



UNIVERSITY OF ILLINOIS
EXTENSION

**GROWING A NEW GENERATION
OF ILLINOIS FRUIT AND VEGETABLE FARMERS**

FARM BUSINESS ANALYSIS: PRODUCTION, MARKETING, AND MANAGEMENT

Andy Larson

June 2014



Today's Objectives

- Introduce, and get you started on, four types of farm business analysis:
 - **SWOT Analysis** – What is it and why should I do one?
 - **Enterprise Analysis** – Does this still make sense when I run the numbers?
 - **Market Analysis** – What are the costs, returns, and trends at each venue?
 - **Management Analysis** – Do I have all the human resources to succeed?



SWOT ANALYSIS

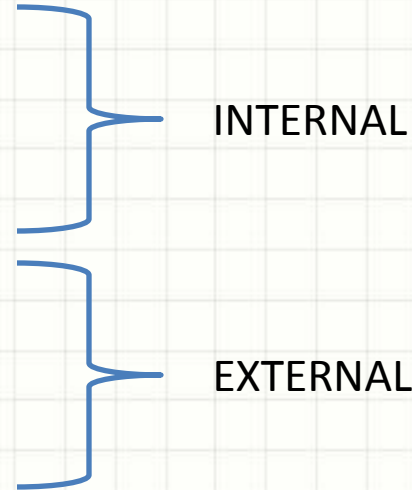


UNIVERSITY OF ILLINOIS
EXTENSION



SWOT Analysis

- S = strengths
- W = weaknesses
- O = opportunities
- T = threats
- Competitive advantage:
 - mix of conditions or circumstances that puts a business in a favorable position relative to its competitors



SWOT Analysis

INTERNAL	EXTERNAL
<p><u>Strengths</u> Internal factors that give your business a competitive advantage</p>	<p><u>Opportunities</u> External considerations of which you could take advantage to gain competitive advantage</p>
<p><u>Weaknesses</u> Internal factors that could put your business at a competitive disadvantage</p>	<p><u>Threats</u> External considerations that you need to mitigate or avoid to prevent loss of competitive advantage</p>

SWOT Analysis

- So why do a SWOT?
 - Fully understand business context
 - Carve out a sustainable niche
 - Direct current operations
 - Imagine future directions



ENTERPRISE ANALYSIS



UNIVERSITY OF ILLINOIS
EXTENSION



Enterprise Analysis

- Fixed costs: incurred no matter how much you produce
- Variable costs: change with scale of production
- Planting/growing costs: incurred no matter how much you harvest
- Harvest/prep costs: vary with amount of harvestable/marketable crop

Enterprise Analysis

Sample enterprise budget			
Per production area	Quantity	\$/Unit	Total
RECEIPTS			
<u>Planting/Growing Costs</u>			
Supplies			
Labor			
<u>Harvest/Prep Costs</u>			
Supplies			
Labor			
<u>Ownership (Fixed) Costs</u>			
Machinery			
Overhead			
Land			
TOTAL COSTS			
NET INCOME			



Enterprise Analysis

- Why do enterprise budgets?
 - Find your break-even price!
 - Which crops are making the most money
 - Which crops have to be grown more efficiently or discontinued
 - How you compare to other growers



UNIVERSITY OF ILLINOIS
EXTENSION





MARKET ANALYSIS



Market Analysis

- Market alignment
 - Who is your customer? Create a profile...
 - Geographic
 - Demographic
 - Psychographic
 - Needs/problems
 - Willingness-to-pay



UNIVERSITY OF ILLINOIS
EXTENSION



Market Analysis

- Market alignment (continued)
 - What is your product value proposition?
 - Physical attributes and credence attributes
 - Benefits or improvements over alternatives
 - Solutions to your customers' problems
 - Which market channel/venue best connects your customer and product? How is it changing?

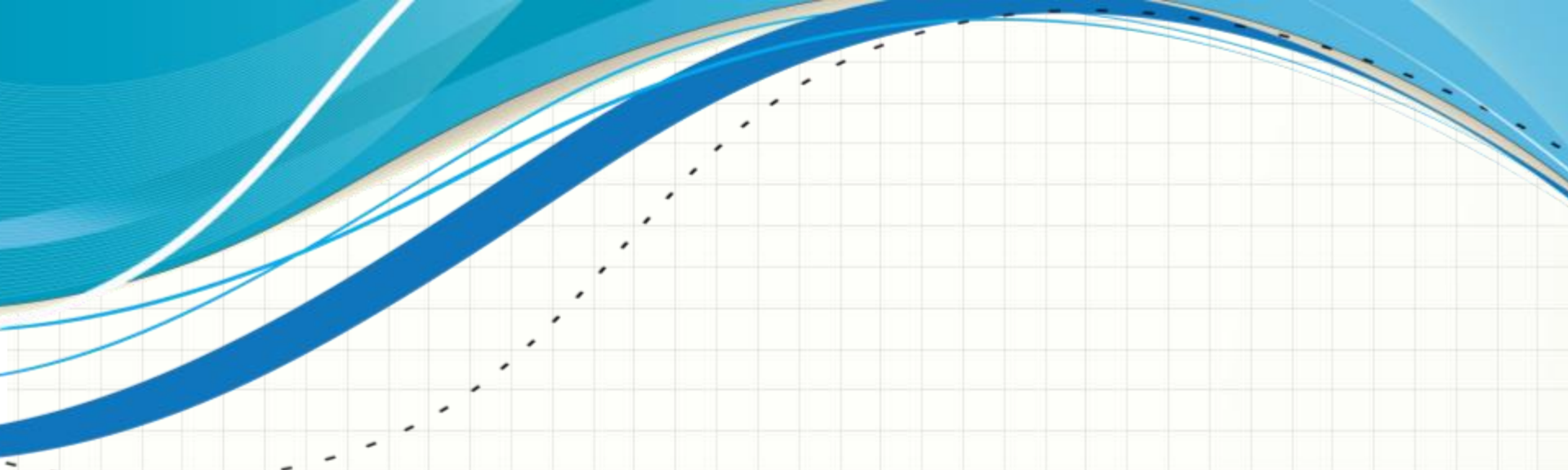


UNIVERSITY OF ILLINOIS
EXTENSION



Market Analysis

- Consider marketing costs
 - Handling and processing
 - Packaging and storage
 - Transportation
 - Depreciation
 - Labor



MANAGEMENT ANALYSIS



UNIVERSITY OF ILLINOIS
EXTENSION



Management Analysis

- Planning
- Production
- Operations
- Post-harvest handling
- Repair
- Record-keeping
- Sales
- Marketing
- Graphic design
- Logistics
- Employees
- Accounting
- Taxes
- Legal
- Regulatory and licenses
- Veterinary

Management Analysis

- Human resource roles and requirements
 - Position title and tasks
 - Full-time or part-time, temporary or permanent
 - Skills and experience necessary
 - Any training that will be required
 - How to hire/acquire
- Hire externally when it makes sense to do so



Summary

- **SWOT analysis** – determine market position and competitive advantage
- **Enterprise analysis** – fully account for costs to determine breakeven price
- **Market analysis** – choose best market to connect your product with your customers
- **Management analysis** – make sure you can access all the skills needed to succeed

Resource Books/Credits

- [Fearless Farm Finances: Farm Financial Management Demystified](#)
- [Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses](#)
- [The Organic Farmer's Business Handbook: A Complete Guide to Managing Finances, Crops, and Staff – and Making a Profit](#)



Internet Resources

- [Veggie Compass](#) – whole farm profit management spreadsheet
- [Fruit and Vegetable Budget Decision Tools](#) – Iowa State University enterprise budgets
- [AgPlan](#) – University of Minnesota business planning template
- [Illinois MarketMaker](#) – map farmers, food businesses, and customer demographics



To reach us

Contacts

Contact information

Rick Weinzierl

weinzier@illinois.edu

Andy Larson

andylars@illinois.edu



UNIVERSITY OF ILLINOIS
EXTENSION





**PROGRESS IS LESS ABOUT SPEED,
AND MORE ABOUT DIRECTION...**

