

Beginning or Expanding Maple Syrup Operations as a Profitable Business!



Jeffrey Perry

Stephen Childs

Dyson School of Applied Economics and Management

College of Agriculture and Life Sciences

Cornell University

Ithaca, NY 14853-7801



Beginning or Expanding Maple Syrup Operations as a Profitable Business!

It is the policy of Cornell University to actively support equality of educational and employment opportunity. No person shall be denied admission to any educational program or activity or be denied employment on the basis of any legally prohibited discrimination involving, but not limited to, such factors as race, color, creed, religion, national or ethnic origin, sex, age or handicap. The University is committed to the maintenance of affirmative action programs which will assure the continuation of such equality of opportunity.

Publication Price: \$12.00
For additional copies, contact:

New York FarmNet
Department of Applied Economics and Management
Cornell University
Kennedy Hall
Ithaca, New York
14853-7801
1-800-547-3276

All rights reserved.

Funding for this document was provided
by the **New York Farm Viability Institute.**

www.nyfvi.org

The authors thank Racheal Bothwell and Rebecca Ireland-Perry for their review of this document. However, any errors or omissions are the sole responsibility of the authors.

©Copyright 2012. New York FarmNet, Dyson School of Applied Economics and Management, College of Agriculture and Life Sciences, Cornell University.

Beginning or Expanding Maple Syrup Operations as a Profitable Business!

Table of Contents

	Page
Table of Contents	3
Worksheet Pages and Appendices	4
Purpose of this guide	5
Where to begin?	5
Business Planning and the Strategic Planning Process	6
Questions to Ask in Writing a Mission Statement	7
First Things First, Are your Ducks in a Row?	8
Grants	8
How do you know your financial position?	9
Framework for a Business Plan	10
Typical Business Plan Model	11
Background	14
Organization	15
Operations Plan	17
Marketing Plan	19
SWOT Analysis	19
Financial Plan	22
From a Lender's Perspective	26
Summary	28
References	29

Beginning or Expanding Maple Syrup Operations as a Profitable Business!

Worksheet Pages

Core Business Concept and Developing a Mission Statement	12
Setting Business Goals	13
Organization and Human Resources	16
Operations Plan Worksheet	18
SWOT Analysis Worksheet	21

Appendices:

Example of the Cornell Farm Account Book	30
Sample Maple Business Plan	31
Sample Income Statement & Cashflow Statement	37
Sample Balance Sheet	39
Cost of Production Sheet	41

Purpose of this guide:

There are a variety of resources for business owners to use in developing a business plan. Consultants can be hired, books purchased, the internet utilized, yet at the end of the day, many of the maple producers we meet in our travels are not sure about compiling records to look at profitability or how to begin to assemble a business plan.

The primary use for this guide is to assist maple operations in developing a basic plan used to secure funding for start-up, expansion, and operating loans as well as a basic framework to begin considering the income and expenses incurred as the operation develops.

The business plan does not need to be a complicated document. One designed for lenders should be relatively short (six or seven pages) and give the user an understanding of your business, the direction you are going and the short and intermediate goals you expect to achieve. When using the plan for borrowing purposes, the document is a chance to give the lending institution confidence in the management of the business requesting financial assistance.

The financial records can range from basic to complex. The more data collected, the more refined the answers will be, but only if the data that is put into the records is accurate and consistent.

Where to begin?

This publication expects the business operator to have a solid idea on which to develop the financial and strategic plans that will increase the likelihood of success. The options range from preparing to purchase a maple processing system or even a sugar bush to having a small operation as a hobby and considering ramping it up for profit.

The point to start developing a written plan consistently falls in the realm of mission and goals in the literature. The reality is that quite often the kernel of interest spurs into "on the back of a napkin" financials and rough projections of market demand. As a clear business plan is developed, focus on the end product - where you want the company to be in 10 years, then work backward to assemble the information that explains how you achieve that level of success.

Business Planning and the Strategic Planning Process

There are several interconnected pieces of planning that businesses complete. Firms may do this in a very systematic way, or develop a plan by default. The **business plan** is interconnected to a **strategic plan**, a **marketing plan**, and a **succession plan** to name a few. All are related and integral to a business that is performing well and showing growth. However, they do not have to be daunting, or long.

A **strategic plan** has been historically called a "long range" plan and can be a one page summary, or road map of the direction the business is heading. Another analogy is that the strategic plan is the umbrella that covers all of the other plan components. A well-known team builder and speaker, Steven Covey specifies: "We may be very busy, we may be very efficient, but we will be truly effective only when we begin with the end in mind." (Covey, 2004)

Clearly identify the business goals for five years from now. Write them down and let them stew for a bit. Bring your team members into the discussion -- middle management, fellow owners, and trusted employees.

A **mission statement** is a concise sentence or two that sums up the characteristics and goals of a company. Clear, short and to the point is the preferred format, without limiting the potential for growth in areas important to the business. (worksheet for ideas found on page 12)

Your mission statement can also guide developing specific goals and strategies to move your operation forward in a controlled, coordinated effort. Growth is always positive, but it can work against you if not monitored and fit into the overall plan you have for the business.



Questions to Ask in Writing a Mission Statement:

1. What single, solitary word is the focus for our organization?
This is a single focus word within our organization.
2. What would be the 2 or 3 words that would explain why we exist?
3. What one sentence would sum up what our organization is about, in a very simple, clear, easy to understand way?

Take your 2-3 words and put them into a single non-technical sentence that anyone could easily understand. (mystrategicplan.com)

Example Mission Statements

Mission Statement for "180s" (athletic training apparel)

Jumpstarted in 1995 with the sole mission of pushing performance wear beyond all previous boundaries, 180s was created for athletes who are pushing themselves, in the most unforgiving environments.

Mission Statement for Advance Auto Parts

It is the Mission of Advance Auto Parts to provide personal vehicle owners and enthusiasts with the vehicle related products and knowledge that fulfill their wants and needs at the right price. Our friendly, knowledgeable and professional staff will help inspire, educate and problem-solve for our customers.

Tractor Supply Co.'s Mission

To work hard, have fun and make money by providing legendary service and great products at everyday low prices.

Hershey Foods

Our mission is to be a focused food company in North America, and selected international markets, and a leader in every aspect of our business. Our goal is to enhance our #1 position in the North American confectionery market, to be the leader in U.S. chocolate-related grocery products, and to build leadership positions in selected international markets.

First Things First, Are your Ducks in a Row?

A business plan is an important tool in planning for the future, but there are other elements critical to your success. There are several items to have in place as you work through your business planning process.

1. What is your financial position?
credit reports, credit score, relationship with your lender
2. Ability to provide equity (20% cash expected investment)
3. Status of family & friends support to help you weather the ups and downs. Maple is a seasonal operation for most. Can your day job cover investments or is the maple operation paying its own way?
4. Transition Plan – an investment will take a few good seasons to repay. What about the short seasons? What is the alternative payment plan? Debt must be paid regardless of how good a season it was.
5. Have you developed your marketing plan. **A MARKET IS YOUR FIRST CONCERN!** Making a high quality product is great, but that helps only if you can sell it at a profit!
6. Be realistic and conservative in your projections and figures.

"I have heard there are grants to help me get going"

GRANTS:

Grants are available on a limited basis, with strings attached. **www.Grants.gov** is a large source of federal money available. Most grants require matching funds and/or can't be used for equipment or land purchases.

Local Chamber of Commerce offices and business development programs may have connections to a variety of funding streams.

At the end of the day, talk to USDA / Economic Development folks, but be prepared for a narrow target list and specific requirements are the rule. The project must be a viable entity that can stand on its own. Grants can be used as a supplemental resource, but the core business plan must be sound on its own to succeed.

How do you know your financial position?

Credit Reports

Overview: Credit reports are prepared by one of three credit reporting firms (Transunion, Fair Issac and Equifax). They obtain payment histories from lending agencies, credit card companies and public records. This information is then used to develop a numeric score indicating how likely an individual will perform on future debt obligations. Credit scores have proven to be extremely accurate and the lending community relies heavily on these reports in making loan recommendations.

A minimum credit score of 700 is necessary for mainstream borrowing.

- Obtain before talking with lender
- Check for accuracy
- Be ready to document and explain adverse ratings

Lending relationships

A positive relationship with your lender is critical. They are there to lend you money and make money doing so, but it is a long term project leaning heavily on trust.

- Long Term Lenders -- banks for real estate and land purchases
- Working Capital -- loans geared for intermediate assets -- equipment, sales materials, packaging, etc.
- Keep an eye out for specialized programs (i.e. young or beginning farmer programs)
- Tax Management Plans
- Detail tax management income deferrals or extra ordinary expense

Equity position:

A lender will be looking at your equity position, how much you have of value as found on your balance sheet, as well as your ability to pay back a loan through earnings and cashflow.

A balance sheet will reflect your asset values and the liabilities (debts) against them. Many lenders have limits as to how much debt you can accept as compared to the equity you have on hand. The best way to strengthen that position is pay down debt or increase equity.

Framework for a Business Plan

Business plans all work within the same general guidelines. There will be alternative layouts and differing opinions about the importance of some elements. The format used here is based upon work done at Penn State and the USDA Extension service (agalternatives.aers.psu.edu).

1. Executive Summary

This "elevator pitch" summarizes the key points of your business and the corresponding plan. It is the last part written once all the pieces are completed and in play. Research findings and recommendations are summarized here. The idea is to interest the reader in your plan enough so they will continue to investigate the details.

2. Mission, Goals & Objectives

This element begins with a brief, general description of the business involved. Following that is a mission statement for the operation. A mission statement should be a concise write-up of the key ideals and purpose for the business. Why the business exists in three sentences or less. Developing a mission statement and goals takes time and thought. There are resources available to help you in that endeavor on the internet. Try www.businessplans.org/mission.html as an example.

Goals are critical to the success and growth of a business, and can be a challenge to write clearly and in a useful format. A popular format is the SMART goals. This format includes:

- S** -- specific description of an item to achieve
- M** -- measurable with a quantitative element included
- A** -- attainable in scope, within the ability of the operation
- R** -- realistic, not pie in the sky or blown out of proportion
- T** -- time bound -- a deadline must be provided to keep the goal on target and accountable.

Typical Business Plan Model

Executive Summary	<ul style="list-style-type: none">•Elevator Pitch or abstract that distills the idea down to a short paragraph.
Mission & Goals	<ul style="list-style-type: none">•Mission Statement expresses the values of the operation in a few sentences.•Goals – short, intermeditate and long term length SMART Goals
Background	<ul style="list-style-type: none">•Description of the operation, location, history, how does it fit into today's market structure
Organization	<ul style="list-style-type: none">•Is the company an LLC, Sole Proprietor or Corporation? Who are the key personel involved, their background and responsibilities.
Operations Plan	<ul style="list-style-type: none">•Provide a few details about how the product is made, quality upheld, show the process is sustainable.
Marketing Plan	<ul style="list-style-type: none">•Description of exactly what product or service you are providing.•Detailed market research results, market strategy, marketing budget, SWOT
Financial Statements	<ul style="list-style-type: none">•Income statement, balance sheet, cashflow projections•Five year projections showing growth
Summary	<ul style="list-style-type: none">•Synopsis of ideas. Analysis by independent counsel (extension, NY FarmNet)

J. Perry, NY FarmNet Cornell University 2009



Core Business Concept and Developing a Mission Statement:



1. Why are you in business? _____

2. What basic beliefs or values drive the business? _____

3. What are the basic products and services? _____

4. Who is the target customer? _____

5. How do you add value? _____

6. What public image do you desire?

source: Streeter, D.H. 2007



Setting Business Goals:

Remember:

S pecific
M easurable
A ttainable
R ealistic
T imebound

Long Term Goals: 10 years or longer

Intermediate Goals: 3- 5 year start up to 10 years

Short term Goal: 1 year or less



Long Term Goals
Strategic



Financial



Intermediate Term Goals

Short Term goals

3. Background

This portion of your plan provides an opportunity to fit your operation into the larger industry status. Begin with a brief statement about the main purpose of the business, its location, and operators. Then relay a bit of history regarding the industry your operation works within. Refer to articles, publications, and research that document the viability of the industry you are working in. A brief discussion of history relative to the current operation may also help. This is your opportunity to defend your reasoning for entering into the business field. Provide support for the reasonableness of venturing into the direction you are heading, with the intent to make a profit.

Case Study Example of a Background Statement

The owners of Amber Gold Farm have been in agriculture from their youth. Dairy, hogs, rabbits and poultry were all raised at one time or another.

The interest in maple as an enterprise stems back from their grandfather running a small operation in the spring to supplement the dairy. The dairy has been halted, but the sugar bush remains and the potential for profit and growth look substantial.

The maple stand is modest. There are 400 taps in use at the moment with the potential to grow to 800 taps without purchasing or leasing additional land.



4. Organization

The purpose of this section is to layout the structure of the business both as an entity and as a workplace for the owners and employees.

First, explain the business structure. Is it a sole proprietor, partnership, LLC, or corporation? If the entity is owned by multiple individuals detail the ownership and the involvement of each individual. A sole proprietorship or LLC is typical as a partnership leaves too much risk exposure for both partners.

The second element is management. This is a critical aspect of the plan. Clearly explain the experience the owners have in the business sector selected. Explain any training or experience for each person. Describe the current responsibilities for each, and show evidence of a mechanism for training new employees.

Document elements including, but not limited to:

- Experience of key people
- Education of key people
- Skills of people involved. (owners and employees who have a significant role)
- Production and/or Computer skills
- Responsibilities of management and key people.

Outside resources

Identify the professionals you work with in your operation.

Examples include:

- Attorney
- Accountant
- Oversight resources (i.e. Maple extension specialists)
- Ongoing education courses (Community College etc)

Outside Resources:

Attorney: _____

Accountant: _____

Extension Educator: _____

Maple Equipment Dealer: _____

Marketing Specialist: _____

Forester: _____

Organization and Human Resources



Business Structure: ☐ Sole Proprietor

☐ Partnership

☐ Limited Liability Corporation

☐ Corporation

Owner #1:

Responsibilities:

Experience:

Strong Skill Areas:

Owner #2:

Responsibilities:

Experience:

Strong Skill Areas:

5. Operations Plan

An operations plan will vary in content depending on the type of business you are presenting. However, the key elements remain the same:

Products/services

List current products and services sold for business income. Provide specifics that differentiate your product from those elsewhere in your marketplace or give your farm a distinct competitive advantage.

Process / Operations

The goal in this section is to provide the reader with the confidence that you know what you are doing, and have your business risks minimized. Describe the operation briefly, including key points that highlight quality or unique management decisions you are operating with. Build in a discussion of key land, buildings, and equipment if pertinent to your operation.

In some situations, an appendices showing a detailed list of land with production history, buildings with use and age, and equipment with age or engine hours can be helpful to show details of the operation. Historical production records or cash sales may also be included.

Maple Operational Plan example:
Operations Plan

Amber Gold Farm

The heavy lifting of a maple operation occurs in early February to early April, depending on Mother Nature's winter conditions. The trees are tapped in early February once there is evidence that sap is beginning to move. Sap does not keep well, unless frozen, so many producers will process syrup several times a week to prevent the quality from deteriorating during storage.

There are several equipment options available for processing. A vacuum pump on lines will increase sap flow. A reverse osmosis machine removes a portion of the water prior to boiling in the evaporator. Evaporators should be fit to the size of the operation to maintain optimal flow of sap towards project. All are hefty fiscal investments that need to be carefully considered before purchasing.



Operations Plan



Products / Services:

Product Description

Package Size offered

Unique Characteristics as compared to your competitors

Process / Operations

Growth process

Product Development Process (made on site / contracted out, etc)

Volume Produced

Expected Growth -- requirements to meet this growth

6. Marketing Plan

The marketing plan is an important element in the business planning structure. A detailed breakout of developing a comprehensive marketing plan is beyond the scope of this guide. Please refer to “Putting Market Information to Work” (Gloy, 2009) for detailed information on marketing plans.

A synopsis of developing a Market Strategy:

- A. Remember your business goals and mission
-- set sales goals within those parameters
- B. Gather market data using survey research and SWOT analysis
(see below)
- C. Reality Check!! How do you truly stack up against all the competition
(you have some)
- D. Be very clear on your cost of goods sold, so your selling price
will cover costs and profit
- E. Identify your target market & the plan to get the product to them!!
- F. Develop a marketing budget 10% (thumb rule) and spending plan.

SWOT Analysis: (Strengths, Weaknesses, Opportunities, Threats)

One tool that assists your marketing plan, but can also be critical to your strategic plan and mission is a SWOT analysis. This tool organizes you to critically think about the strengths and weaknesses of the operation (internal), and the opportunity and threats (external) to the business.

One method is to pull in a small team (partners, key employees or advisors) to sit down and be very realistic in terms of challenges and strengths that your operation is looking at. Focus on areas you can influence by correcting or taking advantage of business strengths. The operation goals can be tailored to fit the situation and move the business forward.

- The first half of the process is the strengths and weaknesses portion. This is a review of your business from the inside out. Time to be honest and open minded about where you are strong and where you need to grow.
- The second half is focused beyond your walls, into your competition. What threats are there to your business, what opportunities can you exploit? Don't be judgmental, list them all.

EXAMPLE SWOT Analysis Sheet " Amber Gold Farm "

For your maple enterprise, brainstorm about ideas related to the four areas below.
Use this sheet to determine whether you should explore an enterprise idea further.

<p style="text-align: center;">STRENGTHS</p> <p>Maple stand substantial and in good condition</p> <p>A degree of institutional knowledge in the family</p> <p>Basic equipment in-place for start-up</p> <p>Game of Logging training</p>	<p style="text-align: center;">WEAKNESSES</p> <p>Market not clearly evident</p> <p>Labor supply in season is unclear</p> <p>Equipment not modernized.</p> <p>Unknown brand name</p> <p>Limited land base for expansion</p>
<p style="text-align: center;">OPPORTUNITIES</p> <p>Long standing farm history</p> <p>Marketing experience from current family member.</p> <p>Demand for local products is increasing</p> <p>High quality, natural product</p> <p>Healthy relative to other treats</p> <p>Target market is looking for season long supply.</p> <p>Ready wholesale barrel market available.</p>	<p style="text-align: center;">THREATS</p> <p>Other local producers gearing up.</p> <p>Better positioned farms with existing client base.</p> <p>Weather not always conducive to a strong season. Variability is risky.</p>

SWOT Analysis Sheet

For your maple enterprise, brainstorm about ideas related to the four areas below.
Use this sheet to determine whether you should explore an enterprise idea further.

STRENGTHS	WEAKNESSES
OPPORTUNITIES	THREATS

Modified from: Farm-Risk-Plans.USDA.gov



7. Financial Plan

Overview: The financial plan should be structured to measure the profitability and equity growth of the farming business. The business ownership should be able to measure the business internally over a period of time and provide sufficient detail to compare results with similar sized businesses. The plan should detail the financial record keeping system used by the business and who has the responsibility to maintain and keep the information current. Farming businesses that develop good habits of keeping accurate and detailed financial records from inception of the business tend to be more successful and have better relations with providers of capital for the business

Questions to Consider:

1. Cash versus Accrual methods of accounting

Accrual financial statements provide the true earnings picture for the agricultural business. Professional accountants provide the most useful accrual statements but can be expensive. Over time, the cost may be reflected in lower borrowing costs. Accrual statements can be constructed from cash value market statements if balance sheets and income statements are accurately prepared on a consistent basis.

- Cash basis statements are more common for small operators, but of little use unless carefully prepared on a consistent basis.

2. Financial record keeping systems (for business use)

- Shoebox for receipts (no need to proceed further if expecting to borrow funds)
- Organized record keeping book.

[Cornell Farm Account Book OR General Account Ledger]

- Software designed for agricultural business use
 - a. Quick Books
 - b. Excel worksheets self designed
 - c. Specific software for agricultural businesses
 - Red Wing Software -- expensive but very detailed

3. Business consultants and or accountants

- Detail who and how long retained by business

4. The Financial System used should provide at a minimum

- Balance sheets, preferably year end, prepared on a consistent basis
- Income statements prepared on a consistent basis
 - cover the period between the beginning and ending balance sheets
- Statement of cash flows
- Budget for upcoming operating cycle or next 12 months

Financial Instruments:

The three critical financial pages for any business plan include the income statement, balance sheet, and cashflow statement. Examples of each of these are found in the appendix. All three documents work together to paint a picture of the success of a business to provide profit and growth to its' owners. A lender or investor expects to see the business earn a profit over time, or there is no reason to invest in the operation.

If the business is a start-up operation, "pro-forma" statements are developed that show projected income and growth based on research and industry standards for similar companies.

Income Statement

An income statement provides a summary of the income generated by sales of product or services by the company. The income produced minus all expenses incurred by the business result in a profit or loss for the operation.

Income

The income is typically the easier part to understand. How many units of various maple product are being sold that year at a given rate to produce total income? Expenses are more involved to calculate.

Expenses

Variable expenses include all items that change as the volume of goods change. Fuel used, number of supplies purchased, hours of labor to assemble each unit are examples of costs that change depending on the number of products and units sold.

Fixed expenses must be paid regardless of how many units are sold. Insurance expenses, maintenance contracts, and telephone service are examples of fixed costs that are not impacted by sales volume.

$$\underline{\text{Income} - \text{expenses} = \text{Profit or (loss)}}$$

Start-up businesses may incur a loss for the first year or two because of large start-up expenses that need to be paid off before sales volume is up to full capacity. Providing projections for three to five years will show the long term profitability of such operations.

Paid Labor

Labor is an element that is often discounted in small start-up businesses. You have an opportunity cost to your labor. If you are working on this new venture, you are unable to devote that time to another job. You need to figure in labor costs as an expense for the operation, even owner labor invested.

Balance Sheet

The balance sheet is a snap shot in time of the equity a business is developing as liabilities for products, equipment, and property for example are paid off.

The Net Worth of a business ALWAYS = Assets - Liabilities

Net worth and equity are terms used interchangeable on balance sheet forms.

The example balance sheet on page 39 shows typical categories of short term, intermediate and long term assets and liabilities. Guidelines for the categories typically follow IRS rules to allow for depreciation (drop in value due to wear and age) to be accounted for in calculating taxes. Refer to IRS Guide to Farming or your tax accountant for more detailed information on asset categories

The liabilities for the equipment, land, and supplies that a business purchases will also need to be figured in at the bottom of the income statement. Interest paid is a fixed expense, however the monthly payments are Capital Purchases that are often listed separately at the bottom of the balance sheet to account for capital expenditures prior to net profit calculations.

(see example in appendix)

Cashflow Projections

The third instrument used to paint a picture of fiscal strength is a cashflow statement.

The purpose of a cashflow statement is to demonstrate how the income and expenses shown on an income statement are distributed over the course of a year.

Monthly cashflow projections are required for many operations to assure adequate income each month to cover incurred debts. Operations such as maple may need to borrow money in the spring to pay for supplies, fuel, and labor with an understanding that following harvest, all underlying, short term debt will be paid off. That system works well for growers, providing a successful harvest occurs in the spring. Operations will have their own busy and down times. A cashflow projection allows estimating the ability to cover debt for a particular part of the year.

Annual Projections

Many lenders also require annual income projections for three to five years into the future to gauge the long term success of the operation. The projections will be compared to your goal statements in the business plan narrative to assure continuity in thought and calculation.



From a Lender's perspective:

As you construct your business plan keep in mind one of the primary readers and users will be either your current or prospective lender. The plan will be the main document guiding the lender in making a decision to commit the lending institutions' funds to your business. Most lenders base their decisions on the five "C's" of credit which are: **Character, Capital, Capacity, Collateral and Conditions**. Your plan should provide sufficient detail so the lender will be able to document each of these credit factors. The following is a brief description:

Character:

Character is the lender's subjective evaluation of skills for the ownership and/or management of the business. Personal information, including credit history (credit reports), educational background, community involvement and personal references, will be gathered to assist the lender in making the credit decision. When meeting with lenders first impressions are critical in establishing a relationship, therefore professionalism and respect are important factors in managing the relationship.

Capital:

Capital is determined by an examination of the business entity's balance sheet which is a listing of assets and liabilities at a specific point in time. The entities equity, or capital, position is determined by subtracting assets from liabilities. The majority of lenders use a market value balance sheet which list assets at their fair market value. Lenders generally look for an equity position of at least 50% (assets and equity are equal amounts). Care should be taken when completing the balance sheet and use realistic values for assets, remembering the value listed is what a reasonable, knowledgeable buyer would pay for the asset if offered for sale. All too often individuals value assets at what they are worth to the business and not what the market will pay. Real estate, equipment and machinery are the items most often over valued on most balance sheets.

Lenders will pay particular attention to the current position (working capital) of the borrowing entity. The current position is determined by the difference between liquid assets (cash or those assets that can be easily converted to cash, accounts receivable and inventories) and liabilities that are due within the current year or operating cycle of the business.

Capacity:

Capacity is the ability of the business entity to generate sufficient funds to pay operating expenses, provide for future capital needs to sustain the business, make scheduled debt payments, provide for owners' living expenses, meet income tax obligations and have funds left over (margin) in case projected income levels were not achieved. Capacity is determined by analysis of the most recent 12 month year end operating cycle and the two prior year's income tax returns.

In the case of a new business, capacity will be determined from analysis of a carefully prepared budget for the next operating cycle of the business.

Collateral:

In most cases, collateral securing the loan will include real estate, machinery/equipment, vehicles and livestock. The lender will value the collateral for security purposes at a lower value than listed on the balance sheet submitted with the loan application. Collateral value takes into account the cost of acquisition, holding cost and the marketing cost to dispose of the asset. When collateral is taken by the lender the business has an obligation to maintain assets in good working order and notify the lender before sold or otherwise disposed of.

Conditions:

When a loan is approved most lending institutions establish conditions the borrower must adhere to during the life of the loan. Typical conditions include requirements to notify the lender of changes in the business ownership, changes in security taken as collateral and any adverse change in the business. Depending on the size of the loan and business lenders may establish financial requirements for minimum working capital, minimum equity and restrictions on borrowing additional money from other lenders.



Summary

As you begin to collect the worksheets provided in this guide, as well as additional resources used in your quest to establish a business plan, you will find much of the work is now complete. Use the typical business plan model on page 11 as your guide. Assemble the pieces in the appropriate order with the financial forms at the end. The information you have gathered will need an executive summary to brief the reader on what is in the plan. Placing the documents into a narrative similar to that of the example maple business plan in the appendix will get the operation down on paper.

Once a plan is on paper, the business can begin to refer to the plan and scrutinize the decisions made and goals established. A business plan needs revision and revisiting to make it a worthwhile effort to develop. An annual review with all the stakeholders in the business is a bare minimum to assure the business is meeting its goals and progressing forward.

We hope that the business planning guide has assisted in the development of a plan for the business you are working with.

NY FarmNet has staff available to assist in financial and personal issues that affect the success of family businesses at any size. You can find us on the web at NYFarmnet.org or at 1-800-547-3276.



References:

Covey, Stephen R. (2004) The seven habits of highly effective people. Simon & Schuster, Inc. New York, NY.

Developing a business plan. Agricultural Alternatives: College of Agricultural Sciences Agricultural Research and Cooperative Extension at Penn State University. agalternatives.aers.psu.edu.

Farm Service Agency. 1-FLP (Rev. 1) (2008)

Gloy, A. (2009) Putting market information to work: A guide to market planning. Extension Bulletin EB-2009-04. Cornell University, Ithaca, NY.

Mission statement examples. <http://mystrategicplan.com/resources/mission-statements/>

Streeter, D.H. (2007) Producing a business plan for value-added agriculture. Extension Bulletin EB 2007-08. Cornell University, Ithaca, NY.

SWOT analysis matrix. Farm-Risk-Plans. USDA.gov

Additional Resources:

Building a sustainable business. (2003) Minnesota Institute for Sustainable Agriculture. Published by The Sustainable Agriculture Network, Beltsville, MD. www.misa.umn.edu

Roth, M. (2010) Guide to farming in NYS: What every ag entrepreneur needs to know. Cornell Cooperative Extension, Ithaca, NY.

IRS Publication 225 (2009) Farmer's tax guide.
www.irs.gov/publications/p225/index.html

30

[illegible]

Amber Gold Farm Business Plan



Prepared April 2012

Jeff Perry

Business Planning

NY FarmNet

1-800-547-3276

Executive Summary

Amber Gold Farm is located in Smithville County, NY. The farm is a seasonal maple operation focusing on high quality syrup for sale in the local area. The farm also strives to educate consumers about the process used to produce high quality syrup. The intent is to continue to improve efficiency of production to maximize output for the current sugar bush.

Objectives and Goals

Mission Statement

Amber Gold Farm strives to produce high quality syrup and educate the public on the enjoyment and benefits of cooking with locally produced maple products.

Long Range Strategy and Implementation:

Short Term Goals: (Within 2009 calendar year)

1. Implement inventory control
2. Upgrade drop lines for half of system

Intermediate Term Goals:

1. Purchase vacuum system
2. Upgrade drop tubes for second half of system
3. Further develop four new outlets for gift sized bottles.

Long Term Goals:

1. Consider purchase of RO system
2. Purchase or lease additional 500 taps
3. Compare fuel systems for arch
4. Consider growth to the point of using for full time income

Business Description

History and Location

The owners of Amber Gold Farm have been in agriculture from their youth. The current sugar bush has been in the family for five generations. The woodlot was not always in production, depending on available help and desire. Aaron and Marge both work off the farm as primary income sources. Aaron does nutrition work for the local feed mill. Marge works for the County Youth Bureau. Both have general farm backgrounds from growing up in Central NY. The sugar bush is a 30 acre tract with East facing slopes that slow the runs due to limited sun exposure at some times. The forest tract is in one corner of the 80 acres of crops and pasture that surround the farm house and barns.

Organization and Management

Amber Gold Farm is a sole proprietorship at this time. An LLC option is available if the operation continues to grow. The property has been in the family for multiple generations, originally in dairy.

Resource Inventory

Management Team

Aaron Oliney -- Owner and operator

Responsible for:

- Woodlot management
- Line prep and install
- Boiling and filling
- Long term planning decisions

Marge Oliney – Wife of the owner

Responsible for:

- Boiling and filling
- Inventory and sales contacts

- **Land** – 30 acres woodlot of mixed hardwoods, predominately sugar maple
80 acres of pasture and crop land
- **Buildings** - 1 30 year old machine shed converted to boiling facility
1 30 year old shop/maintenance facility
- **Equipment** - 1 8 x 10 evaporator, wood fired.
- **Capital** - Owners have limited investment capital available up to \$15,000.

Operations Plan

Marketing Plan

Product Description

The maple syrup produced at Amber Gold Farm is predominately medium amber with a small amount of Fancy grade early in the season. Packaged in gallon, quart, and pint containers for wholesale to local stores

Sales

- Sales are primarily to local merchants that sell the product throughout the year. Local farm markets and grocery stores.
 - Wholesale customers are delivered to once a month..
 - Direct retail sales at the farm is not available at this time. With increased production, the farm is considering looking at opening up for the local Maple Weekend for farm tours.
 - Advertising is primarily word of mouth.

Strengths, Weaknesses, Opportunities and Threats

Strengths:

Knowledge of procedures to
produce high quality syrup
Located in a populated, diverse area of the state
Land base and equipment available

Weaknesses:

Time available is limited
Current size limits availability of diversified market
Limited to traditional containers and product

Opportunities:

Potential for nearby purchase or lease of additional taps for more
growth
Community shows interest in diverse maple products
Opportunity for efficiency in production

Threats:

Other community producers targeting same market
Unpredictability of year in volume and quality
Less connection to maple syrup and products
that traditionally use it.

The Financial Plan

The farm owns the property outright.

Financial projections are attached.

Income statement

Balance sheet based on calendar year

Summary

The Amber Gold farm is an enjoyable enterprise for the Oliney family. There is room for continued growth, depending on time and money available for upgrades. The family needs to decide how invested they want to be into maple. Time is the critical element for the operation due to narrow window of opportunity. Retail marketing will also involve additional time invested. The possibility for additional growth in size and efficiency is clearly an opportunity to consider.

FINAL NOTES

A business plan is a perpetual work in motion. Provide yourself as much information as needed to help the business progress forward with you at the helm. The lender for a loan wants the stripped down, less than 10 page version. It may be advantageous to you to incorporate your Business Plan into your Strategic Plan, Marketing Plan, Succession Plan, and Production Plan. Each one is a piece of the overall management of a business. Not all pieces are needed every day, but every piece is needed on at least one day in the life of the business.

More information on individual topics and resources to help develop all components of a comprehensive business plan are available through NY FarmNet.

Amber Gold Farm

Income Statement & 4 year Cashflow Projection		0.24 per tap	Cashflow Projection			
			YEAR			
			2011	2012	2013	2014
Number of taps			400	400	600	800
Gallons Produced			100	120	156	200
Gallons per tap			0.24	0.34	0.24	0.24
Revenue						
Retail syrup sales	8.01	3,204.00	3,376.26	4,806.00	6,408.00	
Wholesale syrup sales	2.57	1,028.00	1,401.84	1,542.00	2,056.00	
Bulk syrup sales	1.19	476.00	1,107.54	714.00	952.00	
bulk sap sales	0.00	0.00	0.00	0.00	0.00	
Retail confections sales	1.24	496.00	553.33	744.00	992.00	
Wholesale confections sales	0.82	328.00	410.28	492.00	656.00	
Other maple sales (equipment)	3.36	1,344.00	186.32	2,016.00	2,688.00	
Other products sales	1.00	400.00	678.21	600.00	800.00	
Other income	0.18	72.00	68.52	108.00	144.00	
Internet sales	0.21	84.00	92.69	126.00	168.00	
Mail order sales	0.19	76.00	0.00	114.00	152.00	
TOTAL GROSS SALES	18.78	7,508.00	7,874.99	11,262.00	15,016.00	
Expenses (maple related only)						
Fuel -- gasoline & oil	0.34	136.00	193.83	204.00	272.00	
Fuel -- evaporate and finish	0.95	380.00	933.89	570.00	760.00	
Utilities -- electric	0.37	148.00	138.34	222.00	296.00	
Utilities -- gas & other	0.10	40.00	28.90	60.00	80.00	
Maintenance	0.62	248.00	384.94	372.00	496.00	
Repairs	0.55	220.00	161.68	330.00	440.00	
Supplies	1.23	492.00	361.78	738.00	984.00	
Purchased sap	0.08	32.00	128.70	48.00	64.00	
Purchased syrup or confections	2.53	1,012.00	675.67	1,518.00	2,024.00	
Other products purchased for resale	2.86	1,144.00	138.94	1,716.00	2,288.00	
Insurance	0.49	196.00	203.39	294.00	392.00	
Interest	0.15	60.00	46.94	90.00	120.00	
Taxes	0.91	364.00	292.85	546.00	728.00	
Rent & leases	0.00	0.00	0.00	0.00	0.00	
Bank charges	0.00	0.00	28.70	0.00	0.00	
Tap or woods rental	0.24	96.00	97.76	144.00	192.00	
Advertising	0.76	304.00	189.29	456.00	608.00	

Special containers	0.70	280.00	578.61	420.00	560.00
Booth rental	0.10	40.00	31.89	60.00	80.00
Other marketing	0.11	44.00	0.00	66.00	88.00
Internet	0.07	28.00	3.69	42.00	56.00
Wages	0.54	216.00	559.43	324.00	432.00
Payroll taxes	0.01	4.00	7.03	6.00	8.00
Contract labor	1.02	408.00	186.69	612.00	816.00
Charitable contributions	0.09	36.00	69.14	54.00	72.00
Delivery expenses	0.23	92.00	133.03	138.00	184.00
Dues and subscriptions	0.13	52.00	17.23	78.00	104.00
Office expenses	0.24	96.00	112.28	144.00	192.00
Permits and licenses	0.01	4.00	81.46	6.00	8.00
Postage	0.13	52.00	35.24	78.00	104.00
Telephone	0.09	36.00	69.64	54.00	72.00
Travel	0.25	100.00	6.20	150.00	200.00
Vehicle expenses	0.08	32.00	149.36	48.00	64.00
Misc	0.02	8.00	265.02	12.00	16.00
Other	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENSES	16.00	6,400.00	6,311.53	9,600.00	12,800.00
NET OPERATING INCOME	2.78	1,108.00	1,563.46	1,662.00	2,216.00
(Gross Sales - Total Expenses)					

*there are 11 pounds of syrup per
gallon

Amber Gold Farm

Balance Sheet as of January 1, 2011

Assets

<u>Current Assets:</u>	<u>value</u>
Cash, checking, savings	6,587
Accounts Receivable	327
Syrup inventory	1,265
Other maple inventory	755
Containers	450
Fuel oil	1,188
Wood/energy source	
Other	313

Total Current Assets **10,885**

Intermediate Assets

Current (depreciated) value

Evaporator	7,500
Steam hood	855
Preheater	0
Forced Draft Unit	0
Reverse Osmosis unit	9,056
Draw off accessories	0
Barrels	1,000
Evaporator feed tanks	100
Blower	0
Other sap process equip.	0
Buckets	1,200
Tubing system/ main line	100
Tubing tools	350
Tubing washer	300
Tapping units	100
Sap pumps	50
Transfer pumps	0
Vacuum pumps	2,500
Releasers	850
Gathering tanks	100
Sap storage tanks	0
Chainsaws	100

Liabilities

<u>Current Liabilities</u>	<u>value</u>
Accounts payable	0
Sales tax payable	0
Payroll taxes	
Accrued wages payable	
Short-term note payable	3,000
Short-term bank note payable	0
Other	1,571

Total current liabilities **4,571**

Long-term Liabilities	value
Long-term note payable	3,350
Mortgage payable	
Other	

Long-term Liabilities **3,350**

Total Liabilities **7,921**

Tractor	
Truck & trailers	4,000
Filter press	100
Finishing pan	0
Canner	100
Stove	40
Table	50
Confection, Machinery	650
Molds	40
Scale	50
Packaging machinery	0
Misc equipment	500

Total Intermediate Assets 29,691

Long Term Assets Current (Depreciated) Value

Sugarbush real estate	165,000
Sugarhouse	14,000
Other depreciable real estate	

Total Long Term Assets 179,000

Total Assets 219,576

Total assets	219,576
less total liabilities	7,921

Net Worth 211,655

Michigan Maple Syrup Cost of Production Worksheet

Year	2009	Bob Battel MSU			
Number of Taps	900	Extension			
Gallons Produced	314.4	Agricultural Education			
CASH RECEIPTS	No. of Items	Income	\$/ unit	% of income	Gal. <u>Sold</u>
Syrup Sales (gallons)	58	\$ 2,436	\$ 42.00	14.7%	302.9
Syrup Sales (1/2 gallons)	93	\$ 2,232	\$ 24.00	13.5%	
Syrup Sales (quarts)	419	\$ 5,393	\$ 12.87	32.6%	
Syrup Sales (pints)	422	\$ 3,376	\$ 8.00	20.4%	
Syrup Sales (3/4 pints)	189	\$ 1,323	\$ 7.00	8.0%	
Syrup Sales (1/2 pints)					
Candy Sales (pounds)	24	\$ 690	\$ 28.74	4.2%	
Cream Sales (pounds)	36	\$ 468	\$ 13.00	2.8%	
Syrup Sales (bulk)	3	\$ 600	\$ 200.00	3.6%	
Other Syrup Sales					
Other Income	0	\$ 15		0.1%	
TOTAL CASH RECEIPTS		\$ 16,532			

CASH EXPENSES	Cost	\$/gal.	\$/tap	% of costs
Boiling Fuel	\$ -	\$ -	\$ -	0.0%
Containers	\$ 869	\$ 2.76	\$ 0.97	11.3%
Custom Hire	\$ 171	\$ 0.54	\$ 0.19	2.2%
Fertilizers/Lime	\$ -	\$ -	\$ -	0.0%
Freight and Trucking	\$ 418	\$ 1.33	\$ 0.46	5.4%
Gasoline, Fuel, Oil	\$ 482	\$ 1.53	\$ 0.54	6.3%
Hired Labor	\$ 1,459	\$ 4.64	\$ 1.62	18.9%
Insurance other than health	\$ 294	\$ 0.94	\$ 0.33	3.8%
Interest	\$ -	\$ -	\$ -	0.0%
Marketing Expenses	\$ 674	\$ 2.14	\$ 0.75	8.7%
Purchased Sap / Processing	\$ -	\$ -	\$ -	0.0%
Purchased Syrup for Resale	\$ 1,482	\$ 4.71	\$ 1.65	19.2%
Professional Fees	\$ 312	\$ 0.99	\$ 0.35	4.0%
Rent		\$ -	\$ -	0.0%
Repairs and Maintenance	\$ 527	\$ 1.68	\$ 0.59	6.8%
Subscriptions/Dues	\$ 75	\$ 0.24	\$ 0.08	1.0%
Supplies Purchased	\$ 912	\$ 2.90	\$ 1.01	11.8%
Taxes (property)	\$ -	\$ -	\$ -	0.0%
Utilities	\$ 33	\$ 0.11	\$ 0.04	0.4%
Miscellaneous Expenses	\$ -	\$ -	\$ -	0.0%
Total Cash Receipts	\$ 16,532	\$ 52.58		
Total Cash Expenses	\$ 7,708	\$ 24.52		
Net Cash Flow	\$ 8,824	\$ 28.07		

Depreciation Cost		Beginning Value	Ending Value	Cost	Per Gal.	Per Tap
Asset						
Electrical Service		\$ 1,219	\$ 975	\$ 244	\$ 0.78	\$ 0.27
Vacuum Pump		\$ 108	\$ 86	\$ 22	\$ 0.07	\$ 0.02
Pump House		\$ 441	\$ 353	\$ 88	\$ 0.28	\$ 0.10
Tubing		\$ 2,544	\$ 2,035	\$ 509	\$ 1.62	\$ 0.57
Filter Press		\$ 1,210	\$ 1,028	\$ 182	\$ 0.58	\$ 0.20
Cabinets		\$ 225	\$ 191	\$ 34	\$ 0.11	\$ 0.04
Kitchen		\$ 3,409	\$ 3,324	\$ 85	\$ 0.27	\$ 0.09
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -
				\$ 1,164	\$ 3.70	\$ 1.29

			Total	Per Gal.	Per Tap
Cost of Production (Excluding Land and Unpaid Labor)			\$ 8,872	\$ 28.22	\$ 9.86
	# Hours	\$/Hour	Total	Per Gal.	Per Tap.
Value of Operator/Unpaid Labor	642.85	10	\$ 6,429	\$ 20.45	\$ 7.14
Total Cost			\$ 15,301	\$ 48.67	\$ 17.00

Income per Gal. Sold	
\$	54.59
Income Per Gal. Produced	
\$	52.58
Net profit (or loss) after unpaid labor has been paid	
\$	1,232
Total Cash Receipts - Total Cost	
Net profit (or loss) per gal. produced	
\$	3.92
Net Profit (or loss)/ Gal. Produced	
Net profit (or loss) per tap	
\$	1.37
Net Profit(or loss)/ Number of Taps	

OTHER A.E.M. EXTENSION BULLETINS

EB No	Title	Fee (if applicable)	Author(s)
2010-01	When to Exit Dairy Farming: The Value of Waiting		Tauer, L. and J. Dressler
2009-22	Marketing the Unique Story of Your Farm Business for Success		Schmit, T., Hulcoop, L. and R. Weybright
2009-21	Dairy Farm Business Summary, New York Dairy Farm Renters, 2008	(\$16.00)	Knoblauch, W. and L. Putnam
2009-20	New York Economic Handbook 2010	(\$10.00)	Extension Staff
2009-19	Fruit Farm Business Summary, Lake Ontario Region New York, 2008		White, G., DeMaree, A. and J. Neyhard
2009-18	2009 Federal Reference Manual for Regional Schools, Income Tax Management and Reporting for Small Businesses and Farms	(\$25.00)	Bouchard, G. and J. Bennett
2009-17	2009 New York State Reference Manual for Regional Schools, Income Tax Management and Reporting for Small Businesses and Farms	(\$25.00)	Bennett J. and K. Bennett
2009-16	Bedded Pack Management System Case Study		Thurgood, J., Bagley, P., Comer, C., Flaherty, D., Karszes, J. and M. Kiraly
2009-15	Dairy Farm Business Summary, Northern New York Region, 2008	(\$12.00)	Knoblauch, W., Putnam, L., Karszes, J., Murray, P., Vokey, F., Ames, M., Deming, A. and J. Prosper
2009-14	Dairy Farm Business Summary, Central Valleys Region, 2008	(\$12.00)	Knoblauch, W., Putnam, L., Karszes, J., Murray, D., Radick, C., Wickswat, C., Manning, J., Collins, B., Balbian, D., Allhusen, G. and S. Buxton
2009-13	Dairy Farm Business Summary, Northern Hudson Region, 2008	(\$12.00)	Conneman, G., Putnam, L., Wickswat, C., Buxton, S., Smith, R. and J. Karszes
2009-12	Dairy Farm Business Summary, Southeastern New York Region, 2008	(\$12.00)	Knoblauch, W., Putnam, L., Kiraly, M., Walsh, J., Hulle, L. and C. Wickswat
2009-11	Dairy Farm Business Summary, Intensive Grazing Farms, New York, 2008	(\$16.00)	Conneman, G., Karszes, J., Grace, J., Beck, R., Staehr, A., Benson, A., Murray, P., Glazier, P., Carlberg, V., Anderson, J. and L. Putnam

Paper copies are being replaced by electronic Portable Document Files (PDFs). To request PDFs of AEM publications, write to (be sure to include your e-mail address): Publications, Department of Applied Economics and Management, Warren Hall, Cornell University, Ithaca, NY 14853-7801. If a fee is indicated, please include a check or money order made payable to Cornell University for the amount of your purchase. Visit our Web site (<http://aem.cornell.edu/outreach/materials.htm>) for a more complete list of recent bulletins.