

# Water Quality Business Analysis – Best Practices for Project Planning

## *A guide for business owners and professional advisers*

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The UVM Extension Agricultural Business team provides individualized business planning technical assistance to farms in high-priority watershed regions. The reduction of non-point source pollution requires the input of a variety of stakeholders. Individual owners, legal, environmental, engineering, financial and mental health entities must all be managed appropriately to meet the needs of the farm as it stays in compliance with the Required Agricultural Practices (RAPs), while improving crop and soil health and ultimately enhancing economic viability. These are our recommendations, put together after 18 months of participating in the Water Quality Partnership Program.

- **In-Person Meeting on the Farm** – The first meeting is crucial so that a collaborative relationship is created and the farm business is assessed. It is recommended that a phone call is made to present your intentions and request the attendance of all decision-makers on the farm. While conducting all interactions with farmers, it is important to remember that these farmers are intending to be proactive. Empathy throughout the entire process is a valuable tool.
- **Preliminary Assessment of Farm Water Quality Needs** – Most farms will be aware of the needs that they have. It is important to assess all potential agronomic practices, grazing practices, infrastructure and financial factors that are involved in the water quality needs.
- **Preliminary Assessment of Farm Business Viability** – An extensive assessment of the farm's ability to meet its economic needs is crucial to understanding the feasibility of undertaking a water quality improvement project. A few things to consider are:
  - ◇ Who are the current owners and operators on the farm?
  - ◇ Is the farm in financial distress or in danger of foreclosure?
  - ◇ How long does the farm intend to stay in business?
  - ◇ Historical financial statement review.
- **Visual Inspection of the Property** – In order to fully understand the situation on the farm, a visual inspection of the property and the specific water quality-related areas must be performed.

- **Determination of Resources and Financial Requirements** – Once the farm has addressed what it could potentially do to improve its agricultural practices, all required resources for those improvements must be detailed along with the costs of performing those improvements.
- **Review of Potential Funding Sources** – Once a detailed list of the resources and costs for improvements is complete, the farm business and service provider must review the current landscape for potential funding sources. Comparing costs to funding sources will facilitate the decision making process.
- **Financial Forecasting** – Each potential improvement and the financial requirements must be assessed and agreed upon. It is important that the advisor reviews the implications to the farm's future cash flow and financial well-being.
- **Action Decision** – Once the farm has made a comparison of their water quality improvement needs, the resources available, and the financial implications to the business, a decision is made on what actions need to be taken.
- **Definition of Key Stakeholders** – Create a detailed list of all stakeholders involved and their contact information.
- **Implementation Timeline** – A timeline must be decided upon with all of the resources necessary and the stakeholder responsibilities delegated.
- **Monitoring and Evaluation** – The Farm Business service provider should establish a period to monitor and ultimately evaluate the plans that were undertaken to make water quality improvements to the farm. This will allow the opportunity to provide ongoing assistance where it may be needed.

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