

EVALUATING YOUR GOALS & LIFESTYLES

“For Farm entrepreneurs, the opportunities for a farm family business have never been greater.” (Joel Salatin, *You Can Farm*, Polyface, Inc 1998) Are you thinking of starting a farm based enterprise? Maybe a pastured poultry operation, a market garden, or a home bakery? The times are changing and many are saying it's time to make a change. Whatever the enterprise, there are questions to be asked, and pitfalls to be navigated to develop a vision and see it succeed. These are questions best asked and answered by the whole family and everyone involved.

This fact sheet will provide you with a brief overview of the business and production aspects to consider, and the types of questions to ask before you begin the venture. More detailed information may be found in the resources listed at the end.

Personal and Family Considerations

So you have a dream of farming. What does it look like? Where do you want to be? Does your family share your enthusiasm? Does it mean moving? Making lifestyle changes? Do you have the training, skills, and the experience necessary to be successful? After your new enterprise is established, what amount of family living income would you like the new enterprise to contribute annually? What special features does the family want the enterprise to possess? (level of risk, labor requirements, seasons, use of special skills or resources, etc.). Evaluating these questions ahead of time will go a long way towards maintaining your quality of life.

Identifying Alternatives

What opportunities show promise for your situation? The first step in the process of identifying alternatives is doing a resource inventory. The purpose of a resource inventory is to show the limitations and opportunities presented by your current situation. A complete inventory includes five areas, and a set of questions to consider for each area:

1. **Physical Resources:** (their quantity, quality, limitations, are they underutilized?)
 - Buildings
 - Tillable land
 - Pasture
 - Woodlot
 - Machinery/equipment

2. **Marketing Resources:** (their capacity, distance, limitations, potential)
 - Processing
 - Wholesalers
 - Directmarkets
 - On-farm sales
 - Slaughterhouse

- Nearest town(s)
- Population with 30 mile radius

3. **Management and Labor Resources:** (seasons available, hrs/wk, skills, underutilized?)

- Management
- On-farm potential labor pool
- Benefits you can offer employees

4. **By-Product Resources:** (their quantity, quality, limitations, potential uses?)

- Animal by-products
- Crop by-products
- Chemical wastes
- Processing by-products
- Machinery and tires

5. **Financial Resources:** (source, amount, details?)

- Cash
- Saving
- Family credit
- Commercial credit
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As a general rule, successful enterprises avoid resources that you don't have and take advantage of un-used or under-used resources. Evaluating these areas beforehand will save a lot of time in missteps and will point out opportunities that were unnoticed before.

Production (Can it be done?)

By evaluating an enterprise you see what the production aspects are and where they overlap with your resources. Production requirements to evaluate include:

Climate
Soil
Water
Buildings and facilities
Machinery and equipment
Management and labor
Additional production requirements

Some decisions that need to be made regarding production are: **quality, production rate and business size** and last but not least, **regulations and liability factors**. What are they? And how will you deal with them?

Sources of production information include: Extension production budgets and publications, trade organizations and producers, and government offices.

You should now have a clear idea whether your requirements match your resources. If your available resources cannot adequately support the enterprise, development may not be feasible. However, many production problems can be overcome by hard work, capital inputs, or ingenuity.

Profitability (Will it make money?)

To project whether the new enterprise will be profitable, the farm manager should complete an income statement. An **income statement** lists projected receipts and expenses, and then yields a value for net farm income. After the income statement is completed, a sensitivity analysis can measure the effects of changes in key factors, such as yields, prices, and profitability. For instance if you raise or lower the price of carrots 5 cents/lb., how will that affect the quantity you would have to grow to make the same profit?

Financial Feasibility

If you establish the new enterprise, will you have enough cash to cover operating expenses, family living needs, and debt payments? To answer this question you will need to complete a cash flow statement. Completion of a **cash flow statement** will enable you to determine the amount of capital needed to finance the business, as well as the repayment ability of the business if money is borrowed. If necessary, sources of financing should be identified. Once potential lending sources are identified, develop a **loan proposal**, which includes a **business description, marketing plan, production methods, service summary, income statement, cash flow analysis, net worth statement, resume**, and other supporting documents.

Making a Decision (Will you start the new enterprise?)

If you have found an enterprise that seems feasible, it is time to gather all family members, or others who will be affected by the final decision, to fully review and discuss the results of the evaluation. Ideally everyone will have been involved in the process, but the person responsible for the research should present the findings to the rest of the group. This presentation is good training for applying for a loan. However you make the decision, consensus or majority, everyone's concerns need to be heard so that they can continue to express needs and opinions in the future.

If you decide to go ahead with the enterprise, you can look forward to a very exciting and challenging endeavor. You should now develop an implementation plan, including a development timetable, production schedules, marketing plan, management structure, and a financial plan. Also think about how you will evaluate the progress of the new enterprise.

For more information, contact WSU Extension, (509) 524-2685 or email John Fouts at fouts@wsu.edu.

Resources

Farming Alternatives, Northeast Regional Agricultural Engineering Service; ph: (607) 255-7654

You Can Farm, An entrepreneur's guide to start and succeed in a farm enterprise. 1998. Joel Salatin,. Polyface, Inc. Virginia. Acres USA; ph: (800) 499-3201

Center for Holistic Management

1010 Tijeras NW, Albuquerque, NM 87102

Phone: (505)842-5252

Fax: (505)843-7900

<http://www.holisticmanagement.org>

center@holisticmanagement.org

Farmers Markets

Walla Walla Farmers Market <http://www.gowallawallafarmersmarket.com/>

Saturdays & Sundays 9:00 a.m. - 1:00 p.m.

Rose & North 4th Ave.

info@gowallawallafarmersmarket.com

Useful Publications

Growing for Market <http://www.growingformarket.com>

PO Box 3747

Lawrence KS 66046

News and ideas for market gardeners

Small Farm Today <http://www.smallfarmtoday.com/>

3903 W. Ridge Trail Rd.

Clark, MO 65243-9525

Phone: (800) 633-2535

Dedicated to the preservation and promotion of small farming, rural living, sustainability, community and agripreneurship.

Business Assistance

Port of Walla Walla

Small Business Administration

310 A Street

Walla Walla, WA 99362

Counter services available by computer kiosk with toll-free phone to speak with a customer service representative if needed. For more information, contact Revel Paradis (509) 454-3707.

WSU Farm Family Support Network

FREE and CONFIDENTIAL

<http://ffsn.wsu.edu>

Peter V. Rodionoff, Coordinator, prodionoff@wsu.edu

1-800-469-2981

1-866-791-2293 ¡LLámanos para información!

United States Small Business Administration

Washington Branch Office

801 W Riverside Ave. Suite 200

Spokane WA 98101-1128

Phone: (509)353-2811

Fax: (509) 353-2600

Mid-Columbia SCORE

1229 Columbia Park Trail, Suite A

Richland, WA 99352

Phone: (509) 375-3582

Email: jthornton_9@msn.com

<http://www.score-wa.org/>

Washington State Department of Agriculture

1111 Washington St.

Olympia, WA 98504-2560

Phone: (360)902-1915

Fax: (360) 902-2089

<http://www.agr.wa.gov/Marketing/default.htm>

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