

Hayin Beef Acres



Business Plan

UNIVERSITY OF
MARYLAND
EXTENSION

Solutions in your community

University of Maryland Extension

**Disclaimer: The information contained in this case study is to be used only as a case study example for teaching purposes. The information in the case study is both factual and fictional. Opinions formulated by the author are intended for educational purposes.*

Mission:

The Mission of Hayin Beef Acres is to provide high quality alfalfa, orchard grass and mixed hay for sale to livestock owners locally and statewide. We also produce superior pasture raised beef and supply it locally, directly to the consumer and to restaurants.

Goals:

- Produce high quality alfalfa, orchard grass and mixed hays to local and statewide livestock producers. The hay will not contain mold and will be palatable for livestock or horses.
- To maintain production methods that is economically sustainable and exceeds livestock production expectations.
- Begin a meat market or small shop on the farm and join farmers markets, locally and in high traffic areas.
- Increase hay sales and/or quantity ordered by one producer.

Background Information:**Business Name & Address:**

John & Jane Doe
Hayin Beef Acres
100 Hay Lane
Easton MD 21601

Email Address: info@hayinbeefacres.com

Website: www.hayinbeefacres.com

Telephone:

Work: (410) 300-9000

Home: (410) 777-2314

Fax: (410) 888-3210

Type of Ownership: Partnership

Business Advisors:

Accounting:

Accounting For You
Paul Banks
101 Business Drive
Easton MD 21601
(410) 888-9671

Attorney:

Attorneys on Demand
Bob Cash
700 Business Drive
Easton MD 21601
410-888-9674

Bank:

Talbot Farmers Bank
Dave Farmer
101 Main Street
Easton MD 21601
410-888-9777

Other:

Insurance Agent:

Farmers Insurance
Robert Doe
170 Business Drive
Easton MD 21601
(410) 898-8897

Who is Involved in the Operation:

Name: John & Jane Doe	Position: Owners
Name: Ann Doe	Position: Daughter and Beef Management
Name: Peter Doe	Position: Son and Hay Management
Name: Seasonal Help	Position: As Needed

Background Information:

My name is Jane Doe and I grew up on a beef cattle and hay operation. I currently work full time on Hayin Beef Acres. My husband John works fulltime as a Nutrient Management Specialist. We have two children Ann (20 years old) and Peter (23 years old). As a family we owned 23 acres and in 2000 invested in 74 acres of neighboring land after showing an interest in expanding our operation. It has been our dream to share our quality home grown beef and hay with the community. We purchased the additional land in order to expand the business but do not expect the farm to pay the whole amount of the mortgage at first.

All sheds and barns were built and paid for prior to our expansion, as well as most equipment. John and I plan to retire in 15 years and at that time turn the farming operation over to Peter and Ann. We plan to continue to assist them with the operation and aid with labor at necessary times.

Operation Layout:



John & Jane Doe
Hayin Beef Acres
100 Hay Lane
Easton MD 21601

Legal and Contractual Situation

Assets/Contracts: Currently, we hold a 20-year mortgage on the 74 acres of recently purchased land and have 6 years remaining to make payments. The farm income and 1 off the farm employment, pays the entire mortgage. The farm holds no current marketing agreements and all land leases held previously were not re-rented.

Note: See all Asset's listed on the Balance Sheet

Insurance: The farm holds a crop insurance policy and a farm structure insurance policy. As we hope to extend our business into farmers markets, product liability insurance maybe needed. John's off the farm employment allows for the family health insurance. All automotive are insured, including farm vehicles and trailers. We do not carry disability insurance and in case of an emergency our son and daughter would be able to operate the farm

Estate Plan/ Will: We currently hold a written will and estate plan, these are outlined in the fair division of the estate including land, life insurance and assets. John and I currently the owners and operation of Hayin Beef Acres; Ann and Peter have both shown strong interest in taking over the farm and will each collect compensation for their positions on the farm until the farm is turned over to them.

Retirement: John holds a 401K at his current employment and Jane's past job have allowed a 401K to have been established. Additional funding is placed in to John's 401K each year. Retirement will be in an estimated 15 to 20 years at which time Ann and Peter will take over the farm.

Conservation/Environmental: The farm has a soil conservation plan, buffers and filter strips that have been established though the local Soil Conservation District CREP Program. We also have a Nutrient Management Plant that was written by the University of Maryland Extension Office. We are dedicated to environmentally sustainable management practices.

Other:

Seasonal Help: At times additional help is needed for beef and/or hay sales on the farm, if we hold an auction or mass sales are encountered.

Production Situation:

The farm included 97 acres of land: 8 acres are included in buffers and filter strips, 4 acres are residential and farming buildings, 25 acres are in pasture land for the cattle and 60 acres are in the hay crop (20 acres in grass hay, 40 acres in alfalfa). There is approximately 240 tons of hay and 140 tons of alfalfa produced each year. Some is sold and some is fed to the cows in the winter. The beef part of the operation averages about 50 head of cattle, this includes 1 bull, 32 cows, and averages 17 feeders at one time. The whole farm is in preservation. There are a total of 2 water sources located on the farm: one for livestock and one for farm buildings and residential buildings.

See Production Plan in the Appendix

Marketing labor land sales

We continue to research and watch new trends and options for beef output and new options for types of hay. We try to use minimum inputs and utilized our nutrient management to be more efficient. We monitor the beef prices and the supply and demand for home grown grass fed beef.

Formulating a Farm Strategy:

Step 1: Information Gathering and Market Research:

Marketing Research Tools:

Demographic information from the United States Census and observation of local and state Extension Publication's.

Results of Marketing Research:

- There is an increased and growing population for roughly 90,000 people within a 70 mile radius of the farm.
- The average family size is 3 and median household income is \$41,000.
- 83% have graduated high school and 30% hold a bachelor's degree.
- 70% are white, 20% are black and 10% are other races.
- There is an average of 20 grocery stores and 10 specialty stores.

Key Industry Trends:

- Health Conscious and a strive for healthy foods
- Hay is in demand, increased horse ownership
- Seeking of locally grown products; hay and beef
- Promotion of a 5 a day plan and the new food pyramid.
- Increased interest in local foods and restaurants. The increased gas prices limits the distance traveled for hay or beef.

Step 2: S.W.O.T Analysis

Strengths and Weaknesses- Evaluation of Internal Environment

Internal Strengths of the Farm Business:

- Devotion of our farm business
- Off the farm income
- Reputation for beef production in the community
- Reputation for high quality hay in the community
- Committed to quality and success
- Customers first
- Land acres and capacity with good soils
- Attends trainings and workshops for management and production

Internal Weaknesses of the Farm Business

- The off the farm employment takes precedence
- Time and labor become an issue at peak production times
- Money involved in transportation and delivery of hay or meat or calves to restaurants or farms.
- New producers marketing grass grown beef
- More producers increasing hay amounts and production

Threats and Opportunities – Evaluation of the External Environment

Competitor Analysis:

Competitor #1:

Name: Seasonal Farms

Product Offered: Hay Crop

Promotional Activities: Local Auctions, advertising in papers and on the farm

Location of Company: 20 miles away

Competitive Advantage: Has on and off the arm locations to sell their product

% Market Share: 12%

Competitor #2:

Name: Messick Acres

Product Offered: Hay Crop

Promotional Activities: on the farm and wholesale

Location of Company: 40 miles away

Competitive Advantage: Sells some at wholesale

% Market Share: 8%

Competitor #3:

Name: Angus Acres

Product Offered: Grain and Grass Fed Angus Cattle

Promotional Activities: Farmers Markets and Store on Farm

Location of Company: 27 miles away

Competitive Advantage: Angus Beef; Certified Angus.

% Market Share: 13%

External Threats of the Farm Business:

- Local producers are competitors
- Preferences and tastes of the consumer for beef
- High need for great quality hay
- Livestock being family not animals
- Distribution costs
- Travel to USDA certified facility
- Insurance needed for farmers markets and some restaurant sales.

External Opportunities of the Farm Business:

- Local food movement has grown
- Food cooking improvements
- Hay growth and seed improvements
- Lack of grass fed beef
- New horse farms starting up

S.W.O.T Analysis Summary

Internal Strengths	Internal Weaknesses
<ul style="list-style-type: none"> • Devotion to the farm • Reputation of farm and production • Commitment to quality and success • Off the farm employment (income) • Land area and good soil • Training and workshops • Ability to extend marketing potential for hay and beef. 	<ul style="list-style-type: none"> • Lack of experience in grass fed beef on large scale • Off the farm employment takes precedence • Limited and seasonal supply • Time and labor at peak time • Transportation and delivery to restaurants/farms • New beef producers and hay growers entering the market
External Opportunities	External Threats
<ul style="list-style-type: none"> • Local food movement and growth • Food cooking movement • Lack of good quality hay • New horse farms starting up • Hay and seed improvements • Lack of grass fed beef 	<ul style="list-style-type: none"> • Local competitors • Consumer hay preference (type or color) • Consumer taste for beef • Disposable income of consumers • Distribution costs • USDA certified facility • Liability insurance

Step 3: Creating alternative plans of action and identifying areas of competitive advantage.

Plan of Action-Internal Strengths and External Opportunities:

- Pick your own calf or steer- you select it, we raise it! Can sell a whole animal versus just some cuts of meat.
- Wholesale- buy a whole hay field or large crop amount receive a discount (wholesale priced)
- Auctions- sell any excess at the auctions.
- Restaurants- dedicated buyers and larger quantities of beef at one time
- Farmers Market- more money and little prep work, additional marketing
- Disadvantage of Farmers Market - competition and costs to go and to join

Things to Think About:

The Farm's Competitive Advantage:

Haying Beef's plan of action will be to use home grown grass fed beef to provide a unique product to local consumers and high end restaurants. The size and production of the farm is limited therefore we will work directly with a privately owned restaurant that will have the ability to feature our meats seasonally. Our beef is higher quality, locally grown and fresher than distributors and grocery stores. Our hay will be produced at a higher quality and with more care than local competition. We will be able to form marketing relationships with hay purchases, restaurants and consumers. All products will be locally grown on a family farm.

Why Other Businesses are Not Copying the Products:

Farm offers specialized beef products that other producers may not specialize in. The market trend is to produce beef at a large rate in the quickest time farm- through grain not grass. The hay crop is harvested at a peak time and with extremely high standards. Our marketing relationship that we create with hay purchase, livestock producers and consumers could not easily be copied. The farm strives to provide excellent customer services, prompt delivery and excellent products.

Customers Value our Products Because:

Customers will come to value the quality, freshness and taste of our home grown beef and the quality of our hay crop for their livestock and horses. We offer convenient delivery, ease of ordering and uniqueness in beef and hay products. We will continue to strive to have beef and hay crop available year long.

Step 4: Selecting the best plan that fits your overall farm mission.

My Overall Farm Strategy:

Overall the farm strives to produce high quality products that will become known for their freshness, taste and quality. We strive to keep up to date with all industry trend and new varieties of hay seeds. We offer niche products that are capitalizing on the local movement and interest in grass fed beef and high quality hay.

We are committed to the farm business and quality of products. Hayin Beef Acres is limited by the time and labor. Delivery schedule need to be planned well due to fuel costs, coolers, livestock trailers and flatbed trailers. We provide the majority of our own marketing, to minimize cost.

Thankfully, the current market is interested in locally raised, grass fed beef and high quality hay products. There is a lack of high quality products in both areas and we hope to capitalize on the market.

Marketing Situation:

Marketing Research and Target Markets:

- There is an increased and growing population for roughly 90,000 people within a 70 mile radius of the farm.
- The average family size is 3 and median household income is 41,000.
- 83% have graduated high school and 30% hold a bachelor's degree.
- 70% are white, 20% are black and 10% are other races.
- There is an average of 20 grocery stores and 10 specialty stores.

Target Market: Healthy families and high quality restaurants interested in local grass fed beef. Farmers, horse owners and livestock producers interested in high quality hay products. For beef the main purchasers will be 27-55 years of age, they tend to be well educated and live in town. Hay purchases will be conscious livestock and horse owners.

Reach Target Market By:

Beef purchases will be reached through local farmers markets, restaurant promotion and direct farm advertising. We will attend only when beef products are available and also promote hay products. High end restaurants can be reached through marketing and sampling of our beef. Products will be personally delivered to the restaurants and will be discussed and shown off. Hay sales will be promoted at auctions and through sampling of our hay products to large livestock producers and horse farms in the area.

Marketing Objectives:

- Sell high quality grass and alfalfa hay to livestock and horse owners within a 80 mile radius
- Manage a beef herd and sell
- Sell grass fed beef to local farmers markets, restaurant promotion and off the farm

Marketing Plan:

Product	Grass Fed Beef: Specialty, home grown, grass fed and antibiotic free
Price	Grass Fed Beef will be priced 50% above production cost and also above grocery store beef prices. 25% for wholesale or restaurants.
Place	Sell at farmers markets, local and high traffic, increase repeat customers, sell to high end restaurants and promote local delivery which has been included in the cost of production.
Promotion	Signage at Farmers Market, local food promotion, provide recipes to accompany beef, chefs at restaurants.

Product	Orchard Grass Hay- Sold by the bale (standard small square bales or round bales) can deliver for small fee.
Price	Priced competitively with other local producers but 20% above cost for large deliveries / orders and 30% for small.
Place	Sell through hay and straw directories as well as farm supply stores. Will have nutritional analysis available and provide samples to livestock owners.
Promotion	Word of mouth and local referrals will be the largest portion. We will also sell through hay and straw directories as well as farm supply stores. Nutritional analysis will be available and provide samples to livestock owners.

Product	Alfalfa Hay- Sold by the bale (standard small square bales or round bales) can deliver for small fee.
Price	Priced competitively with other local producers but 20% above cost for large deliveries / orders and 30% for small.
Place	Priced competitively with other local producers but 20% above cost for large deliveries / orders and 30% for small.
Promotion	Word of mouth and local referrals will be the largest portion. We will also sell through hay and straw directories as well as farm supply stores. Nutritional analysis will be available and provide samples to livestock owners.

Implementation Strategy:**Production:**

The farm is following a 3 year production plan which will detail production and marketing details that are stated monthly. Product liability will need to be purchased for beef products sold and also farmers market insurance if required.

Management:

John and Jane are making all of the management decision. Jane focuses primarily on computer related aspects of the farm and dealing with deliveries. John focuses primarily on overseeing the production aspects of the farm. Ann deals with managing and decision making with the beef production. Peter manages the production, planting and harvesting of the hay crops. Promotion and advertising is a team effort and mostly controlled by Ann and Jane.

Marketing:

We have detailed a marketing budget. It includes beef and hay signage for the farm, markets and vehicles. We plan to keep all pricelists, brochures and point of sale materials locally made. Follow ups will be conducted with restaurants and farmers utilizing our products.

Human Resource:

The majority of our labor will be provided by the immediate family: John, Jane, Peter and Ann. We will need to seek help from neighborhood youth and adults. We may need to hire part time labor for our business.

Finance/Accounting:

A projected cash flow and income statements have been completed; meeting with our bank and establishing a separate accounts and credit line for personal and business needs. All farm banking (income and expenses) and accounts need to be kept one a software program (excel or QuickBooks).

Exit Strategy:

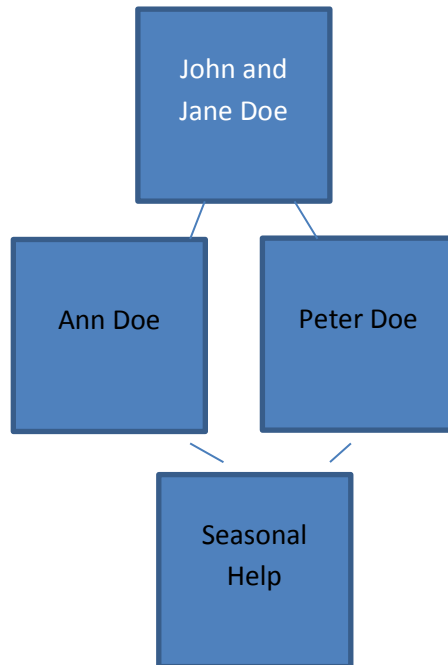
John and I wish to retire in 15 years. At this time we plan to turn the farm over to Peter and Ann. After reviewing financials we determined that we cannot put more than \$40,000 of our cash reserves out at any time in our farming business. The main goal for business decisions and employment on the farm is on a family basis and additional aid when needed.

Investment plans are to invest in the business and hope to receive a positive cash flow, within 4-6 years. If this plan fails we will reevaluate our business and make plans as a family unit. This would be the time we determine the future of our operation.

Farm Business Positions and Duties:

Position/ Name	Duties/Responsibilities	Skills/Talents	Salaries/Wages	Work Schedule
John Doe Owner	Day to Day Production Oversee	Production Overseeing- Nutrient Management	Profit Share 30%	Part Time
Jane Doe Owner	Day to Day Production and Marketing, Accounting and Managing Deliveries	Past Accountant, great with people and marketing.	Profit Share 40%	Full Time
Ann Doe Daughter/Employee	Day to day beef sales, shipping, breeding and maintenance	Grew up raising and showing beef cattle, degree in Animal Science	Profit Share; 15% Farmers Markets Profits on Beef (she sells)	Full Time
Peter Doe Son/Employee	Day to day hay sales, shipping, deliveries, planting, harvesting	Went to college for forage and crop production	Profit Share; 15% hay profits he sells	Full Time
Seasonal Workers	Aid in production or labor	Trustworthy, people friendly	\$7. 50 or minimum wage	Seasonal

Farm Business Organizational Chart:



Skills and Training:

Skill	Training Available	Responsible Party
Computers	Training at Extension Office; Classes online	Jane Doe
Beef management, breeding and selection	Training at Extension Office, online books and resources	Ann Doe
Hay Marketing and Production	Training at seed companies, extension offices, equipment dealers	Peter Doe
Production Oversee/ Management	Management Classes	John Doe

Building and Facility Requirements:

Physical Resources	Description of Resources and Use
Land	97 acres of land utilized for cattle, hay and pasture land. Has no natural springs/water.
Livestock	We have an average of 50 head of cattle, 1 bull, 32 production cows, average of 15 feeders at one time. Calves are not counted
Equipment	Stored in equipment shed. More information found on Equipment Inventory list.
Facilities	Have 1 main barn for cattle and 1 for equipment, 2 for hay storage and 3 run in sheds shelters in pastures. For meat storage and sales we have a large walk in as well as a chest freezer.
Transportation	Have 2 pick-up trucks used for hauling, farm work and farmers markets.
Expertise	Jane has expertise in computers and accounting. She follows new trends. Ann and Peter both specialize in hay or beef production, while John specialized in Nutrient Management and management of the farm.
Other	

Building and Structure Inventory

Building	Purpose	Square Feet	Required Features	Location
Main Livestock Barn	Provide a calving shelter if needed, location for injured animals	36 X, 15H, 80L	10 Vertical Steal Supports ; Roofing Supports, Concrete Floor, Sliding Style Doors	Located close to livestock pastures and past the house
3 Run in Shed	Provide shelter in pastures	20W, 10H, 60L	Metal, 4 Vertical Steal Supports, Roofing Supports, No Floor, No Door	In each pasture
1 Hay Barns	To shelter the hay on 2 sides and with a roof	30W, 17H, 80L	8 Vertical Steal Supports; Roofing Supports, Concrete Floor. No Doors, Closed Width sides	Located next to the equipment shed and past the house
Equipment Shed	Shelter for equipment; same style at the hay barn	30W, 17H, 80L	8 Vertical Steal Supports; Roofing Supports, Concrete Floor. No Doors, Closed Width sides	Located next to the hay barn, and livestock barn, past the house

My Contact List:

Name	Address	Phone
Paul Banks	101 Business Dr. Easton MD 21601	410-888-9671
Dave Farmer	101 Main St. Easton MD 21601	410-888-9777
Bob Cash	700 Business Dr. Easton MD 21601	410-888-9674
Robert Doe	170 Business Dr. Easton MD 21601	410-898-8897