

Growing Cash Flow



define success

**enough net profit to meet your goals
for your family and your business**

know your business

- **Plan to succeed, plan to be happy**
- **Tell your story in a business plan**
- **A budget is a plan in numbers**
- **Plan for contingencies**



Plan to Succeed

The One Page Business Plan  FARM CREDIT

Mission: The mission for your business guides everything that you do. Keep it simple by finding the lowest common denominator.

Objectives:

Objectives are general directions for your business. They outline what you want the business to look like in the future. Stay focused on your Mission Statement.

Objective 1:

Objective 2:

Objective 3:

Objective 4:

SMART Goals: Remember, a goal without a deadline is just a dream! **S** — Specific **M** — Measurable **A** — Attainable **R** — Rewarding **T** — Timed

SMART Goal a):

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SMART Goal a):

SMART Goal a):

Action Plan:

i.

Action Plan:

i.

Action Plan:

i.
ii.
iii.

Action Plan:

i.
ii.

SMART Goal b):

SMART Goal b):

SMART Goal b):

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Action Plans: Every goal must have action plans that explain how that goal will be accomplished. Explain who will do what, where, when, how, and how often.

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Objective 1:

PEOPLE

Objective 2:

FINANCIAL

Objective 3:

PRODUCTION

Objective 4:

MARKETING

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Plan to Succeed

The One Page Business Plan



FARM CREDIT

Mission: The mission for your business guides everything that you do. Keep it simple by finding the lowest common denominator.

The mission of Tyler's Tip-Top Tomatoes, LLC is to grow good food, make good money and be good people.

Objectives:

Objectives are general directions for your business. They outline what you want the business to look like in the future. Stay focused on your Mission Statement.

Objective 1:

Achieve an appropriate balance of work and home life

Objective 2:

Make enough money to pay myself, the bank and reinvest in the farm

Objective 3:

Increase efficiency while offering customers wider selection

Objective 4:

Increase communication with customers

SMART Goals: Remember, a goal without a deadline is just a dream! **S** — Specific **M** — Measurable **A** — Attainable **R** — Rewarding **T** — Timed

SMART Goal a):

Take Sundays off

Action Plan:

- i. Train Charlie for Sunday tasks, give him #'s to call
- ii. Measure his performance

SMART Goal b):

Action Plan:

- i.
- ii.
- iii.

SMART Goal a):

Make a net profit (including draw) of \$50,000 this operating cycle

Action Plan:

- i. Compare cash flow budget to P&L and bank accounts monthly, adjust as needed

SMART Goal b):

Action Plan:

- i.
- ii.
- iii.

SMART Goal a):

Decrease COGS/ lb of tomatoes

Action Plan:

- i. Measure production per worker and per variety
- ii. Set pest traps, scout

SMART Goal b):

Introduce at least one new variety of tomato for sale each year

Action Plan:

- i. Pick five varieties for trial, test on limited growing area
- ii. Measure yields to choose

SMART Goal a):

Start and maintain a blog to show customers progress on farm

Action Plan:

- i. Research platforms
- ii. Block off 1 hour each week to write post/ edit pics

SMART Goal b):

Invite customers to participate in tomato soup contest, %of proceeds to be donated to local soup kitchen

Action Plan:

- i. Pick date and venue
- ii. Send out e-mail blast with soup kitchen for contestants

Action Plans: Every goal must have action plans that explain how that goal will be accomplished. Explain who will do what, where, when, how, and how often.



Develop a budget to ensure you are valued.



- 1) Use last year's records as a starting point for your five-line income statement. If you're starting a new operation, plenty of information is available! For example:

- <http://agalternatives.aers.psu.edu/>
- <http://cdp.wisc.edu/Budgets,%20Sped%20&%20Programs.htm>
- <http://www.ces.uga.edu/Agriculture/agecon/printedbudgets.htm>

Make sure you take regional cost differences into account (land rent is a good example of this.)

- 2) Calculate your five-line income statement.

COGS = any expense that helps produce one more unit of output.

Production labor and associated payroll expenses, including workman's compensation, unemployment taxes, FICA, Medicare, health insurance
Crop or livestock inputs – seed, fertilizer, soils, chemicals, feed

Overhead = any expense that you incur no matter how much production you actually have.

The main ones are the "**DIRTY**" Five:

Depreciation, Interest, Repairs, Taxes, Insurance

Don't forget to include Managers' and Bookkeepers' wages/salaries, marketing, and utilities.

- 3) Calculate the percent of sales for each line.

(Divide the dollars for each line by the total sales.)

Historical	Dollars	% of Sales
Sales:	\$	100%
- Cost of Goods Sold:	\$	%
= Gross Margin:	\$	%
- Overhead	\$	%
= Profit (Net Income)	\$	%

- 4) Create your budget—from the bottom up. Start with your desired draw (the amount you and your family need to take from the operation to live on, plus income taxes). Add the principal portion of any loan payments you need to make in 2011 to get the total profit needed from the operation.
- 5) Add your overhead expenses to the required profit to figure the gross margin the operation will need to yield. Your overhead expenses shouldn't change much from the previous year, unless you've undergone a significant expansion or other major change.
- 6) Determine the breakeven sales needed in your operation to support the overhead obligations and profit required. Do this by dividing the gross margin (E) by the gross margin as a percent of sales (taken from your records, calculated in step 3).
- 7) Step back and see if this budget makes sense. Is this sales volume reasonable for this year, especially if it's your first year in business? Is it possible for the acreage you raise and the market prices of your products? If it is, great! Develop a marketing plan (action plan) to achieve that level of sales. If not, that's okay. Rework until you have a plan that is sound. If this is a building year, how will you achieve your goal (and finance the operation in the meantime)? Address these questions early in the year to ensure you have a complete plan.

BUDGET		
Owner Draw Desired (include income taxes):	\$	(A)
Bank principal payments required:	\$	(B)
TOTAL PROFIT REQUIRED: (A+B)	\$	(C)
Overhead expenses	\$	(D)
GROSS MARGIN REQUIRED: (C+D)	\$	(E)
Divide by Gross Margin percentage	\$	(F)
SALES VOLUME REQUIRED: (E/[F as % of sales—from historical])		(G)

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(Divide the dollars for each line by the total sales.)

Historical	Dollars	% of Sales
Sales:	\$134,400	100%
- Cost of Goods Sold:	\$80,096	60%
= Gross Margin:	\$54,304	40%
- Overhead	\$10,472	8%
= Profit (Net Income)	\$43,832	33%

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BUDGET	
Owner Draw Desired (include income taxes):	\$30,000 (A)
Bank principal payments required:	\$20,000 (B)
TOTAL PROFIT REQUIRED: (A+B)	\$50,000 (C)
Overhead expenses	\$10,472 (D)
GROSS MARGIN REQUIRED: (C+D)	\$60,472 (E)
Divide by Gross Margin percentage	1—0.6=0.4 (40%) (F)
SALES VOLUME REQUIRED: (E/F as % of sales—from historical)	\$151,180 (G)

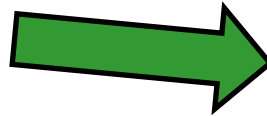
Showing Annual Business Results

The 5-Line Income Statement

Historical	Dollars	% of Sales
Sales <i>(total income)</i>	\$134,400	100%
- Cost of Goods Sold: <i>(variable costs)</i>	\$80,096	60%
= Gross Margin:	\$54,304	40%
- Overhead <i>(fixed costs)</i>	\$10,472	8%
= Profit (Net Margin)	\$43,832	33%

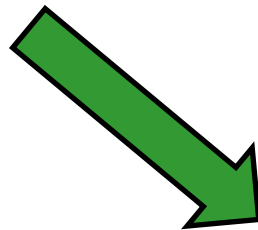
Showing Annual Business Results

This 5-Line
Income Statement



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Sales <i>(total income)</i>	\$134,400	100%
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Becomes the basis
of this Cash Flow
Analysis
Spreadsheet



	Budget	
	Annually	% of Sales
Total Income(TI) or Total Sales	134,400	100%
COGS or Total Variable Costs (VC)	80,096	60%
GROSS MARGIN (TI-VC)	54,304	40%
Total Fixed Costs (FC) or Overhead	10,472	8%
NET MARGIN (TI-VC-FC)	43,832	33%

The Concept of Cash Flow Budgeting

JANUARY	FEBRUARY	MARCH
TOTAL INCOME (TI)	TOTAL INCOME (TI)	TOTAL INCOME (TI)
VARIABLE COSTS (VC)	VARIABLE COSTS (VC)	VARIABLE COSTS (VC)
GROSS MARGIN (TI-VC)	GROSS MARGIN (TI-VC)	GROSS MARGIN (TI-VC)
FIXED COSTS (FC)	FIXED COSTS (FC)	FIXED COSTS (FC)
NET MARGIN (TI-VC-FC)	NET MARGIN (TI-VC-FC)	NET MARGIN (TI-VC-FC)
BEGINNING CASH	BEGINNING CASH	BEGINNING CASH
MONTHLY CASH FLOW	MONTHLY CASH FLOW	MONTHLY CASH FLOW
ENDING CASH	ENDING CASH	ENDING CASH

The diagram illustrates the flow of cash between months. Red arrows show the flow from 'ENDING CASH' of January to 'BEGINNING CASH' of February, and from 'ENDING CASH' of February to 'BEGINNING CASH' of March. This indicates that the ending cash of one month becomes the beginning cash of the next month.



Annual Cash Flow Analysis

Summary of Annual Results from Spreadsheet (the 5-Line Income Statement)

	Budget	
	Annually	% of Sales
Total Income(TI) or Total Sales	134,400	100%
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Total Fixed Costs (FC) or Overhead	10,472	8%
NET MARGIN (TI-VC-FC)	43,832	33%

Cash Flow Analysis

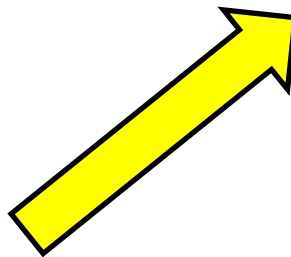
Monthly Results Spreadsheet



Simply Fresh Farm Budget Cash Flow Spreadsheet for Year 2014

	Budget Jan	Budget Feb	Budget Mar	Budget Apr	Budget May	Budget Jun	Budget Jul	Budget Aug	Budget Sep	Budget Oct	Budget Nov	Budget Dec	Budget	
													Annually	% of Sales
Total Income(TI) or Total Sales	10,200	10,200	10,200	5,100	5,100	18,300	16,800	14,400	16,800	14,700	6,300	6,300	134,400	100%
COGS or Total Variable Costs (VC)	-	-	4,038	11,258	7,158	10,506	10,506	10,506	10,506	8,832	6,790	-	80,095	60%
GROSS MARGIN (TI-VC)	10,200	10,200	6,163	(6,158)	(2,058)	7,795	6,295	3,895	6,295	5,869	(490)	6,300	54,304	40%
Total Fixed Costs (FC) or Overhead	1,193	1,832	4,805	29	28	96	2,175	94	92	91	20	18	10,472	8%
NET MARGIN (TI-VC-FC)	9,007	8,368	1,357	(6,186)	(2,085)	7,698	4,120	3,801	6,202	5,778	(510)	6,282	43,832	33%
Monthly Cash Flow	5,695	4,766	(2,246)	(9,861)	(5,761)	4,021	441	121	2,521	2,095	(4,193)	2,597	197	
Beginning Cash/Checking Balance	21,500	27,195	31,961	29,715	19,854	14,094	18,115	18,556	18,677	21,199	23,294	19,101		
Ending Cash/Checking Balance	27,195	31,961	29,715	19,854	14,094	18,115	18,556	18,677	21,199	23,294	19,101	21,697		

Cash flows are
highlighted in
yellow



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Ready 80% -

Download the live spreadsheet:

(this is all one long website address)

www.farmbiztrainer.com/
resources/
groups/
one-page-planning-suite/



how quickly can you make money?

- **Goal of producing cash in 6 months**
- **Budget to accomplish goal**
- **Pay your bills**
- **Family living expenses**

plan your business

- **Record keeping is required for taxes**
- **Ultimate goal is to manage from records**
- **Need up-to-date and accurate records**
- **Create budget with expectations and measurable results**

things to do before starting

- **Save money**
- **Protect credit rating**
- **Gain experience**
- **Network**
- **Plan**

manage your business

Three basic business skills:

- 1. Financial**
- 2. Production**
- 3. Marketing**

***If you are lucky you have two of these skills.
Partner with or hire the skill you don't have.***



www.AnnualCreditReport.com