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## *Formulate a Farm Strategy*

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Setting goals and developing an overall farm strategy will be a way to focus ideas, conduct market research and create an overall plan.

### *Goal Setting*

Prior to formulating a farm strategy it is helpful to think about the overall goals of the farm from a personal and business perspective. What are the reasons why you want to farm and what are your business expectations? Having these goals in mind will be important as you go through the steps of developing a farm strategy.

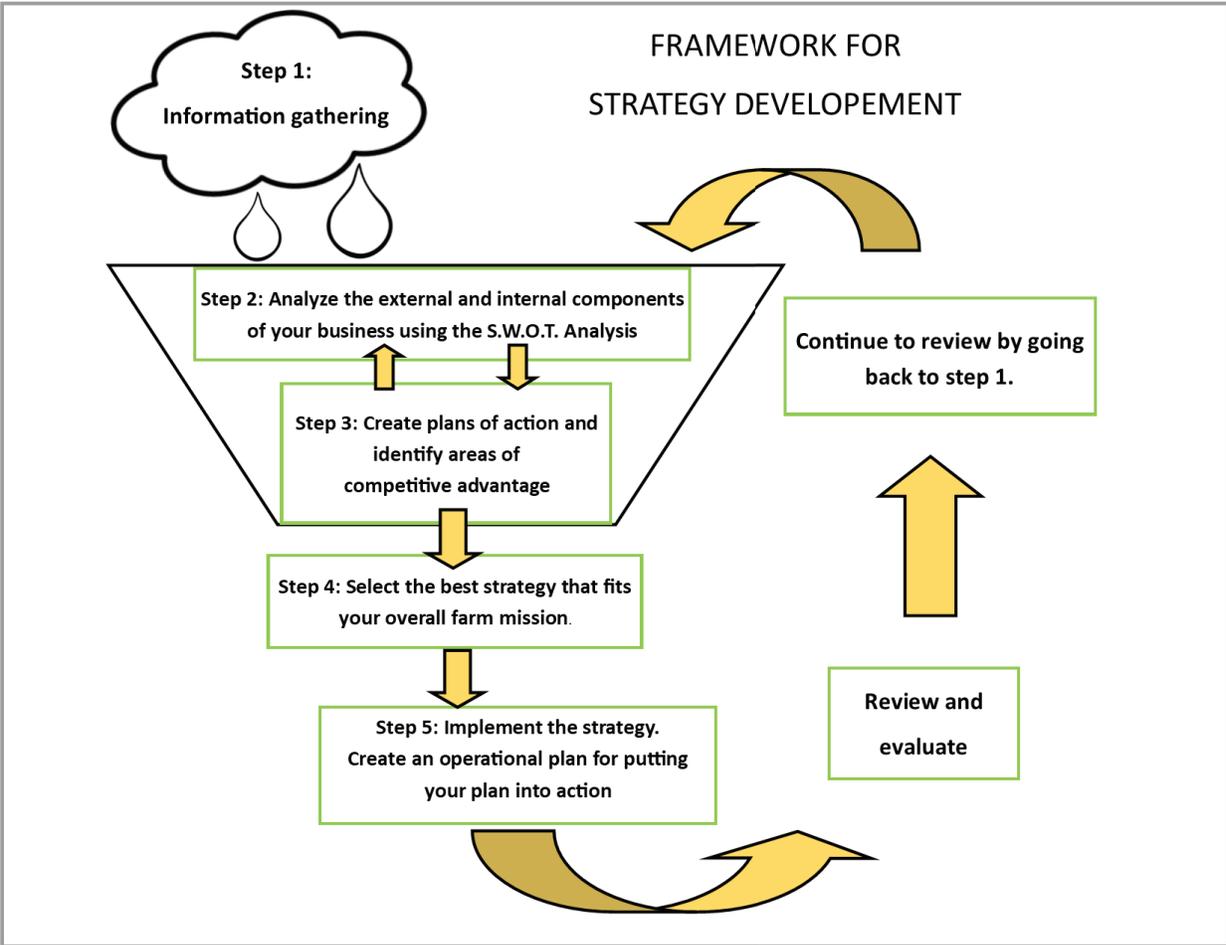
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1. I want to farm because:
  
  2. I have the following personal and family goals:
    - 1.
    - 2.
    - 3.
  
  3. I have the following farm goals:
    - 1.
    - 2.
    - 3.
  
  4. My timeline to collect resources and start the farm operation is:
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With your goals in mind, now it is time to develop a farm strategy that will help you reach those goals. This Guidebook outlines 5 steps to developing a farm strategy.



### *Developing a farm strategy is a series of steps:*

1. Gathering information and market research.
  2. Analyzing the external and internal components of your business using the S.W.O.T. analysis.
  3. Creating plans of action and identifying areas of competitive advantage.
  4. Selecting the best plan that fits your overall farm mission.
  5. Implementing and evaluating the strategy.
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**Step 1: Information gathering and market research**

This step considers what, why, and how the customer wants a product or service.

Market Research: Research current and potential markets to identify trends, competitors, needs, and buyers. Be sure to take time to collect data. Obtaining good data serves as the foundation for the creation of an effective strategy. The better the information, the better your strategic plan will be. For example, if you are considering raising pastured pork, you will need to research whether pastured pork is currently available in your area, how much it sells for currently, how many potential customers eat pork, how much they value pastured pork over other pork options, etc.

Never rely only on your opinion of what the market wants. There are a number of tools that you should consider using for your research:

Networking: A one-on-one interview can be helpful for generating ideas. Interview other business owners or operators who may be able to provide good information on what has or has not worked for them. Talk with similar farms and producers. Attend tradeshow,

conferences, and business functions to meet other entrepreneurs, talk, and network about market trends. Sales representatives are also good sources of information.

Demographics: Information about the consumer in your area can be very helpful in marketing to them. The U.S. Census is a great place to find this information.

Observation: Simply taking time to observe can be a powerful tool. What are people buying? What are competitors offering?

Surveys: Surveys can be written or oral. A written survey can be distributed to a wide range of the population. Consider using an incentive to increase survey response rate, such as free products or coupons.

Focus Groups: A small group of potential consumers who are asked specific questions about the product/service.

### *Step 2: S.W.O.T. analysis*

The S.W.O.T. analysis is an analytical tool used to collect information and guide the decision making process in order to obtain strategic advantages.

#### Strengths and Weaknesses -Evaluation of the Internal Environment

The strengths and weaknesses section is internal to the organization and provides insight into what components are available to provide for competitive advantages. Filling out this section allows the organization to identify the resources available and acknowledge the gaps that will need to be filled.

Examples include: operations, equipment, facilities, knowledge, finances, technology, and experience.

#### Opportunities and Threats—Evaluation of the External Environment

This part of the S.W.O.T. analysis focuses upon the external opportunities and threats that exist. The analysis allows the organization to identify strategies that take advantage of opportunities for growth while avoiding potential threats.

Opportunities and threats are external to the organization and thus cannot be changed by the organization. Rather the organization must change with and react to the changing external factors.

Examples of opportunities and threats include new markets, expanding markets, government regulations or incentives, new technology, increasing competition, lower or higher barriers to entry, or economic conditions.

## S.W.O.T. Analysis

List your <b>Strengths and resources</b> <i>(internal to your farm and team)</i>	List your <b>Weaknesses</b> <i>(internal to your farm and team)</i>
List your <b>Opportunities</b> <i>(external to your farm and team)</i>	List your <b>Threats</b> <i>(external to your farm and team)</i>

### *Step 3: Creating plans of action and identifying areas of competitive advantage*

As you think through the strategic planning process, do not try to come up with the ultimate best strategy for your operation right from the start. You will need to consider all of the possible strategies you could employ based on the findings from the information discovery and S.W.O.T. analysis. Compare and contrast the competitive advantages each strategy may offer and select the best after you review all of the areas of competitive advantage. This should be an ongoing, creative process. If you find this phase difficult, break apart the process and start with information discovery first, followed by focusing on the marketing strategy phase

Things to think about when developing a plan of action:

Businesses will create competitive strategies to set themselves apart from others in the market. Types of competitive strategies can include least-cost and differentiation.

- Least-cost strategy focuses primarily on the price or cost of the product. Being the least expensive in the market gains the product competitive advantage. This strategy is known for cutting input costs and often the product is a “no frills” product. This type of strategy is

normally focused on efficiency of operations. Most commodity-based industries such as the grain industry utilize a best or least-cost strategy. Generally small farms lack economies of scale and will not want to compete in a commodity market based solely on price. Instead, you will want to compete based on some unique or differing attribute that offers the customer perceived value.

- A differentiation strategy distinguishes the differences of a product to make it more desirable to a specific market. The strategy focuses on goods and services needed to satisfy the customer where the value outweighs the increased cost. A differentiation strategy also sets your product apart from the competition, creating a competitive advantage by offering a unique or different product or service that other companies either cannot or will not offer.

The questions below will provide some tips for outlining a differentiation strategy including your product, attributes, and pricing:

- What is unique or different about your farm business (products and/or services)? Unique attributes may include: production methods, packaging, location, availability, etc.
- What is the competitive advantage garnered from your strategy?
- The product/service attributes should be unique enough that other competitors cannot easily copy it, but adequate enough to capture a sustainable market share.

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

It is now time to review the previous steps 1-3 and select the plan that best fits your overall farm business. Keep in mind your business's strengths and weaknesses as well as external opportunities and threats. Once all of the possibilities have been laid out and the best strategy chosen, be sure it fits with your farm mission and objectives. Can you see yourself doing this in 5-10 years?

The overall strategy is derived from component strategies including marketing strategy, production/operational strategy, financial strategy, and management strategy. Be sure to include the main components of marketing, production, finances, management, and your key competitive advantage points.

#### *Step 5: Implementing and evaluating the strategy*

You have done your homework, conducted market research, and developed areas of competitive advantage. The implementation plan will contain a timeline for the steps needed to meet business objectives. Consider the implementation plan your ultimate "To-Do List". The timeline will cover the production, financial, management and marketing goals outlined in the business plan. As you develop an implementation plan, you may begin to notice areas where the best-made plans are not practical. Taking time to go through this process will help you identify bottlenecks and avoid pitfalls. Be sure to continue to evaluate your farm strategy as goals, markets and other situations change.