



## Panelists



**Annie Olds**, Business Development Manager, Venture North



**Ann Allen**, Regional VP Sales & Customer Relations, GreenStone Farm Credit Services



**Florencia Colella**, Extension Educator, Michigan State University



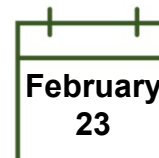
## Sections of a Business Plan

A typical business plan includes these main sections:

1. Cover Page
2. Table of Contents
3. Executive Summary
4. Business Description
5. Operations
6. Marketing Plan
7. Management and Organization
8. Financial Plan
9. Appendix



## Financial Plan



**Goal:** Identify specific potential financial problems and opportunities

### Balance Sheet

what the farm owns, and how they financed (liabilities or owner equity)

### Income Statement

measures profitability over a period of time

### Cash flow projections

series of monthly or quarterly budgets estimating cash receipts, cash payments, and the borrowing requirements



# Objectives

- Understand the importance of the financial plan
- Understand the parts of the financial plan
- Be aware of resources available for creating the financial plan



## Importance of the financial plan



# The 6 C's of Credit



## Character

- Experience/Background
- Education
- Licensing Requirements
- Credit Bureau



# The 6 C's of Credit



## Capacity

- Historical Tax Returns
- Business Projection / Budget
  - Cash Flow
- Balance Sheet
  - Available assets to secure loan



# Income Statement

Revenue (crop sales)
- Cost of Goods Sold
<b>= Gross Profit</b>
- Operating Expenses
- Interest
<b>= Net Income</b>
- Taxes
- Owner Withdraw
+ Non Farm Income
- Principal Payments
<b>= Margin After Debt Service</b>

XYZ Retailers	
Income Statement	
For the year ended 30 June 2011	
<b>REVENUE</b>	\$
Sales	250,000
<b>Cost of Goods Sold</b>	
Opening inventories (as at 1 July 2010)	40,000
Add purchases	100,000
Add freight-in and customs duty	10,000
Less closing inventory (as at 30 June 2011)	40,000
Less Cost of Goods Sold	90,000
Gross Profit	160,000
<b>Add other operating revenue</b>	
Rent received	3,000
Commission received	2,000
Total Revenue	165,000
<b>LESS OTHER OPERATING EXPENSES</b>	
<b>Selling &amp; Distribution expense</b>	
Advertising	5,000
Public Relations	2,000
Website marketing	7,500
<b>General and Administrative expenses</b>	
Depreciation	10,000
Electricity	1,500
Insurance	1,000
Rent expense	30,000
Wages & salaries	46,500
<b>Financial expenses</b>	
Bad debts	1,500
Total expenses	105,000
<b>NET PROFIT (EBIT)</b>	<b>60,000</b>



# Cash Flow / Budget

Revenue (crop sales)
- Cost of Goods Sold
<b>= Gross Profit</b>
- Operating Expenses
- Interest
<b>= Net Income</b>
- Taxes
- Owner Withdraw
+ Non Farm Income
- Principal Payments
<b>= Margin After Debt Service</b>

Profit and Loss Forecast					
	Month	Month	Month	Month	Month
Sales Revenue					
Variable costs					
Gross Profit					
<b>Fixed Costs</b>					
Rent					
Labor					
Utilities					
Phone					
Insurance					
Advertising					
Accounting					
Miscellaneous					
Total Fixed Costs					
Net Profit (Loss)					



# The 6 C's of Credit



## Capital

- Cash on-hand
  - Checking / Savings / Investments
- Balance Sheet
  - Available assets to secure loans



# Balance Sheet

Current Farm Assets	Sch	Mt. Value	Current Farm Liabilities	Sch	\$ Owed
Cash & Equivalents	1	\$0	Accounts Payable	18	\$0
Marketable Bonds & Securities	2	\$0	Operating Loans-GFCS	21a	\$0
Accounts & Notes Receivable	3	\$0	Operating Loans-Other	21b	\$0
Market Livestock & Poultry	4	\$0	CCC Loans	21c	\$0
Livestock Products	5	\$0	Cur. Port. Term Debt-GFCS	21a	\$0
Crop-Inventory & Receivables	6	\$0	Cur. Port. Term Debt-Other	21b	\$0
Growing Crops	7	\$0	Accrued Interest	21	\$0
Prepaid Expenses & Supplies	8	\$0	Inc. & FICA Taxes Payable	19	\$0
Other Current Assets	9	\$0	Deferred Taxes	20	\$0
<b>Current Farm Assets</b>		<b>\$0</b>	<b>Current Farm Liabilities</b>		<b>\$0</b>
<b>Intermediate Farm Assets</b>			<b>Intermediate Farm Liabilities</b>		
Machinery & Equipment	23a	\$0	Term Debt-GFCS	21a	\$0
Vehicles	23b	\$0	Term Debt-Other	21b	\$0
Breeding Stock	10	\$0			
Notes Receivables >12mos	11	\$0			
Not Readily Mkt. Bonds & Sec.	12	\$0			
Other Inter. Farm Assets	13	\$0			
<b>Intermediate Farm Assets</b>		<b>\$0</b>	<b>Intermediate Farm Liabilities</b>		<b>\$0</b>
<b>Long Term Farm Assets</b>			<b>Long Term Farm Liabilities</b>		
Real Estate & Land	14	\$0	Term Debt-GFCS	21a	\$0
Buildings & Improvements	15	\$0	Term Debt-Other	21b	\$0
Other Long Term Assets	16	\$0			
<b>Long Term Farm Assets</b>		<b>\$0</b>	<b>Long Term Farm Liabilities</b>		<b>\$0</b>
<b>Total Farm Assets</b>		<b>\$0</b>	<b>Total Farm Liabilities</b>		<b>\$0</b>
			<b>Total Farm Equity</b>		<b>\$0</b>
<b>Non-Farm Assets</b>	17	\$0	<b>Non-Farm Liabilities</b>	22	\$0
			<b>Total Liabilities</b>		<b>\$0</b>
			<b>Total Equity</b>		<b>\$0</b>
<b>Total Assets</b>		<b>\$0</b>	<b>Total Liabilities &amp; Equity</b>		<b>\$0</b>
			<b>Owner Equity Percentage</b>		<b>#DIV/0!</b>



# The 6 C's of Credit





## Collateral

- Operating / Term Notes:
  - Secured with Real Estate or Chattel
- Real Estate Notes:
  - Secured with Real Estate



## The 6 C's of Credit



## Conditions

- Guarantee
  - FSA or SBA
- Guarantor or Co-Maker
- Financial data reporting
  - Balance sheet & Tax Returns
- Payment requirements (monthly/semi-annually/annually)
- Business meeting requirements



## Risk Mitigating Tools

- Marketing Plan / Contracts
- Government Based Programs
- Crop Insurance
- Life / Disability Insurance
- Property Insurance



# The 6 C's of Credit



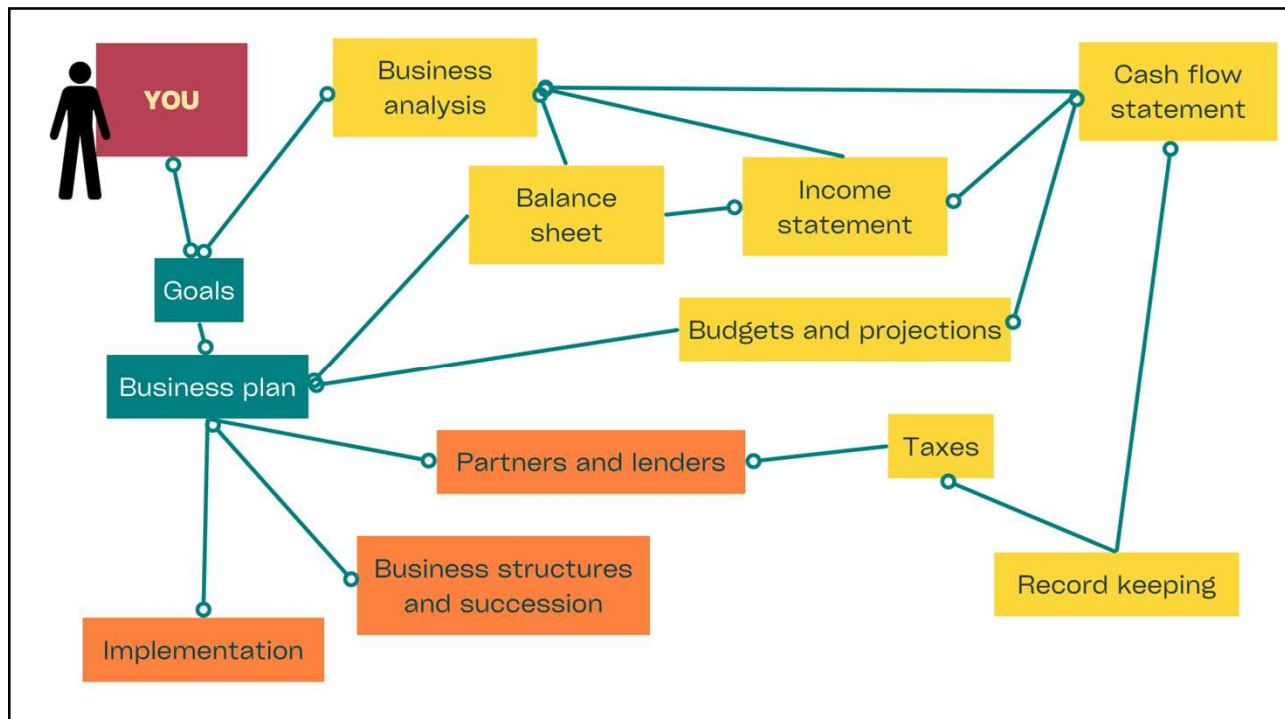
## Communication

- Your Lender is part of your team
- Transparency
  - Notify your lender/team with changes
  - You should also expect your lender to communicate with you!



## Communication - TEAM

- Financial Team
  - Accountant
  - Financial / Investment planner
  - Lender
  - Insurance agent
  - Attorney
  - Mentor



# Financial Plan



## Financial Plan Sections

- Financial Narrative
- Other Supporting Documents



## Financial Narrative

**Goal:** Describe the financial situation of your company or what you anticipate it to accomplish.

- What are your expected costs & revenues over the next two to three years?
- Assumptions: Describe how you came to the conclusions that you did to arrive at these numbers.
- Do you have revenue? If not, when?
- Profitability: When will you break-even? Or, when will you be profitable?
- You should consider showing this information in table or graphical format.
- ATTACHMENTS: startup/project cost analysis, 2-3 year cash flow projections, personal financial statement, other required documents per loan application
- Exit Strategy



## Sources & Uses of Funds

**Goal:** Tell the reader what you are asking for and how the funds will be used.

- How much are you asking to borrow from them?
- How much does your total startup or project cost?
- What will the money be used for?
- How will this loan result in your achieving the identified milestones?



# Appendix: “Other Supporting Documents”

- Personal financial statements
- Other financial projections / Startup cost analysis
- Copies of leases, contracts, quotes, license, agreements, etc.
- Legal Entity Paperwork (i.e., Articles of Incorporation or Organization)
- Brochures and advertising materials
- Blueprints & plans
- Industry studies
- Pictures of your products, location, etc.
- Letters of support
- Market Research Studies or Industry Reports
- Anything else that supports your plan!



## Sources & Uses:

What do you need to  
finance?

&

How will you finance it?

Startup Cost / Project Cost Analysis (Sources & Uses of Funds)			
For each item on this list, there should be an accompanying list itemizing the detail.			
		SOURCES & USES of Funds	
		Venture North	Self- Financed
		Other	
<b>Land and Buildings</b>			
	Purchase down payment or pre-paid lease		
	Closing Costs		
	Remodeling/Build out		
	Utility Deposits		
	Other		
	<b>Total Land and Buildings</b>	\$0	\$0
			\$0
<b>Equipment</b>			
	Furniture & fixtures		
	Production machinery/equipment		
	Computer/software		
	Other		
	<b>Total Equipment</b>	\$0	\$0
			\$0
<b>Materials and Supplies</b>			
	Starting inventory		
	Raw goods		
	Production materials/components		
	Packaging supplies		
	Office supplies		
	<b>Total Materials and Supplies</b>	\$0	\$0
			\$0
<b>Marketing, Image and Branding</b>			
	<b>Total Marketing, Image and Branding</b>	\$0	\$0
			\$0
<b>Operations Fees and Expenses</b>			
	<b>Total Operations Fees and Expenses</b>	\$0	\$0
			\$0
<b>Cash Reserve/Contingency/Working Capital</b>			
	<b>Total Cash Reserve/Contingency/Working Capital</b>	\$0	\$0
			\$0
<b>TOTAL</b>	<b>SOURCE TOTALS:</b>	\$0	\$0
			\$0
	<b>TOTAL START UP COST:</b>		\$0

(Last Updated 12.22.22 - a0)  
Venture North Funding & Development

## Personal Financial Status

- Personal Financial Statement
- Cash position, investments, real estate owned, assets, liabilities
- Credit Score
  - Address Past Credit Problems
- Personal Assessment
  - What is the amount and nature of your investment?
  - What are you able and willing to risk?
  - How much is your “skin in the game” worth?



## Top 5 Reasons Businesses Fail

Avoid These Common Causes of Business Failure



1. Inadequate Planning
2. **Insufficient Capital**
3. Inexperienced Management
4. Lack of Business Knowledge
5. Location

*\*\*\*Borrowed from our friends at the Michigan Small Business Development Center..*





# Resources



## Venture North Funding & Development



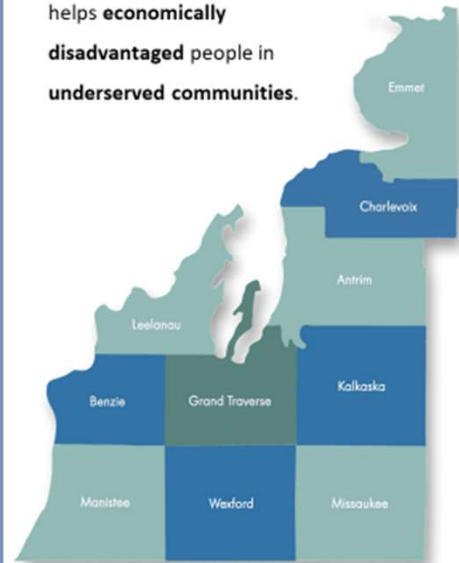
## Vision

Every under-resourced business has the necessary tools to reach their full potential and contribute to resilient, sustainable, and thriving communities in Northwest Michigan.

## Mission

We unlock the potential of under-resourced business owners and entrepreneurs through securing and deploying capital and technical support throughout the 10-county Northwest Michigan region.

Mission driven institution that helps **economically disadvantaged** people in **underserved communities**.



## BUSINESS LOAN PRODUCTS



### New Business Micro Loan (Up to \$50K)

- **Stage:** Pre-start up to 2 years in business
- **Terms:** Up to 60 months
- **Documentation:** Personal Federal income tax returns for last 3 years; Business plan inc. 24-mo. projection, etc.
- **Collateral:** Not required, project dependent
- **Use of Funds:** Equipment, inventory, working capital
- **Pre-Payment Penalty:** None



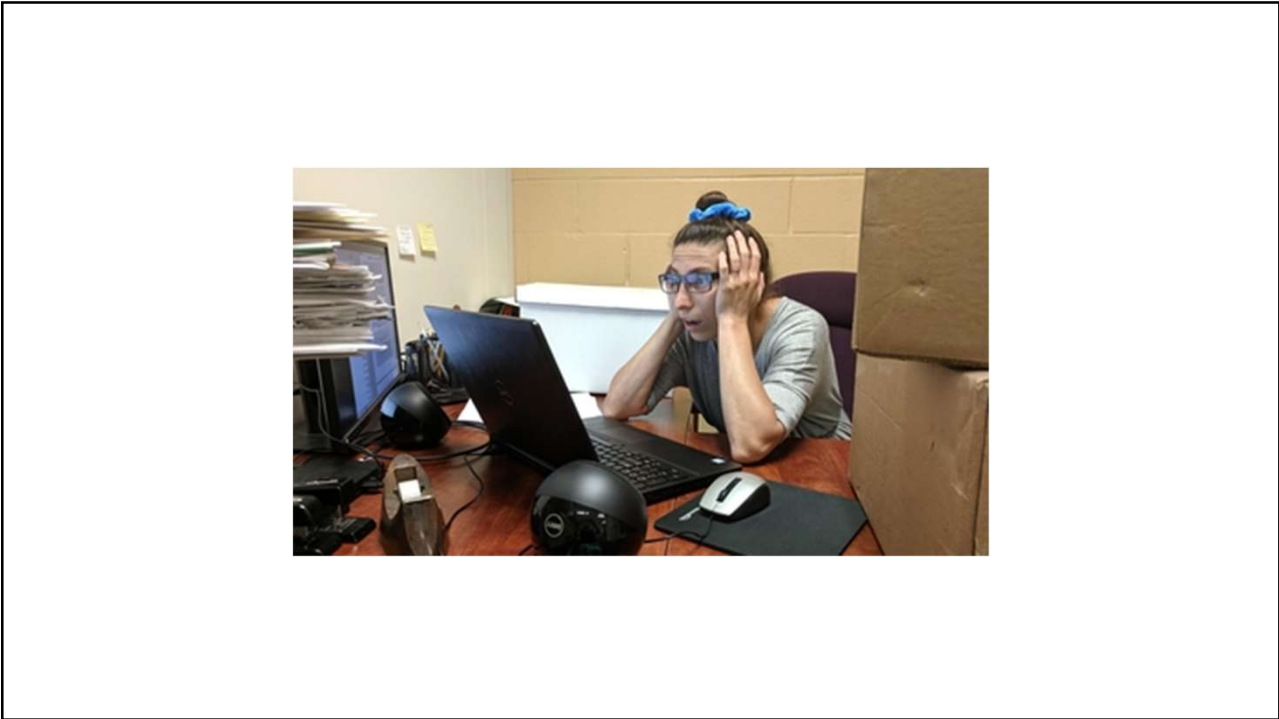
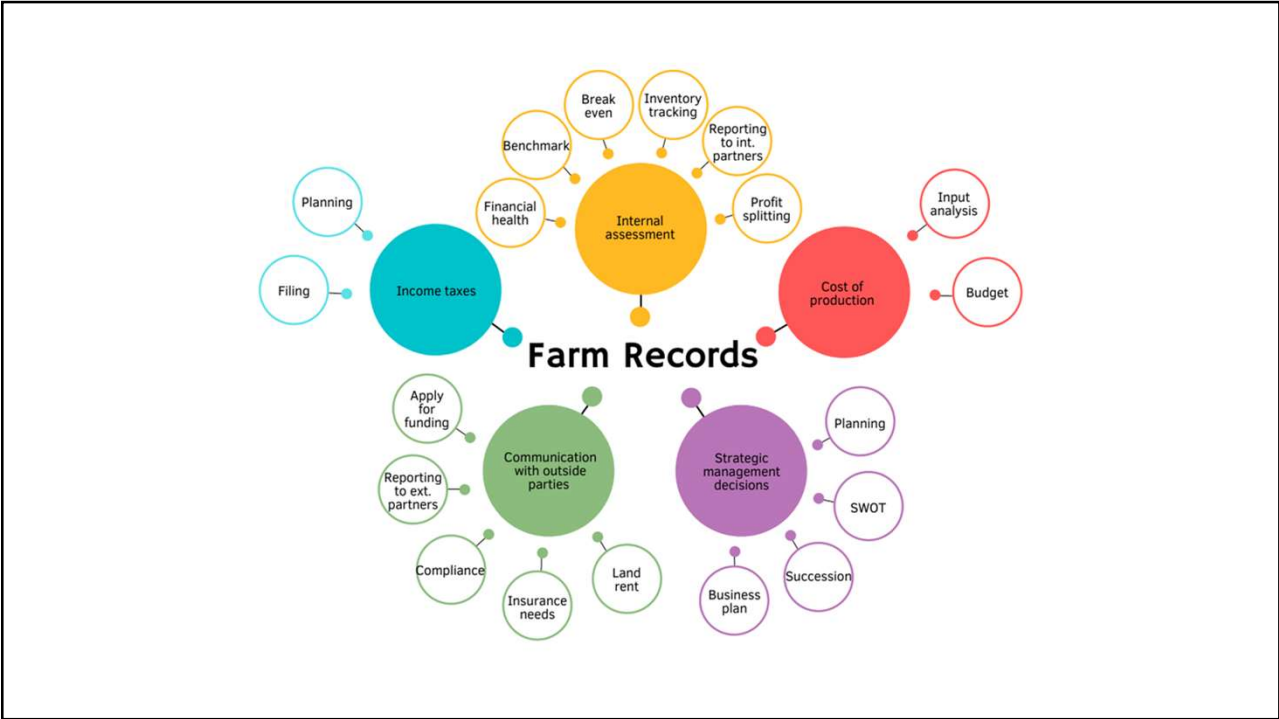
### Existing Business Loan (Up to \$350K)

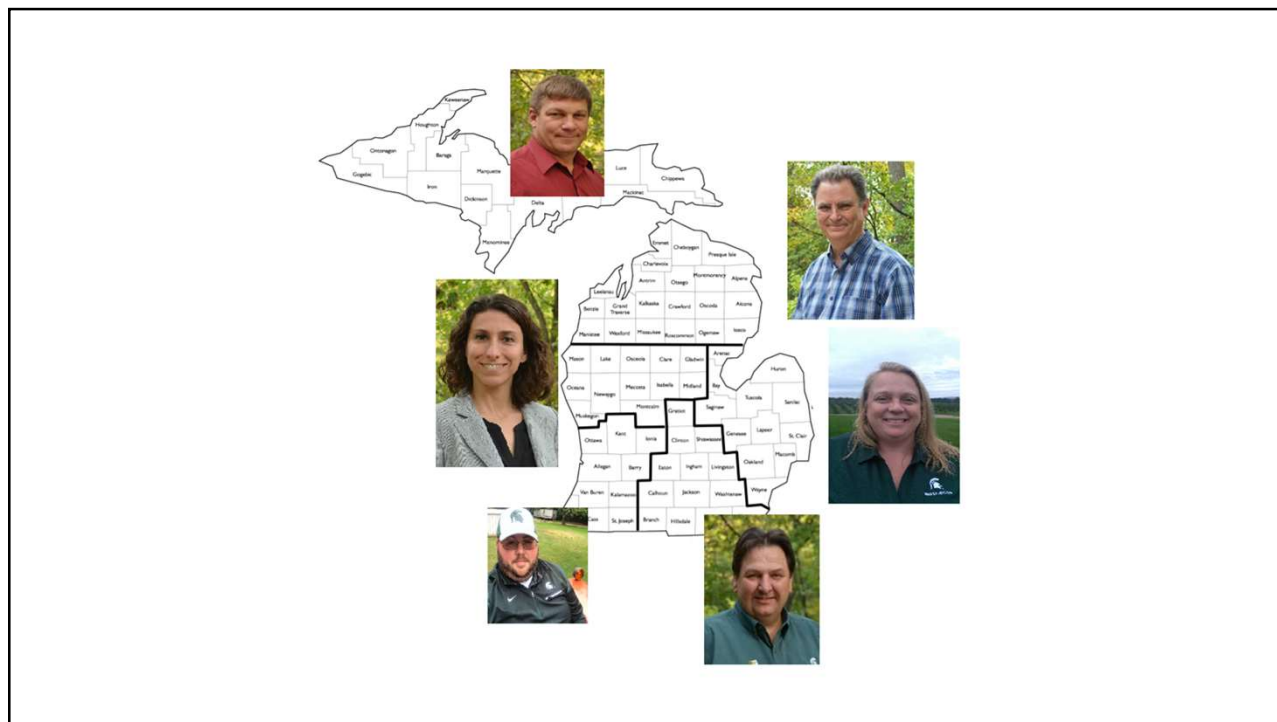
- **Stage:** 3+ years in business
- **Terms:** Up to 60 months
- **Documentation:** Business financial statements, Personal & Business Federal tax returns (past 3 yrs), etc.
- **Collateral:** Not required, project dependent
- **Use of Funds:** Equipment, inventory, working capital, short-term bridge, real estate
- **Pre-Payment Penalty:** None

## About GreenStone

- \$13 billion in assets
- 27,000 members
- \$120 Million in Patronage
- 35 branch offices
- 600 employees
- 100+ years, cooperative strong
- Diversified Portfolio:
  - Traditional agriculture
  - Rural lifestyle
  - Capital markets







[bit.ly/farmrecordsbook](https://bit.ly/farmrecordsbook)



## Farm Records Book For Management

Extension Bulletin E-1144  
Prepared by Florencia Colella

Revised November 2022

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# TelFarm Program

- chart of accounts
- benchmarks
- accounting help
- review of books
- backups
- reports for taxes
- tax strategies



## MI AG IDEAS TO GROW WITH

JOIN US ONLINE!



Join three Farm Business Management sessions designed specifically for beginning farmers.

Wednesday, March 1

- 10 a.m. - *Turning Your Hobby Into a Business*

Wednesday, March 8

- 10 a.m. - *Gaining & Demonstrating Farm Management Experience - Tips for New Farm Managers*
- 1 p.m. - *Building the right Succession Plan for your Farm*

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[www.canr.msu.edu/miagideas](http://www.canr.msu.edu/miagideas)

## MI AG IDEAS TO GROW WITH

JOIN US ONLINE!



### Risk Management Options for MI Specialty Crop Growers

Learn the basics of crop insurance options for specialty crop producers and how its use can benefit your farm. Gain a better understanding of the differences between insurance policies, learn how each provides protection, and examine the advantages they offer.

Wednesday, March 1 at 9 a.m..

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[www.canr.msu.edu/miagideas](http://www.canr.msu.edu/miagideas)

Part of the *"Farm Business for Beginners"* track at MI Ag Ideas to Grow With conference and presented by:



## Other upcoming events



Michigan Food and Farming Systems (MIFFS) Conference  
Feb 25, Kalamazoo



Ready to sell to schools, hospitals, food banks?  
Attend Cultivate Michigan Marketplaces,  
March 6 - 23



## Funding Your Farm Series

Continue to join us!

**March 2, 12 - 2 PM, Ypsilanti**

**Join us for an in-person event**

You can share your pitch with funders!



# Session Evaluation

Please take a moment to provide feedback on today's session:



Turn on camera app



Frame the QR



Click the pop-up



Or follow this link! [https://msu.co1.qualtrics.com/jfe/form/SV\\_4MDPJsIkCJfgaCa](https://msu.co1.qualtrics.com/jfe/form/SV_4MDPJsIkCJfgaCa)



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## AND JUSTICE FOR ALL

\*\*\*\*\*

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mail:  
U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410; or  
(833) 256-1665 or (202) 690-7442;

email:  
[program.intake@usda.gov](mailto:program.intake@usda.gov)  
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Para presentar una queja por discriminación en el programa, el reclamante debe completar un formulario AD-3027, Formulario de queja por discriminación del programa del USDA, que se puede obtener en línea, en [www.usda.gov/sites/default/files/documents/usda-program-discrimination-complaint-form.pdf](http://www.usda.gov/sites/default/files/documents/usda-program-discrimination-complaint-form.pdf), en cualquier oficina del USDA, llamando al (866) 632-9992, o escribiendo un carta dirigida al USDA. La carta debe contener el nombre, la dirección y el número de teléfono del reclamante, y una descripción escrita de la hipotética acción discriminatoria con suficiente detalle para informar al Subsecretario de Derechos Civiles (ASCR) por sus siglas en inglés) sobre la naturaleza y la fecha de la presunta violación de los derechos civiles. La carta o el formulario AD-3027 completado debe enviarse al USDA por medio de:

correo postal:  
U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410; o  
(833) 256-1665 o (202) 690-7442;

correo electrónico:  
[program.intake@usda.gov](mailto:program.intake@usda.gov)  
Esta institución ofrece servicios de oportunidades  
de igualdad de oportunidades.

## Panelist

### Annie Olds, Business Development Manager



Annie joined the Venture North team in October 2021 after a 11+ year career with the Michigan SBDC as both Regional Director and Consultant. Annie specializes in coaching loan and pre-loan clients with their loan prep and other start-up or ongoing business needs, connecting clients to additional resources, as well as helping to manage a variety of special projects as Venture North continues to grow. Annie grew up in a family-owned dairy farm turned value-added milk processing facility and now co-owns and operates a small 126-acre farm in Kalkaska County alongside her husband.

Annie has an Associate's degree in Business Admin & Marketing from NMC, both a Bachelor's degree in Business and MBA in Strategic Management from Davenport University, and is a certified Small Business Consultant through GVSU.



## Panelist

### Ann Allen, Regional VP Sales & Customer Relations



Ann graduated from Michigan State University with a BS in Animal Science. She joined GreenStone Farm Credit Services in 2010 as a Traditional Farm Loan Officer in Cadillac, MI. Ann transitioned into the RVP role in 2018 and now leads a team of ten lenders.

Ann grew up in Traverse City, MI on a small dairy farm. She now resides in Grand Traverse County with her family.





# Panelist

MICHIGAN STATE UNIVERSITY | Extension

## Florencia Colella, Extension Educator



Florencia Colella is a Farm Business Management Educator with Michigan State University Extension, as well as an MSU alumna from the Ag, Food and Resource Economics Department.

She was born and raised in Argentina around immigrants, farmers, butchers, accountants, and entrepreneurs.

She is a facilitator and strives to make farm information useful to growers themselves and the local ag and food industry.

Her pronouns are she/they and she is multiracial.

