. New businesses must investigate the costs of all these items. Include only depreciation of equity in equipment or other assets that comes from down payments, cash purchases or trade-ins to avoid double counting amounts spent on loan payments.

Profit or Loss is based on the simple calculation of revenue less expenses. An ideal business plan will have a justifiable projection of increasing profits over the course of the three years of projections.

Revenue			
Product	Loads/Year	\$/Load	Annual Revenue
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
Other Revenue (services, etc.)			
Total Revenue			\$ -

Costs	
Item	Cost
Loan Payments	
Labor	
Fuel	
Insurance	
Repairs & Maintenance	
Work Supplies	
Work Truck	
Outside Trucking	
Depreciation	
BMP & Clean up Costs	
Salary for Owner(s)	
Total Costs	\$ -

Projected Financial Ratios (Worksheet 12)

This section allows you to calculate financial ratios for your business that are commonly used by lenders and business planners. While some consider this information optional, as lenders often make these calculations on their own, providing them in the business plan shows initiative and demonstrates financial awareness.

There are eighteen inputs in this worksheet. Existing businesses can find many of them in their existing bookkeeping records. Startup businesses may have to rely on estimates. Many of the inputs can be found in previously completed sections of your business plan.

Inputs for Projected Financial Ratios	
Cost (from previous page)	\$ 50,000
Annual Cash Flow	\$ 175,000
Initial Investment	\$ 200,000
Depreciation	\$ 100,000
Total Term Debt	\$ 100,000
Current Portion of Term Debt	\$ 100,000
Gross Profit	\$ 100,000
Net Sales	\$ 100,000
Net Operating Income	\$ 75,000
Total Assets	\$ 100,000
Current Assets	\$ 68,000
Equity	\$ 100,000
Current Liabilities	\$ 20,000
Long-term Debt	\$ 100,000
Inventory	\$ 100,000
Total Annual Debt Service	\$ 100,000
Annual Revenue	\$ 100,000
Annual Expenses	\$ 100,000

Payback Period	
- Cost (from previous page)	0.3
+ Annual Cash Flow	years
Accounting Rate of Return	
- (Annual Cash Flow - Depreciation)	37.5%
+ Initial Investment	
Blended Capital Debt Term	
- Total Term Debt	1
+ Current Portion of Term Debt	years
Gross Margin on Sales	
- Gross Profit + Net Sales	100%
Return on Sales	
- Net Operating Income + Net Sales	75%
Return on Assets	
- Net Operating Income + Total Assets	75%
Return on Equity	
- Net Operating Income + Equity	75%
Equity Ratio	
- Equity + Total Assets	100%
Fixed Assets/Equity	
- (Total Assets - Current Assets)	32.0%
+ Equity	
Current Liabilities/Equity	
- Current Liabilities + Equity	20%
Debt Equity	
- (Long Term Debt + Current Liabilities)	120%
+ Equity	
Current Ratio	
- Current Assets + Current Liabilities	340%
Quick Ratio	
- (Current Assets - Inventory)	-16.0%
+ Current Liabilities	
Debt Service Coverage Ratio	
- Net Annual Operating Income	75%
+ Total Annual Debt Service	

Schedule of Events (Worksheet 13)

Any successful plan requires a set of events to be put in motion and seen through to a favorable outcome. This section is where these action items are listed, assigned priorities and given expected completion dates.

Since one item often hinges on another, order and schedule them accordingly. The priority of each may seem obvious to you – so much so that perhaps you will not see a need to list them. Prioritizing items shows potential lenders and other readers of the plan how much thought went into your effort.

Of greater importance than writing a plan and a schedule is the actual implementation of it. Unforeseen things will always arise. Loggers are accustomed to adjusting on the fly. The critical part of any project is ensuring the progress of a series of dependent events, so establish your priorities accordingly. Items that are independent of each other can be accomplished opportunistically, during unexpected lulls in your schedule or when things fall neatly into place (e.g. – the opportunity to hire an experienced operator comes along before you are looking).

For many people, implementation is far more enjoyable than planning. Use your schedule as a guide and see things through to a successful conclusion.

Work Plan Item	Priority	Completion Date
1 Select equipment acquisitions	highest	March 2019
2 Apply for financing	high	March 2019
3 Secure financing offers and choose	high	April 2019
4 Purchase equipment	high	April 2019
5 Sell old equipment	medium	April/May 2019
6 Hire one new equipment operator	high	May 2019
7 Place new equipment in operation	high	May 2019
8		
9		
10		
11		
12		

Compiling and Printing Your Plan

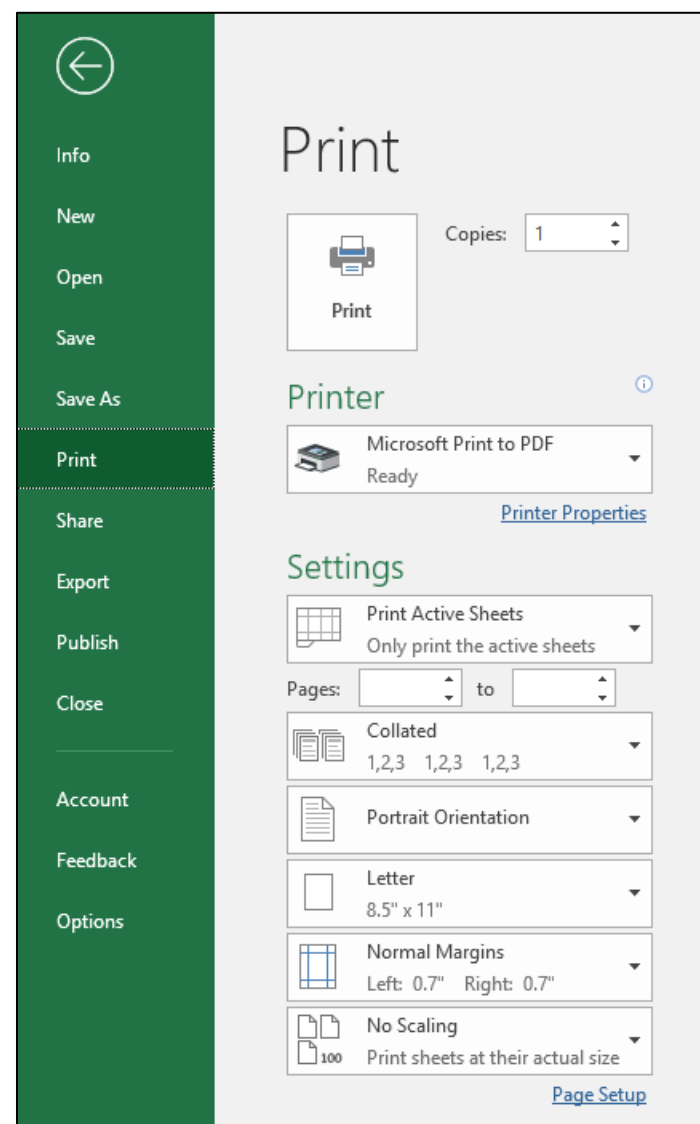
Once all thirteen sections of the plan have been filled out, the plan can be printed or saved as a PDF document.

Go to the *Printable Plan* worksheet in the business plan template (it is to the right of Tab 13). You will notice that this worksheet is in a simple print-friendly format. There is no need to enter any new information here.

To print the plan, go to the File menu and select "Print". A print window will appear. Make sure the printer setting is on the printer you want to use, then click the "Print" button in the upper left.

Saving the plan as a PDF document is a convenient format for sharing it with others. The process is very similar to printing it. Go to the File menu and select "Print". A print window will appear. In the printer setting, choose "Adobe PDF" or "Microsoft Print to PDF", then click the "Print" button in the upper left. You will be prompted to input a file name and location where the PDF will be placed. It is helpful to include a date or version number in the PDF document name, in case you update the plan later.

Read through your printed plan or PDF file and go back to make any necessary corrections in the template (this will require you to re-print to get an updated version). Once you are satisfied with the plan you have written, you are ready to share it with potential lenders, family members and financial advisors.



About the Authors

Steven Bick is a forestry consultant and principal in Northeast Forests, LLC. With over thirty years of experience in forestry, his work is a combination of applied research, continuing education and stewardship of forest resources. His research and education collaborations have included state and federal agencies, universities and private non-profit organizations throughout the northeastern United States and he has taught over two hundred continuing education workshops for loggers. Bick is the author or co-author of many publications and resources for loggers, including *Continuous Improvement in Logging*. He has a PhD in Forest Management and Economics from Virginia Polytechnic Institute and State University and a BS and MS from SUNY College of Environmental Science and Forestry. A member of the Association of Consulting Foresters, Steve is also an SAF certified forester.

Chris Lindgren works for the University of Vermont Extension where he manages Forest Business, a business management and planning program. This work includes; business coaching, business skills workshops, and development and distribution of educational resources. Lindgren also engages in applied research on business management practices and finances in the maple sugaring industry. Lindgren worked in small business as an operations and finance manager for 25 years, many of those years in the forest products industry. Lindgren's work combines industry experience with research, providing targeted outreach and continuing education to bolster rural economies. Lindgren has an MBA from Marlboro Graduate School and a BA from Marlboro College in Marlboro Vermont.

