**Financial Strategy Worksheet**

For your farm’s Financial Strategy, you will want to include some background text about your financial plans as well as detailed spreadsheets, such as a Cashflow and Budget (sales versus expenses).

You’ll want to consider things like:

**Current Financial Position** - What is your current financial position? Do you have the money you need for starting up your farm? Looking at your sales projections, projected expenses and cashflow projections for the first year, will you have enough cash on hand to meet your needs? If not, how will you make up for the deficit?

**Future Financial Strategy** - What level of income do you need to make from your farm in future years? What are your financial goals for your farm?

**Financial Management** - How will you manage your farm financial records, bookkeeping and taxes?

**Purchasing Decisions** - How will you decide on purchasing supplies and equipment for your farm?

**Examples:**

**Firmly Rooted Farm - Financial Strategy:**

\*Refer to Appendix E: Finances for Chart of Accounts, [Revenue](https://efao.ca/wp-content/uploads/Firmly-Rooted-Total-Sales-Revenue.pdf), [Expenses](https://efao.ca/wp-content/uploads/Firmly-Rooted-Expenses.pdf), and [Cash‐ Flow Projections](https://efao.ca/wp-content/uploads/Firmly-Rooted-Cashflow.pdf).

*Budget Overview*

Brian and Tamara will be financing the business start up with personal savings. Below is a summary of their current financial position:



Current financial projections are based on gross revenue of $35,000. Total expenses are shown as $22,019.02; this includes a personal draw of $2,070.00, and a contingency of $2,001.73. Projected net profits are $12,980.98. Based on current budgets Brian and Tamara will be able to operate the farm without requiring the use of Brian’s line of credit. If the couple are unable to secure pilot CSA shares (projected total of $4,200) they will utilize the line of credit for the months of April, May and June, getting back into the black in July when other revenues increase.

Brian and Tamara’s personal expenses are extremely manageable largely because they own a tiny house on wheels and pay no rent or utilities. Additionally, food is currently the couple’s largest expense and the farm will provide for this. Projected farm incomes could cover their annual expenses; however both farmers will seek off farm winter income and maintain 8 hours weekly off farm work throughout the growing season.

Gross market sale projections total $58,000; this does not include crops being grown on a trial basis, or in very small quantities including beans, collards, melons, stevia and peppers, nor does it include winter wreath sales. Certain contingencies are included in this total: it assumes that 25% of transplants will fail, and is calculated with low yield per row foot values. It does not consider major crop failure, and produce that cannot be sold due to spoilage, personal consumption or lack of market. It also does not include discounts provided to chefs, caterers, CSA customers or market clients through mix and match pricing. The gross revenue projection of $35,000 can be achieved if a maximum 40% of all crops within our crop plan are not sold, or are sold at a discount (Refer to Appendix D: Sales, for detailed Market Sales projections).

*Future Financial Strategy:*

Once they are fully established Brian and Tamara would like to gross $80,000‐ $95,000, paying themselves an annual salary of $20,000‐ $25,000 each. They plan to save for retirement and put aside “dream farm” funds that could be used to purchase land or infrastructure.

*Financial Management:*

Tamara plans to do all bookkeeping and as much accounting for the business as possible. Her past experience assisting in the financial management for a company with a $600,000 annual budget puts her in a good position to do so. She will be purchasing QuickBooks in the next few weeks to allow her to familiarize herself with the software and start to track expenditures. She has created a chart of accounts with categories that correspond with CRA’s small business reporting requirements. Tamara intends to input financial data on a weekly basis and to review financial information on a monthly basis. This schedule will help to identify and rectify issues in a timely manner. She feels that it is very important, especially in year one, to have a good handle on the farms financial position. At the end of the season an in depth evaluation will produce recommendations and strategies for the 2014 season. Brian and Tamara will consult with either an accountant or financial advisor to review their chart of accounts, bookkeeping strategies and to provide tax recommendations.

*Purchasing Decisions:*

In general we will purchase high quality, moveable infrastructure and tools that will increase efficiency, remove or mitigate limiting factors and lead to an increased profit margin. We will strive to think of both long term goals and short term cash flow when making purchases. For large future purchase decisions we will try to employ a decision making process similar to one that Angie Koch employs at her farm, Fertile Ground: Do I really need it? Do I need it now? Can I barter or share it? Wait a season, see if I can find a work around and if I still need it then I’ll make a decision.

**Broadfork Farm - Financial Strategy:**

*Current Financial Position:*

* Shannon:
	+ Liquid Assets: $12000
* Bryan
	+ Liquid Assets: $4000
	+ Owns a van, trailer
	+ Credit: 6800 limit on credit card
	+ Line of Credit: 5200 available from Credit Union

We are planning to hire an accountant (helpful to figure out tax rebates, ins and outs of

farming finance)

We will do research to find out the incentives offered for registering with the Department

of Agriculture is Nova Scotia as a formal business in reference to taxes, RRSPs, and other

programs available. We are interested in taking advantage of grants and subsidies available

and plan on taking measures to be eligible for these programs.

*Choosing what to buy:*

We will invest in small tools that will save us time and money,

(seeders, wheel hoe...) that are reliable and appropriate to scale. We will prioritize items to

purchase, based on that criteria, researching extensively before making the purchase.

See attached [Budget](https://efao.ca/wp-content/uploads/BroadFork-Budget.pdf) and [Cashflow](https://efao.ca/wp-content/uploads/BroadFork-Cashflow.pdf).

*Future Financial Strategy:*

The first season will be very investment intensive. We are planning to pay back ourselves

the personal start-up loans we put into the business so that we will have funds available to

have liquid assets on hand to re-invest in the business, or keep aside for a down payment

on a farm property.

Once fully established, we would like to gross $70-80,000, paying ourselves $20-30,000

(each) per year to be able to save for retirement.

**Smallholdings Farm - Financial Strategy:**

Please refer to the attached spreadsheet ‘[financial strategy](https://efao.ca/wp-content/uploads/financialstrategy-smallholdoings.xls)’ for a complete look at my budget, cash flow, and expense tracking for the 2012 season. This is a working document, especially the cash flow. I have left room for the actual amounts of spending and income to be inputted over the course of the season. I have projected even income between all the months, but these are just placeholders. June will be less than projected, and August and September will be more than I have projected on this document. I have detailed the expenses where I know them, but as more details come about, I will add in additional categories. I would appreciate any and all feedback on this document.

As I have previously mentioned, I understand that the first few years will be investment-heavy. In year one, I am not expecting to make huge amounts of profit. I am hoping to make some, but most of that will be reinvested into the business in year two.

I am thinking carefully about how to spend for this first season. I am trying to be cautious in what I am purchasing, but I understand that I need to think about investing for the future. For example, traditional row cover is less expensive, but also less durable and not what I ideally would like to work with, so I will be purchasing some ProtekNet this year.

 At the end of this first season, as part of my season-end evaluation, I plan to do a complete analysis and assessment of my finances. I will look at what my estimates were, what it cost to run this business, where I need to improve, how I can grow my profits, and what I need to earning to sustain myself and Smallholdings into the future. At this point, I am not prepared to decide how much I need to earn in the future to sustain my business and myself – this is something that needs to come from experience.

 I am taking loans to cover the expenses that I am not able to pay for with farm income (especially those capital expenses at the start of the season.) This will be in the form of a line of credit (money as I need it) from the bank and a loan from a family member. I need to better account for these in my financial strategy excel spreadsheet. At this point, they are not included.

 Note: This plan does not include my personal finances. I plan to repay myself and start paying myself a living wage within the first three years. Until then, I will get a job through the winter if necessary. I will be tracking my personal finances diligently to ensure that I am able to be realistic when deciding what my income should be.