



# NEW FARM START-UP

**A Guide to Starting and Growing  
A Small or Medium Sized Farm Business  
in British Columbia**



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*Growing Forward, a federal-provincial-territorial initiative*

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# INTRODUCTION

Welcome to the farm community and congratulations on choosing farming for your new business enterprise. Agriculture provides many opportunities to start and grow a farming enterprise that meets your needs and interest. Many of the medium and large scale farming operations, supporting several families today, started small and grew over time as skills developed, markets were refined and demand for their product increased. And farming is a good small business. Farms tend to stay in business longer than other small businesses and farms tend to be transferred to the next generation more frequently than other small businesses.

Agriculture has been referred to as the most essential job in the world<sup>1</sup>:

***In order to succeed in farming you have to know when to sow, how to grow, when to harvest and how to sell. And, you have to do it while keeping one eye on an unpredictable mother nature and the other on capricious and unforgiving markets. It isn't easy. Growing food is not only the basis of human survival and therefore the most essential job in the world, but it is one of the most complex.***

To provide the best opportunity for success in your farm business, it is important to identify the type of farm enterprise that best fits your passion, your interest, your family situation and the resources you have available. This guide is designed to help you ask the appropriate questions, in an orderly way, that will help you develop a farm business enterprise with the highest potential for success.

The guide begins by exploring the passion, interest, skills and resources you bring to your farm enterprise. You may be keen to jump right to the section on 'developing a farm enterprise plan' but are encouraged to take the time to first assess your passions related to farming and what assets you bring to the farm business.

Farming provides many ancillary benefits but as one farmer noted:

Farming as a business is a wonderful lifestyle, farming as a lifestyle is a horrible business.

The ancillary benefits come from a successful farm business. Business structure, planning and analysis are important parts of your farm business enterprise. The business questions have been placed up front in the guide because they should be considered early in your farm development process.

You will note that the section on 'what can you sell?' comes before 'what can you produce?' Producing a product, before identifying a market, usually results in you selling your product at the 'commodity' (lowest) price. As a small or medium sized start up farm, it is unlikely you can produce as efficiently as existing large scale farms. One of the critical factors for success will be identifying and developing your specific market before and during production.

There is a lot of information on the internet related to farm business planning. Internet references are imbedded in the document and summarized in the appendix. This guide supplements the general business planning guides by adding the B.C. perspective as well as hints and insights into how to best develop your farm enterprise plan. The more you are involved in developing and personalizing the information that goes into the plan, the better prepared you will be to start your farm enterprise.

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<sup>1</sup> From *A Century of Achievement*, A History of the Ministry of Agriculture, Fisheries and Food. 1996

Internet references within the body of the guide, and summarized in the appendix, focus on sites supported by government agencies or universities. It is very important to consider the applicability of this information to the specific growing conditions on your farm and if you go beyond these sources, it is important to always consider the credibility of the source of the information

The guide ends with a framework for building your farm enterprise plan. This plan will provide a benchmark with which you can measure the progress of your farm enterprise, and will also provide the base information you will need if you are seeking financing outside your farm team.

A 50 page guide is a lot to cover in one reading, however, the information is presented in the order that you should consider in developing your farm enterprise. The guide also acts as a resource to help frame your plans for future growth. When thinking about your farm business, you are encouraged to continue to ask questions in the same order— what can I sell, what can I produce and will it make my farm enterprise more successful?

Good luck and again welcome to the farming community.

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*The Enterprise plan is also the base by which you can regularly measure the performance of your farm business. The enterprise plan has the key benchmarks for measuring success.*



# WHAT DO I BRING TO THE FARM BUSINESS?

At the end of Section 1 you should be able to answer the following questions:

- What type of farming am I passionate about?
- What skills and resources do I bring to the farm?
- What skills and resources will I need to access off-farm?

Operating a business requires many different skills. Most people are better at some skills than others. For example some people may be very mechanically inclined, others may be very good with numbers while others may like working with people and gravitate to the sales and marketing end of the business.

No matter how great your product or how good your location, it is unlikely you will optimize your success if you do not utilize the skills and abilities of your farm team and match their skills with the work required. If there are jobs that need to be done that don't match the skill sets on the farm team, consider hiring that skill set or partnering with someone that has the skill set.

This section helps you evaluate what skills and resources you bring to the farm enterprise. It poses the following questions, how much time can you dedicate to the farm operations and what are your personal interests – what work do you prefer to do?

## 1.1 PERSONAL INTERESTS

It is important to reflect on what you want to get out of the farm. What do you like to do and where do you see the farm operation in 5 years or 10 years? What proportion of your income do you expect from the farm business? How much time do you have to commit to the farm operation? Some people prefer raising livestock, others prefer growing crops. Livestock tends to require less work per day but over a longer period. Growing crops requires shorter periods of intensive work. Are there other social goals you wish to achieve in conjunction with your farm enterprise?

## 1.2 TASKS ASSOCIATED WITH FARMING

Farming is a very diverse business requiring many different skills. The following captures some of the broad categories of skills that may be needed in your farm business:

Raising crops  
Marketing  
Equipment repair  
Accounting  
Building management  
Working with Government Agencies

Raising Livestock  
Obtaining finance  
Building repair  
Managing Labour  
Communications  
Business Performance and Review



## 1.3 ASSESSING SKILLS AND KNOWLEDGE

The New England Small Farm Initiative (NESFI) has an extensive farming and business skills assessment worksheet. If you wish to do a more detailed analysis go to:

[www.smallfarm.org/main/for\\_service\\_providers/tools\\_and\\_resources\\_for\\_working\\_with\\_new\\_farmers/nesfi\\_tools\\_and\\_resources/dacum\\_occupational\\_profile/](http://www.smallfarm.org/main/for_service_providers/tools_and_resources_for_working_with_new_farmers/nesfi_tools_and_resources/dacum_occupational_profile/)

At a minimum, you are strongly encouraged to list the types of jobs and skills that will be needed in your farm operation and include who will be responsible for them. You should keep this in mind while doing the farm enterprise plan so you can build your list of skills needed as you plan your farm operation. When the list of jobs is complete you may wish to sit down with your farm team and discuss with them how to best allocate the jobs and which ones may need outside expertise.

Job/Skill	Lead Person	Outside Help
Farm business planning Equipment repair Crop production Marketing Accounting & Analysis	Baljeet Jane	ABC Accounting

## 1.4 FIVE TRAITS OF SUCCESSFUL FARMERS

Several traits have emerged that are evident in most of the successful farm startups. The following, very unscientific list, is offered for your interest and consideration:

### 1.4.1 PASSION

Farming can be a very rewarding business. But it is not easy. A passion for the product one produces helps carry you through the tough times and enables you to celebrate the good times. Produce a product that you love. If you do it only for the money you will likely be less successful. If you do it for love you will be successful where others have failed.

### 1.4.2 MARKETING

If you build a better mouse trap and wait for people to beat a path to your door you may be successful or you may be very lonely. Small and medium sized farms, by the nature of their business, must sell a differentiated product. So you will need a strong, focused (and continually re-focused) marketing effort. Technology has made connecting with people - and thus marketing – much easier for small businesses.

### 1.4.3 INGENUITY, CREATIVITY AND ADAPTABILITY

Farming is not a franchise. There is no rule book. Successful farmers have used their ingenuity to adapt their farm operations to market needs and adopted new technologies and systems to produce their product more efficiently.

### 1.4.4 PERSEVERANCE

Mother nature will throw you a curve ball!! Things will happen that the best planning cannot avoid. Successful farmers are able to accept this and persevere.

### 1.4.5 CONTINUING EDUCATION AND NETWORKING

Successful farmers seek out new production methods, new marketing approaches and new technologies. Your fellow farmers face many of the challenges you are facing. They often come up with creative solutions. Talk to them – they are a valuable resource.

For more information on the Best Management Practices of Leading Farmers go to:

<http://www.farmcentre.com/Resources/Detail.aspx?id=331d539f-fbfa-49a2-85ed-5d559db0f701>

## 1.5 CAPITAL RESOURCES – LAND, EQUIPMENT, FINANCIAL RESOURCES

The previous section explored the human resources you and your farm team bring to the farm operation. This section looks at the financial and physical resources you have available to you for your farm start-up.



### 1.5.1 ACCESS TO LAND

An essential element to a farming operation is access to farmland. There are a variety of ways to access land and they do not all require a large investment.

If you already own a home, the incremental costs of buying a similar home in the farming area may not be that much. The incremental cost of farmland over the value of the residential component, on a specific property, tends to reflect the agriculture value of that land.

If you do not own a home or farmland then there are a variety of ways to access farmland through leases, crop shares and other arrangements. The challenge is that there is no simple way of finding these arrangements. They often evolve through working in the farming area or other relationships built up in the area.

#### 1.5.1.1 Already Own or Are Planning to Purchase

If you already own a piece of land then there may be some existing limitations on what type of farming operation will be suited to your land. In general field crops need relatively level, well drained land. Hilly or less well drained land is better suited to livestock production or non-soil based crop production<sup>2</sup>. In some cases land can be leveled to better accommodate field crops but will add to your start-up costs.

Soil conditions may favour one crop over another. Soil conditions can be improved by additions of organic matter (often manure) or non-organic material, however, this can be very expensive.

If you are planning to purchase farmland, then work through the section on ‘what can I sell’ before selecting a farmland parcel that best suits producing that product. If you are purchasing you should do a soil test prior to purchase to ensure the land is suitable for the crop you plan to grow.

In some areas, when looking for farmland, one must consider whether to purchase land within the ALR<sup>3</sup> or land outside the ALR. Land outside the ALR does not have the limitations imposed by the ALC Act, however, land inside the ALR provides farmers with more protection of normal farm practices under the *Farm Practices Protection (Right to Farm) Act* <http://www.alc.gov.bc.ca/alr/fppa.htm>

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<sup>2</sup> Non-soil based crops include potted nursery, greenhouses.

<sup>3</sup> In B.C. the Agriculture Land Reserve is an area where farming is the primary land use and other uses are limited.

### 1.5.1.2 Accessing Farmland Through Leases and Other Arrangement

#### *Leases of Private Farm Land – Short Term*

Approximately 40% of farmland in B.C. is leased. Some of this land is used primarily as rural residential by the owner and the balance of the farmland is leased to neighbouring farms for annual cropping or forage production.

This is an excellent way for farmers to expand production and for start-up farmers to get access to land if they can find a workable situation.

While leases over 3 years can be registered on title<sup>4</sup>, few private landowners are willing to have leases registered as it limits their flexibility. Some farmers entering longer leases, that are not registered on the property, are including comprehensive ‘exit clauses’<sup>5</sup> so they can recover their investment and lost earnings if the landowner decides to suddenly terminate the lease. This may happen if the owner sells the property.

If you enter into a lease for farmland – which most likely will not be registered on title – make certain you give careful consideration to the exit clause.

#### *Lease of Public Farm Lands or Land Trusts*

Many local governments in the farming areas own farmland that they are holding<sup>6</sup>. They often will lease the land on a short term lease. Land trusts also hold land for specific uses. Land trusts will entertain leases and may also be willing to register a long term lease.

For a more detailed discussion of farmland leases go to:

[ffcf.bc.ca/programs/farm/CFPdocs/Farmland%20Access%20Ag%20Guide%202009.pdf](http://ffcf.bc.ca/programs/farm/CFPdocs/Farmland%20Access%20Ag%20Guide%202009.pdf)

#### *Farm Mentor / Transfer Arrangements*

There is a growing interest in the broad agriculture community with connecting older farmers, with no heirs that wish to take over the farm, with new young farmers trying to build equity in a farm. New England Small Farm Initiative has funded several programs that try and connect retiring farmers with new young farmer. They have had some success.

[www.smallfarm.org/main/for\\_on\\_farm\\_mentors/](http://www.smallfarm.org/main/for_on_farm_mentors/)



<sup>4</sup> When a lease is registered on title it stays with the land. If the property is sold the new owner must honour the lease.

<sup>5</sup> Exit clauses define what happens when a lease is terminated by either the landlord or the tenant. They include the length of notice and any compensation required.

<sup>6</sup> To find out if there is publically owned farmland contact your local government office and ask for the person responsible for managing the land owned by the local government.



## 1.5.2 ACCESS TO FARM EQUIPMENT

Driving a shiny new tractor may feel good but it may not be the best business decision for your farm.

Farming is an asset intensive business. After obtaining access to land you must also access farm equipment to work the land. This is especially challenging for smaller start-up farms because the equipment cost must be justified over a smaller revenue base.



The first step in considering farm equipment is to reflect on your mechanical skills or the mechanical skills of someone on your farm team. Also consider whether the local equipment can be easily repaired by your local equipment repair shop<sup>7</sup>. This will help determine the best approach for your situation.

Considerations in obtaining farm equipment or farm equipment services include:

### 1.5.2.1 Buying Used Equipment<sup>8</sup>

Used equipment costs less but also may need more frequent maintenance and repair. If you or someone on your farm team enjoys working on farm machinery this may be a good option. Unfortunately in some areas, where there has been strong growth in small and medium sized farms, the demand for used equipment is high and the supply low. This has driven the price of some used equipment above its value relative to new equipment. The other challenge with used equipment is finding a used piece of equipment that fits your specific farm needs.

### 1.5.2.2 Buying New Equipment

As your farm grows and develops, the time will come when it is appropriate to buy equipment new. That time may come sooner if your farm team does not have an individual that is good at equipment maintenance and repair or you find you have a specific need for which there is no used equipment available. With growth, it is important for your compliment of farm equipment to grow to meet the higher demands both in time of use and specific capabilities.

### 1.5.2.3 Leasing

Depending on your financial situation and the availability of other options you may consider leasing equipment. Leasing will generally cost more in the long term than outright purchase but in certain circumstances it is an attractive option.

For more on leasing go to: [www.omafra.gov.on.ca/english/busdev/facts/09-035.htm](http://www.omafra.gov.on.ca/english/busdev/facts/09-035.htm)

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<sup>7</sup> Some older tractors may be out of production and replacement parts very difficult to obtain.

<sup>8</sup> You can find used equipment through internet sales sites (i.e. craigslist), at local equipment auctions and through industry publications.

#### 1.5.2.4 Borrowing / Bartering for Equipment

If there are times when cash flow cannot support a new piece of equipment, or more commonly when you only need the equipment for a few short periods during the year, it may be more cost effective to borrow equipment from the neighbor. Or, better yet, barter services for some of your products. Some examples of this are:

- If you only plough your land once a year, and your neighbor has a nice tractor and plough, consider approaching them to plough your field when they do their field. This is both cost effective relative to the plough but may also enable you to buy a smaller more agile tractor for your other farm work.
- If you only use a front end loader twice a year to move your manure pile, consider asking your neighbor with the fancy new front end loader to do it for you.

#### 1.5.2.5 Contract Farm / Tractor Work

In most areas there are farmers (or farmers children that like farm equipment more than farming) that will do farm work on a fee for service basis. It is important to remember in this situation that your neighbor's farm work will come first. So if the work you wish to contract out is time or weather dependent, you may not get the work done in a timely manner.

### 1.5.3 FINANCIAL RESOURCES

The financial resources needed depend on the size of the farm operation you wish to start and the type of agriculture production you choose. The three broad sources of financing are:

- Personal/family cash or equity
- Loans/lines of credit from financial institutions
- Operating credit from suppliers

For small farm start-ups some people can fund the operation out of personal savings, personal lines of credit and cash flow. For larger operations, and those requiring more buildings and machinery, a loan may be needed to supplement your personal financial resources available.

Many suppliers will give short term credit over the growing period. Co-operatives often provide supplies to members and offset the costs against revenues from the crop. When these opportunities arise they can reduce farm cash flow needs.

Section 5 on **Developing a Farm Enterprise Plan** will help you determine how much working capital you will require for your farm enterprise.

By the end of Section 2 you should be able to answer the following questions:

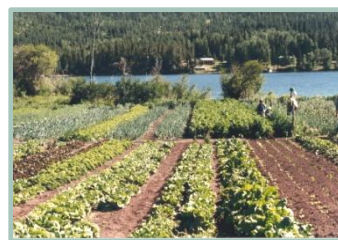
- What are several products I am best positioned to sell?
- What marketing channel best suits my product and my skill set?
- In what way do I have a competitive advantage over similar products?

## 2.1 GENERAL APPROACHES TO SELLING FARM PRODUCTS – MARKETING CHANNELS

### 2.1.1 FORMAL MARKETING SCHEMES

The *B.C. Natural Products Marketing Act* provides the legislative authority for a variety of commodities to set up marketing arrangements. It details a range of rights and responsibilities on the marketing of specific agriculture commodities. Formalized marketing schemes may involve the whole province (e.g. dairy or eggs) or just specific regions (tree fruits). Some commodities that are currently under marketing schemes include:

LIVESTOCK	
Dairy	<a href="http://bcmilkmarketing.worldsecuresystems.com">http://bcmilkmarketing.worldsecuresystems.com</a>
Broilers (chicken)	<a href="http://www.bcchicken.ca">www.bcchicken.ca</a>
Eggs	<a href="http://www.bcegg.com">www.bcegg.com</a>
Turkeys	<a href="http://www.bcturkey.com">www.bcturkey.com</a>
Broiler hatching eggs	<a href="http://www.bcbhec.com">www.bcbhec.com</a>
FRUITS and VEGETABLES ( check by region )	
Vegetables (field)	<a href="http://www.bcveg.com">www.bcveg.com</a>
Cranberries	<a href="http://www.bccranberries.com">www.bccranberries.com</a>



Marketing Schemes under the *Natural Products Marketing Act* can take various forms based on the level of control over price and supply.

#### 2.1.1.1 Supply Managed Commodities

Marketing boards control the production and marketing of certain products (dairy, eggs, turkeys, broilers and broiler hatching eggs). They issue rights to ship (quota) and establish/negotiate the price the processor pays the grower for the raw product. Processors then sell unregulated into the wholesale and retail markets. The ability to purchase quota and the issuance of new quota varies from commodity to commodity.

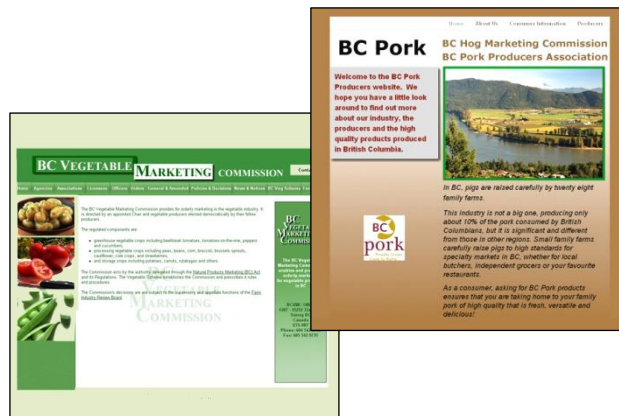
Supply-managed commodities are characterized by higher-than-average capital cost to enter, lower risk and lower-than-average return on assets. Marketing outside of the board is prohibited, however some poultry marketing boards have set maximum flock sizes that can operate legally outside the marketing scheme by purchasing a permit.

All of the supply managed commodities have established ‘new entrant’ programs or mechanisms for small producers to operate within the regulated marketing system but be able to market directly to retailers or consumers. The requirements change over time so if you are interested in producing a product that is under a supply managed marketing scheme check with them to find out the current requirements.

### 2.1.1.2 Central Selling Desks

Central selling desk style marketing schemes require producers to sell their product through a central marketing agency. There are no controls on supply so if you wish to produce one of these products you just need to register with the agency involved. Examples include:

Hog Commission [www.bcpork.ca](http://www.bcpork.ca)  
 B.C. Vegetable Marketing Commission [www.bcveg.com](http://www.bcveg.com)



## 2.1.2 CONTRACTUAL ARRANGEMENT WITH MARKETING AGENCIES, CO-OPERATIVES OR ON-FARM PRODUCER / PROCESSORS

### HELPFUL HINT

**When dealing with a marketing cooperative, always check on their reputation and financial stability before committing to ship your product to them.**

With some commodities, producers have recognized the value of pooling their product and selling as a larger group. These associations or co-ops operate under a variety of structures with the general purpose of getting the best price for the producers. They have no authority under the *Natural Products Marketing Act*.

Examples include:

United Flower Growers [www.ufgca.com](http://www.ufgca.com)  
 Abbotsford Growers Co-op [www.abbotsfordgrowers.com](http://www.abbotsfordgrowers.com) (raspberries/strawberries)  
 B.C. Tree Fruits [www.bctree.com](http://www.bctree.com)

## 2.1.3 AUCTIONS – PARTICULARLY LIVESTOCK

Auctions remain the main way of selling commodity livestock that is not under a marketing scheme - i.e. beef, sheep, etc. Auctions provide the producer with the prevailing ‘commodity’ price. Many small scale beef and sheep producers arrange for slaughter and butchering and sell direct to the consumer.

The United Flower Growers Co-op in Vancouver uses a dutch style<sup>9</sup> reverse auction for selling cut and perennial flowering plants.

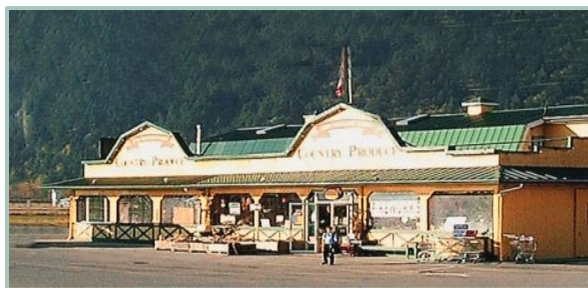
<sup>9</sup> A dutch style auction starts at a high price and declines until an individual bids.

## 2.1.4 DIRECT MARKETING

Farm direct marketing has become popular with small and medium sized farms, primarily because it enables the farm to capture the full value of the competitive advantage they have in their product.

The approaches to direct marketing are varied. The best method for you is the one that fits your unique farm enterprise.

Approaches to direct farm marketing can be broadly grouped as direct to retailers (wholesale) or direct to consumers (retail).



### 2.1.4.1 Direct to Retailers (Wholesale)

#### *Small Meat Markets*

Many local butcher/meat markets have survived the trend to food superstores. Local meat markets often prefer to feature local farmers and generally focus on premium meat products.

#### *Local Farm Market Stores*

It is challenging for small to medium size farms to meet the needs of large retailers<sup>10</sup>. Large retailers are looking for a scale and consistency of supply that small and medium sized farms have difficulty providing. There has been growth in medium sized 'farm markets' that focus on selling local produce when available. These stores, which can be on-farm markets that have grown or smaller markets in the urban area, usually welcome produce from local farms.

#### *Restaurants*

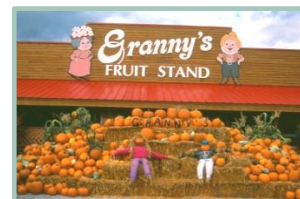
An increasing number of restaurants in the province are seeking locally grown products. It is important to be very clear on the type, size, quantity and timing of products the restaurant needs before committing to supply.

### 2.1.4.2 Direct to Consumers (Retail)

#### *Road Side Stand or On-Farm Store*

Many of us remember buying produce at a road stand. It could have been corn in Chilliwack or apples in the Okanagan. This approach has been successful for as long as farmers have farmed near urban centers. The one key element for this approach is location. The potential sales, at least in the early years before your reputation grows, depends largely on the volume of traffic by your stand, the speed limit on your road and the population within a reasonable driving distance.

Different municipalities may have different rules regarding signage and roadside stands, so it is important to check with your municipal office before designing your roadside stand.



<sup>10</sup> Some retailers have made an effort to include local farm produce.



## Farmer's Markets



Farmer's markets are experiencing a revival across North America. This enables farmers to congregate in a place that is convenient for shoppers. While farmer's markets are very successful for some farms, they do not fit all farm products or farmer's needs. And they do require a significant commitment of time from the farmer - on specific days over a period of time. For more info on farmer's markets go to: [www.bcfarmersmarket.org](http://www.bcfarmersmarket.org)



## Community Supported Agriculture (CSA's)<sup>11</sup>

A CSA is a pre-arranged agreement between a farmer and a specific number of people to purchase a box/bag of produce from the farm on a set schedule. The customer essentially pre-purchases a 'share' of the harvest. For some CSAs the farm delivers the box to the customer, for others the customers come to the farm to pick up their box. Sometimes work shares are available through which people can work on the farm in exchange for their product. CSAs can be designed to fit your needs and your farm enterprise. A big difference between CSAs and other direct marketing methods is that the customers pay for a season of produce at the beginning of the season. While this provides guaranteed cash-flow it also puts pressure on you as a farm enterprise to deliver the farm products in a timely manner. For more information on CSAs go to: <http://csafarms.ca/CSA%20farmer%20resources.htm>

## Farm Direct Sales – Without Roadside Stand

There are a variety of approaches to farm direct sales beyond the road side stand. The approach must meet the characteristics of your product and your personal needs. Some approaches include:



- U-pick
- Requirements to pre-order and then pick-up on specific days.
- Requiring pre arranged times for sales (by appointment)
- Limited opening hours (i.e. Saturday only)
- Mail-order

### HELPFUL HINT

If you are not located on or near a major road consider using direction signs, specific pick-up days or limited opening hours when direct marketing

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<sup>11</sup> An additional part of the CSA is the philosophy that the customer recognizes that in buying a share in the harvest they are taking on some of the risk of the farm – in a sense reducing the risk of the farmer.

## 2.1.5 UTILIZING WEB-BASED TOOLS

Web-based tools are critical to the success of farmers today. No matter what type of marketing you engage in, it is important for your business to have a presence online. This could be through a formal website or just a blog that helps customers stay up-to-date with activities on the farm. The cost of utilizing web-based tools is very low and the ability to easily communicate with a large customer base provides significant benefits.

Tools you might consider using include:

- A **website** - permanent, can tell your story or just provide basic information
- A **blog** - allows you to easily share stories and pictures about activities on the farm
- A **profile on a social network** such as Facebook - allows you to share stories and pictures about activities on the farm with contacts that you make
- **You Tube** - allows you to post videos to share information about the farm
- **Twitter** - allows you to send short messages updating people about activities on the farm

## 2.1.6 ADDITIONAL REGULATIONS CONNECTED TO DIRECT MARKETING

If you are selling food products directly to the public, you may require approval from the local Health Authority. Dairy products and meat products have specific legislation that regulate their sale – the *Milk Products Act* and the *Meat Inspection Act*. With other products, the requirements are up to the discretion of the local health officer. Generally the more a food product is processed, and the more susceptible it is to spoilage, the more concerned the health officer will be. For example, if you were selling apples in a box the health officer may not be concerned. However, if you were to sell apple pies, the health officer would likely need to approve your cooking and holding facilities. Check with your local health office for more information. Go to <http://www.health.gov.bc.ca/socsec/> to find your local health office.



There are also regulations surrounding which types of foods can be sold and how certain foods must be sold at farmers markets. If you are considering marketing through a farmers market, check with your local market on any specific requirements for your product. More information on food safety best practices can be found at [www.al.gov.bc.ca/foodsafety/index.htm](http://www.al.gov.bc.ca/foodsafety/index.htm) and [www.foodsafe.ca/marketsafe](http://www.foodsafe.ca/marketsafe).

## 2.2 PRODUCT DIFFERENTIATION AND COMPETITIVE ADVANTAGE

### 2.2.1 PRODUCT DIFFERENTIATION AND COMPETITIVE ADVANTAGE

Generally, there are only two ways to compete in the market – being different or having the lowest price. Only one supplier can have the lowest price, and it is usually the one that is biggest and has the least expensive source of supply. Few farms in B.C. are in this situation.

Most small and medium sized farms in B.C. must compete by providing a product that is different in a way that the consumer values and, as a consequence, will pay a higher price. This difference (product differentiation) can be very small. The simple fact of knowing where a product is grown or knowing the farmer may be of

great value to some customers. Different varieties, different production techniques, location, ambiance, etc. can differentiate your product from others. This difference creates a competitive advantage for which you can charge a premium over the price of your closest competitor.

If you plan to direct market some or all of your product, the next section on identifying a marketing opportunity and determining if the marketing opportunity is a business opportunity will be helpful. Your land is likely capable of growing a wide variety of products; however, if you cannot sell these products at a profitable price, the farm enterprise will not be as successful.

## 2.2.2 IDENTIFYING DIRECT MARKET OPPORTUNITIES

Your competitive advantage can be large (you are the only supplier of vine ripened tomatoes in your small community), or very small, (you can deliver your vine-ripened tomatoes daily compared to your competitor that delivers every other day). By definition, a competitive advantage is something you have or can do that others don't have or can't do. This can come from your specific skill set, some specific characteristic of your farm or a specific characteristic of your community.

### HELPFUL HINT

**Identifying your competitive advantage, enhancing it and promoting it is the key to success for most small and medium sized agriculture enterprises in B.C.**

### 2.2.2.1 Skills and Resources –

#### **What skills and resources do I have that may give me a competitive advantage?**

When you walk down the main commercial street of your community, look at the different small shops. What makes them successful? Often it is the specific skills of the shop operator. The retail space is similar but the stores are all different. Why is a clothing store, a Deli or a beauty salon successful in a specific location? Usually it relates to the passion and skills of the small business operator. What do you do better than the other farm enterprises in your area?

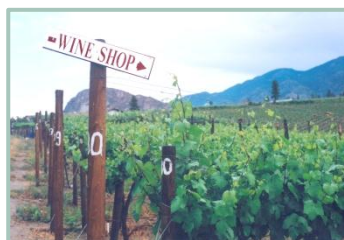
### 2.2.2.2 Farm –

#### **What types of products might be uniquely suited to be produced on my farm property?**

There will be some similarities between your farm and the ones around you but also some differences. These differences may provide some market opportunities.

Consider:

- Location
- Direct marketing (busy street vs a quiet street)
- Water sources
- Drainage
- Frost-free days / early warming soils
- Slope - relative to light intensity
- History of production





### 2.2.2.3 Community –

#### What types of products and services might be in demand in my community?

Direct and niche-market opportunities often exist in your community. All communities are different, so to identify a real market opportunity will require work and thought on your part. The best market opportunity will likely not be on the list in a book, or publication below, but one you identify through your own research. Community characteristics to keep in mind are demographics (characteristics of the residents), geography, culture, location relative to significant landmarks or activities and tourist attractions.

As a final way of ‘ground proofing’ your competitive advantage, you should be able to clearly and confidently answer the following question:

*Why would a consumer reject what they are currently buying, and choose what I have to offer ?*

## 2.3 EVALUATING THE MARKET OPPORTUNITY AS A BUSINESS OPPORTUNITY

In this section you will better define your competitive advantage, evaluate how secure it is and estimate the market size.

### 2.3.1 HOW SECURE IS YOUR COMPETITIVE POSITION?

It is not enough to know what your competitive advantage is but also how secure it is.

There are four main aspects in evaluating the security of your competitive position:

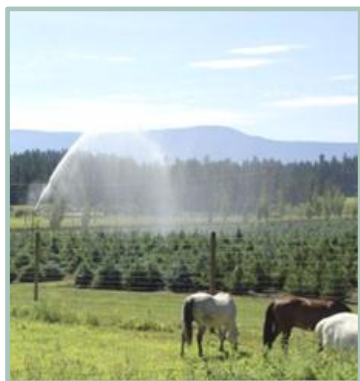
- Are there close substitutes to your product and how stable are their prices?
- If your competitive advantage is technology-based, how secure is that technology and what is the life expectancy of the technology?
- Is it easy for competitors to copy you (ease of entry)?
- Is the resale value of your capital investment low – preventing you from changing to another product if the market changes (ease of exit)?

#### 2.3.1.1 Substitutes

Most agriculture products have close substitutes. When you walk down the produce aisle of your supermarket or the farmers market you make choices between two similar products based on your choice of quality, price and other criteria. Your market opportunity is very sensitive to the activity of its closest substitute. If your closest substitute has a rigid price and a standard quality, your competitive position is stronger. If your competitor has a flexible price and level of quality, it may be easy for them to shift their product to compete directly with you.

#### 2.3.1.2 Technology

If your competitive advantage is technology-based, say, the rights to a new tomato that grows bigger and tastes better, then your competitive advantage only lasts as long as the technology - until the next new variety comes out.



### 2.3.1.3 Ease of Entry

The easier it is to get into producing your product the faster other competitors will compete with you and drive the price down. Christmas trees and hedging cedars are a good example of this. If the market price is good, others will enter, increasing supply and creating downward pressure on prices.

If other competitors can easily change to produce your product you should consider how you can differentiate your product. Some Christmas-tree farms have differentiated by offering extra services like sleigh rides and hot chocolate or focusing on specific varieties that command a premium price.

### 2.3.1.4 Ease of Exit

If your competitive position is lost in some way you couldn't anticipate, you may wish to change to another product. If the capital investment in producing your product is high, and has a low resale value, it is very expensive to change. You may be locked into operating at a much lower profit level than you planned.

## 2.3.2 DEFINING THE CHARACTERISTICS OF THE MARKET FOR YOUR PRODUCT?

This is a very important question and must be answered without the emotion that is often attached to a specific product. Be objective!!

To estimate the potential size of the market for your product you need to answer some key questions:

- How big is the target market in the area I wish to serve?
- What portion of that market can I capture?
- What price can I sell my product for?
- Is the market opportunity a business opportunity?

### 2.3.2.1 How Big is the Target Market?

Determining the size of the target market can be easy in some cases or very difficult in others. If you plan to sell a highly differentiated product, the market may be as big as you can make it.

For a traditional commodity — suppose you wish to know the market for gourmet tomatoes in a community of 10,000 people — you may start by identifying the per capita consumption of tomatoes in your area. If, for example, it is 5 lb/yr then the total market for tomatoes is 50,000 lbs/yr (10,000 people X 5 lbs/yr). To estimate the breakdown between traditional and gourmet tomatoes you can go to your local supermarket and compare the shelf space allocated to the different **types of tomatoes**.



Source: [www.ethno botanik.org](http://www.ethno botanik.org)

If 10% of the tomato space is allocated to gourmet tomatoes, this provides a rough estimate of the breakdown. In this case, the market for gourmet tomatoes in the community would be approximately 5,000 lbs/yr. Your resulting market size would depend on what portion of the 5,000 lbs/yr you could capture.

If you were to become the only local supplier and were able to give better service and fresher product you may capture it all. If a small operator had been supplying the market for 10 years and also supplied the local supermarkets with gourmet cucumbers and peppers you may not be able to capture any of the market, no matter what your price.

For another example, suppose you were interested in supplying grain-finished lamb to the local market through direct order. In this case, per capita consumption figures are of little value as few households would buy more than one lamb per year. You need to estimate the number of households that would consider buying lamb directly and, given your planned capacity, could you sell your product?

This calls for some market research. It could be as simple as asking your neighbours and friends if they would be interested. If you work off the farm then inquire at your workplace. You could also place an ad in the local newspaper and check the response.

Another example: You live on a fairly busy street and are thinking of growing pumpkins for the Halloween market and selling them at a road side stand. How many could you sell? You may wish to make a rough estimate by multiplying the number of households that purchase pumpkins times the estimated number of cars driving by your home. This would give you an estimate of the pumpkin market driving by your home. Your quality and price would determine what share of that market you might be able to capture.

#### HELPFUL HINT

Keep in mind that expressions of interest and actual sales can be very different.



Statistics Canada is a good source for per capita consumption and also production levels of traditional agriculture products.

Go to: [www.statcan.gc.ca/ads-annonces/23f0001x/hl-fs-eng.htm](http://www.statcan.gc.ca/ads-annonces/23f0001x/hl-fs-eng.htm)

### 2.3.2.2 What Portion Can You Capture?

It is relatively easy to estimate the market size for existing commodities. The most common error in projecting your potential sales is overestimating what share of that market you can capture. It is often a good idea to establish a best-case and worse-case scenario. If everything goes well what is the maximum I can sell? If everything that can go wrong does go wrong, what would I sell?

### 2.3.2.3 What Price Will You Charge for Your Product?

This is a difficult question as it relates to the competition and the budget aspects of the business. If you drop the price you may sell more but have lower margins. On the other hand, your competitor may drop the price to meet yours and you will sell the same and still have low margins. There are three general approaches to pricing:

1. If you are competing on price you must have the lowest price for a given grade or quality. There are few, if any, commodities produced in B.C. that can compete on price alone.
2. If you are selling a totally unique product you can charge what the market will pay to consume all that you produce.

3. If you have a differentiated product, you need to price the product at slightly less than what the market values the difference between your product and your competitor's product so customers will move from their existing supplier to you.

#### HELPFUL HINT

**If you have extra products, give it away as samples rather than discount the price. You will strengthen the relationship with the customers you want and not attract customers you do not want in the long run.**

For example, in the gourmet tomato case, if you were to be the only local supplier and your quality was similar to the out-of-town supplier you may be able to sell for slightly less than the out-of-town supplier because of the savings in transport cost. If, on the other hand, your product was also better, you may be able to capture the market by pricing at the same price or even slightly higher.

### 2.3.3 IS THE MARKET OPPORTUNITY A BUSINESS OPPORTUNITY?

A very rough approach to evaluating the quality of the business opportunity is defined by the “rule of 5”; that is, the operating profit should be 1/5 of gross sales and the operating profit should be able to pay off the capital expenditures in five years.

This is just a rule of thumb. It should only be used to trigger a more in depth analysis of your project to ensure the risk is reasonable for the potential returns.

**Rule of 5**

# WHAT CAN I PRODUCE?

**By the end of Section 3 you will be able to answer the question:**

**What product(s) can I sell and produce on my land?**

Section 2 helped you identify several products you feel you have a competitive advantage in selling. In this section you will evaluate whether you can produce them competitively on your land. In essence, you will match your land capability with your wish list of potential products. This involves four key steps:

1. Assessing Your Land Capability
2. Matching Land Characteristics to Production Requirements
3. Identifying any Regulatory Restrictions
4. Collecting Commodity Specific Production Information.

## HELPFUL HINT

**If you are growing indoors or producing plants in pots or greenhouses, then soil / land capability is less important.**



## 3.1 ASSESSING YOUR LAND CAPABILITY

Assessing your land's capability to produce agricultural products involves:

- Identifying what soil type or types exist,
- Determining the climatic characteristics of your area,
- Identifying any drainage or irrigation (water) needs,
- Determining topographical limitations (hills or flat?), and
- Identifying any regulatory limitations.

### 3.1.1 SOIL CAPABILITY

The three key characteristics you need to consider in doing a preliminary analysis of your soil are:

1. Texture (from gravel to clay)
2. pH – or acidity/alkalinity
3. organic matter content

If your soil is gravelly and coarse then it is likely that it is short of the nutrients needed and low on its ability to hold moisture. Often these soils drain well (a good thing) however effort (expenses) will be need to add sufficient organic matter and nutrients for optimum growth of many plants.

If your soils are heavy (clay) soils they will likely not drain well and will be late drying out in the spring. It is very difficult (expensive) to modify heavy clay soils to achieve optimum growth of many plants.

Different plants prefer different soil pH. Soil pH can be determined through a soil test and can be relatively easy to modify with the use of lime or sulphur.

Organic matter is important in the soil for providing key nutrients, holding moisture in the soil and adding to general soil health. Organic matter can be increased by adding manures, preferably composted manures, over time.

Canada Land Inventory (CLI) provides soil maps for the agriculture areas in the province. Unfortunately they have not been digitized. Some district offices of the Ministry of Agriculture have hard copies.

Soil capability mapping will tell you the types of crops suitable for the specific area and provide guidance on the soil-management practices that will maximize the production of the crop you are considering. For example, some sandy soils are well suited to raspberries and can be modified to produce a wide range of crops. Valley bottom soils, subject to high water tables or flooding, are suitable for other crops.

Detailed soil analysis, done at an independent laboratory, provide more specific information on the available levels of key nutrients required by the crop you wish to grow. Contact numbers for some independent labs in the province as of 2011 are:

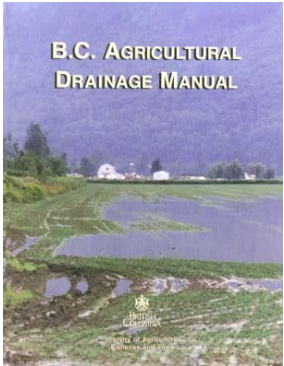
SOIL LABORATORIES IN BRITISH COLUMBIA	
<b>Exova</b> 104 – 19575 55A Avenue Surrey, BC V3S 8P8 (604) 514-3322 <a href="http://www.exova.com">www.exova.com</a>	<b>JR Laboratories</b> 12 – 3871 North Fraser Way Burnaby, BC V5J 5G6 (604) 432-9311
<b>M&amp;B Research &amp; Development</b> P.O. Box 2103 Sydney, B.C. V8L 3S6 (250) 656-1334 <a href="http://www.mblabs.com">www.mblabs.com</a>	

### 3.1.2 WATER – TOO MUCH TOO LITTLE OR JUST RIGHT?

Almost all areas of B.C. require some additional water during the growing season for optimum growth of field crops. Forages, hay and grain, can be grown in many areas without summer irrigation. The quantity of water needed may vary depending on the type of irrigation system used. For more information on irrigation systems go to: [www.al.gov.bc.ca/resmgmt/publist/Water.htm](http://www.al.gov.bc.ca/resmgmt/publist/Water.htm)



Poorly drained soils reduce the productivity of many crops. Surface drainage generally improves with an even gradual slope. Subsurface drainage depends on the soil structure under the top-soil. Drainage can contribute to a site’s suitability to specific crops. If your soils are poorly drained (have wet spots in the winter and take a long time to dry out after a heavy rain), you may need to install some drainage to maximize your production. The Ministry of Agriculture’s Drainage Manual is a good resource if you need to add drainage to your farm. Please see:



<http://www.agf.gov.bc.ca/resmgmt/publist/500Series/525500-1.pdf>



### 3.1.3 CLIMATIC CHARACTERISTICS

Besides the nutrients from the soil and adequate water your plants need sufficient heat and sunlight to properly grow to maturity. Hours (units) of sunlight and frost free days are common measures to compare the climatic conditions in different areas. Local meteorological data is available at [www.weatheroffice.gc.ca/forecast/canada/index\\_e.html?id=BC](http://www.weatheroffice.gc.ca/forecast/canada/index_e.html?id=BC)



### 3.1.4 TOPOGRAPHY

The topography of your land may restrict certain products or add to the management practices required to grow the product successfully. A south-facing slope will receive more heat and light than a north-facing slope.

Cropping hilly land adds costs and management constraints. Hilly portions of your land may be more suited to forage production, grazing livestock, or some horticulture products.

Moderately hilly land can be levelled to make it more suitable for crop production, however, this will add to the start-up costs of your farm business.

### 3.1.5 IDENTIFYING POTENTIAL REGULATORY LIMITATIONS

The *Farm Practices Protection (Right to Farm) Act* (FPPA) provides that, if you are following normal farm practices, which includes complying with other federal and provincial acts, you can farm within the Agriculture Land Reserve without the threat of nuisance complaints. A list of normal farm practices is available at [www.al.gov.bc.ca/resmgmt/fppa/refguide/intro.htm](http://www.al.gov.bc.ca/resmgmt/fppa/refguide/intro.htm)

The FPPA does permit local governments to put some restrictions on agriculture in highly sensitive areas, provided they get the support of the Minister of Agriculture. Your municipality will identify these restrictions when you apply for a building permit.

#### The main legislation that affects agriculture land is:

##### Federal Fisheries Act

<http://laws.justice.gc.ca/eng/F-14/index.html>

- Riparian areas around streams(section 35 and 38)

##### Federal Species at Risk Act

<http://laws-lois.justice.gc.ca/eng/acts/S-15.3/index.html>

- Recovery habitat for species at risk

##### Provincial Water Act

[www.env.gov.bc.ca/wsd/water\\_rights/licence\\_application/section9/index.html](http://www.env.gov.bc.ca/wsd/water_rights/licence_application/section9/index.html)

- In stream activities (Section 9)

##### Provincial Wildlife Act

[www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/00\\_96488\\_01](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96488_01)

- Habitat protection for specific species

##### Provincial Public Health Act

[www.health.gov.bc.ca/phact/](http://www.health.gov.bc.ca/phact/)

- Setbacks of activities from water sources (wells)

##### Local Government Bylaws

### 3.1.5.1 Local Government

Local governments have the responsibility to manage use , density and siting of buildings on different land use designations (zones) in their area.

To ensure there are no regulatory restrictions to producing your product you should check with your municipality or regional government (building department) before considering anything that needs a building permit.

Local governments can only refuse a building permit based on non-compliance with local zoning bylaws or non-compliance with national building codes. Local government building departments may ask for other things in support of department policy. If you choose not to meet the extra requirements the building department has no legal grounds to refuse your building permit.

### 3.1.5.2 Environmental Protection

Agriculture operations cannot cause pollution to watercourses or groundwater

If you are close to a stream/watercourse or get your drinking water from a well, your farm operation needs to be organized to ensure it does not cause pollution. The Agriculture Waste Control Regulation provides best management practices to minimize the potential to cause pollution.

The *Species at Risk Act* and *Wildlife Act* may have requirements to protect species declared under the *Species at Risk Act* or as endangered species under the *Wildlife Act*. It is important to determine whether your land is or is not part of a recovery plan for a species at risk or has endangered species on it – i.e. raptor nests.

## 3.2 PRODUCTION INFORMATION

Now that you know the capability of your land, you need to match it with the preferred products you would like to produce.



There are a number of sources of information on production:

- Books, journals
- Industry associations
- Internet
- Government staff
- Government publications
- Private consultants

Books and journals are available for most of the common commodities. The Ministry of Agriculture has partnered with several commodity groups to provide detailed Production Guides. They are available through the commodity association for a modest fee, and include.

- Vegetables
- Field Crops
- Berries
- Greenhouse
- Nursery
- Grapes
- Mushrooms
- Ginseng
- Floriculture
- Tree Fruit

Contact information is available at:

[www.al.gov.bc.ca/cropprot/prodguide.htm](http://www.al.gov.bc.ca/cropprot/prodguide.htm)



The internet is full of sites dedicated to production. One important caution: any information taken from the internet must be checked for credibility and will likely need to be modified to meet the B.C. growing and regulatory conditions. The Ministry of Agriculture sponsors an information platform with a wide variety of links to relevant information at: [www.kmwpp.ca](http://www.kmwpp.ca)

The Ministry of Agriculture has production specialists and discipline specialists (plant diseases, pest control, etc.) in a number of areas. Specialists work on an industry wide basis, usually with the industry associations, to develop and transfer the latest information for the commodity. The specialists are not available for site specific consultation but produce factsheets and information sheets on production related topics that involve the broad-based industry. To see if there is a fact sheet on your specific topic of interest enter [B.C. Ministry of Agriculture your topic factsheet] into your internet search engine.

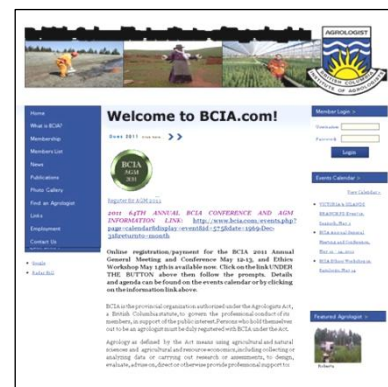


### HELPFUL HINT

**Field representatives from agri-business can be very helpful, particularly on local issues. Always be cautious that their job is to sell product, so it is helpful to get second opinion on recommended application rates.**

Agriculture business and private individuals are available for consultation on a farm specific basis. Seed, fertilizer and farm-supply stores often have 'field representatives' that may visit your farm to answer site-specific questions. Some agrologists are also available as farm consultants to help you address site specific issues .

The BC Institute of Agrologists has a list of consulting agrologists in your area.  
[www.bcia.com](http://www.bcia.com)



After matching your market opportunities to your land capabilities, and identifying your needs relative to producing the product, you are ready to develop a comprehensive farm enterprise plan that will consider your financial plan, marketing plan and production plan.

Section 4 highlights some other considerations to take into account when planning your farm enterprise.



At the end of Section 4 you will have been introduced to:

- Types of farm business structures
- Accessing human resources
- Assessing business risk
- Acquiring adequate insurance
- Accessing relevant government programs
- Considering of the farm's social responsibility

## 4.1 BUSINESS STRUCTURE

Before getting started it is important to consider what business structure best fits your situation. The considerations that relate to business structure are:

- Am I the only person with a financial interest in the farm or are there others?
- If there are others, how do we share the financial interest? and
- How do we transfer the interest in the farm when I or others involved want to reduce or end their interest?

The following is a very brief introduction to business structures. You are encouraged to discuss this further with a lawyer or accountant if your particular situation has any other nuances – which many farm and family situations do. A more detailed discussion of business structures can be found at: [www.farmcentre.com](http://www.farmcentre.com) and [www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca).



The three general types of business structure are:

1. Sole Proprietorship: a proprietorship is simply an extension of yourself. You own the business and are responsible for the debts of the business similar to your other personal assets.
2. General Partnership: This is like a combination of proprietorships. Several people own similar or differing proportions of the business but all remain responsible for the debts of the business as if it was personal property.
3. Corporation: A corporation is a separate entity from you as owner so you as an individual are not responsible for the debts of the corporation. You and your partners own shares in the corporation and are usually directors of the corporation.<sup>12</sup> The benefit of limited liability over the debts of the company are minor with small companies as there are some responsibilities associated with being a director, and generally financial institutions will seek personal guarantees on loans for small companies. The major benefit of corporations, for small to medium sized farms, is in tax and succession planning.

<sup>12</sup> This option generally necessitates using a lawyer and accountant to ensure the corporation is properly structured and meets the appropriate financial reporting requirements.

BUSINESS STRUCTURE	PROS	CONS
Sole Proprietorship	Simple, no extra reporting.	None for small single operator farms.
General Partnership	Formalizes a partnership arrangement and should include descriptions of each partner's roles, responsibilities and financial involvement.	More reporting requirements than a proprietorship.
Corporation	Aids in succession planning, and with large farms may aid in tax and limited liability concerns.	Costs involved in reporting

The best business structure for your operation may change as your farm grows and evolves.

## 4.2 HUMAN RESOURCES

If you wish to expand your farm business beyond a very small operation you will need to draw on other human resources. Human resources can be accessed from a variety of sources.

### 4.2.1 FAMILY / FRIENDS

For short term help family and friends can be invaluable –i.e. haying, harvest. Unless the family member is an active part of the farm operation it is important not to abuse the privilege. If your farm operation is growing you will need to find outside sources of help.

### 4.2.2 LOW COST / AD HOC HUMAN RESOURCES

#### 4.2.2.1 WWOOF'ers



WWOOF stands for **willing workers on organic farms**. The term organic is used broadly so many farms can access WWOOFers. WWOOFers come from around the world and trade farm work (usually ½ day) for room and board as an inexpensive way to travel. They are usually looking for short (1 to 2 week) stays before moving on. They usually do not have a work permit so normally cannot accept wages. This can be an excellent source of help to address many of the things on the farm that slip through the cracks of the day-to-day operation. The Canadian WWOOF web page is [www.woof.ca/](http://www.woof.ca/)

Also check out [www.helpx.net](http://www.helpx.net)

### 4.2.2.2 Internships

Agriculture colleges and Universities sometimes require students to do longer term (4 month) internships on working farms. These can be very helpful when they are available. Room and board and some financial remuneration are normally required. There is no clearing house for internships so identifying an internship program and applying for an intern is left to an internet search.

Check out S.O.I.L. apprenticeships at: [www.soilapprenticeships.org/](http://www.soilapprenticeships.org/)

## 4.2.3 HIRED HELP

### 4.2.3.1 Students

Summer full time or winter part time students remain an excellent source of hired help. Many students also like weekend jobs during the school year to provide extra spending money. Six to eight hours every weekend can be very helpful on a small or medium sized farm.

### 4.2.3.2 Seasonal Farm Workers

If your operation needs several extra staff on a seasonal basis the Federally sponsored migrant worker and low skilled worker programs have been very helpful for some farms. For more information on these programs:

[www.rhdcc-hrsdc.gc.ca/eng/workplaceskills/foreign\\_workers/sawp.shtml](http://www.rhdcc-hrsdc.gc.ca/eng/workplaceskills/foreign_workers/sawp.shtml)



#### HELPFUL HINT

**When recruiting through the internet restrict responses to electronic responses (no phone numbers) and request references in the response. If they cannot provide a reference, you do not want to hire them.**

### 4.2.3.3 Permanent Full Time or Part Time Staff

Recruiting unskilled or semi-skilled staff can be a challenge; however, web tools such as craigslist ( <http://geo.craigslist.org/> ) enable you to communicate your needs to a large audience at no cost to you. If you have very specific needs in terms of hours worked or days to work make certain you specify them in your advertisement. You could also consider posting your job opportunity on various farm-related listserves.

### 4.2.3.4 Outside Expertise to Supplement Your Skill Set

When hiring professional staff make certain they are familiar with your type of operation. All accountants are not familiar with farm accounting issues and all lawyers are not familiar with farm issues. Sometimes the professional with the higher hourly rate will cost you less in the long term.

## 4.2.4 RETAINING HUMAN RESOURCES

Training people to work on your farm is time consuming and at times frustrating. To maximize the retention of human resources it is important to do the following key things.

- **Tell them what you expect.** This may seem obvious but the importance of not just telling someone what to do but ensure they understand what you want is often overlooked. Have written job descriptions. This may seem excessive but even things as simple as weeding, the specific way you want your plots weeded, is important. Job descriptions lead into effective performance evaluation.
- **Evaluate their performance.** It seems self evident that if someone works for you, at some point you need to tell them how they are doing. A good performance evaluation is not a pat on the back with the words 'good job'. A performance evaluation requires setting time aside (can simply be over a coffee) with the specific purpose of discussing how the job is going with the employee. Many people struggle with discussing an employee's performance. This is where a good job description helps. With a job description the discussion of employee performance can be focused on how well they meet the job description.

### HELPFUL HINT

Farm jobs can be routine and boring. Try to break up the work by switching tasks throughout the day. If you want your staff to start taking initiative, give them some responsibility to make choices in situations where a poor choice will do little harm.

- **Keep Records.** As soon as you hire a permanent employee you need to register with the appropriate agencies and do the appropriate record keeping:
  - a. Worksafe B.C. [www.worksafebc.com](http://www.worksafebc.com)
  - b. Canadian Revenue Agency [www.cra-arc.gc.ca/menu-eng.html](http://www.cra-arc.gc.ca/menu-eng.html)

Keeping good job descriptions and records of performance evaluations makes dealing with any future work related issues much easier. For more information on hiring workers on piece rates go to: [www.llbc.leg.bc.ca/public/pubdocs/bcdocs2010\\_2/466240/farm-workers.pdf](http://www.llbc.leg.bc.ca/public/pubdocs/bcdocs2010_2/466240/farm-workers.pdf)

### HELPFUL HINT

Farm and Ranch Safety and Health Association (FARSHA) has a broad range of information on managing human resources on farms.

[www.farsha.bc.ca/resources.php](http://www.farsha.bc.ca/resources.php)



## 4.3 BUSINESS RISK MANAGEMENT

Life is risky which is why we have insurance. Business, and particularly farming in partnership with mother nature, is also risky. Consider reducing your farm business risk the same way you insure against personal and household risk.

This section discusses risk management options in three broad areas: general insurance, production insurance and government support programs.



### 4.3.1 GENERAL COMMERCIAL LIABILITY INSURANCE

To protect yourself from the potential liability associated with people visiting your farm (even those who visit without your permission) and those eating or using your products, it is important to get liability insurance. This can often be done by adding your farm to your existing home insurance. If you sell at a farmer's market, the BC Farmer's Market Association offers insurance packages, but they only cover liability at the farmer's market. When talking to insurance agents, make sure to give accurate and detailed information about your operation so that you are fully covered by the insurance you purchase.

#### HELPFUL HINT

**Adding liability insurance as a rider to your regular home insurance is usually less expensive than taking out a separate policy.**

### 4.3.2 PRODUCTION INSURANCE

The Ministry of Agriculture has a production insurance program that covers unanticipated loss of field and horticulture crops. The premiums are cost shared between the farmer and the province. As your farm expands it is important to consider adding production insurance. The premiums are subsidized so are below the true value of the insurance. For more information go to: [www.al.gov.bc.ca/production\\_insurance/](http://www.al.gov.bc.ca/production_insurance/)



### 4.3.3 GOVERNMENT PROGRAMS (PROVINCIAL/FEDERAL SHARED PROGRAMS)<sup>13</sup>

Over the years government has supported agriculture when natural disasters have struck different production areas or different commodities. The Federal/Provincial Growing Forward agreement has consolidated some of the past risk management programs into a suite of programs they feel meet the needs of industry. They include:

( general info web page [www.agr.gc.ca/growingforward](http://www.agr.gc.ca/growingforward) )

#### 4.3.3.1 Agri-stability

This program insures the producer against large, short term, drops in gross margin. The government supplements farmer premiums. The intent is to insure against short term impacts on the commodity price so the program has a short time frame for coverage. For more information in B.C. go to: [www.al.gov.bc.ca/agristability](http://www.al.gov.bc.ca/agristability)

#### 4.3.3.2 Agri-invest

This program is designed as a savings plan to offset future disruptions in income. The government provides matching funds that are put into a savings account for use to offset future disruptions in income. All producers should have an agri-invest account. If the funds are not needed to offset a disruption in income they are available at retirement. [www.agr.gc.ca/agriinvest](http://www.agr.gc.ca/agriinvest)

#### 4.3.3.3 Agri-recovery

This program allows government to respond quickly in times of disaster. It fills in gaps not covered by existing programs. For more information go to [www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1200689505769&lang=eng](http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1200689505769&lang=eng)

<sup>13</sup> As at time of writing - 2011

## 4.4 SOCIAL RESPONSIBILITY

The social side of farming has changed in the last century. Farmers once lived long distances from urban centers and their closest neighbours were friends and fellow farmers. Farmers now typically live near urban centers and their neighbours may be neither friends nor farmers. The benefits of this are that farmers have easier access to their markets and can more easily access the business and cultural resources of urban centers. With these benefits comes a heightened sensitivity to the social responsibilities that landowners should be accountable for.



While the rules around social responsibility have been in place for many years, the rights and responsibilities of land owners, and the limits within which regulatory agencies operate, is not well understood. This section provides you with a general overview of your rights and responsibilities as a farmer.

### 4.4.1 GOVERNANCE 101

#### 4.4.1.1 Levels of Governance

The three levels of governments, federal, provincial and local, have different areas of responsibility. The Federal government has responsibility for national security, finance, some parts of the environment and also sets broad national goals. The province is responsible for health, education, environment, industry development – things that are provincial in nature. Local governments are generally responsible for land use within their local area and within the limitations set by the provincial and federal government. The authority of local governments comes from provincial legislation, through the *Local Government Act (LGA)*

#### 4.4.1.2 Tools of Governance

Federal and Provincial governments govern through Acts, Regulations and Policy. An Act is passed by parliament and in general provides the government with the authority to act. Regulations, approved by Cabinet, prescribe how that authority is exercised. Policies are ‘preferred outcomes’ of civil servants and do not have legal standing. A provincial example of how this works is as follows:

- **Motor Vehicle Act** – gives government authority to regulate motor vehicles in B.C.
- **Regulations** – establish speed limits for certain roads.
- **Policy** – focuses enforcement on high accident areas.

#### 4.4.1.3 Your Responsibility Relative to the Different Governance Tools

Acts tend to describe in broad terms what one should or should not do. Any determination as to whether an individual is in compliance with an Act (particularly in the absence of regulations) rests with a judge in court. The habitat section of the *Fisheries Act* is an example of this.

Regulations prescribe what one needs to do to be in compliance with the Act. In the speeding ticket example it prescribes the speed limits under specific road conditions. In agriculture the Agriculture Waste Control Regulations (commonly referred to as the environmental guidelines) are a regulation under the *Environmental Protection Act*.



Local governments are given the authority to regulate land use, density and building siting by the provincial government. Local governments that have been brought under the farm bylaw<sup>14</sup> provisions of the LGA can pass bylaws that regulate farm management practices provided they are approved by the Minister of Agriculture.

*Regulation by nature are quite specific so it is clear when you are, or are not, in compliance.*

For Acts, with no regulations, it is less clear. In these situations your responsibility as a land owner is to do your due diligence<sup>15</sup> to ensure you are operating within the Act. Due diligence is doing what a knowledgeable person would do in the same situation. In terms of fisheries or habitat issues it is recommended that landowners engage a professional biologist (with expertise in the area of concern) to help develop a farm plan to address the area in question. This meets your responsibility to do your due diligence and provides you with a plan to move forward. It also makes any interactions with the provincial or federal agencies a discussion between two professionals rather than a discussion between a professional and you a lay person. While hiring a professional can be expensive at the start, it often saves much more time, stress and money down the road.

The most common interaction with local government is in applying for a building permit. With specific reference to the ALR, local governments can only withhold a building permit if the design does not meet the national building code or does not meet a local bylaw.

#### **4.4.2 GENERAL GUIDANCE TO NEW FARMERS**

It is important to first understand any limitations that exist on your farmland:

- Check with the local government to see if they have recorded the streams in your area.
- Find out what type of zoning is on the land you are farming, the permitted uses in the zone and if there are any limitations to buildings, etc. There should be no limitations to the type of farming you can pursue.

If your farmland has a recorded stream or other habitat features it is beneficial, as discussed above, to engage a professional biologist to design how you can farm near the habitat features.

When applying for a building permit you must:

- Meet the national building codes.
- Comply with local bylaws provided they relate only to use, density and siting.

Local governments cannot withhold a building permit based on:

- Approval from a third party (Department of Fisheries and Oceans, Ministry of Environment).
- A bylaw that exceeds the local government authority under the Local Government Act.
- A specific policy initiative of the local government.

If a local government asks you to do something you feel is unreasonable, your response is to ask under what authority they are requesting you do the work or activity. Obtain the reference and read it.

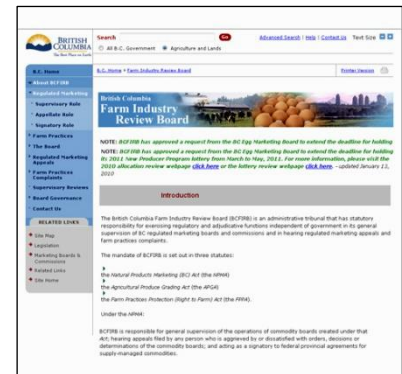
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<sup>14</sup> If a local government is brought under section 918 of the LGA that local government can pass bylaws (with the Minister of Agriculture's approval) to regulate farm management practices.

<sup>15</sup> Due Diligence is a term that means to do what a reasonable person with knowledge in area would do. In practical terms in fisheries and habitat issues it would mean getting the advice of a professional biologist with experience in these issues

### 4.4.3 RIGHT TO FARM

The term ‘right to farm’ is commonly used, but is not always well understood in the B.C. context. The term came in part from the *Farm Practices Protection (Right to Farm) Act (1996)*. The Act does not impart any extra rights to a farmer. It actually limits the rights of residents in or near the ALR to receive compensation based on nuisance related to a farmer conducting ‘normal farm practices’<sup>16</sup>. Normal farm practices can be prescribed by the Minister of Agriculture but in all cases are adjudicated by the Farm Industry Review Board. [www.firb.gov.bc.ca](http://www.firb.gov.bc.ca)



At the passing of the *Farm Practices Protection Act* the *Local Government Act* was also changed to give the Ministry of Agriculture some authority over local rural area bylaws with the goal of achieving consistency for farmers throughout the ALR.

With any right (or perceived right) comes a responsibility. Over 15 years of adjudicating cases FIRB has established a principal that all farmers must show ‘reasonable consideration’ toward their neighbours to be considered to be following normal farm practices..

If a neighbor impacted by your farm engages the Farm Industry Review Board it can be very costly to you. For new or expanding farms the responsibility to show reasonable consideration for your neighbor can begin with:

- Undertaking a pre-development site evaluations with considerations for proximity of neighbouring residences, neighbouring farm activities, prevailing winds, slope, etc.
- If potential impacts are identified, include as many mitigation measures as possible in your farm development plan. These can include placement of motors or fans away from neighbours residences, planting vegetative screens and others depending on your specific farm plan.



## 4.5 SUPPORT SYSTEMS

Support systems are grouped into education/information sources, government programs and local farm and community networking.

### 4.5.1 EDUCATION / INFORMATION SOURCE

#### 4.5.1.1 General Information

Much of our information has gone digital and farming information is no different. When it comes to digital information the question is not is there information but does the information apply to my farm operation. It is important to check the source of the data and then consider the production conditions where the information originated. A good rule of thumb is to start with the educational institutions and government agencies. A list of web sites for some of the largest U.S. small farm programs is listed in the appendix. The Ministry of Agriculture has an information platform that provides a wide array of contact information, publications and links. Go to: [www.kmwpp.ca/](http://www.kmwpp.ca/)

<sup>16</sup> Normal farm practices are described as farm practices used by similar farms in similar circumstances. The Farm Industry Review Board has the authority to determine what is or is not a normal farm practice. Normal farm practices generally relate to noise, odour and dust issues.

### 4.5.1.2 Local Information

The Ministry of Agriculture does have livestock and horticulture specialists that can respond to specific questions by phone or by e-mail. Contact your local Ministry of Agriculture office for contact information. Go to [www.al.gov.bc.ca/ministry/who.htm](http://www.al.gov.bc.ca/ministry/who.htm). There may also be a local Agrologist that will come to your farm for one on one consultation. The BC Institute of Agrologists may be able to connect you to one. Visit their website at: [www.bcia.com](http://www.bcia.com). You may also benefit from talking with the production association most relevant to your product(s). Visit the BC Agriculture Council's website at [www.bcac.bc.ca](http://www.bcac.bc.ca) for their member directory, which includes links to each association.

## 4.5.2 GOVERNMENT PROGRAMS

### 4.5.2.1 Direct Financial Support Programs

Government support is focused on achieving specific outcomes that are viewed as socially desirable. In B.C. funds for farming have been directed to helping farms adopt environmentally sound production practices. Another example was a recent federal program to assist women in agriculture. These programs tend to change over time so it is important to check with your local government office. Don't restrict your search to farming – other business support programs are often available to farms as well. In B.C. Community Futures Development offices are a good source for identifying a wide number of support programs. Visit their web page at: [www.communityfutures.ca](http://www.communityfutures.ca)



The Federal Government has a *Canadian Agriculture Loans Act (CALA)* that provides government guarantees to loans to farmers through local banks. Go to: [www.agr.gc.ca/cala](http://www.agr.gc.ca/cala)



### 4.5.2.2 B.C. Plant and Animal Health Diagnosis Laboratory

The Ministry of Agriculture has a diagnostic lab in Abbotsford to assist farmers by diagnosing disease in commercially produced plants and animals for a modest fee. The laboratory is also responsible for monitoring plant and animal disease in B.C.

Animal samples are typically submitted through the attending veterinarian. Plant samples can be dropped off at the Lab at 1767 Angus Campbell Road, Abbotsford. For more information: [www.al.gov.bc.ca/cropprot/lab.htm](http://www.al.gov.bc.ca/cropprot/lab.htm)

## 4.5.3 LOCAL FARM NETWORKING

In many areas of life it seems the farther information has travelled the more credible it is. In farming it is the opposite. Local climate and soil conditions can have a significant impact on your farm production. The most knowledgeable people about the local conditions are the longtime local farmers. It is important to network with your local farming community. Join the local farmer's association or farmer's institute if there is one. Visit the farmers market and get to know some of the farmer there. Get to know the people at the local farm supply store.

## 4.6 REPORTING REQUIREMENTS

Farming, like other small businesses, are required to register with, and report to, a variety of government agencies. They have been divided into those you must register with and those you should choose to register with.

### 4.6.1 MANDATORY REPORTING

#### 4.6.1.1 Canada Revenue Agency (Farm Income)

As a business you must report your income to Revenue Canada. There is a special form for reporting farm income which you can find at [www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html). The information on your farm income report is also used to calculate your eligibility for other government programs such as Agri-invest and Agri-Stability. If you have other sources of income you may be limited in the amount of losses from your farm income that you can use to offset other income.

#### 4.6.1.2 Canada Revenue Agency (Payroll Deductions)

If you employ people on your farm you must deduct income tax, CPP and EI from the employees pay and submit it with the employers contribution. The process for this has been simplified by use of the on-line access to Revenue Canada. Short term employment may be exempt from deducting payroll taxes. Check with Revenue Canada to confirm the current status at :

[www.cra-arc.gc.ca/esrvce-srvce/tx/bsnss/menu-eng.html](http://www.cra-arc.gc.ca/esrvce-srvce/tx/bsnss/menu-eng.html)



#### 4.6.1.3 Work Safe B.C. (Worker Insurance)

If you have people working on your farm, whether regular employees or short term contracts you are required to register with Work Safe B.C. Besides being required by law, any small savings by delaying to register is not worth the risk. If someone is hurt on your farm and you are not registered with Work Safe B.C. you can be held responsible for their injuries. For more information go to: [www.worksafebc.com](http://www.worksafebc.com)

### 4.6.2 OPTIONAL REPORTING

#### 4.6.2.1 Canada Revenue Agency (Harmonized Sales Tax)

If you are a very small business with annual sales under \$30,000 (2011) you do not have to register for an HST number. While this may seem a benefit it also means you cannot claim back HST paid on inputs to your farm. Food is exempt from HST so if you are just producing food on your farm you will not need to collect HST on sales. If you do not register you will not be able to collect the HST you have paid on inputs. If you sell non-food items for which you would need to charge HST it is less clear if it is a benefit to register or not.

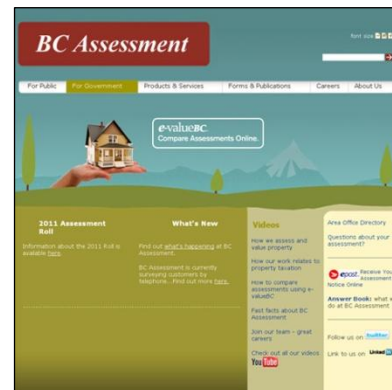
Your farm number for HST, payroll deductions and for other federal government programs is the same number.

#### 4.6.2.2 B.C. Assessment Authority

If your annual farm production exceeds a specific threshold (\$2,500 in 2011<sup>17</sup>) you can apply to have your farm assessed as farmland for local property tax purposes. This will reduce your property taxes approximately \$2,000 per year depending on the taxation rates in your local government area. The only ongoing reporting required is proof of sales or a copy of the farm income tax form showing the reported sales.

An additional benefit of gaining farmland classification is that other government programs often use farmland classification to determine if a farm is included in a specific program. For instance to qualify to have a (free) environmental farm plan done and qualify for funding you must have farmland classification. Also you cannot access the protection of the 'right to farm' legislation unless you have farmland classification.

To have your land classified as farmland you must have your completed application into your local B.C. Assessment office by October 31 of the previous year. For more details go to: [www.bcasessment.bc.ca](http://www.bcasessment.bc.ca)



#### 4.6.2.3 Registering a Business Name

A business can register the name they are using to conduct business with the provincial government. There is no legal requirement to do this but using a registered name enables you to register assets (i.e. truck, trailer) in the business name rather than personally. The cost of registering a business is low (under \$100) and there are no annual fees.

### 4.6.3 NOT REQUIRED

#### *Business License*

Farmers do not have to apply for a business license for agriculture production. Depending on how you market your products you may need a business license. For example some farmer's markets require a business license and local governments may require a business license if on-farm sales grow beyond a certain point.<sup>18</sup>

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<sup>17</sup> For properties under 2 acres the threshold is \$10,000.

<sup>18</sup> Check with local government bylaws for requirements in your area.





# BUILDING A FARM ENTERPRISE PLAN

It is now time to put all the information you have developed, along with a financial plan, into a comprehensive Farm Enterprise Plan

The Ministry of Agriculture has detailed business plan guides and some commodity specific budget sheets. They can be found at the websites listed below.

## 5.1 INTRODUCTION TO A FARM ENTERPRISE PLAN

### Business Plan Guides

[www.al.gov.bc.ca/busmgmt/](http://www.al.gov.bc.ca/busmgmt/)

### Commodity Specific Budget Sheets

[www.al.gov.bc.ca/busmgmt/budgets/index.htm](http://www.al.gov.bc.ca/busmgmt/budgets/index.htm)

The Canadian Farm Business Center also has extensive support material on farm business planning.

Their web site is [www.farmcentre.com/Home.aspx](http://www.farmcentre.com/Home.aspx)



There are many other resources for small business. The Small Business Resource Center is a good example: [www.smallbusinessbc.ca/starting-a-business/business-planning](http://www.smallbusinessbc.ca/starting-a-business/business-planning)

Choose one that suits your situation. This section will not describe specifically how to fill in your enterprise plan but will provide background that you may wish to consider in completing your enterprise plan.

### The Basic Components of an Enterprise Plan are:

- Goals of the enterprise
- Marketing Plan
- Production Plan (materials and labour)
- Human Resources Plan
- Financial Plan
- Follow-up Plan
- Exit Plan



Depending on the nature of your operation, you may wish to expand or contract various components of the enterprise plan. For example if you are selling to a marketing association you may wish to have a smaller marketing section – one that deals more with trends and their impact on price. If you are in a more labour intensive operation such as a nursery, greenhouse or high volume direct marketing outlet, you may wish to expand your human resources plan.

## 5.2 DEVELOPING A MARKETING PLAN

If you have chosen to market your products through a marketing association, these questions will be answered in the association's marketing plan. You will also likely have some specific quantity of product you are permitted to ship.

If you are direct marketing then you need to develop a marketing plan. You can use Section 2 to complete a major part of your marketing plan by identifying the products where you have a competitive advantage and by doing a rough estimate of the market available to you.

Make sure to record all of the places where you might sell and get as detailed as possible. If you are setting up a Community Supported Agriculture (CSA) program, list the target number of customers and your delivery plan. If you are selling at farmers markets, indicate the number of market days you are prepared to have each week and for how many weeks each year.

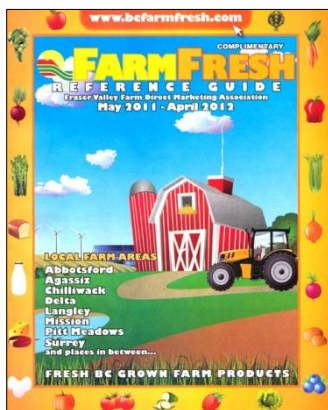
### 5.2.1 PROMOTIONAL PLAN

Section 2 asks you to identify your market. Here we will describe it in further detail and then develop a plan to help you promote your products in that market.

#### 5.2.1.1 Target Market

The customers most likely to buy your product are termed your target market. These are the people that value your competitive advantage the most. For example if you could produce a very uniform, fresh product, delivered daily, the restaurant trade may value your product more than the supermarkets.

It is important to ensure you have identified the specific target market and not a more general market. Advertising and promotion can be costly and time consuming, so you need to make certain it is directed at your key customers.



#### 5.2.1.2 Promoting Your Product

More common vehicles for promoting your farm products are:

##### *Advertising*

- brochures
- local papers
- local radio
- magazines

##### *Local Farm Marketing Associations*

- publications
- promotional events

## Signage

- road side signs (check municipal regulations)
- vehicle signs

## Farm Days / Farm Events

- fall fairs
- special events – Halloween, harvest day
- school tours

## Word of Mouth



## On-line

- web pages
- blogs
- social networking sites such as Facebook and Twitter
- You-Tube and other video posting websites



If your product is a unique, niche-market product, your promotion costs will likely be higher and you may need to do more person-to-person promotion in the start-up phase of your enterprise.

There is no formula for how much you will need to spend on promotion. It is enterprise-specific and you will have to evaluate your own situation. Promotion cost is often neglected so it is better to err on the side of too much promotion rather than too little.

### 5.2.1.3 Estimating Sales

Section 2 helps you identify the size of your market and estimate roughly what share you might be able to capture. This is more to eliminate opportunities than to develop a set of sales forecasts that can be used in financial planning. You need to develop a more detailed sales forecast that will be used directly in the financial planning section.

If you plan to have a roadside stand you can estimate the volume of traffic by your stand. If there is another road side stand in your area you can observe it for awhile and see what proportion of vehicles stop or talk to the owners. In any estimate of sales from observation you must keep in mind that sales will vary:

- throughout the day
- throughout the week
- from season to season

If you plan to sell to a food-service or retail outlet, a survey of several in your area will give you an idea of what their demand is and how it varies throughout the week and the season. Shelf space in the local supermarkets is a good estimate of relative size of the market for your product.

If you plan to market directly to individuals, you could put an advertisement in the local paper and check the response. Alternatively, canvas friends and acquaintances. It is also a good idea to talk with other farmers in the area about their sales volume.

**HELPFUL HINT**

**The more research  
you do the more  
accurate your sales  
estimates will be.**

As you are researching your market in greater detail it is important to estimate a best- and worst-case scenario. If you are producing breeding stock for the livestock market, your best-case scenario may be selling all offspring for breeding and your worst-case scenario may be selling all offspring into the slaughter market. If you are producing a crop, your best-case scenario would be selling a high yield into a strong market while your worst-case scenario would be selling a low yield into a soft market.

For your cash flow analysis it is important to break out your sales estimate on a month-by-month basis.

PRODUCT			
Month	% Sales	Best Case Sales	Worst Case Sales
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
TOTAL			

Any financial planner will tell you not to put all your savings into a single investment but rather to diversify your investments between some high-risk, high return investments and some low-risk, low-return investments. This applies to farming as well. If you can diversify into more than one product, where the product cycles are likely to be different, then it will reduce your risk of having a bad year and even out your revenues over the long term. On a large scale, dairy and cattle producers often sell extra forage to the local livestock producers, poultry producers may grow berries or forage on their land. On a small scale, if you plan to grow Christmas trees you may also consider growing some other nursery crops. Diversification will provide more stability to your farming business.

## 5.2.2 MAINTAINING AN EDGE

After over-optimistic sales and market projections, one of the biggest reasons for poor success is lack of follow-up on your competitive position. Tastes and preferences change rapidly. To ensure that your products maintain their competitive advantage and that you identify new opportunities, your plan should include a program to regularly monitor your customers.

Getting feed-back from your existing customers is a good start. Surveys, feedback sheets or simply talking to them about your product can provide you with good information.

A full review of your competitive advantage should be done on a regular basis (every 6 - 12 months) to identify any new opportunities.

### HELPFUL HINT

**Listen to feedback within the context of your marketing plan. You will get customers that are not part of your target market. Do not allow their comments to change your focus.**

**For example, if you are selling organic lamb, a complaint about the price may not be of great concern whereas a complaint about the meat being tough or lacking flavour would be of great concern.**

## 5.3 DEVELOPING A PRODUCTION PLAN

The goal of this section is to outline the labour and production input requirements for the full year. This will help you plan your production activities, labour recruitment (if necessary) and your cash flow.



Partial budgets are available from the Ministry of Agriculture at: [www.al.gov.bc.ca/busmgmt/budgets/index.htm](http://www.al.gov.bc.ca/busmgmt/budgets/index.htm) and numerous other farm production web pages. Choose the one that suits your farm operation. Production inputs vary so much from commodity to commodity that you will have to obtain production information for each commodity you plan to produce and then combine them into your final production plan.

It is important to do a comprehensive production plan because the production plan leads into your cost estimate, which will, in part, drive the price you need to charge for your product. The two key elements to an accurate production plan are:

1. Inclusion of all inputs to production;
2. Using current costs.

Budget sheets for previous years or from other production areas are valuable in providing a comprehensive list of inputs but their cost numbers should not be used. **Always obtain the current costs in your area.**

### HELPFUL HINT

**If you are producing multiple products, (i.e. vegetables) it is helpful to set up a spread sheet with the costs of each product connected to a summary sheet. This will enable you to easily do 'what if' scenarios with the cost of inputs.**

## 5.4 DEVELOPING A FINANCIAL PLAN

A financial plan is not as simple as taking your sales estimates from section 5.2 and subtracting your cost of production from section 5.3. These calculations are important, but a comprehensive financial plan also includes:

- a projected income statement
- a cash flow analysis
- a projected balance sheet
- a source and use of funds analysis

When establishing a farm enterprise you should also consider:

- The business structure
- Estate planning or Exit planning
- Tax planning



### 5.4.1 INCOME STATEMENT

The projected income statement is done much the same way you do your personal budget at home. In a personal budget you find out how much money you have coming in, subtract your normal living expenses, and find out how much is left for discretionary spending. The income statement can be done on a monthly basis or, for smaller operations, an annual basis.

For a business enterprise, you start with projected sales and then subtract all the costs to find out how much is left for profit. Business costs are usually broken down into those costs that vary with production (e.g. fertilizer, labour, disease control) called variable costs, and those that don't change with production (e.g. depreciation, interest), called fixed costs. The gross margin is the amount left after subtracting variable costs from projected sales. The net profit is the amount left after subtracting both variable and fixed costs from projected sales.



Items such as major equipment may require a large amount of cash initially but add benefit to the enterprise over a long period of time. For example, if you buy a tractor it may cost \$15,000 but be useful over a long period of time. To allocate the cost of the tractor expense over its useful life we 'depreciate' its value a little each month or year.

If money is borrowed to buy equipment, the cost of borrowing (interest) is also an expense.

When doing a projected income statement, it is always helpful to do one for the best- case and worse-case market scenario.

### 5.4.2 CASH FLOW ANALYSIS

The cash-flow analysis differs from the income statement in that it only deals with cash in and cash out as opposed to revenues and expenses. For many items, when you make a sale you get the cash and when you make a purchase you must pay for it directly. For other items, you may receive payment after delivery or pay for an input well after receiving it. For example, if you are dealing with a cooperative for marketing your product, payment may be spread over several months. Some cooperatives will also extend credit on input costs like fertilizer and disease-control agents and charge them against your revenues.

This means that, even though you are making money, there will likely be times when more money is flowing out than flowing in. The cash flow analysis is designed to identify these times so you can make arrangements to deal with them.



The Production Plan includes a month-by-month estimate of your production and associated production costs. Transfer these items to the cash flow sheet under production costs and enter the appropriate costs under the relevant months of the year.

Add the fixed costs that must be paid monthly (does not include depreciation), identified on the income statement, to the fixed cost section. By definition these will be the same each month.

Interest expense is included with the loan payment in the cash-flow analysis. Though principle repayment is not an expense, it does require cash so the full loan repayment fee is considered in the cash flow statement. If you plan on borrowing money for your farm enterprise, enter the loan repayment amount where indicated. Add the production costs, fixed costs and loan payment to get your total cash out. Subtract your total cash out from your total cash in to get your cash flow.

You may wish to do a cash flow analysis for your best- and worst-case market conditions.

### 5.4.3 BALANCE SHEET

A balance sheet is an estimate, at a point in time, of the value of the assets in the enterprise and the amount of charges against those assets. The difference is the owner's equity in the business. The balance sheet may be quite simple for small operations but should be done after each accounting period to track how the enterprise is progressing

### 5.4.4 SOURCE AND USE OF FUNDS

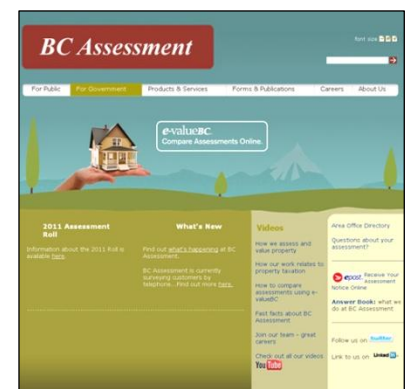
A source and use of funds analysis shows where the funds used in the enterprise will come from and where they will be used. It is a good exercise to do annually, particularly if the enterprise is primarily funded from family sources.

### 5.4.5 FARM TAXES

There are several tax considerations related to your farming enterprise. This section is at the end of the guide for a reason. Tax considerations should not drive your decision to farm but should be part of your business planning exercise.

#### 5.4.5.1 Farmland Classification

See Section 4.6.2.2 for information on Farmland Classification.



#### 5.4.5.2 Harmonized Sales Tax

Though many farm products are HST exempt, many farm inputs are not. To claim back the HST input credits the farm business must be registered with Revenue Canada. Small businesses have the option of setting their reporting period to every three months or once a year if their activity level is low. The administrative burden is low and the potential benefit is quite high.

### 5.4.5.3 Farm Income Taxes

A farm enterprise is like any small business and should be reported as such. Check with your accountant on the most advantageous way to structure your farm business. In most farming areas there are accounting firms that specialize in farm businesses.

Find out more at Canada Revenue's website for farmers at:  
[www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html)



## 5.5 DEVELOPING AN EXIT PLAN

An exit plan is extremely important to think about no matter how optimistic you are about the future of your business. It is particularly critical if you have business partners, as there is a high likelihood that plans will change as your business grows. Here are some things you may want to consider:

- If necessary, how will you sell farm equipment your business has purchased?
- If the partnership is only expected to last a couple of years, does it make sense to purchase farm equipment as a business or should individual partners own the equipment and lease it to the business?
- Who will have priority access to the land you are currently farming if the partnership ends?
- If there is a chance you will sell the business, how will you estimate its value?
- Does one partner or groups of partners have priority rights to the business name?

Although it may be difficult to think about these issues when you are just starting your business, spending some time on them now will help you down the road.



**Hazelnut Orchard and Nuts**



## KEEPING IT GOING

**If you have worked through this guide, you have put together all the pieces of an enterprise plan — the goals, the marketing plan, the production plan, the preliminary financial plan and the exit plan.**

**These are the key elements in any presentation to a banker or potential partner.**

The good news is that this plan will act as a guide to the successful operation of your enterprise. The bad news is it will be out of date tomorrow. Your enterprise is based on opportunities in your community today. Tomorrow they may change. For the long term success of your enterprise it is important to regularly update your enterprise plan.

The enterprise plan is also the base by which you can regularly measure the performance of your farm business. The enterprise plan has the key benchmarks for measuring success.

### 6.1 BENCHMARKING – MANAGEMENT ACCOUNTING

Accounting is not just about generating income statements and paying taxes. Good accounting information is crucial for providing you with the information you need to make important management decisions for your business. This side of accounting is often termed management accounting.

A key element in management is developing benchmarks and using them to measure your farm's performance. For example your production plan and costing provides you with an estimate of the cost of producing X kilograms of your product. This is a cost of production benchmark. At the end of the year you can compare your actual cost of production with your planned cost of production.

Every farm operation is a little different and every farm operation will have some critical benchmarks that can be used to measure performance of the farm. To be successful it is important to know and use these benchmarks in your business decision making.

The simplest follow-up is to review and revise your marketing plan, production plan and your financial plan at the end of the fiscal year. If you are operating a nursery, cut flowers or other similar operation where trends change quickly you may wish to monitor prices and trends on a more regular basis. Most commodities have a journal or web site that reports on the latest trends.



***Good Luck !***

***and***

***Enjoy Your Farming Experience***



## 7.1 SUMMARY OF WEB LINKS

### SMALL FARM PROGRAMS

New England Small Farm Initiative:

[www.smallfarm.org/main/for\\_service\\_providers/tools\\_and\\_resources\\_for\\_working\\_with\\_new\\_farmers/nefi\\_tool\\_and\\_resources/dacum\\_occupational\\_profile/](http://www.smallfarm.org/main/for_service_providers/tools_and_resources_for_working_with_new_farmers/nefi_tool_and_resources/dacum_occupational_profile/)

University of California at Davis:

<http://sfp.ucdavis.edu/docs/about.html>

University of Cornell:

[www.smallfarms.cornell.edu/](http://www.smallfarms.cornell.edu/)

Oregon State University:

<http://smallfarms.oregonstate.edu/>



### OTHER FARM START-UP SITES

An interesting site for young farmers: [www.thegreenhorns.net/](http://www.thegreenhorns.net/)

### MENTORSHIP

[www.smallfarm.org/main/for\\_on\\_farm\\_mentors/](http://www.smallfarm.org/main/for_on_farm_mentors/)



### BEST MANAGEMENT PRACTICES

Best Management practices of leading farmers:

[www.farmcentre.com/Resources/Detail.aspx?id=331d539f-fbfa-49a2-85ed-5d559db0f701](http://www.farmcentre.com/Resources/Detail.aspx?id=331d539f-fbfa-49a2-85ed-5d559db0f701)

### LEGISLATION AND LEGAL

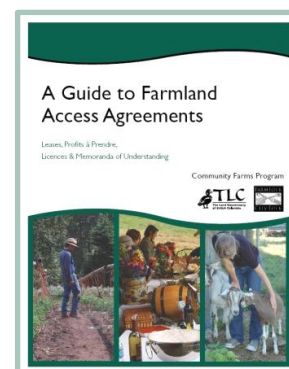
*Farm Practices Protection Act:*

[www.alc.gov.bc.ca/alr/fppa.htm](http://www.alc.gov.bc.ca/alr/fppa.htm)

### Leases

<http://ffcf.bc.ca/programs/farm/CFPdocs/Farmland%20Access%20Ag%20Guide%202009.pdf>

[www.omafr.gov.on.ca/english/busdev/facts/09-035.htm](http://www.omafr.gov.on.ca/english/busdev/facts/09-035.htm)



## MARKETING

### Regulated Marketing

Livestock	
Dairy Broilers (chicken) Eggs Turkeys Broiler hatching eggs	<a href="http://bcmilkmarketing.worldsecuresystems.com">http://bcmilkmarketing.worldsecuresystems.com</a> <a href="http://www.bcchicken.ca/">www.bcchicken.ca/</a> <a href="http://www.bcegg.com/">www.bcegg.com/</a> <a href="http://www.bcturkey.com/">www.bcturkey.com/</a> <a href="http://www.bcbhec.com/">www.bcbhec.com/</a>
Fruits and Vegetables (check by regions)	
Vegetables (field) Cranberries Hog Commission	<a href="http://www.bcveg.com/">www.bcveg.com/</a> <a href="http://www.bccranberries.com/">www.bccranberries.com/</a> <a href="http://www.bcpork.ca/">www.bcpork.ca/</a>

### Farmers Markets

[www.bcfarmersmarket.org/](http://www.bcfarmersmarket.org/)

### Community Supported Agriculture

<http://csafarms.ca/CSA%20farmer%20resources.htm>



### Health Considerations / Food Safety

[www.health.gov.bc.ca/socsec/](http://www.health.gov.bc.ca/socsec/)

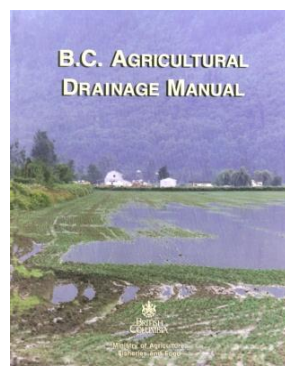
[www.al.gov.bc.ca/foodsafety/index.htm](http://www.al.gov.bc.ca/foodsafety/index.htm)

[www.footdsafe.ca/marketsafe](http://www.footdsafe.ca/marketsafe)

### Per Capita Consumption

[www.statcan.gc.ca/ads-annonces/23f0001x/hl-fs-eng.htm](http://www.statcan.gc.ca/ads-annonces/23f0001x/hl-fs-eng.htm)

## PRODUCTION



### Water

Irrigation

[www.al.gov.bc.ca/resmgmt/publist/Water.htm](http://www.al.gov.bc.ca/resmgmt/publist/Water.htm)

Drainage

[www.al.gov.bc.ca/resmgmt/publist/500Series/525500-1.pdf](http://www.al.gov.bc.ca/resmgmt/publist/500Series/525500-1.pdf)

Climate

[www.weatheroffice.gc.ca/forecast/canada/index\\_e.html?id=BC](http://www.weatheroffice.gc.ca/forecast/canada/index_e.html?id=BC)

## Regulatory Agencies

Farm Practices  
Department of Fisheries & Oceans  
Ministry of Environment  
Water Act  
Wildlife Act  
Federal Species at Risk Act  
Public Health Act

[www.al.gov.bc.ca/resmgmt/fppa/refguide/intro.htm](http://www.al.gov.bc.ca/resmgmt/fppa/refguide/intro.htm)

<http://laws.justice.gc.ca/eng/F-14/index.html>

[www.env.gov.bc.ca](http://www.env.gov.bc.ca)

[www.env.gov.bc.ca/wsd/water\\_rights/licence\\_application/section9/index.htm](http://www.env.gov.bc.ca/wsd/water_rights/licence_application/section9/index.htm)

[www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/00\\_96488\\_01](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96488_01)

<http://laws.justice.gc.ca/eng/S-15.3/index.html>

[www.health.gov.bc.ca/phact](http://www.health.gov.bc.ca/phact)

## PRODUCTION INFORMATION

Production Guides  
Information Platform  
Agrologists

[www.al.agf.gov.bc.ca/cropprot/prodguide.htm](http://www.al.agf.gov.bc.ca/cropprot/prodguide.htm)

[www.kmwpp.ca](http://www.kmwpp.ca)

[www.bcia.com](http://www.bcia.com)

## Farm Business Information

Smart Farm BC  
Farm Center  
B.C. Business registry  
Wwoof's  
Ag Help  
SOIL Apprenticeships  
Migrant Workers  
Worksafe B.C.  
Canadian Revenue Agency  
Production Insurance  
Growing Forward Programs  
Plant Diagnostic Lab

[www.smartfarmbc.ca](http://www.smartfarmbc.ca)

[www.farmcentre.com](http://www.farmcentre.com)

[www.bcbusinessregistry.ca](http://www.bcbusinessregistry.ca)

[www.wwoof.ca](http://www.wwoof.ca)

[www.helpx.net](http://www.helpx.net)

[www.soilapprenticeships.org/](http://www.soilapprenticeships.org/)

[www.rhdcc-hrsdc.gc.ca/eng/workplaceskills/foreign\\_workers/sawp.shtml](http://www.rhdcc-hrsdc.gc.ca/eng/workplaceskills/foreign_workers/sawp.shtml)

[www.worksafebc.com/](http://www.worksafebc.com/)

[www.cra-arc.gc.ca/menu-eng.html](http://www.cra-arc.gc.ca/menu-eng.html)

[www.agf.gov.bc.ca/production\\_insurance/](http://www.agf.gov.bc.ca/production_insurance/)

[www.agr.gc.ca/growingforward](http://www.agr.gc.ca/growingforward)

[www.al.gov.bc.ca/cropprot/lab.htm](http://www.al.gov.bc.ca/cropprot/lab.htm)



## Business Reporting

Canada Revenue Agency-Income Tax  
Canada Revenue Agency – payroll  
Worksafe B.C.

[www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/sgmnts/frmng/menu-eng.html)

[www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/menu-eng.html](http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/menu-eng.html)

[www.worksafebc.com](http://www.worksafebc.com)



## Enterprise Plan Guides

Business plan guides:  
The Canadian Farm Business Center  
The Small Business Resource Center  
Commodity specific budget sheets:  
Partial budgets – Ministry of Agriculture

[www.agf.gov.bc.ca/busmgmt/](http://www.agf.gov.bc.ca/busmgmt/)

[www.farmcentre.com/Home.aspx](http://www.farmcentre.com/Home.aspx)

[www.smallbusinessbc.ca/](http://www.smallbusinessbc.ca/)

[www.agf.gov.bc.ca/busmgmt/budgets/index.htm](http://www.agf.gov.bc.ca/busmgmt/budgets/index.htm)

[www.agf.gov.bc.ca/busmgmt/budgets/index.htm](http://www.agf.gov.bc.ca/busmgmt/budgets/index.htm)