

Module 1: Business
LESSON 1: Native Agribusiness



Please turn to
PAGE 11 of your
participant guide.

The Business of Indian Agriculture

MODULE 1: Business

LESSON 1: Native Agribusiness

Total Time: 1 hour

Lesson Topics

This lesson covers the following topics:

- Native American Agribusiness History and Culture.
- Tribal Values in Agribusiness.

Learning Objectives

Upon completion of this lesson, participants will:

- Understand the history and culture of Native American agribusiness.
- Understand the history and culture of agribusiness in the participant's tribal community.
- Understand the tribal values associated with Native American agriculture and business.
- Identify and use the appropriate tribal values in decisions regarding agribusiness.

Definitions

Agribusiness: Any business operation that produces, processes, stores, manufactures or delivers farm and ranch products and/or services. These operations can include farmers, ranchers, farm equipment suppliers, trucking services, food processors, meat packers and agricultural service providers. Agribusiness can encompass all business activities from "the farm (or ranch) to the fork."

Native American: In this curriculum, Native American and American Indian are used interchangeably and both refer to indigenous people of the continental U.S. When appropriate, the use of specific tribal names should be preferred when using the curriculum in community settings.



TOPIC 1: Native American Agribusiness History and Culture.

[Instructor Notes]: Highlight the module, lessons, topics and learning objectives to be discussed, and briefly present the definition of agribusiness. This first topic provides students with the understanding and appreciation of Native American agribusiness that will serve as the foundation for the remaining lessons and topics in the module. It starts with a general discussion of Native American agribusiness and then a specific discussion on the students' tribal communities. A respected elder or community leader may be an especially appropriate presenter for this topic.

Time: 30 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the history and culture of Native American agribusiness generally, and their own tribal community specifically.

[Instructor Notes]: Start with a personal or local story, or some other discussion that grabs attention and sets the context. It could be about the local agricultural economy, or other newsworthy event related to agriculture.

- Indians were the first farmers in North America, and agriculture has been a central feature of the American Indian culture and economy for thousands of years.
 - In fact, the Indians of Central America and Mexico were engaged in agriculture 7,000 years before Europeans settled in the present-day United States.
 - Archaeological evidence shows that American Indians began farming in the continental U.S. by 5,000 B.C., using indigenous agricultural practices as well as practices learned from Mexican and Central American cultures.
 - By 1,000 A.D., American Indian farmers had developed productive and complex agricultural systems. For example, one system was based on intercropping corn, beans and squash, and is commonly known as the “three sisters” method.
- There was great variety in American Indian agricultural practices and economies, reflecting the diversity of eco-systems and climate across the continent.
 - In the Northern Plains, American Indians cultivated the river valleys and flood plains with bone, wooden hoes and digging sticks. Although the Plains Indians relied mainly on hunting and gathering, by 1,000 A.D., they practiced well-developed agriculture with crops that included corn, beans, squash, sunflowers and tobacco.
 - Indian farmers in the Southwestern U.S. cultivated squash and bottle gourds, and traded agricultural products in regional market centers.



- In the Pacific Northwest region, tribes maintained diversified food systems that included fisheries, agricultural crops, wild game and native plants.
- Similarly impressive agricultural economies were present elsewhere throughout the U.S and Alaska, wherever American Indian and Alaskan Natives were present.
- American Indians used highly developed agricultural methods and practices, developed over generations of careful observation, trial and error. For example:
 - The Southwest Indian farmers developed a new kind of corn, which provided the subsistence basis for their civilization. They cultivated varieties of squash and beans, and grew cotton.
 - They also developed water-conservation practices and used sophisticated irrigation systems. The Hohokam Indians of the Southwest, called “canal builders,” constructed major systems of irrigation canals that were 150 miles long or more.
 - In the Great Lakes region, the Ojibwa and Assiniboine sowed, harvested, dried threshed, and stored wild rice. Some Northern tribes also tapped maple trees and made sugar.
 - In addition to food, American Indian agriculture produced other products, such as fiber for clothing or shelter, gourds as water containers and food utensils, tobacco for ceremonial purposes, and so forth.
 - Agricultural products were preserved and stored, and served as a source of savings and wealth.
 - Agricultural products and surpluses were traded for other economically valuable resources.
 - In other words, the “Business of Indian Agriculture” historically represented vibrant and diversified agricultural economies, and food and fiber systems.
 - The American Indian tribe(s) in your local area also has a rich history associated with agriculture and agribusiness.

Activity (10 minutes): In small groups of 2-3, have participants share historical examples of American Indian agricultural products or practices related to their tribal communities. Ask for several examples as a large group.

[Instructor Notes]: This first activity is an opportunity for participants to begin to share their views in a non-intimidating, small group setting. It serves as an important ice-breaker activity. You may want to invite a respected elder or community leader to share the history and culture of agriculture of the local tribe(s). The instructor should also research local agricultural culture and history and be prepared to present.



TOPIC 2: Tribal Values in Agribusiness.

[Instructor Notes]: This topic provides students with the understanding and appreciation of tribal values represented in historical and contemporary Native American agribusiness. It emphasizes that Native American agribusinesses should be in harmony with tribal values. A respected elder or community leader may be an especially appropriate presenter for this topic.

Time: 30 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the tribal values associated with Native American agriculture and business, and identify and use the appropriate tribal values in decisions regarding agribusiness.

- Cultural ceremonies and activities were closely intertwined with agriculture and tribal societies throughout the U.S. For example:
 - Prayers and songs were offered for good weather and successful plantings.
 - Songs and ceremonies celebrated successful harvests and gatherings of wild plants.
 - Clans and other social structures in some tribes supported agriculture through specialized roles and responsibilities.
 - Cultural practices may have determined how agricultural surpluses were stored and distributed among the tribe.
- These cultural activities represented certain tribal values that helped ensure the survival and prosperity of tribal society.
 - For example, harvest celebrations encouraged tribal values such as generosity and an appreciation of hard work.

Activity (10 minutes): As a large group, have participants share local examples (historical or contemporary) of cultural activities and values related to American Indian agribusiness.

[Instructor Notes]: A respected elder or community leader might share the cultural practices associated with the agriculture of the local tribe(s). The instructor should also research local information and ask participants to share their knowledge. Other tribal values that may be highlighted include working in harmony with the natural world, accumulating and saving stores of wealth, specialized divisions of labor, managing risk, and group cooperation.



- Tribal values continue to have importance in today's American Indian agriculture and business. For example:
 - Working in harmony with the natural world means that American Indian agribusinesses manage natural resources in a sustainable way that protects the environment for future generations.
 - Accumulating and saving wealth means that American Indian agribusinesses manage profits and debt in a responsible manner, ensuring successful operations through high and low business cycles.
 - An appreciation for hard work means that American Indian agribusinesses reward employees with fair and prompt pay, and treat them with respect.

Activity (10 minutes): As a large group, ask participants what other tribal values have importance in Native American agribusinesses.

[Instructor Notes]: Review this topic's learning outcomes and ask if those outcomes were met. This completes Lesson 1. Review the lesson's learning objectives and ask if they were achieved.

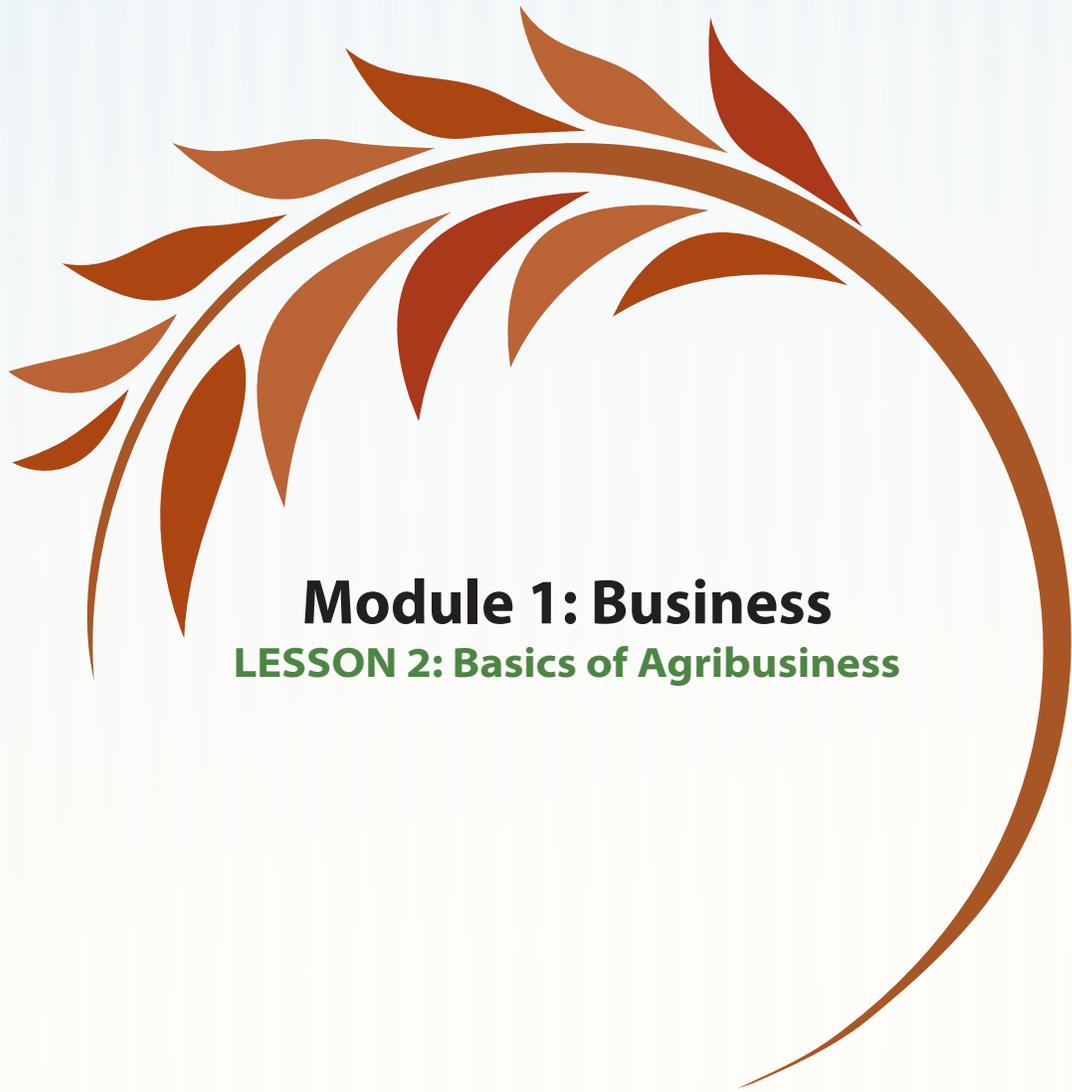
References

Cajete, Gregory. 1999. *Native Science: Natural Laws of Interdependence*. Santa Fe, NM: Clear Light Publishers.

Hurt, R. Douglass. 1987. *Indian Agriculture in America: Prehistory to the Present*. Lawrence, KS: University of Kansas Press.

Smitman, Gregory E. 1998. Intertribal Agriculture Council Perspectives on the History and Current Status of American Indian Agriculture. *American Indian Culture and Research Journal*, Volume 22, Number 3, Pages 173-185.

Weatherford, Jack. 1988. *Indian Givers: How the Indians of the Americas Transformed the World*. New York: Ballantine Books.



Module 1: Business
LESSON 2: Basics of Agribusiness



Please turn to
PAGE 17 of your
participant guide.

The Business of Indian Agriculture

MODULE 1: Business

LESSON 2: Basics of Agribusiness

Total Time: 110 minutes

Lesson Topics

This lesson covers the following topics:

- What is an Agribusiness?
- The Basic Functions of an Agribusiness.
- Managing an Agribusiness.

Learning Objectives

Upon completion of this lesson, participants will:

- Understand the definition of agribusiness and the range of operations it includes in both general and local terms.
- Understand and apply the basic functions of an agribusiness, including planning, production and operations, human resources, finances, recordkeeping and marketing.
- Understand the basic steps in starting an agribusiness.
- Understand the five major areas of agribusiness management: planning, organizing, directing, staffing, and controlling.

Definitions

Agribusiness: Any business operation that produces, processes, stores, manufactures or delivers farm and ranch products and/or services. These operations can include farmers, ranchers, farm equipment suppliers, trucking services, food processors, meat packers and agricultural service providers. Agribusiness can encompass all business activities from the “farm (or ranch) to the fork.”

Agribusiness management: The roles and responsibilities of the person or people who make the major decisions about the agribusiness.

Controlling: A management responsibility that watches all business activities to make sure they are performing in line with business goals.



Directing: A management responsibility that ensures instructions and guidance are given to every employee, and that there is a good working relationship between management and employees.

Finance: The business function that includes a wide range of financial issues such as maintaining a good credit rating, accessing credit, managing income and debt, establishing savings plans, and managing land mortgages and leases.

Human resources: The business function that involves the processes and procedures needed to find the right people for the operation, train them properly, motivate them to do a good job, reward them, and assess their performance.

Marketing: The business function that involves the processes of selling a product or service, and includes targeting the market and customers, advertising, pricing, identifying sales channels, inspecting and packaging.

Organizing: The management responsibility concerned with coordinating processes, activities and resources to effectively carry out the business plans.

Planning: The business function that involves the serious consideration of every function of the business operation. It is a basic business function and a management responsibility. It answers the questions about what the business does and where, how and when things will be done. It includes research, analysis, forecasting and careful decision-making.

Production (or operation): The business processes and materials that are central to the creation of an agricultural product or service. It involves the inputs, facilities and equipment and contracted services necessary for the operation.

Recordkeeping (and accounting): The business function that involves budgets, cash flows, accounts payable and receivable, bookkeeping, financial statements, filing taxes, and securely maintaining business documents and data.

Staffing: The management responsibility that includes hiring, training and retaining the right employees for the right job.



TOPIC 1: What is an Agribusiness?

[Instructor Notes]: Highlight the title and learning objectives for this topic. This topic provides students with the understanding and appreciation of agribusiness and the range of operations that is included in the definition. It starts with a general discussion of agribusiness and then a specific discussion on agribusinesses in the student's tribal community.

Time: 30 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the definition of agribusiness and the range of operations included, both generally and specifically, for their own tribal community.

- Agribusiness is any business operation that produces, processes, stores, manufactures or delivers farm and ranch products and/or services.
 - These operations can include farmers, ranchers, farm equipment suppliers, trucking services, food processors, meat packers and agricultural service providers.
 - Agribusiness can encompass any and all business activities from the “farm (or ranch) to the fork.”
- Agribusinesses can be small operations that employ a few people and sell a single product, or they can be large multinational corporations that employ thousands and sell products around the globe.

Activity (10 minutes): In small groups of 2-3, have participants describe the agribusinesses involved in the journey from preparing the soil, to planting, to harvesting, to marketing, to consuming a vegetable, fruit or grain product. Or, describe the agribusinesses involved in the process of livestock production, from managing pasture or feed, to genetic services, to calving, to marketing, to packing, to consumption. Discuss the agribusiness operations involved in each step. Remember that there are multiple product/service paths possible. Ask for several examples as a large group.



- Each tribal community will have a unique mix of agribusiness opportunities based on its agricultural environment, which includes soil conditions, climate, geography, markets, culture and so forth. What agribusinesses are present in your tribal community?

Activity (10 minutes): As a large group, ask participants to name agribusinesses that are present in their tribal community, and discuss what local conditions are favorable to those agribusiness operations. Ask participants to consider agribusiness opportunities that may not have been realized in the community, and discuss why they haven't.

- Tribal communities may also have barriers or limitations that hamper businesspeople from taking advantage of all the potential agribusiness opportunities that are available.
 - Common barriers or limitations can include lack of access to credit, usable land, technical assistance, markets and so forth.
 - There are strategies that can address these barriers and provide new opportunities for agribusinesses in your tribal community. Many of these strategies will be discussed in later lessons.



TOPIC 2: Basic Functions of an Agribusiness.

[Instructor Notes]: This topic provides students with knowledge of the basic functions of an agribusiness, including planning, production or operation, human resources, finances, recordkeeping and marketing. An exercise allows them to apply this knowledge of basic business functions. The topic provides the foundation for more detailed learning in future lessons.

Time: 40 minutes

Materials: Flipcharts, marker pens, Basic Functions of Agribusiness Worksheet.

Learning Outcome: Students will gain and apply knowledge of the basic functions of an agribusiness, including planning, production or operations, human resources, finances, recordkeeping and marketing.

- Every business operation, including agribusinesses, can be broken down into several basic functions that need to be in place for a business to be successful. It does not matter how simple or complex the business, the same basic functions apply.
 - For example, let's say that you are advising your child on how to make and sell lemonade.
 - First, you might ask her about plans for getting lemons and other ingredients; how will she make the lemonade; and who will buy her lemonade. That's the planning function.
 - Next, you might ask her how the lemonade will be processed, including details about the workplace, recipe, preparation, mixing of ingredients, storage and transportation to the customer. That's the production or operation function.
 - You might also ask your child if she will have any help, what the helpers will do and how they will be paid. That's the human resources function.
 - You might ask your child how she will handle money. How will she buy the ingredients, how much will she pay, how much money will she need to make change, and what will she do with the profits? You might ask her how she will know if she is making money instead of losing money. That's the finance function.
 - Next, you might ask her how she will keep track of her business so that she knows when to buy more ingredients, how her sales are going, and if her helpers are really adding value to the business. That's the recordkeeping function.



- Finally, your child will need to know the best place to sell lemonade, who her best customers will be, and what will be the best price to charge. She will also want to think about how to package and advertise her product. That's the marketing function.
- This is a simple example, but it illustrates that the business model applies to all businesses, large and small, agricultural or not.
- Planning is the serious consideration of every function of the business operation. It answers the questions about what the business does and where, how, and when things will be done. It includes research, analysis, forecasting and careful decision-making.
 - The planning function is a critical step in developing and running a successful agribusiness. After all, how will you reach your business goals if you do not know where you are going and how you will get there?
 - The most common form of planning is the preparation and use of a business plan.
 - Planning is a continuous activity — it is not something that is done only when you first create your business. Continuous business planning helps you to be prepared for, and react to, changes in the business environment and marketplace.
 - Planning helps you stay ahead of the competition, take advantage of new opportunities, and minimize your risks.
- The production or operation function involves the processes and materials that are central to the creation of the agricultural product or service.
 - It involves the inputs, resources and raw materials needed for the operation. These inputs can include land, water, fertilizers, seed, animal genetic resources, feed and forage, and veterinary drugs.
 - It involves the facilities and equipment that are needed, including barns and stables, tractors and trucks, fencing and irrigation systems.
 - It may also include contracted services such as storage, packaging, transportation or veterinary service providers.
 - The planning or operation function may be highly specific to your type of agricultural product or service.
- The human resource function involves the processes and procedures needed to find the right people for the operation, train them properly, motivate them to do a good job, reward them, and evaluate their job performance.



- In most businesses, people are considered the most valued asset.
 - Human resources are important even if you only employ yourself and family members. It's important that you and your family workers are trained, motivated, rewarded and evaluated too.
 - Finding and retaining qualified people can be a challenge in rural and tribal communities with a limited pool of workers. That makes good human resource practices even more important.
 - Laws and regulations concerning the rights and protection of employees in the workplace are important to know and follow. They are there to protect both your business and your employees.
- The finance function includes a wide range of issues such as maintaining a good credit rating, using credit, managing income and debt, establishing savings plans, managing land mortgages and leases, and more.
- In most small agribusinesses, the personal and household finances of the operator are closely tied to the financial health of the business. Good personal financial practices will benefit the business's financial position. Likewise, poor personal financial practices will often hurt the business's financial position.
 - However, even though personal and business finances can (and usually do) affect each other, there must be a "firewall" that separates personal finances from business finances.
 - Many times, financial experts can assist you in developing sound financial practices. You should seek out and work only with trusted people who have good references in your community and the business field.
- The recordkeeping (and accounting) function involves budgets, cash flows, accounts payable and receivable, bookkeeping, financial statements, filing taxes, and securely maintaining business documents and data.
- The recordkeeping function can be the least appreciated, yet one of the most valuable functions, in a small agribusiness. Good recordkeeping can put your business in a strong position to take advantage of a range of government and financial services and assistance.
 - On the other hand, the lack of good business records is one of the most common (and preventable) reasons services and assistance are denied.
 - There are many different recordkeeping systems sold in the market, and you should research the system that fits your needs best.



- While computers have made the job of recordkeeping much easier than in the past, it still requires someone with careful attention to details and a good filing system.
- As with finances, you may choose to work with accounting experts who can assist you in the more complex tasks of recordkeeping and accounting.
- The marketing function is the processes of selling a product or service, and includes targeting the market and customers, advertising, pricing, identifying sales channels, inspecting, packaging and so forth. It is about delivering a product or service to the consumer.
 - Marketing is much more than selling. It is a complete strategy that makes sure that the final sale will maximize your revenue and profits, satisfy the customer, and increase the value of your business.
 - Conducting a market analysis is an important step in developing a market plan. It will help tell you if a product or service will sell and make a profit. A survey is often used to collect market information.
 - Creating a market plan will help you study the complete situation surrounding your agribusiness opportunity, identify your marketing objectives, and then develop strategies to achieve your business goals.

Activity (20 minutes): In small groups of 2-3, ask participants to discuss and complete the Basic Functions of Agribusiness Worksheet (about 15 min.) After they are done, walk through answers as a large group.

[Instructor Notes]: While participants are filling out the worksheet, be prepared to offer some guidance. The learning goal in this activity is to understand and apply the specific tasks/resources associated with each basic function, and to appreciate the breadth of tasks and resources involved in running an agribusiness.

As a wrap-up to the activity, acknowledge the great number and variety of tasks and resources involved in running an agribusiness. It is no accident or simply luck when people are successful in operating an agribusiness. It takes a great deal of hard work along with strong skills and careful attention to every aspect of the business.



TOPIC 3: Managing an Agribusiness.

[Instructor Notes]: This topic provides students with knowledge of the major areas of agribusiness management: planning, organizing, directing, staffing and controlling. The key difference between the business functions in the previous topic and the management responsibilities in this topic is that the management areas described below are action-oriented roles and responsibilities of the manager/owner. These responsibilities are more personal and participants should be encouraged to think of them in personal terms.

Time: 40 minutes

Materials: Flipcharts, marker pens.

Learning Outcome:

- Students will understand the basic steps in starting an agribusiness.
- Students will understand the major areas of agribusiness management: planning, organizing, directing, staffing and controlling.
- Starting an agribusiness that one hopes will become successful requires extensive planning and preparations.
 - First, much like choosing a career, you must consider if the agribusiness fits with your personal interests, skills and life goals.
 - Next, careful consideration should be given to the risks and rewards of starting your own business. According to the Small Business Administration (SBA), about half of new businesses fail within five years.
 - Once you have decided that starting an agribusiness is the right move for you, then there are specific steps that need to be taken before you open your doors to customers. The SBA recommends this 10-step checklist to starting your own business.



10 Steps to Starting a Business

1.	Conduct Market Research.	What's the opportunity to turn your idea into a successful business? Gather information about potential customers and businesses already operating in your area. What's the competitive advantage for your business?
2.	Write the Business Plan.	What are your specific plans? Your business plan is the foundation of your business — It's your roadmap for how to structure, run and grow your new business. It also "sells" the business idea to potential investors and partners.
3.	Fund your Business.	How will you find the money and capital to start and operate your business? If you don't have that on hand, you'll need to either raise or borrow the capital.
4.	Pick your Business Location.	Where will you operate your business? Whether you're setting up a brick-and-mortar business or launching an online store, your decision could affect taxes, legal requirements and revenue.
5.	Choose a Business Structure.	How will you be legally structured? The legal structure you choose will impact your license requirements, how much you pay in taxes, and your personal liability.
6.	Choose your Business Name.	What will your business be called? You'll want a name that builds your brand and captures your spirit. You'll also want to make sure your name isn't already being used by someone else.
7.	Register your Business.	How will you protect your name and brand? Once you've picked the perfect business name, it's time to make it legal and protect it.
8.	Get your Tax IDs.	You'll need an employer identification number (EIN) for important steps to start and grow your business, like opening a bank account and paying taxes. Some, but not all, states require you to get a tax ID as well.
9.	Get any Licenses and Permits.	What other legal steps are needed? Keep your business running by staying legally compliant. The licenses and permits you need for your business will vary by industry, state, location and other factors.
10.	Open a Bank Account.	A small business checking account can help you handle legal, tax and day-to-day issues. It's easy to set one up if you have the right registrations and paperwork ready.

Once you've accomplished the basic start-up tasks, it's time to manage the business. Agribusiness management is about the roles and responsibilities of the person or people who make the major and daily decisions about the agribusiness.



- It involves decision-making, managing resources, implementing work processes, and evaluating the business outcomes.
 - It is closely related to the basic agribusiness functions discussed earlier in Topic 2, but focuses more specifically on the manager's role.
 - There are five major areas of agribusiness management: planning, organizing, directing, staffing and controlling.
- Planning is about making the decisions on how the business will operate, including details about what tasks need to be accomplished; when, where and how those tasks will be implemented; and who will make them happen.
- When planning, the manager thinks carefully about each business function in terms of its objectives, resources required, activities needed, and outcomes desired.
 - The manager considers the possible business scenarios and prepares appropriate backup plans.
 - The manager plan for the short-term (day-to-day), medium-term (year-to-year) and long-term (two years and more).
 - In practice, planning includes these typical management tasks:
 - Developing strategic plans with vision and/or mission statements, and goals and objectives.
 - Developing project work plans that include tasks, deadlines, the resources needed and responsible parties.
 - Developing financial projections and budget forecasts.
- Organizing is about coordinating processes, activities and resources to effectively carry out your business plan. It is making sure that the parts of your business work together smoothly and efficiently.
- The manager who does organizing breaks down the business plan into specific tasks, with specified timelines, resource needs, staffing, and outcomes.
 - The manager then looks for ways to increase efficiency, streamline processes, lower costs, reduce operation times and increase production.
 - In practice, organizing includes these typical management tasks:
 - Developing Policies and Procedures that describe the "rules" of the business (see outline in this section).
 - Scheduling regular meetings and checkpoints related to a project.



- Using calendaring and workflow tools to manage various tasks and personnel.
- Creating and/or locating work and office spaces that are efficient in getting the work done.

Activity (10 minutes): In small groups of 2-3, ask participants to review the Policies and Procedures outline, and then, as a group, discuss what students would skip or add for their business.

- Directing is about making sure that instructions and guidance are given to each employee, and that there is a good working relationship between management and employees.
 - When directing, the manager provides training, instructions, motivation and rewards to the people who work for the business.
 - The manager who directs makes sure that there is strong communication throughout the agribusiness so that everyone in the operation knows their specific roles and duties, as well as the overall business objectives.
 - Good directing also involves the courage to confront problems and to find solutions that benefit both the employee and the business.
 - In practice, directing includes these typical management tasks:
 - Providing adequate (e.g., daily, weekly) supervision and direction for employees to do their job.
 - Responding with timely emails and phone calls to employee questions and concerns.
 - Meeting with employees to discuss their performance, recognizing and rewarding high performance, and instead of while providing direction and guidance for low performance.
- Staffing includes hiring, training and keeping the right employees for the right job.
 - The manager who staffs know what kind of people are needed for each job, and is able to select and keep employees with the right mix of experience, skills and attitude.
 - Training and professional development are important areas of good staffing management.
 - Staffing also includes adjusting your workforce as your business needs change, which might include hiring new help or letting employees go.
 - In practice, staffing includes these typical management tasks:



- Developing job positions, and hiring and retention of employees.
 - Developing training and professional development plans specific to each employee and job position.
 - Managing employee benefits such as vacation and sick leave, health coverage and pension plans.
- Controlling is like the dashboard function of a business — it monitors all business activities to make sure that they are performing in line with business goals.
- When controlling, a manager sets work and quality standards and outcomes, and then measures progress against those targets.
 - Controlling also includes watching employees and their performance.
 - A good controller knows exactly how the business is doing, and can provide advice on how to improve or correct business functions.
 - In practice, controlling includes these typical management tasks:
 - Conducting regular leadership or executive meetings on the overall status of the business and various projects.
 - Checking business performance against strategic plans and financial and budget forecasts.
 - Keeping up-to-date on current and emerging market trends and regulatory policies.
 - Managing investor and/or board of directors' expectations and strategic guidance.

Activity (15 minutes): In small groups of 2-3, ask participants to review the six basic functions of agribusiness and the Basic Functions of Agribusiness Worksheet. Ask them to identify which management functions were performed by Jack, Andy or Debbie in the worksheet story. After they are done, walk through answers as a large group.

[Instructor Notes]: Recap the topics in the lesson and the learning objectives. Ask participants if the learning objectives were met.

References

Ricketts, Cliff and Kristina Ricketts. 2009. *Agribusiness: Fundamentals and Applications, 2nd Edition*. Clifton Park, NY: Delmar Cengage Learning.



The Business of Indian Agriculture

MODULE 1: Business

LESSON 2: Basics of Agribusiness

Basic Functions of Agribusiness Worksheet

Instructions: Read the story below, and then write in the basic business function that best matches the agribusiness task or resource. As a group, discuss why you chose each answer and be ready to share your answers with the class.

For example, if you were discussing a business that makes and sells lemonade, you might fill in your table as follows:

Tasks and Resources	Basic Function
Decide if running a lemonade business is enjoyable to me.	<i>Planning</i>
Squeeze lemons into lemon juice.	<i>Production/Operations</i>
Hire your brother to squeeze the lemons.	<i>Human Resources</i>
Count how much money was made in a day and put it in the bank.	<i>Finances</i>
Write down how much money was spent and made in a day.	<i>Recordkeeping</i>
Creating a sign for your lemonade stand.	<i>Marketing</i>

Story: Your agribusiness is Cottonwood Falls Ranch. It is a family-owned and operated cattle ranch that manages a 250-cow-calf operation on 1,200 acres of land. Half the land is in pasture and the other half is in hay production.

Your name is Jack Collier, 63 years old, and you are the principal operator and head of the family. Your son, Andy, 38 years old, is the ranch manager and handles the daily operations. Your wife, Debbie, does the bookkeeping for the business, along with working part-time at the high school and managing the house. Two local ranch hands are hired seasonally each year to help out. You've been in business for over 40 years and have all the facilities, equipment and services to operate a profitable operation.



You are thinking about retiring in a few years and would like Andy to take over the business. To help Andy know the business better and to plan for the transition, you and Andy have decided to fill out this worksheet. You both took an agribusiness workshop and learned about the basic functions of agribusiness. You tried to be as detailed as possible in identifying the specific tasks and resources in the business.

Just as a reminder, these are the six basic functions of agribusinesses that you and Andy learned at the workshop:

Planning:

involves the serious consideration of every function of the business operation. It includes research, analysis and careful decision-making.

Production/Operation:

involves the processes and materials that are central to the creation of an agricultural product or service.

Human Resources:

involves the processes and procedures needed to find the right people for the operation, train them properly, motivate them to do a good job, reward them and evaluate their performance.

Finances:

includes a wide range of issues such as maintaining a good credit rating, accessing credit, managing income and debt, establishing savings plans, and managing land mortgages and leases, etc.

Recordkeeping:

involves budgets, cash flows, accounts payable and receivable, bookkeeping, financial statements, filing taxes, and securely maintaining business documents and data.

Marketing:

involves the processes of selling a product or service, and includes targeting the market and customers, advertising, pricing, identifying sales channels, inspecting and packaging, etc.



In the worksheet below, write in the basic business function that best matches the task/resource.

Tasks and Resources	Basic Function
Andy hires ranch hands for this year's season. Debbie gets their paperwork ready.	
Andy buys additional hay.	
Debbie researches forecasts for beef prices and the cost of hay.	
Andy fills out a loan application for a new work pickup.	
Debbie writes down the expenses and revenue from last month.	
Jack talks to a butcher about selling some meat locally.	
Andy figures out how much building and fence repair will cost this year.	
Debbie puts some money each month into a retirement account.	
The veterinarian visits a sick animal.	
Debbie checks on the business's credit report to make sure everything is correct.	
Andy gives a ranch hand an extra day off to visit a sick family member.	
The whole extended family gets together for branding.	
Jack researches the price of a new tractor and tries to decide if the business can afford a loan.	
Debbie pays the utility bill.	
Andy gets a new door sign for his pickup with the ranch's logo, name and phone number.	
Some nearby land has become available and Jack researches the feasibility of buying it to expand the operation.	
Debbie works with the accountant on filing taxes.	
Jack visits with a USDA official about land conservation practices.	
A ranch hand goes missing for a week and Andy decides to fire him.	



Jack, Andy and Debbie work on updating their business plan for the next five years.	
Jack donates a cow for the tribe's annual pow wow and rodeo.	
Debbie looks at hay production over the last three years and notices a decline.	
A cow gets out and Andy has to go find her.	
Propane prices double, and Debbie recalculates expenses for the winter.	

Don't forget to discuss your answers with your group and be ready to share them with the class.

Answers

Tasks and Resources	Basic Function
Andy hires ranch hands for this year's season. Debbie gets their paperwork ready.	<i>Human Resources</i>
Andy buys additional hay.	<i>Production/Operations</i>
Debbie researches forecasts for beef prices and the cost of hay.	<i>Planning</i>
Andy fills out a loan application for a new work pickup.	<i>Finances</i>
Debbie writes down the expenses and revenue from last month.	<i>Recordkeeping</i>
Jack talks to a butcher about selling some meat locally.	<i>Marketing</i>
Andy figures out how much building and fence repair will cost this year.	<i>Planning</i>
Debbie puts some money each month into a retirement account.	<i>Finances</i>
The veterinarian visits a sick animal.	<i>Production/Operations</i>
Debbie checks on the business's credit report to make sure everything is correct.	<i>Finances</i>
Andy gives a ranch hand an extra day off to visit a sick family member.	<i>Human Resources</i>
The whole extended family gets together for branding.	<i>Production/Operations</i>
Jack researches the price of a new tractor and tries to decide if the business can afford a loan.	<i>Planning or Finances</i>
Debbie pays the utility bill.	<i>Finances</i>
Andy gets a new door sign for his pickup with the ranch's logo, name and phone number.	<i>Marketing</i>



Some nearby land has become available and Jack researches the feasibility of buying it to expand the operation.	<i>Planning</i>
Debbie works with the accountant on filing taxes.	<i>Recordkeeping</i>
Jack visits with a USDA official about land conservation practices.	<i>Planning</i>
A ranch hand goes missing for a week and Andy decides to fire him.	<i>Human Resources</i>
Jack, Andy and Debbie work on updating their business plan for the next five years.	<i>Planning</i>
Jack donates a cow for the tribe's annual pow wow and rodeo.	<i>Marketing</i>
Debbie looks at hay production over the last three years and notices a decline.	<i>Recordkeeping</i>
A cow gets out and Andy has to go find her.	<i>Production/Operations</i>
Propane prices double, and Debbie recalculates expenses for the winter.	<i>Planning or Finances</i>



The Business of Indian Agriculture

MODULE 1: Business

LESSON 2: Basics of Agribusiness

Policies and Procedures Outline

Instructions: Review the Policies and Procedures outline below, and then, as a group, discuss what you would skip or add for your business.

Employee Template

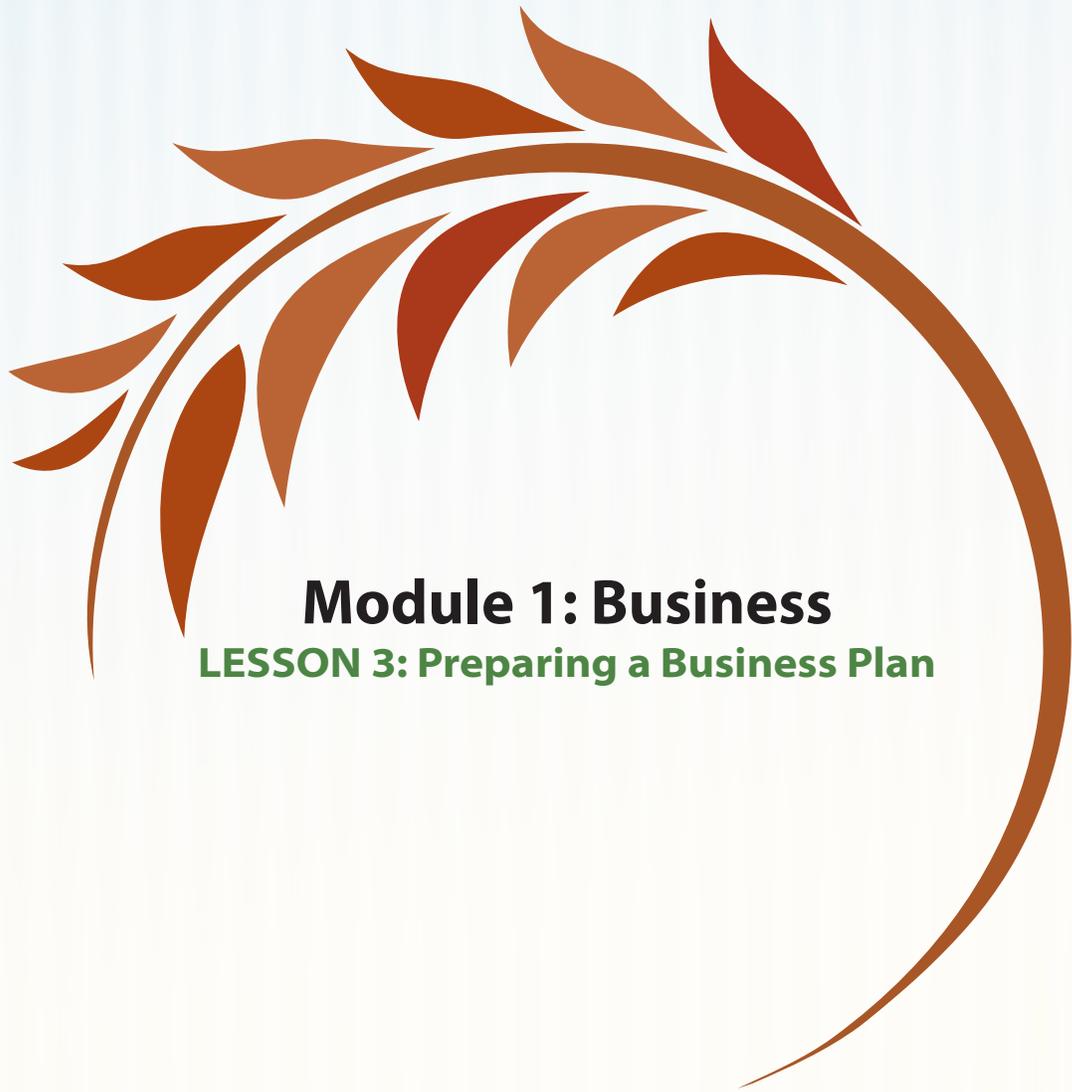
- Employee handbook
- Employment basics
- Workplace policies
- Employee code of conduct
- Employee compensation and development
- Employee benefits and perks
- Working hours, PTO and vacation
- Employee resignation and termination

Company Templates

- Accessibility
- Anti-discrimination
- Bereavement leave
- Breastfeeding policy in the workplace
- Company car sample
- Company cyber security
- Company data protection
- Company holiday
- Company overtime policy sample
- Corporate email usage
- Corporate social responsibility
- Disciplinary action
- Drug testing
- Employee assistance program
- Employee attendance policy
- Employee background check policy sample
- Employee bonus
- Employee breaks
- Employee cell phone policy
- Employee classification
- Employee confidentiality
- Employee conflict of interest
- Employee exit Interview policy
- Employee fraternization
- Employee internet usage policy
- Employee parking policy•employee performance review
- Employee probationary periodpPolicy
- Employee progressive disciplinee
- Employee promotion
- Employee PTO sample
- Employee recruitment and selection policy sample



- Employee referral program policy
- Employee remote work
- Employee resignation
- Employee social media sample
- Employee temporary layoff
- Employee training and development policy
- Employee wellness program policy
- Employer mental health
- Employer paternity leave policy
- Employment of relatives
- Equal opportunity employer policy
- Flexible working hours
- Former employee rehire policy
- Grievance procedure
- Hot desking policy
- HR policy revision
- Internal job posting
- Jury duty
- Moonlighting
- New hire
- Occupational/Workplace health and safety
- Open door
- Parental leave
- Payroll advance
- Pets in the workplace
- Record retention
- Retaliation in the workplace policy
- Sabbatical leave
- Sample accident reporting policy
- Sample business dress code policy
- Sample sick leave
- Sample employee business expense policy
- Sample employee code of conduct policy
- Sample maternity leave
- Separation/Termination of employment policy sample
- Sexual harassment
- Short-term disability
- Smoke free workplace policy
- Solicitation
- Substance abuse
- Unlimited vacation
- Violence in the workplace template
- Work from home policy sample
- Workplace harassment sample
- Workplace visitor policy



Module 1: Business
LESSON 3: Preparing a Business Plan



Please turn to
PAGE 36 of your
participant guide.

The Business of Indian Agriculture

MODULE 1: Business

LESSON 3: Preparing a Business Plan

Total time: Three hours 15 inutes

Lesson Topics

This lesson covers the following topics:

- What is a Business Plan and Why is it Important?
- The Basic Parts of a Business Plan.
- Writing a Business Plan.
- Where to find Assistance in Developing a Business Plan.

Learning Objectives

Upon completion of this lesson, participants will:

- Understand the definition, importance and uses of a business plan.
- Understand and develop the basic parts of a business plan.
- Gain the basic knowledge and skills to develop and present the first draft of a business plan.
- Understand the resources available to assist in developing a business plan.

Definitions

Branding: A marketing strategy that creates value in the company through improving the public opinion and reputation of the business and linking it with the business's name, logo and other images.

Discount Structures: A marketing strategy that gives discount pricing to certain customers based on criteria such as volume purchasing, long-term purchase commitments and customer loyalty.

Gross Margin: A business's total sales revenue minus its cost of goods sold, divided by the total sales revenue, and shown as a percentage. The gross margin represents the percent of total sales revenue that the business keeps after paying the direct costs associated with providing its products and services. The higher the percentage, the more the business keeps as profit.



TOPIC 1: What Is A Business Plan and Why Is It Important?

[Instructor Notes]: Highlight the title and learning objectives for this topic. This topic provides students with the understanding and appreciation of a business plan, including its importance and common uses.

Time: 15 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the definition, importance and uses of a business plan.

- A business plan is the written, detailed description of your business idea that answers all of the major questions regarding the start-up and operations of your agribusiness.
 - It represents the thinking, research and planning that you have done on your business idea. It starts first with an idea that you think will make a good agribusiness.
 - The business plan's major purpose is to persuade and convince (to sell) people that your agribusiness is realistic and will be profitable. Your plan must convince you first, and then your family and business partners, and then your potential lenders, suppliers, customers and other important players.
 - Most often, the business plan is used to secure funding from a lender.
 - Although business plans are usually associated with start-ups, a second major purpose for your business plan is to serve as a roadmap of how to operate your agribusiness and keep it on track.
 - That means a business plan should be reviewed and updated regularly, and then followed.
 - There are many variations of business plans, but all of them answer the same basic set of questions concerning the business.
- There are many important questions that a good business plan will answer. Your partners, investors and lenders will want to know the answers to these questions, and so you will need to know the answers to them first.
 - For example, here are some of the major questions a business plan will consider:
 - Why am I doing this business? What is my motivation to start a business?



- What are my relevant skills and experiences?
 - What will the business do? What will be the agricultural product or service?
 - How will I accomplish my goals? What are my operational plans?
 - What resources will I need, and what are available to me now?
 - Where will the business be located?
 - What legal issues need to be considered?
 - Who will run the business? What is the management plan?
 - What job positions and employees will be needed?
 - What are my financial needs, and what is my financial health?
 - How will the business market the product or service?
- A business plan is perhaps the most important step toward creating (and maintaining) a successful agribusiness.
- The process of developing the plan will help improve your ideas, set your goals, and increase your chances of success.
 - A good business plan is like the gift that keeps on giving. By regularly reviewing and updating it, it will continue to help your agribusiness stay successful.
 - It is the best investment in time and thinking that you can make in your agribusiness.
- Note that for nonprofit or tribal organizations, a project proposal is analogous to a business plan, in that it must “sell” the project idea to a funding organization, tribal leadership and/or management team. It also serves as a roadmap to implementing the project.



TOPIC 2: The Basic Parts of a Business Plan.

[Instructor Notes]: This topic provides students with an understanding of the basic parts of a business plan. An exercise allows them to apply this knowledge by analyzing a basic, abbreviated business plan. The content in this topic is extensive and should be presented using visual aids such as a flipchart or whiteboard with bullet points. PowerPoint presentations are discouraged, as they will likely reduce the level of attention and comprehension of adult learners. The topic provides the foundation for more detailed learning in future lessons.

Time: 45 minutes

Materials: Flipcharts, Marker Pens, Business Plan Card Sort.

Learning Outcome: Students will understand and analyze the basic parts of a business plan.

- Every business plan has similar components that are important to planning for a successful agribusiness. Depending on your specific agribusiness idea, your plan may have more parts or less. The basic parts of a business plan may include the following:
 - The Cover Sheet usually starts the business plan with a professional and eye-catching presentation.
 - It includes your name and contact information, information on the agribusiness's owners and officers, the date the plan was developed, and the person who prepared the plan.
 - The Table of Contents lists the sections of the business plan and their page numbers. It may also contain a list of graphs and tables.
 - The Introduction summarizes everything about the agribusiness: the who, what, where, when and how of your business. It also provides a preview of the rest of the business plan. This section is also called the Executive Summary.
 - This section should start with a comprehensive (but general) description of your agribusiness, including the product or service.
 - It begins to "sell" the reader by describing the strong points of your business idea, along with your experience, skills, partnerships and market opportunity.
 - It also outlines your resource priorities and needs, such as financing or land acquisition.



- The Market Analysis section describes the market opportunity for your agribusiness, including the research you used to conduct the market analysis, your target customers, the marketplace trends, and the competition.
 - The target market should be described in as much detail as possible, including demographic (population) data, market size, customer purchasing histories and patterns, needs and preferences, geographic location, and the thoughts of opinion leaders and trendsetters.
 - Your competition should be described in terms of their strengths and weaknesses.
 - Trends in the marketplace should be reviewed, for both consumers and the industry.
 - A good market analysis will include any seasonal cycles that may affect the agricultural products and services.
- The Organization and Management section of the business plan describes how your agribusiness will be structured and run. It gives information on the owners and partners, management team, and legal structure of the agribusiness.
 - This section lists people who will own and/or run the business, and includes their roles, responsibilities, qualifications and estimated salaries.
 - One effective way to describe the organization and management structure is with an organization chart that shows all the people involved in the agribusiness and how they relate to each other.
 - The legal ownership structure should also be described, including how ownership is defined and what percentages of ownership are held by each owner. Common forms of ownership include sole proprietorships, partnerships, corporations and limited liability companies.
 - If there is a Board of Directors or Advisors for the agribusiness, the role of the board should be explained, and its members should be listed, along with their roles and qualifications.
- The Marketing Plan section describes how you will create, reach and keep customers for your agribusiness product or service. It should describe a broad, complete strategy remember that marketing is much more than just selling.



- The Marketing Plan should talk about how exactly you will sell and deliver your product or service.
 - The plan should also include your pricing strategy, including the cost of goods sold, gross margin objectives, and any discount structures.
 - The marketing plan may also include advertising and promotional tactics, as well as any packaging and branding strategies.
 - The plan should also include any public relations and networking activities such as press releases, participation in local business groups, and community relations.
- The Product and/or Service section describes the specific agribusiness products and/or services you will produce and deliver for sale.
 - The Product/Service section should say why the customer will benefit from your product/service, what needs it satisfies, and why it is better than other products/services.
 - This section should also address the product/service lifecycle. It should describe what is involved from the very beginning of the product/service to the final goal of customer satisfaction.
 - It should also describe the current stage of your product/service development, and what future versions of the product/service might look like.
 - The Financial Plan section describes your financial needs and plans so that a prospective lender will feel confident in lending to you. It also provides proof of your good financial standing and practices.
 - This section starts with a detailed explanation of why you need financing, how much is needed, how you will spend it, and how you intend to pay it back. It should include your current needs, and also your projected needs over at least the next five years.
 - The next part of this section should include your financial documentation that provides evidence of your good financial standing, and that supports the projections discussed in the first part of the Financial Plan.
 - The list of financial documents or statements may vary according to your specific agribusiness and financing needs, but they will probably include two basic sets: 1) historical financial information and 2) prospective financial information.



- Usually lenders want three to five years of historical financial information (if the agribusiness has been in existence). This documentation may include the following financial information:
 - Income statements, balance sheets, and cash flow statements for each year.
 - Any collateral that may be used to secure a loan.
 - Credit reports, both personal and business.
 - Contracts, either completed or ongoing.
 - Letters of reference that talk about your financial standing.
- Prospective financial information shows your financial expectations over the next five years or so. This documentation may include the following information:
 - Forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets for each of the projected years.
 - A break-even analysis that shows when in time your company's expenses will match your product/service sales revenue. This is based on your projected revenue and expenses from your forecasted income statement.
 - The financial statements mentioned above will be explained in more detail in Module 2: Accounting, Lesson 3: Preparing Financial Statements.
- The Miscellaneous section (or Appendix) is where you place any other supporting documents that may be important to your agribusiness or to your prospective lender.
 - It may include legal documents such as patents or copyrights, detailed data that was used in your market analysis or financial plan, company documents like articles of incorporation, mortgages, leasing documents, and any other important information.
- Finally, the business plan should be carefully edited and proofread. It should look professional, but have a personal touch so that your reader knows that you wrote it specifically for your audience (e.g., the lender).



- Have your plan professionally bound and printed, and make sure you keep track of all the copies. You don't want to lose copies or have your competitors get a copy.
- Don't forget to update the plan as things change. An out-of-date business plan is easy to see and gives a bad impression.

Activity (20 minutes): In small groups of 2-3, ask participants to discuss and complete the Business Plan Card Sort (about 15 min.) Instruct participants to sort section heading cards (in teal) in a top row, and then sort component cards (in purple) in columns under each appropriate section heading card. After they are done, walk through answers as a large group (about 5 min).

[Instructor Notes]: While participants are sorting cards, be prepared to offer assistance. The learning goal in this activity is to understand the basic parts of a business plan and their general order in the plan.



TOPIC 3: Writing a Business Plan.

[Instructor Notes]: This topic provides students with the basic knowledge and skills to begin to write a business plan. It should be emphasized that, while this topic provides a good start, an effective business plan can take weeks or months to develop.

Time: 120 minutes

Materials: Flipcharts, marker pens, Business Plan Sample Templates.

Learning Outcome: Students will gain the basic knowledge and skills to develop and present the first draft of a business plan.

- Now that you are familiar with the basic parts of a business plan, it is time to put that knowledge into practice. As a reminder, the basic parts of a business plan are:
 - Cover Sheet: usually starts the business plan with a professional and eye-catching presentation.
 - Table of Contents: lists the sections of the business plan and their page numbers.
 - Introduction: summarizes everything about the agribusiness: the who, what, where, when and how of your business. It also provides a preview of the rest of the business plan. This section is also called the Executive Summary.
 - Market Analysis: describes the market opportunity for your agribusiness, including the research you used to conduct the market analysis, your target customers, the marketplace trends, and the competition.
 - Organization and Management: describes how your agribusiness will be structured and run. It gives information on the owners and partners, the management team, and the legal structure of the agribusiness.
 - Marketing Plan: describes how you will create, reach, and keep customers for your agribusiness product or service. It should describe a broad, complete strategy remember that marketing is much more than just selling.
 - Product and/or Service: describes the specific agribusiness products and/or services that you will produce and deliver for sale.
 - Financial Plan: describes your financial needs and plans so that a prospective lender will feel confident in lending to you. It also provides proof of your good financial standing and practices.
 - Miscellaneous (or Appendix): contains any other supporting documents that may be important to your agribusiness or to your prospective lender.



- Let's start by reviewing several sample business plan templates to show you that, while business plans must contain the essential sections described above, they can (and should) also convey a personal touch that makes the business plan unique to you and your business.

Activity (20 minutes): In small groups of 2-3, ask participants to review the Business Plan Sample Templates (about 15 min.) Instruct participants to share what they liked about the plans, and what they would change to fit their business. After they are done, walk through their answers as a large group (about 5 min).

[Instructor Notes]: You may want to find your own examples of business plans and templates and share them from the front of the room. The intent is to show that there are a variety of ways that effective business plans can be developed and presented, as long as they contain the essential elements.

- Now that you have seen several examples, it is time to begin to draft your own business plan. Working as a team, you will identify a business idea and then begin to develop the essential sections of your business plan.

Activity (90 minutes): In small groups of 2-3, ask participants to identify a business idea, and then create an outline of a business plan for that idea. For each essential section of the business plan, participants should include basic information for that section, using information that they may know or from online sources. If they cannot find information, they are free to estimate or speculate in order to complete the task.

As participants finish their draft plans, ask for volunteers to present their plans, and then ask the larger group what they liked about the plans, and what they might change to fit their particular business idea.

[Instructor Notes]: As groups present their plans, emphasize the creativity and resourcefulness of the plans and that these plans represent only about an hour of thought and work. Effective plans typically take weeks or months to develop. Encourage participants to continue to refine and develop the plans when they go back to their communities.



TOPIC 4: Where to Find Assistance in Developing a Business Plan.

[Instructor Notes]: This topic provides students with basic knowledge of the resources available to assist in developing a business plan. Instructors should tailor this section with local technical assistance providers and resources. A computer with projector may be used to show the various websites discussed.

Time: 15 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the resources at the local, tribal, state and federal level that are available to assist in developing a business plan.

- There is a great deal of help available for developing a good business plan. At the national (federal) level, some useful resources are as follows:
 - The U.S. Small Business Administration (SBA) has an extensive website dedicated to small business development and business plans.
 - The U.S. Department of Agriculture (USDA) has a New Farmer website.
 - The USDA National Agricultural Library Rural Information Center maintains a resource database for small businesses.
 - The USDA National Agricultural Library Alternative Farming Information Systems Center keeps a database of "Alternative Marketing and Farming Practices."
 - Each of these resources provides contact information as well as links to other resources throughout the internet.
- At the regional, state or local level, level, there are many resources and you should check with your regional, state or local technical assistance contacts.
 - Many land-grant universities have extensive materials for small agribusiness planning. For example, Cornell University maintains a Small Farms Program website. Check with your state or local extension specialists for details.

[Instructor Notes]: Prepare and share a list of local and tribal resources that are available to assist participants in developing a business plan. You may want to ask participants about the resources that they know and have used. Additionally, you will want to consider any technical assistance that you or your organization can provide and be prepared to discuss those services. Recap the topics in the lesson and the learning objectives. Ask participants if the learning objectives were achieved.



References

U.S. Small Business Administration (SBA). *Essential Elements of a Good Business Plan*.
Minnesota Institute for Sustainable Agriculture. (2003). *Building a Sustainable Business:
A Guide to Developing a Business Plan for Farms and Rural Businesses*. Sustainable
Agriculture Research and Education (SARE): College Park, MD.



The Business of Indian Agriculture

MODULE 1: Business

LESSON 3: Preparing a Business Plan

Business Plan Card Sort

Instructions: Print out the cards on the following pages in two-sided mode, so that each page will have light blue/blue headings on one side, and explanations on the back side. Then cut the pages into cards of equal size. Do this before the training session.

Pass out a set of cards to each group of participants, shuffled, with the headings text face up. Instruct the participants to sort section heading cards (in blue) in a top row, and then sort component cards (in blue) in columns under each appropriate section card. They are free to read the explanations on the back of the cards if needed.

After they are done, walk through answers as a large group.

**Check
Color of
cards**



Cover Sheet

Table of Contents

Introduction

Market Analysis

Organization & Management

Marketing Plan



Lists the sections of the business plan and their page numbers. It may also contain a list of graphs and tables.

Includes your name and contact information, information on the business's owners and officers, the date that the plan was developed, and the person who prepared the plan.

Describes the market opportunity for your business, including the research you used to conduct the analysis, target consumers, marketplace trends, and the competition.

Summarizes the who, what, where, when and how of your business. It provides a preview of the rest of the business plan. This section can also be called the Executive Summary.

Describes how you will create, reach and retain customers for your agribusiness product or service. It should describe a broad, comprehensive strategy — remember that marketing is much more than just selling.

Describes how your agribusiness will be organized and managed. It provides information on the owners and partners, management team, and legal structure of the agribusiness.



**Product and/
or Service**

**Financial
Plan**

**Miscellaneous/
Appendix**

**General
Description of
the Business**

**“Sells” the
Business
Idea**

**Outlines
Resource
Needs**



Describes your financial needs and plans so that a prospective lender will feel confident in lending to you. It also provides evidence of your good financial standing.

Describes the specific agribusiness products and/or services that you will produce for sale.

Starts with a comprehensive (but general) description of your business, including your product or service.

The section where you place any other supporting documents that may be specific to your agribusiness or to your prospective lender.

Outlines your resource priorities and needs, such as financing or land acquisition.

Begins to “sell” the reader by describing the strong points of your business idea and your experience skills, partnerships and market opportunity.



**Describe the
Target Market**

**Describe the
Competition**

**Review
Marketplace
Trends**

**List People
who Own/Run
the Business**

**Explain the
Business' Legal
Structure**

**Describe
the Pricing
Strategy**



Describes the competition in terms of their strengths and weaknesses.

Described in as much detail as possible, including demographic data, market size, customer purchasing histories and patterns, needs and preferences, geographic location, and opinion leaders and trendsetters.

Lists the people who will own and/or run the business, and will include their roles, responsibilities, qualifications and projected salaries.

Reviews marketplace trends, both for consumers and your industry.

Includes your pricing strategy, including your costs of goods sold, gross margin objectives, and any discount structures.

Describes the legal ownership structure, including how ownership is defined and what percentages of ownership are held by each owner. Common forms of ownership include sole proprietorships, partnerships, corporations, and limited liability companies.



Describe Advertising & Promotions

Describe Public Relations & Networking

Describe the Product/Service Lifecycle

Describe Product/Service Development

List Historical Financial Statements & Documents

List Prospective Financial Statements & Documents



Includes any public relations and networking activities such as press releases and participation in local business groups.

Includes any advertising and promotional tactics, as well as any packaging and branding strategies.

Describes the current stage of your product/service development, and what future versions of the product/service might look like.

Addresses the product/service lifecycle. It should describe what is involved from the very beginning of the product/service to the endpoint of customer satisfaction.

May include the forecasted income statements, balance sheets, cash flow statements, capital expenditure budgets for each of the projected years, and a Break-Even analysis showing the point where company expenses match product/service sales.

May include income statements, balance sheets, and cash flow statements for each year. It may list collateral that may be used to secure a loan, credit reports (personal and business), contracts, and letters of reference that speak to your financial standing.



The Business of Indian Agriculture

MODULE 1: Business

LESSON 3: Preparing a Business Plan

Business Plan Sample Templates

Instructions: In small groups of 2-3, review the Business Plan Samples (about 15 min.) Share what you liked about the plans, and what you would change to fit your business.



SAMPLE BUSINESS PLAN FITNESS PLUS, INC

Disclaimer: This is a sample business plan, so the company and business information are fictitious. This plan reflects our standard business plan model, and changes in outline and structure can be made as per client specifications. Source: BizPlanCorner.com.

Contents

EXECUTIVE SUMMARY	<i>MARKETING STRATEGY</i>
GENERAL COMPANY DESCRIPTION	5.1 Value Proposition
1.1 COMPANY OVERVIEW	5.2 Branding
1.2 MISSION AND VISION	5.3 Marketing Objectives
1.3 STRENGTHS AND CORE COMPETENCIES	5.4 Strategy
1.4 CHALLENGES	5.5 Marketing Budget
INDUSTRY ANALYSIS	<i>SWOT ANALYSIS</i>
SERVICES OVERVIEW	<i>MARKETING MIX</i>
3.1 SERVICES	OPERATIONAL PLAN
3.2 BENEFITS AND FEATURES	8.1 Service Execution Timeline
3.3 WHY PEOPLE NEED THIS SERVICE	8.2 Location
MARKETING PLAN	8.3 Legal Environment
<i>MARKET ANALYSIS</i>	8.4 Personnel
4.1 Market Description	MANAGEMENT AND ORGANIZATION
4.2 Market Facts	9.1 Management Strength
4.3 Market Size	9.2 Bankers
4.4 Market Growth	9.5 Advisor
4.5 Market Demand	FINANCIAL PLAN
4.6 Market Trends	10.1 Start-up Expenses
4.7 Market Growth Potential	10.2 Revenue Forecast (3-Year)
4.8 Market Opportunities	10.3 Profit and Loss Projection (3-Year)
4.9 Barriers to Entry	10.4 Pro forma Cash Flows (3-Year)
4.10 Regulations	10.5 Projected Balance Sheet
4.11 Service Potential	10.6 Breakeven Analysis
4.12 Targeted Audience	APPENDIX
4.13 Competition	
4.14 Market Niche	



C Farm

A Carrot Farm in the Intervale Burlington, Vermont Template Business Plan

Jane Doe

December 2007

Source: Cornell Small Farms Program

Table of Contents	1
Executive Summary	2
Management Plan	3
Land Management	4
SWOT Analysis	4
Risk Assessment	5
Production and Products	5
Capital Investments	6
Description of Markets	6
Marketing Plan	7
Second Year Plan	9
Long-Term Goals	9
Calendar of Important Activities	10
Budget	12
Labor Estimate	13



Beginning Farm Business Plan

Example

Prepared June 2008

This is a sample farm business plan, provided by NYFarmNet/NYFarmLink. It is based on a real farm plan written by a real farm family in Upstate NY. The identity of the farm and proprietary information have been deleted. Each section will give you a good sense of what should be in the plan. This particular plan was written to communicate management intentions to a financial partner like a bank or investing family member.

Executive Summary

An overview of the farm, the purpose of the business plan and its conclusions (about 200 words). Write the executive summary last, but it will be positioned first in the document for a quick overview and refresher.

Farm Description

John Doe owns 71 acres in the town of South Bend of Sheffield County. There are 55 acres of tillable land currently all in grass for hay and pasture. The family currently raises approximately 200 goats for meat production and the sale of breeding stock. John's farm has been in operation since 1984, starting out as a sheep farm dealing in Polypay sheep for freezer lamb and wool. Recognizing an emerging market for meat goats and the acquisition of leased 38 acres of brushy land, the farm sold off the sheep and acquired Boer bucks and does to begin the current herd in 1992.

Long-Range Strategy and Implementation:

Short-Term Goals: (Within the calendar year)

1. Determine best alternative to establish a goat dairy
2. Establish financing for selected alternative
3. Sign contract and build barn/milking facility or locate suitable farm for purchase and establishment of dairy in existing facility.

Long-Term Goals:

1. Goat dairy is a final phase for complete utilization of time and energy in the enterprise.

Options:

- The owners are considering two options:
- One possibility is to build a milking facility on their current property.
- Debt load may be larger



- Allows for alternative use of existing barn
- Avoids cost of moving entire enterprise
- Second possibility is the purchase of an existing facility near Watertown and moving the enterprise to that location.
- Facility could be modified, not built from scratch
- More land may be available
- Debt load is minimal with sale of current facility and house.
- Cost and stress of moving entire enterprise is high.

Product Description

The dairy prides itself on producing high-quality milk for the production of cheese and growing high-quality breeding stock for market trade.

Organization and Management

Description of business format: sole proprietor, partnership, LLC, or corporation. Any other characteristics that help explain the business structure to the reader.

Management Team

John Doe, Owner and operator:

Responsible for:

- Feeding and care
- Hay harvesting
- Long-term planning decisions

Farm Helper:

Responsible for:

- Youngstock care and development
- Long-term planning decisions

Additional part-time labor will be utilized in the dairy operation once under way.

Product Marketing

Milk from the dairy will be marketed in two ways. The primary market will be to freeze the milk in shipping bags and transported periodically to the Old Chatom Cheese Company in Albany, NY. The second market is developing a branded product in conjunction with Kutter's Cheese. The current market price for milk is \$.94 per pound.

The Financial Plan

The current plan is to begin milking 150 of the current 200 goats and then bring the operation up to 400 animals within three years. The attached income projections show a positive cash flow both years due to the current sale of goats that will continue. The transition period of 100 animals develops over \$18,000 in useable income after



expenses (not including any debt service). Projected debt service on a \$160,000 loan at 7% for 15 years would be \$17,258. Debt service for vehicles totals \$8,340 for a total debt service of \$25,598. Net Income after debt service is projected to be short by \$7,515 while herd is at 150 animals and rises to \$54,300 once 400 animal goal is reached and projected income and expenses fall within the expected parameters.

(Financial projections are often attached to a business plan like this. Use a spreadsheet to show a list of anticipated expenses, and anticipated income, and how the reserves will be spent).

Assumptions:

All economic data are based upon current values provided by John Doe and an economic spreadsheet of dairying from the University of Wisconsin at Spooner.

Strengths:

- The John Doe family has a long history of successful production of animals for the meat and breeding markets. Knowledge of the industry and research regarding marketing of the milk is current and realistic.
- The potential exists for developing a processing agreement with a local cheese manufacturer. This would increase potential for profitability as the product would be a local, high-quality product, and transportation costs would drop dramatically.
- Debt load is very small with a net worth of \$578,120 and a debt-to-asset ratio of .08. This does include the residence as well.

Risks:

- The primary issue at the current location is the land base and available land to provide necessary forage given the tight land market and hay market in the past few years.
- Ensuring access to adequate forage is a necessity prior to working toward the 400 animal goal.
- An additional unknown is the availability of a part-time labor force to cover the time invested in running 400 animals through the parlor as well as keeping feed costs in line.
- Moving to Watertown would require additional time to finish interior of house and bring the existing property up to speed in preparation for sale.
- Existing cash flow is a concern. Debt capacity is strong, but income from meat sales will decrease some as herd size is increased by retaining more young for breeding/milking potential.
- Moving to northern NY increases land base and should require very little debt if current farm is sold. However, the time involved may set back dairy plans by up to 12 months.



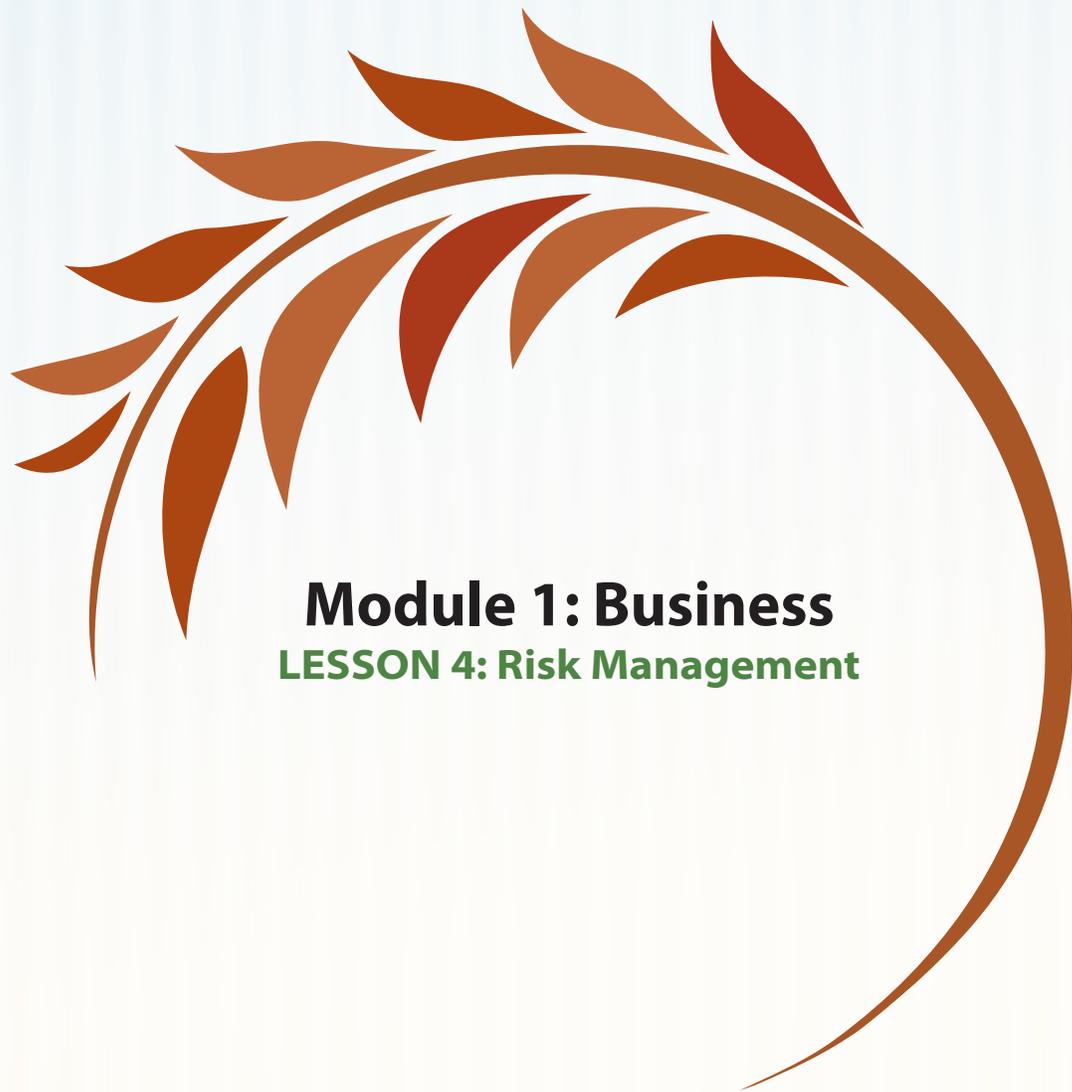
Summary

The dairy enterprise does develop positive cashflow and is within the management capabilities of the owner. The choice to construct a new facility in Arcade given the land constraints or move north for more land and less start-up costs is a challenging decision.

Both avenues can work, although long-term debt load is very different between the two choices. Moving costs were not analyzed as a part of this business plan development, but may be a factor in the decision as well. The John Doe Farm has strong herd numbers at this time with more growth available from within. The major issue is the choice of direction to go. Cash flow is improved by adding a dairy component versus relying on meat and breeding stock as an income source.

Financial Tools to Include:

- **Income Statement**
- **Balance Sheet**
- **Cash Flow Statement**



Module 1: Business
LESSON 4: Risk Management



Please turn to
PAGE 55 of your
participant guide.

The Business of Indian Agriculture

MODULE 1: Business

LESSON 4: Risk Management

Total time: 1 hour, 30 minutes

Lesson Topics

This lesson covers the following topics:

- What is Risk and Why is it an Important Agribusiness Management Issue?
- Risk Management Strategies.
- Where to Find Assistance in Developing a Risk Management Plan.

Learning Objectives

Upon completion of this lesson, participants will:

- Understand the definition, importance and types of an agribusiness risk management plan.
- Understand the basic types and steps of risk management strategies.
- Understand the resources available to assist in developing a risk management plan.

Definitions

Risk: the affect of an uncertain situation that represents an undesirable outcome to you and/or your business.

Risk management: the managing of business practices to avoid and/or protect against a certain level of unacceptable loss.

Uncertainty: a lack of complete knowledge about the future, which makes it a challenge to plan and to make decisions on how to operate a business. Uncertainty is associated with things like the weather, market supply/demand and prices, and other factors out of your control.



TOPIC 1: What is Risk and Why is it an Important Agribusiness Management Issue?

[Instructor Notes]: Highlight the title and learning objectives for this topic. This topic provides students with the understanding and appreciation of the concept of risk and of agribusiness risk management.

Time: 30 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the definition, importance and types of an agribusiness risk management plan.

- Risk is a part of everyday life. There is nothing in life that is completely risk-free, and so we go through life understanding, and accepting or rejecting, certain levels of risk.
 - For example, most of us know that driving a car has some risk. We understand that, and we are prepared to accept a certain level of risk to drive.
 - That level of risk may change depending on other factors. For instance, driving becomes riskier during a snow storm, or if your tires are worn.
 - The level of risk that you are comfortable with is based in part by your personality, your upbringing, and your ability to absorb a loss.
 - So, for example, you may decide that it is too risky to drive in a snow storm, but that it is okay to drive for a while with worn tires. You decided that the potential loss in a snow storm is too great to risk, but that the potential loss from a tire failure is not too much risk.
 - There are things you can do to manage your risk, by either reducing the likelihood of something bad happening, or by mitigating (making less severe) the loss when something bad does happen.
 - By not driving in a snow storm, you reduce the likelihood of something bad happening. By carrying a spare tire, you lessen the potential loss if a tire fails.
 - Risk management in agribusiness has the same basic considerations as the example here takes into account the level of risk of an activity, influencing factors, your personality about risk, and management practices that reduce risk or loss.



- Farming and ranching (and other agriculture-related operations) are businesses that deal with a high level of uncertainty and risk.
 - Uncertainty is a lack of perfect knowledge about the future. Uncertainty makes it a challenge to plan and to make decisions on how to operate the agribusiness. Uncertainty is related with things like the weather, market supply and demand, price fluctuations, and other factors that are out of your control.
 - Risk is when the outcome of an uncertain situation represents a concern to you and your agribusiness. It is the chance for some injury, damage or loss. Some uncertainty may not be associated with risk for you (like the weather in Antarctica) while other uncertainty may be risky for you (like the weather in Montana).
 - Risk management in agribusiness then is the managing of your business practices to avoid and/or protect yourself against a certain level of unacceptable loss.
- Depending on the agricultural business, there are usually five basic types of risk to consider. The USDA's Risk Management Agency lists the following types of risk:
 1. **Production Risk:** from the uncertain nature of crop and livestock production due to weather, disease, pests and other factors.
 2. **Marketing Risk:** from the uncertainty about the prices producers will get for their product and the prices they will pay for their inputs.
 3. **Financial Risk:** from the obligation of debt and the uncertain ability to pay back the debt. It also includes rising interest rates, credit availability, cash flow maintenance and equity growth.
 4. **Legal Risk:** from the uncertainty of legal arrangements, including ownership structures, leases and contracts, and legal regulations that may also include tax issues and environmental laws.
 5. **Human Risk:** from the uncertainty caused by human error or resulting in harm to humans, including personal injury or illness, family relationships, retirement and succession, and labor relations.





- Agribusiness risk management is important because it protects you, your family, and your agribusiness from losses that could, in the worst case, bankrupt you and your business.
 - Even if the worst does not happen, unmanaged risk and loss could set your business and personal goals back many years, and create huge challenges for your future success.
 - Every agribusiness has its own unique risk characteristics based on the type of business, its location, its owners, its finances and other factors. While many kinds of risks and management strategies will apply to businesses, each agribusiness owner should think about their risk characteristics based on their unique situation.
 - Risk management provides you with the tools to understand different types of risk and then to apply the right strategies to reduce the potential loss associated with those risks.

Activity (15 minutes): In small groups of 2-3, ask participants to identify some examples of uncertainty and agribusiness risk with which they may be familiar. It may be helpful to think of a specific type of business or industry. After they are done, have them share some examples.



TOPIC 2: Risk Management Strategies.

[Instructor Notes]: This topic provides students with an understanding of the basic types and steps of risk management strategies. This is a content-heavy topic and flipcharts or whiteboards should be used.

Time: 45 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the basic types and steps of risk management strategies.

- In general, for every type of risk, there are four basic steps to risk management:
 1. **Risk Identification:** knowing and appreciating the risk.
 2. **Assigning Probabilities and Outcomes:** determining the chance of the risk happening and the potential results if it happens.
 3. **Identify Risk Goals:** deciding what you want or need to accomplish regarding the risk.
 4. **Identify the Risk Management Strategies, Tools and Products:** learning about the risk management solutions and choosing the right ones.
- For each type of risk discussed in the previous topic, there are strategies, tools and products available to manage that type of risk. As a reminder, the five types of risk discussed were as follows:
 1. Production Risk.
 2. Marketing Risk.
 3. Financial Risk.
 4. Legal Risk.
 5. Human Risk.

Activity (30 minutes): There are five major types of risk discussed. Divide the class into five groups and assign each group one of the risk types to read, discuss and present to the rest of the class. Encourage them to use their own examples and expand on the material. Give them about 15 minutes to read and prepare, and another 2-3 minutes to present to the class. Then, discuss with the whole class.



1. **Production Risk** includes any unforeseen event that can lower your production or yield.

There have been major improvements in agricultural technologies that have reduced yield variability (and production risk), including genetic improvements, better agricultural practices, and more efficient farm/ranch technology. However, production risk is still the major concern of most agribusinesses.

- First, following the four steps to risk management, risk identification in production involves carefully studying your entire production chain (from inputs to processes to outputs) for risk.
 - This includes your ability to secure safe and affordable inputs; to maintain your production processes; and to deliver your product within quality and quantity standards. (Note: It may be helpful to review the production/operation function in Module 1: Business, Lesson 2: Basics of Agribusiness.)
 - You are in the best position to evaluate the risk in your production chain.
 - You will know your business and yourself better than anyone.
 - Ask yourself “What if?” questions about something bad affecting your production throughout the chain. For example, “What if there is a drought next season?”
- Next, assigning probabilities and outcomes means that you consider the chances of each risk identified actually happening, and if it does, what that would mean to you and your business.
 - Ask yourself, “How likely is....to occur?” For example, “How likely is it that a drought will occur next season?” After doing some research, perhaps you decide that there is about a 1 in 10 chance (10%) of a drought happening.
 - Then ask yourself, “What would that do to my business production?” You may decide that if a drought was to occur, it could reduce yields significantly, which would lead to serious financial consequences.
- Then, think about your risk goals - what do you want or need regarding the risk?
 - If you are in your 70s and have been farming your entire life, you may have the resources to withstand a poor crop. However, if you are a new farmer in your 20s, have a lot of debt, and are raising a young family, you may not be able to take on that risk.



- You may decide that you need to protect yourself against the possibility of drought, and that you don't have the resources to do so on your own.
- Finally, consider your options for risk management strategies, tools and products. You should consult with a trusted professional to determine the best options for your agribusiness.
 - Implementing the appropriate farm practices should generally be your first step toward managing production risk. For example, if you think that drought represents a serious risk to your agribusiness, you might be able to reduce that risk by installing irrigation or planting more drought-resistant crops.
 - Diversification is another strategy to reduce production risk. Producers can add different enterprises to their operations so that no single event can cause catastrophic losses to the entire agribusiness. So, for example, a producer might start raising chickens and hogs, in addition to his grain operation.
 - Flexible farm management is a related strategy, where your operation shifts its production according to favorable market conditions. So, if grain prices are high and feed prices are low, you sell your grain and buy feed. But if prices for grain are low and feed is high - you feed your grain.
 - Both diversification and flexible farm management are related to the concept of whole farm management, which emphasizes strategic, holistic, long-term planning.
 - Crop insurance is probably the most well-known and used production risk management tool. There are many types of crop insurance. Generally, crop insurance (called Multi-Peril) protects the farmer against crop failure due to natural events, including drought, excessive moisture, freeze and disease.
 - Remember though, an insurance payout is never as profitable as a good crop and should not be thought of as a good outcome.
 - Returning to the example of drought risk, you may decide that you want to purchase crop insurance to cover the risk of drought.



2. **Marketing Risk** deals with uncertainty related to the prices that your products/ services will sell for, and the costs of your inputs. Every year, producers plan to make money by trying to estimate the prices they will receive for their products, and the costs for their inputs. Yet, no matter how well the experts can forecast prices and costs, there are often unexpected price changes that can greatly affect businesses.
- Risk identification related to marketing involves careful forecasting of all market prices and costs associated with your agribusiness. It includes the expected selling prices for all your potential agribusiness products and services, and the expected costs for all your inputs.
 - Ask yourself “What if?” questions about price or cost changes that could negatively affect your business. For example, “What if my costs for fertilizer doubled?”
 - Next, assign probabilities and outcomes.
 - For example, “How likely is it that fertilizer prices will double by next year?” Perhaps you decide that there is about a 1 in 10 chance (10%) of that happening.
 - Then consider the possible outcomes. You may decide that if fertilizer prices were to rise steeply, it could create a serious cash flow problem for the agribusiness.
 - Then decide what do you want or need regarding the risk. These are your risk goals.
 - You decide that you need to protect yourself against the possibility of price hikes, and that you don’t have the financial resources to do so on your own.
 - Finally, consider your options for risk management strategies, tools and products.
 - As mentioned earlier, the appropriate farm practices should be your first step toward managing risk. For example, if a farmer determines that uncertain fertilizer prices represents a serious risk to her business, she can implement farm practices to reduce that risk, such as planting nitrogen-producing cover or feed crops that reduce the need for purchased fertilizer.
 - Forward pricing can shift the risk of price changes to the buyer by locking in a selling price in advance of delivery. Of course, the seller also gives up the chance for added profit if prices go up. Likewise, advanced purchasing locks in input costs against rising prices.



- Cash reserves and credit lines are a way to protect against changes in production costs. Cash reserves also provide flexibility to take advantage of profitable opportunities, like off-season and volume discounting. However, cash reserves can also tie up valuable liquid assets and lines of credit, and if they are used, they need to be repaid.
 - Some crop insurance policies protect against changes in market price. There are also some insurance policies that protect ranchers and their livestock against price changes.
 - Returning to the example of fertilizer price hikes, you decide that you want to secure a line of credit to cover any unexpected price increases in your fertilizer inputs.
3. **Financial Risk** deals with uncertainty related to the cost of debt capital, cash flow needs and equity. It should also be considered both in a family context and a business context because family finances can affect business finances, and vice versa.
- Financial risk identification involves first having accurate information of your current financial standing, and then calculating various financial measures that can tell if you are at risk. (For more information on financial measurements, see Calculating The “Sweet 16” Farm Financial Measures, in the reference section).
 - Ask yourself what are the potential risks about your finances? For example, “What if something bad happens and I can’t repay my bank loan?”
 - Assigning probabilities and outcomes about your financial risks is the next step.
 - For example, “How likely is it that I won’t be able to repay my loan over the course of its life?” Perhaps you decide that there is about a 2 in 10 chance (20%) of that happening.
 - Possible outcomes may include defaulting on the loan, damaging your credit standing, and risking your collateral, which might include valuable assets like your land or home.
 - Your risk goals may be to simply avoid any and all possibilities (risk) of a loan default because of the unacceptable outcomes of losing your land or home.
 - Finally, what are your options for financial risk management strategies, tools and products?



- Appropriate farm finance practices are the first step toward managing risk.
 - For example, regarding debt, simply avoiding new debt or debt beyond a certain debt-to-asset ratio, if at all possible, might be the best strategy.
 - Choosing the right kind of loan and repayment plan is another strategy that could reduce the likelihood of default.
 - Another strategy is to consider improving your debt ratio and/or increasing your asset liquidity by selling off rarely used but high-value capital equipment.
- Maintaining cash reserves, or liquid assets, is another important financial risk management strategy. Savings accounts, money market accounts, and short-term certificates of deposits (CDs) are places to keep cash reserves for unexpected needs. Cash reserves should be maintained for both the business and the family. Many times an unexpected family expense (for example, a new roof) has negatively impacted business finances because there were insufficient family cash reserves.
- Credit reserves and credit lines are other ways to protect against financial risk. Credit reserves are the un-borrowed portions of an approved loan. For example, a farm manager might be approved for a \$250,000 loan, but only borrow \$150,000, with the option to borrow the rest later. Lines of credit are established with a financial institution with a preset limit, and interest is only charged when credit is used.
- Equity capital is another financial tool, where some percentage of the ownership of the business is sold to investors. This has the advantage over other debt because there is typically no interest or principal payback to the investor. Instead, the investor gets a percentage of the profits and the company. Of course, the downside is that you are diluting your ownership share of the company.
- Insurance, such as property and home owners, can protect capital-intensive or indebted assets that you can't afford to lose or repay. Health insurance is also an important risk management tool because health costs are a common cause of personal bankruptcy.
- The financial strategies and tools mentioned here are only a small example of what is available. There are many different types of financial tools and products available in the marketplace, and the right one for your family and agribusiness will depend on your specific needs. Visiting with a trusted professional financial advisor is the best place to start your financial risk management planning.



- Finally, remember to consider the risks common to family finances, including risk involving the loss of employment, disability, credit card use, home mortgages, car loans and unexpected bills. These can all have a negative effect on your business.
4. **Legal Risk** deals with uncertainty related to the legal field. It can involve ownership arrangements, contracting, renting and leasing, taxes, regulatory matters, and protection from being sued. Every business owner should consult with an attorney for advice regarding their specific situation.
- Legal risk identification starts with listing all your legal arrangements and interactions, current and potential, and personal, family and business related.
 - Ask yourself what are the potential legal risks to you, your family and your agribusiness? For example, “What if my renter stops making payments for his pasture rental?”
 - Knowing the probabilities and outcomes of your legal risks is next.
 - For example, “How likely is it that my renter will stop making payments?” Maybe you know he is having a hard time, and think that there is about a 4 in 10 chance (40%) of that happening.
 - Possible outcomes may include missing the rent income to the point where your cash flow becomes a problem.
 - Your risk goals may be the need for a quick eviction and transition to a new renter, so you can maintain a stable income stream from the rented pasture.
 - Finally, what are your options for legal risk management strategies, tools and products?
 - There are many legal strategies, tools and products regarding areas of business ownership, business insurance, leasing and renting agreements, contracting, tax planning, bankruptcy, environmental regulations, succession and estate planning, personal and business liability and more.
 - Because the possible legal options for you, your family and business are many, variable, and highly dependent on your situation, you and your attorney are the best people to develop solutions that address your legal risks.
 - In the example of the renter, you may decide to have your attorney draw up legal papers and processes for rental evictions and new rental agreements.



5. **Human Risk** deals with events caused by human error, or events resulting in harm to humans, including personal injury or illness. Farms and ranches are unique places where workers and families are at risk for many fatal and nonfatal injuries. There are many hazardous work areas associated with equipment, tools and machinery, storage areas, livestock, and chemicals and pesticides.
- Human risk identification includes assessing all areas of risk from, and to, persons in your family and business operations. This can include farm and ranch safety issues that could result in personal injury, or illness and disease from certain farm practices (like pesticide application).
 - Make sure to assess risks around the farm and ranch from a child's perspective. Children see the world differently and have different ideas of how things can be used.
 - A safety audit involves "walking through" your entire operation looking for safety problems and fixes. Think about any "close calls" you, your family, and your workers may have had in the past.
 - Ask yourself the "What if?" questions. For example, "What if my horse throws me and I break a leg?"
 - What are the probabilities and outcomes of your human risks?
 - For example, "How likely is it that my horse will throw me and I'll break my leg?" Maybe you have a good horse and you're an experienced rider so you think that there is about a 1 in 50 chance (2%) of that happening.
 - The possible outcomes may include missing work while your leg heals, which could be 12-24 weeks or more. That would mean a critical loss of manpower and the need to hire temporary help.
 - Your risk goal may be the need for some disability support should you become injured.
 - Finally, what are your options for human risk management strategies, tools and products?
 - As before, your best first step is to implement practices that help to minimize the possible risk and outcomes. These practices may include strong farm safety training, using safe farm and livestock-handling practices, taking chemical and pesticide precautions, and using safer equipment and machinery.
 - Having an outsider conduct a safety audit is a good idea - they can identify risks you may not have thought about, as well as safer practices.



- Personal injury (and health, disability and life) insurance for you, your family and your employees is an important risk management strategy to consider.
 - Liability insurance that protects the business against claims or lawsuits made for personal injury or damages due to alleged negligence is another important tool.
 - Finally, taking the time and attention to care for the relationships in your family and your agribusiness will help prevent damage to those relationships that are important to your family's or business's wellbeing.
- In summary, acknowledge the importance and complexity of risk management. It is something that needs to be taken seriously because your family and business is nothing to gamble with.



TOPIC 3: Where to Find Assistance in Developing a Risk Management Plan.

[Instructor Notes]: This topic provides students with knowledge of the resources available to assist in developing a risk management plan. Instructors should tailor this section with local technical assistance providers and resources.

Time: 15 minutes

Materials: Flipcharts, marker pens.

Learning Outcome: Students will understand the resources at the local, state and federal level that are available to assist in developing a risk management plan.

- There is a great deal of help available for developing a good agribusiness risk management plan. At the national (federal) level, here are some useful resources:
 - The U.S. Department of Agriculture's (USDA) Risk Management Agency maintains a New Farmer Risk Management website with information and planning tools.
 - USDA's Economic Research Service provides Farm Risk and Risk Management websites with links to recommended readings, data and briefs on risk management strategies.
 - The Cooperative Extension System, which includes many state land-grant extension services, maintains eXtension, a web-based clearinghouse of extension publications and information.
 - Each of these resources provides contact information, as well as talk with someone, as well as links to other resources throughout the web.
- At the state level there are useful resources specific to your state. Contact your local extension office or technical service providers for details.

[Instructor Notes]: Prepare and share a list of state, local and tribal resources that are available to assist participants in developing a risk management plan. You may want to ask participants about the resources that they know and have used. Additionally, you will want to consider any technical assistance that you or your organization can provide and be prepared to discuss those services. Recap the topics in the lesson and the learning objectives. Ask participants if the learning objectives were achieved.



References

Berry, John. 2010. *Calculating The "Sweet 16" Farm Financial Measures*. University Park, PA: Penn State Cooperative Extension.

Brester, Gary W., John Hewlett, and James B. Johnson. 2005. *Rangeland Production Risk Management in Montana: Agricultural Marketing Policy Paper No. 7*. Bozeman, MT: Agricultural Marketing Policy Center and Montana State University Extension.

Johnson, James B., and Vincent H. Smith. 2009. *Risk Management Options for Montana Farms: Agricultural Marketing Policy Paper No. 28*. Bozeman, MT: Agricultural Marketing Policy Center and Montana State University Extension.

Johnson, James B., and Vincent H. Smith. 2009. *Risk Management Options for Montana Ranchers: Agricultural Marketing Policy Paper No. 29*. Bozeman, MT: Agricultural Marketing Policy Center and Montana State University Extension.