

Business Planning for Agritourism Enterprises

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Who is here today?

- POLL: Describe yourself
- POLL: Do you have a business plan?
- Introduce yourself in chat
- What is something you're hoping to gain from this workshop?



Zac Smith - Ag Business Educator at University of Vermont Extension

Why Agritourism?

- Peace Corps Ecuador 2005 -2007
- Diversify Revenue Streams
- Guatemala
- Vermont



Business Planning

Why and how to develop a
business plan



What Is a Business Plan?

- A formal statement of business goals, the reasons why they are believed attainable, and the plan for reaching those goals



Raise Your Hands...

- How many of already have a business plan?
- What were some strategies you used to create your business plan?



Who Needs a Business Plan?

- Any business will benefit, but a business plan is particularly valuable for:
 - New or expanding businesses
 - Businesses making major changes
 - Creative, niche, value-added, alternative
 - **AGRITOURISM!**



Purpose of a Business Plan

Demonstrates that you have taken the time to objectively think through the details required to make the business succeed



Purpose for a Business Plan

- Effectively communicate your business
 - Externally to lenders, investors, partners
 - Internally to family members & employees





Purpose of a Business Plan

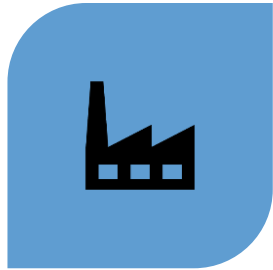
- Most importantly, will help you improve the management of your business
 - It is the blueprint for operating your business
 - Serves as your operational guide



Lessons Learned

- **Business planning:**
 - Is very time consuming
 - Can be very expensive
 - Is best done by the owner/management
- **Your business plan should be a living document**
 - Revisited and revised at least annually

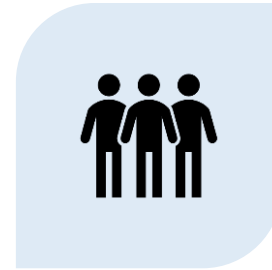
Major Functions of Management



Production



Marketing



Personnel



Financial



Sections of a Business Plan

- Executive summary
- Business description
- Operations plan
- Marketing plan
- Management & Organization plan
- Financial plan





How to Develop a Business Plan

- Most people use business planning software
 - Provides
 - Outlines
 - Suggestions on content
 - Sample plans



Plan Types



Commodity



Value-Added



Agritourism



Organic
Transition



Small
Business



Personal
Plan



Short-term
Operator Plan





Agritourism



Curtis Mahnken

- Extension Economist
- Center for Farm Financial Management



A photograph of a person riding a brown horse in a field. The rider is wearing blue jeans and brown boots. The horse is in the foreground, and several other horses are visible in the background. The text "Business Description" is overlaid in white on the image.

Business Description





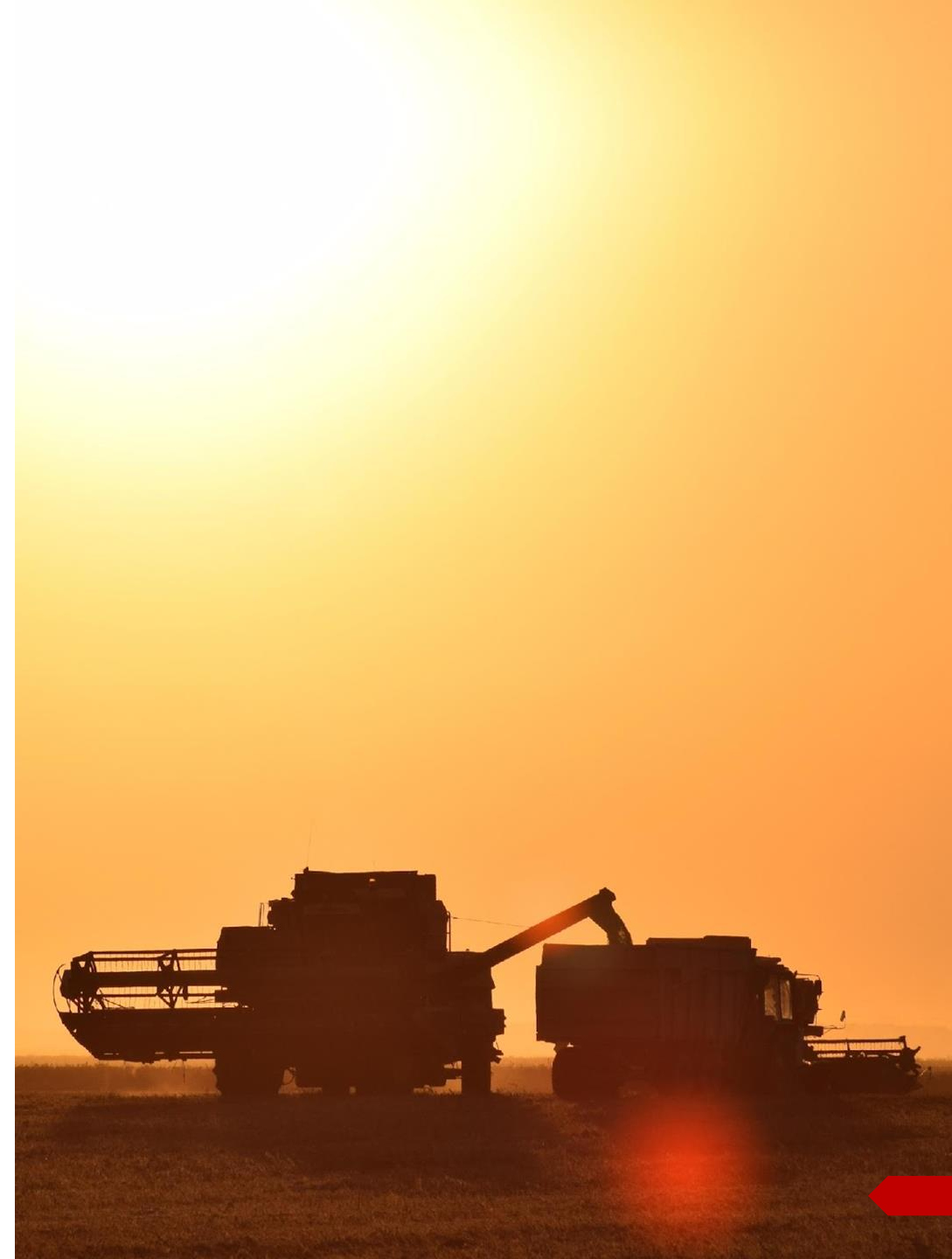
Business Description

- The business description is the easiest to write
- It is a great place to start



Business Description

- AgPlan business description sections:
 - Business overview
 - Location
 - Facilities
 - Business history
 - Ownership structure



Business Overview

- Gives people a general understanding of your business
- Answers:
 - What crops/livestock do you raise?
 - What do you produce and what services do you provide?
 - What is your primary market?
 - What size is your business?
 - What does the future hold for your business and industry as a whole?





Ownership Structure

- Describe the ownership and legal structure of the business
- Why did you choose this structure?
- Proportion of ownership
- Elaborate on multiple business entities
- Detail if land and properties are part of a trust

Business Overview Example - Moore Milk Dairy

- Moore Milk Dairy is a 70-cow dairy farm with 565 acres of cropland operated by Don and Mae Moore. We own 340 acres of land and have a long-term lease with option to buy 162 acres from Don's father. We also have a 3-year lease on 63 acres of alfalfa ground within one mile of the farmstead.
- We currently own 70 cows and 63 youngstock and replacement cattle. Cows are milked twice a day in a tie-stall barn with current production of 23,000 pounds per cow.
- Crops raised include feed corn, corn silage, and alfalfa hay. All crops raised are used as feed for the livestock operation.
- In addition to the dairy, we own a small beef cow-calf herd.



Business Overview Example – Lakeshore Orchard

- Lakeshore Orchard is a seasonal agritourism business offering u-pick apples and pumpkins, hay rides and corn maze walks, as well as retailing fall perennials, decorative items, and baked goods during the autumn season.



Location Example - Moore Milk Dairy

- Moore Milk Dairy is located in Pioneer County, approximately 70 miles northwest of the Twin Cities. The farm is located in a very progressive agricultural county that has consistently supported dairy farming and dairy expansion. Soils are silt loams and clay loams with a scattering of peat mixed in lower areas.



Location Example – Lakeshore Orchard

- Lakeshore Orchard is located halfway up the east side of Seneca Lake in the heart of New York's Finger Lakes. Hector, New York, has been a farming community for over 200 years and has a rich history in orchards, vineyards, and livestock production. Business correspondence should be addressed to the following:

Lakeshore Orchard

6 Shady Hill Lane

Hector, New York 14841



Facilities Example – Moore Milk Dairy

- Current facilities include a 70-cow tie-stall barn and a 20 x 60 foot loafing shed for dry cows and youngstock.



Facilities Example – Lakeshore Orchard

- Real estate: The orchard, pumpkin patch, corn maze, and retail store sit on a total of 40 acres of land adjacent to Steve and Kelly Miller's private residence. The apple orchard is approximately 20 acres, the corn maze and hay rides take up roughly 10 acres, and the pumpkin patch and retail store are both 5 acres each. Steve and Kelly own all 40 acres.
- Retail shop: The retail shop is a newly completed one-story wooden structure. The structure is approximately 4500 square feet, with 3000 square feet dedicated to the retail store. The remainder of the building is reserved for storage and preparation. A one-half acre graded gravel parking lot provides access to the store.
- Production equipment: Orchard tractors and wagons are in good repair. The best tractors and wagons are reserved for the hay rides--as it is always best to put on your best show for the public. The remaining field crop equipment is old but well maintained.
- Greenhouse: It is hoped that within the next year, Lakeshore Orchard will construct a new 10,000 square foot greenhouse. This will allow Lakeshore to produce its own Chrysanthemums and fall perennials as well as extending its product line into spring bedding plants.



Business History Example - Moore Milk Dairy

- Don is 47 years old and Mae is 45. We are life-long residents of Pioneer County and have lived on the current farm since April of 1996. We own 340 acres as joint tenants and rent another 162 acres from Don's father, Lawrence Moore, for a total of 502 crop acres, plus 63 acres of alfalfa. Don manages the farm full-time. Mae has worked in town as a receptionist at the local clinic since 2020 to help meet family living expenses.
- We have been involved with dairy since we came to the farm in 1996. Starting with 28 Holsteins, we have gradually increased the herd to the current 70-cow operation. Our sons, Dave and Mark, have worked part-time on the farm since graduating from high school. Dave is 25 and Mark is 23.
- Dave and Mark both have strong interest in taking more responsibility with the dairy. With the addition of Dave and Mark to the farm business, we feel we need to expand the operation to provide enough income to support all three families. This plan will provide income and full-time employment for all members of the family and bring Mae back to the farm.



Business History Example – Lakeshore Orchard

- A lot of effort has been expended to make Lakeshore Orchard the business it is today. The business idea began when Kelly Miller inherited the private residence and property, including the non-working orchard, from her Great Aunt.
- Steve and Kelly began restoring the apple orchard in May of 2008. The apple orchard needed to be renovated and planted into newer, more appealing varieties of apples. It took approximately six years and \$50,000 to bring the orchard back into full production. The first U-pick customers started arriving in September of 2014. In addition to picking their own produce, customers could enjoy a hayride or a walk through a corn maze.
- It was soon obvious that the fastest growing profit center in the produce business was the add-on retail items. Items such as pie plates and mixes, apple corers and peelers, and Halloween items were big sellers with large margins. Construction of the retail shop was completed before the 2016 autumn season, costing approximately \$230,000. The new retail space not only houses the traditional fall items, but has been expanded to include retail gifts for the holidays such as candles, stuffed animals, preserved foods, and candies. After three years of sales in the new retail store, we realize that this was one of the best moves we could have made to contribute to our business growth.
- Looking toward the future, we plan on building a new greenhouse in 2024 to produce most of our fall perennials and chrysanthemums. This space could also be used to grow other products that are typically purchased for resale.

Ownership Structure Example – Moore Milk Dairy

- Moore Milk Dairy is a sole proprietorship with Don and Mae Moore as owners. With the construction of dairy facilities proposed in this plan, Dave and Mark will become full legal partners. A partnership agreement will be drawn in consultation with the legal representation of Dewey, Cheetem and Howe Associates in Bruno, Minnesota.



Ownership Structure Example – Lakeshore Orchard

- Lakeshore Orchard is owned and operated by Steve and Kelly Miller. The business is structured as a Limited Liability Company (LLC) with Kelly and Steve being 50% member/owners.
- The Limited Liability Company only holds the assets needed for the business operations (machinery, equipment, and inventory). All the real estate and buildings are owned personally by Steve and Kelly and rented to the LLC. This limits the amount of assets exposed to liabilities arising from business activities.





Time to put pen to paper!



On A Sheet of Paper...

- Answer the following questions
 1. What do you produce? What services do you provide?
 2. What / Who is your primary market?
 3. Do you have employees? How many?
 4. What makes your business competitive?
 5. What does the future hold for your business?





How did it go?



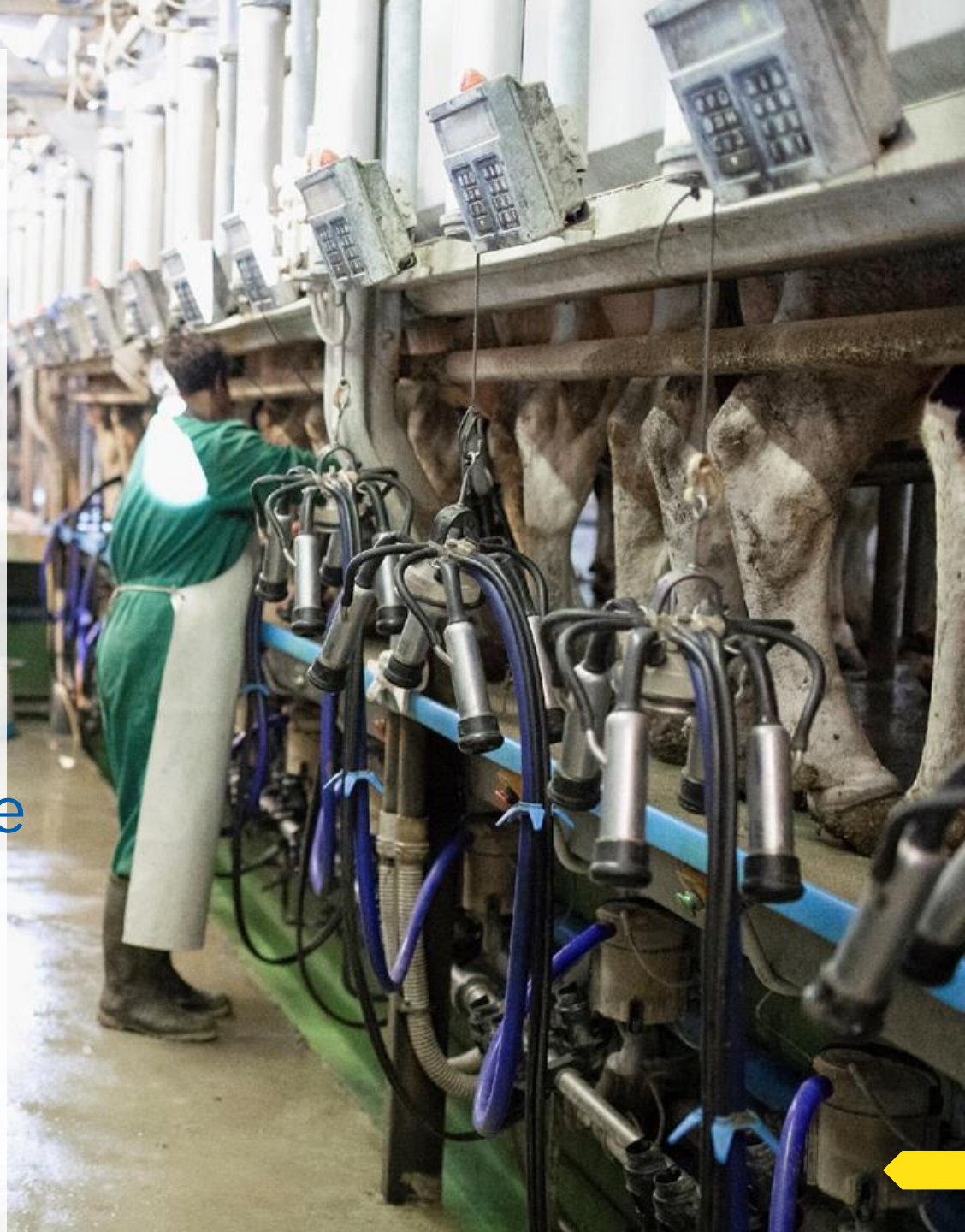
Location



- Where are you located?
- Do you have multiple farms/locations?
- Indicate:
 - Parcels, acres, and landlords (if rented land)
 - Special situations, such as tribal trust land
- Include a map
- Describe advantages of location

Facilities

- Describe your facilities and equipment:
 - Size
 - Type
 - Quality
 - Condition
- Do you have operations that require significant facilities, like:
 - Livestock
 - Grain storage
 - Processing
 - Fruit/vegetable handling



Business History

- How did your business start?
- How long have you owned or managed your business?
- Describe how the business has changed in:
 - Size
 - Sales
 - Profitability
- Major highlights and biggest challenges of the past five years





Now that you have a rough draft. Let's
get started on AgPlan
<https://agplan.umn.edu/>





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Homework:

- . Complete AgPlan “Business Description”
- . Remember Next Tuesday: “Operations”



Support for AgPlan Business Planning

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