



# Planning and Managing Farm Finances

Faith Gilbert, Letterbox Farm

# Participant Introductions

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- Name
- Farm background
- Your farm dream
- What are you hoping to get<sup>172.8</sup> out of this class?

# Faith's Intro

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I use She / Her pronouns. I am a:

## **Farmer**

(Partner, Administrator, Vegetable Manager for Letterbox Farm)

## **Cooperatives Cheerleader**

(Author, *Cooperative Farming: Frameworks for Farming Together;*  
*A Guide to Sharing Farm Equipment*)

## **Farm Business Planner & Educator**

I teach business & financial planning with GrowNYC, Glynwood, Hawthorne Valley, and more.

## **New(ish) Entrepreneur**

Self-taught farmer and business owner; navigating many milestones and start-up challenges, who happens to love financial planning, crop planning and spreadsheets

# Agenda for Today

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- Introductions
- Context & Holistic management framework for financial planning
- Letterbox Farm Start-Up Story: Financial tools & practices
- Enterprise budgets: the heart of all farm plans!
- Building your very own budgets (via your farm planning workbook)
- Bringing it together into a Whole Farm Budget

# Intro to Financial Planning and Management

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Money and spreadsheets aren't easy topics for everyone...

But we can learn to harness these powerful tools and use them for good in our lives.

# Intro to Financial Planning and Management

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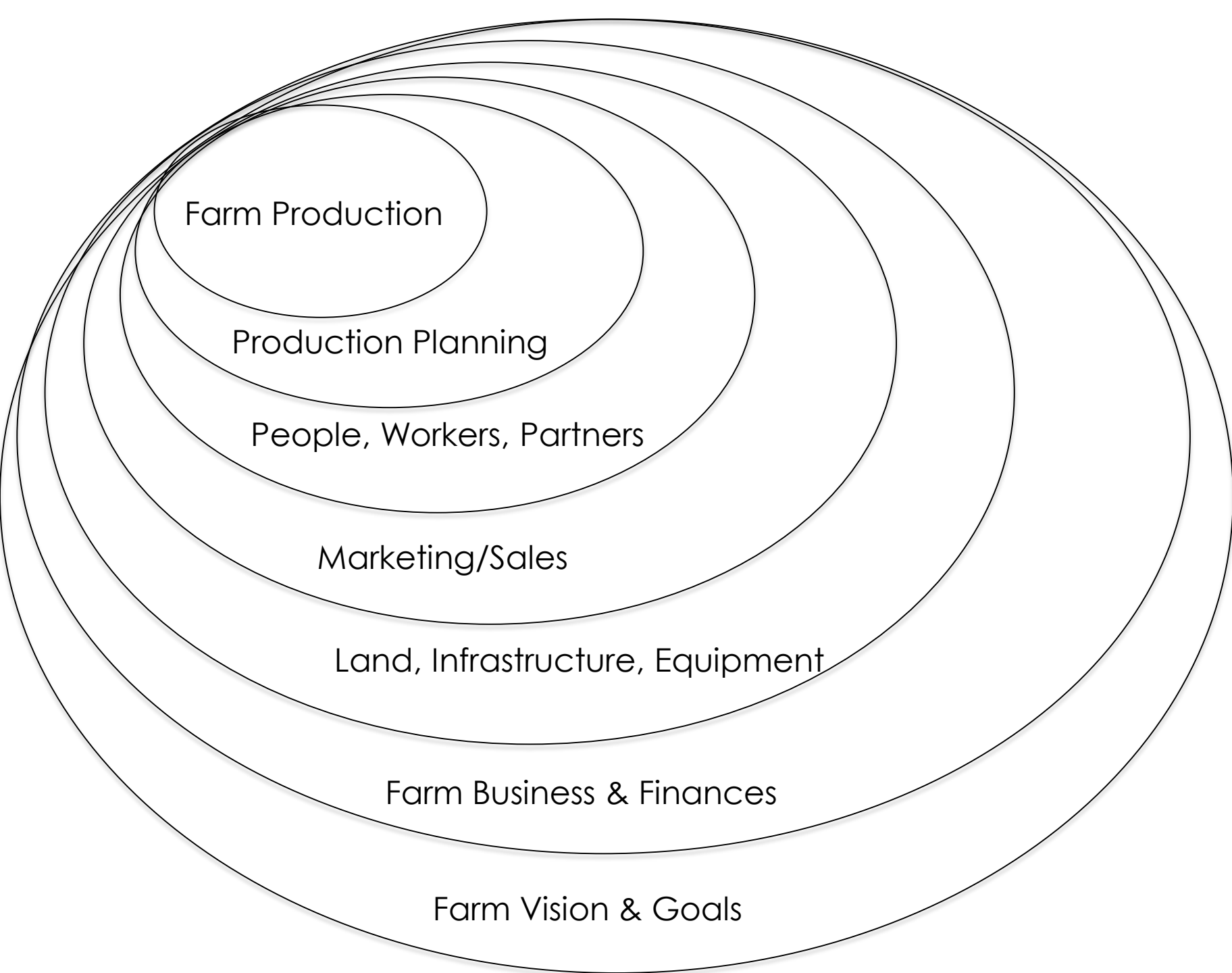
Our economy is not built to support a just, regenerative food system...

But we can build something better.

# Intro to Financial Planning and Management

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“Money is a tool for bringing spirit into matter.”





# Intro to Financial Planning and Management

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- **Managing a farm means requires both technical skills and business skills.** Both are essential to a successful farm.
- **Profitability is not accidental in farming;** you must make focused, informed decisions within a narrow window for success.
- **Our focus is on attaining specific income & QOL goals,** to stay farming, enjoy your work and enjoy your life.
- **The world needs us! Let's use these tools to stay viable and serve our communities.**



# A Holistic Approach to Financial Planning

# A Holistic Approach to Financial Planning

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- Holistic Management™ encourages farmers to look at the “whole” of their operation understand the relationship between finances, land, and the people who work the land.
- The process starts with setting a holistic goal, that expresses values about work, life, community, and ecology.



# Setting Financial Goals

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Example: When Letterbox Farm started, we agreed:

- We wanted to run a diversified farm (vegetables and livestock at minimum)
- We were aiming for \$30k/person/year
- We wanted two days off a week.
- We wanted to have staff – and work as a big team.
- We wanted “extracurricular activities” to get us out of the field and use our creativity.

Since then, we have added:

- We want to cap our work weeks at 50 hours / 45 hr avg.
- We want a week summer vacation
- We have specific QOL goals for improving our particular jobs (i.e. less driving, less solo work, fewer tasks to manage, ability to work off farm)





























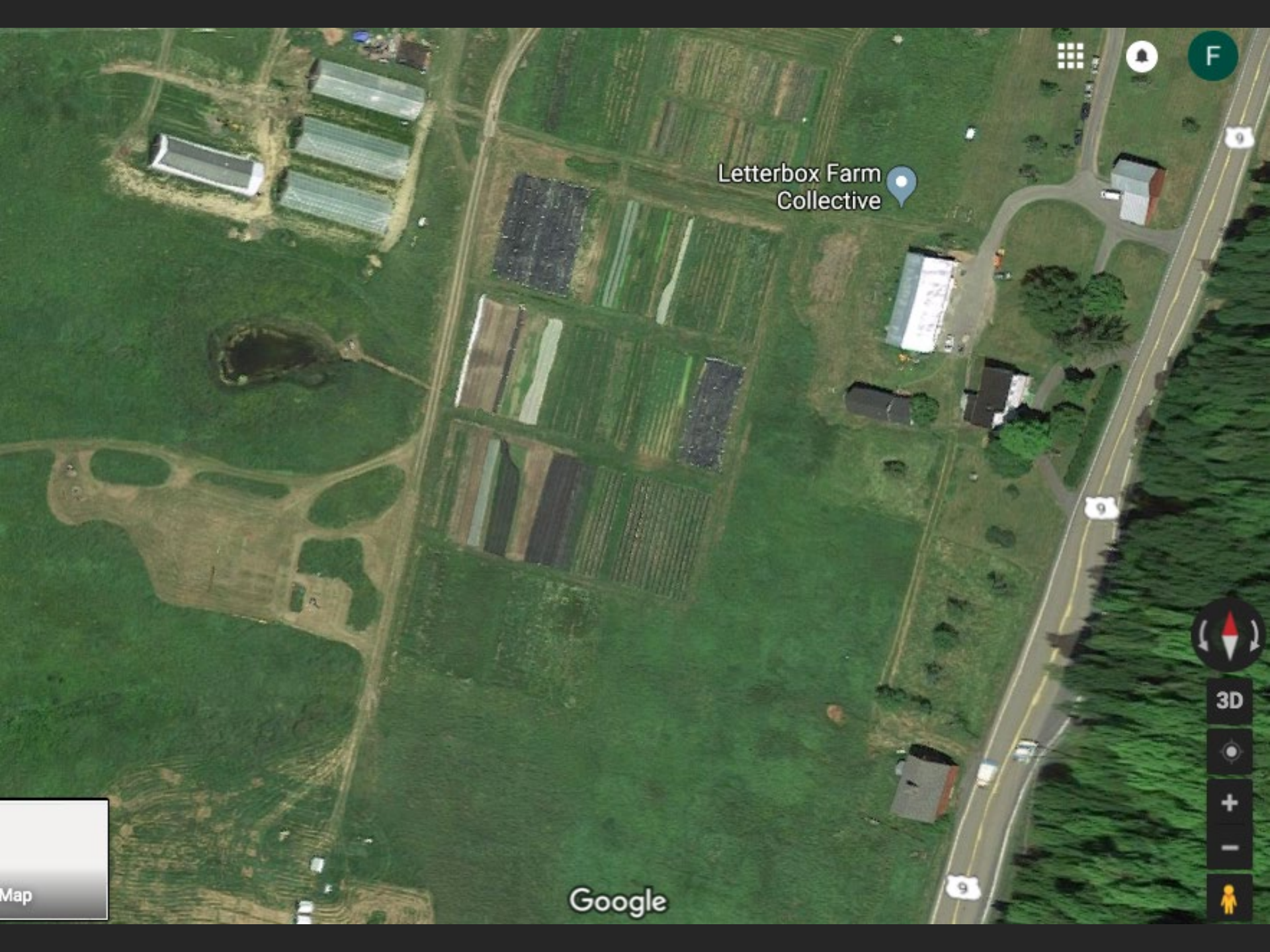






Mountainview





Letterbox Farm  
Collective

Google

Map



3D



# LETTERBOX FARM PRODUCTION AND SALES HISTORY

	2014	2015	2016	2017	2018	2019
Vegetable Revenue	\$35k	\$92k	\$104k	\$135k	\$142k	\$166k
Livestock Revenue		\$46k	\$89k	\$89k	\$98k	\$124k
Agritourism, Research, and Education			\$5k	\$35k	\$45k	\$52k
Total Revenue Increase from Previous Year	250%	181%	50%	28%	15%	17%
Owner Operators	2	3	3	3	3	3
Seasonal Staff	0	1	3	4	4	2
Year-Round Staff	0	0	0	0	0	2

## The Tools We Used...

### To Purchase Our Land:

- Community bridge loans
- Fundraising Advisors
- Family member co-signer; family contributions
- Cooperative strategy (pooled capital)

### To build our business:

- Written Proposal
- Budget templates (to start)
- Part-time/winter jobs in the first 1-2 years
- Cost research and detailed budgeting for investments
- Low-interest Farm Service Agency loans
- Records-based decisions on what was working and what needed to change
- Lots of shameless bravado



# Setting Financial Goals

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## Work Style and Roles

- Do you want your whole income to come from farming, or do you want to work off the farm part- or full-time?
- What are your time goals – How many hours are you working per week? How many days off per week/year?
- Do you want to work seasonally, or year-round?

# Setting Financial Goals

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## Social & Working Relationships

- Who do you want to work with you? Do you want to hire staff? Work on a big crew? Not manage anyone?
- What kind of customer interactions do you want? Do you want to sell directly to the public? Work only with food professionals? Have a lot or a little contact with customers?

# Setting Financial Goals

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## Ecological and Community Goals

- What farm activities or enterprises feel essential?
- Are there activities beyond farm production that are essential to your vision?
- What kind of landscape and community do you want to farm in?
- What land improvements do you want to see?
- What kind of community engagement do you want to have?

# Setting Financial Goals

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## Income Goals:

- **Quantitative:** What is your personal income goal, now and 3 years from now? Are you planning for particular life events? Having kids, retiring, buying a home... What additional income do you need for those?
- **Qualitative:** “We are able to save for retirement.” “We are debt-free.” “We earn enough to cover our living expenses without being worried about money.”



# Enterprise Budgets

# Enterprise Budgets

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What's an enterprise?

A product or bundle of products that's significant enough – in terms of income or operations – to be looked at as a stand-alone component of your business.



# Enterprise Budgets

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Mushrooms

Greenhouse tomatoes

Dairy

Farm Dinners

Winter greens

Plant Sale

Mixed Vegetables

Pork

Potatoes

Winter CSA

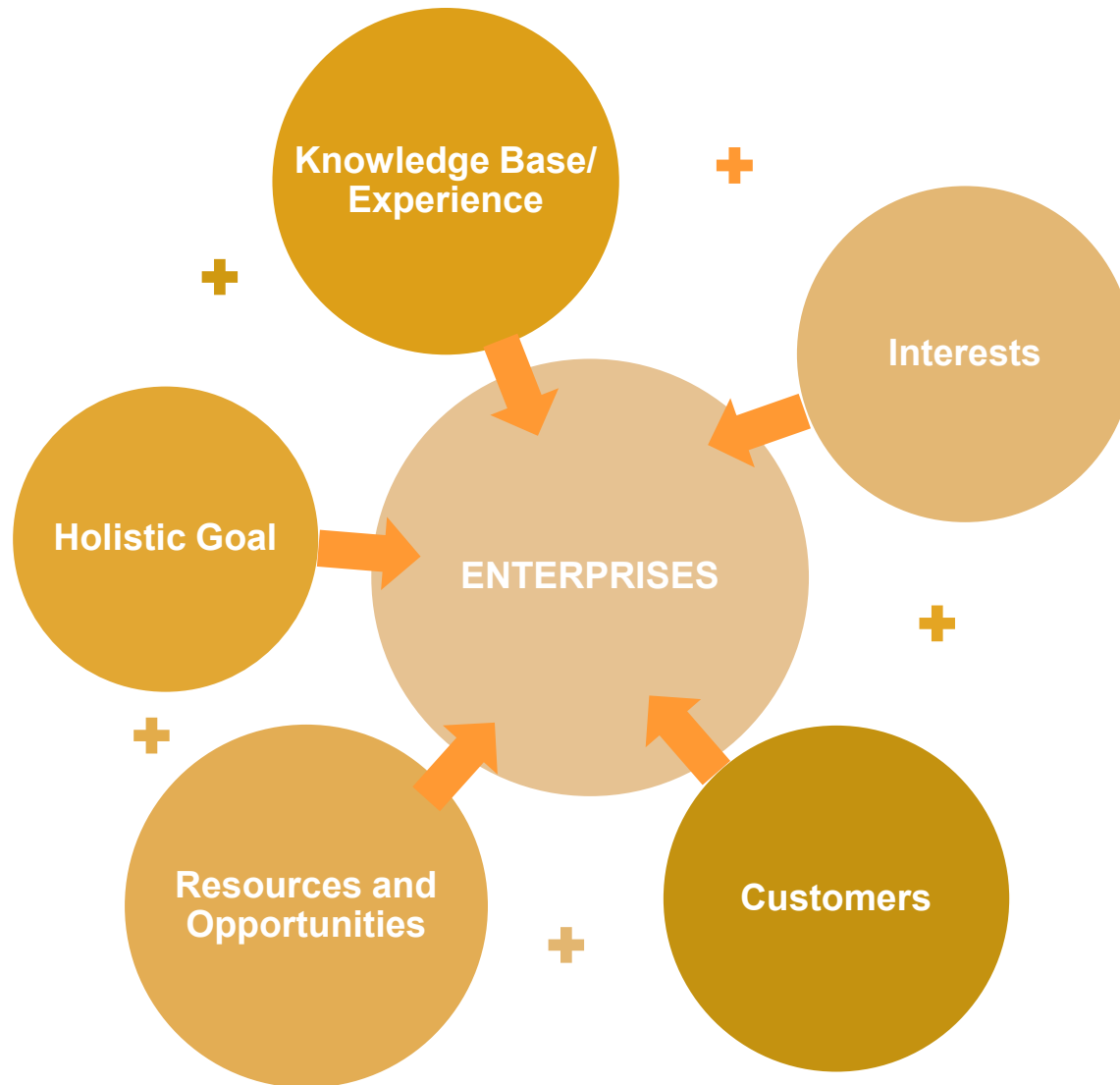
Pickles

Baked Goods

Agritourism

Flowers

# Enterprise Decision Guide



## **Knowledge Base/Experience**

What are you good at growing/raising/producing? What skills do you have?

## **Interests**

What do you want to learn more about? What are you willing to spend the majority of your time doing?

## **Customers**

Is there a market for your products? If not, are you confident you could create a market for them?

## **Resources and Opportunities**

Do you have the resources necessary to start and grow this enterprise?

## **Holistic Goal**

Does this enterprise fit your values? Your quality of life? Do the behaviors and systems fit your enterprise? Will you be able to sustain the resources over time?

**Do your enterprises work together?**



# Enterprise Budgets

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What will be the major products and services of your farm?

# Enterprise Budgets

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All activities that are **financially significant** and **operationally unique** should have an enterprise budget.

# Anatomy of an Enterprise Budget

## Log-Grown Shiitake

Production		Year 2	Year 3
Number of logs in production		400	800
Average lbs mushrooms per log per week		0.375	0.500
Number of logs soaked per week (7 week rotation)		57	114
Length of Season (Weeks you will soak logs)		18	18
<b>Total Yield (Lbs)</b>		<b>386</b>	<b>1,029</b>
<b>Sales</b>			
Pounds of Shiitakes sold Fresh Retail	50%	193	514
Avg. price per pound retail (\$12 - 16/lb)		\$14.00	\$14.00
<b>Retail Sales</b>		\$2,700	\$7,200
Pounds of Shiitakes sold Fresh Wholesale	50%	192.9	514.3
Avg. price per ounce wholesale (\$10 - 12/lb)		\$11.00	\$11.00
<b>Wholesale Sales</b>		\$2,121	\$5,657
<b>TOTAL SALES</b>		<b>\$5,571</b>	<b>\$13,607</b>
<b>Direct Expenses</b>			
<b>MATERIALS COSTS</b>			
Mushroom Spawn, @ Cost per new log:	\$0.75	\$300.00	\$300.00
Wax, @ Cost per new log:	\$0.31	\$124.00	\$124.00
Tools (Angle Grinder & bits, Inoculation tools)		\$100.00	\$50.00
Chainsaw Maintenance		\$75.00	\$75.00
Fuel		\$50.00	\$100.00
Packaging		\$100.00	\$200.00
<b>TOTAL MATERIALS COSTS</b>		<b>\$749.00</b>	<b>\$849.00</b>
<b>TOTAL LABOR COST</b>		<b>\$4,900.00</b>	<b>\$7,250.00</b>
<b>TOTAL DIRECT EXPENSES</b>		<b>\$5,649.00</b>	<b>\$8,099.00</b>
<b>GROSS MARGIN</b>		<b>-\$78</b>	<b>\$5,508</b>
<b>Gross Margin %</b>		<b>-1.39%</b>	<b>40.48%</b>

Expected production

Different sales outlets & pricing

Direct Expenses

Gross Margin,  
Gross Margin % (optional)

# Enterprise Budgets

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- Enterprise budgets **forecast** how an enterprise will perform financially.
- They **model** different production and sales decisions. (What if we...?)
- They can be updated to **record** actual production, sales, and expense numbers once you have them
- Once update, you can **assess** how that enterprise performed.

# Gross Margin

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Gross Margin = Income – Direct Expenses

Gross Margin = Of the total revenue generated, what portion goes back toward the business?

Gross Margin % = Your gross margin, represented as a % of income. Calculated: 
$$\frac{\text{Revenue} - \text{Direct Costs}}{\text{Revenue}}$$

Gross Margin is not really profit - it's the portion that goes back to the business, to pay business (overhead) costs.

# Enterprise Budgets

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- Look at income and expenses from a particular activity.
- Enterprise budgets **forecast** how an enterprise will perform financially.
- They **model** different production and sales decisions.  
(What if we...?)
- They can be updated to **record** actual production, sales, and expense numbers once you have them
- Once updated with actuals, you can **assess** how that enterprise performed.

# Enterprise Budgets for Mixed Vegetables/Flowers

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# **Enterprise Budgets for Mixed Vegetables/Flowers**

“Bundled enterprises” like mixed vegetables, mixed flowers, etc. really contain lots of different enterprises (tomatoes, cabbage, zinnias, dahlias) each with different yield and price information.

You can make a separate enterprise budget for each vegetable, but this is a labor-intensive and complex.

The simplest way to budget for these is to start with your sales expectations, instead of your production expectations.



# VEGETABLE SUMMARY

			*actual	
REVENUE		2016*	2017	2018
CSA		13685	19620	28500
Members (summer)		21	36	40
Vegetable Value		520	520	520
Extended Season Members		15	9	22
Vegetable Value		125	100	350
Restaurant/Wholesale		56361	73305	70000
Weeks		25	28	28
Avg. Sales		2254.44	2618	2500
Farmers Market/Farm Store		34000	42324	43500
Avg. Sales		1214	1500	1500
Weeks		28	30	29
TOTAL REVENUE		104046	135249	142000
Acres in Production		2.5	2.5	2.5
Per Acre Value		41618.4	54100	56800
Per Week Sales		4162	4830	4438
VEGETABLE PRODUCTION COSTS		2016	2017	2018
Seed and starts		5545	6860	10300
Growing Supplies		15100	8060	4852
Small Equipment and Tools		600		2500
Vegetable Packaging		1200	2591	2800
Goods for Resale (CSA)			1400	3500
COGS (Before Labor)		13314	18911	23952
Labor		23051.25	26800	33405.75
COST OF GOODS SOLD		36365.25	64830	57357.75
GROSS MARGIN		67680.75	70420	84642
Minus Percent Overhead	60%	35613.018	43855.854	47774.058
Minus % Owner Salaries		12,480	15,360	19,380
GROSS AFTER OVERHEAD		19,588	11204	17488
Percent Gross Margin		66.00%	53.00%	60.00%

# **Enterprise Budgets for Mixed Vegetables/Flowers**

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Then, work backwards to plan the details of what you will grow to meet those sales projections.

This can be integrated with your crop plan, for a streamlined and accurate planning process.

# Enterprise Budgets for Mixed Vegetables/Flowers

BEDS	CROP	VARIETY	2018 Block	Bed #	AVG YLD/100' BED	SALES UNIT	\$ / UNIT	PRJCTD YLD	PRJCTD \$	BED PREP	FIELD DATE	1ST HRVST DATE
0.5	KALE	Red Russian	E	14	100	BU	\$3.00	50	\$150.00	20-Jun	11-Jul	4-Sep
1.5	KALE	Lacinato	E	13 + 14	100	BU	\$3.00	150	\$450.00	20-Jun	11-Jul	4-Sep
4	PEAS	Super Sugar Snap	E	1 - 4	40	PT	\$4.00	160	\$640.00	14-Apr	21-Apr	19-Jun
1	TURNIP	Hakurei	E	6	2.5	BU	\$3.00	2.5	\$7.50	31-Mar	21-Apr	31-May
1	TURNIP	Red Queen	E	7	200	BU	\$3.00	200	\$600.00	31-Mar	21-Apr	3-Jun
4	CARROT	Romance	F		160	BU	\$2.75	640	\$1,760.00	18-Jul	8-Aug	17-Oct
2	ONIONS, SCAL	Guardsman	F	8 + 9	800	BU	\$1.50	400	\$600.00	18-Jul	8-Aug	27-Sep
1	RADISH, STORAGE	Bora King	F	10	250	BU	\$2.00	250	\$500.00	18-Jul	8-Aug	27-Sep
1	RADISH, STORAGE	Watermelon	F	12	250	BU	\$2.00	250	\$500.00	18-Jul	8-Aug	27-Sep
0.5	TURNIP	Hakurei	F	13	200	BU	\$3.00	150	\$450.00	18-Jul	8-Aug	17-Sep
0.5	TURNIP	Purple Top	F	13	200	LB	\$2.50	150	\$375.00	18-Jul	8-Aug	27-Sep
1	TURNIP	Red Queen	F	14	200	BU	\$3.00	200	\$600.00	18-Jul	8-Aug	20-Sep
1.5	EGGPLANT	Galine	G	5	175	#	\$2.00	262.5	\$525.00	20-Apr	11-May	15-Jul
2	EGGPLANT	Fairy Tale	G	6+7	175	#	\$4.00	350	\$1,400.00	20-Apr	11-May	15-Jul
2	HERBS - BASIL	Genovese, Thai, Sweet Dani, Purple, Napoletano	G	11 + 12	450	BU	\$8.00	40	\$320.00	11-Jul	1-Aug	8-Sep

# Enterprise Budgets for Mixed Vegetables/Flowers

How detailed do you need to be in budgeting for mixed vegetables/flowers?

Collect revenue information on ALL your crops.

If you keep planting records, you can easily determine a per acre or per bed/bedfoot return on each crop.

Calculating expense records (and filling out an enterprise budget) per crop is necessary when you...

- are deciding whether to significantly increase production of one crop or another
- need to confirm whether or not a crop is profitable.

# Starting From Scratch

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## **Making an enterprise budget from scratch without your own records requires...**

- Looking at sample enterprise. You can pull expense categories and some production information from budgets you find online.
- Online research on production information: ATTRA enterprise guides, Ag University/Extension fact sheets, etc.
- Information (direct or gleaned) from other farms: They may be hesitant to share financial info with you, but will likely share facts about production and inputs.
- Benchmarking & simple metrics

# Enterprise Budget Examples

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- Starting Up: Enterprise Budgets
- ATTRA Website Publications:  
<https://attra.ncat.org/publications/>
- Google Search: Often yields Ag University sources

# Starting From Scratch

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## Market Garden Metrics & Margins:

- Vegetable inputs (potting soil, row cover, drip tape, seed, etc) typically costs about 15% of total revenue
- Historically on our farm, 1 hour of vegetable labor generates \$25-30 in vegetable value (1.5 FT workers/acre)
- We aim for \$700/100 foot bed or \$60k/acre
- We plan 25% loss on vegetable crops
- All direct costs (paid labor + inputs, not overhead costs) = ~40% of revenue

# Starting From Scratch

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## **Pastured (Organically) Grain-fed Livestock Metrics & Margins:**

- Inputs & direct costs (feed, processing, supplies, purchased stock) = 60% of total revenue (for every 100k in livestock products produced, we spend 60k) BEFORE labor



# Enterprise Budgets

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Modeling Production and Sales Decisions



# Whole Farm Budget

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**Linking It All Together:  
combining enterprises to reach your planned profit**

[Whole Farm Budget](#)

# Overhead Expenses

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Overhead expenses are ongoing business expenses that must be paid regardless of whether the farm is producing at a high or low volume.

Examples include rent, insurance, and utilities.

Estimating overhead expenses is an important part of planning a farm, as it can dramatically influence the scale at which the farm will be profitable.



# Overhead Expenses

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The amount of these expenses greatly impacts your scale of operations – your gross margins from all enterprises must cover them.

Your gross margin might be positive, but when you portion out your overhead as a shared costs, that enterprise might be in the red!

**The combined gross margins from all enterprises, minus overhead expenses, will be your net profit.**

# LETTERBOX FARM OVERHEAD EXPENSES, 2015

<b>Maintenance and Repair</b>	<b>1,100</b>	
<b>Gas, Fuel and Oil</b>	<b>3,650</b>	
<b>Utilities</b>	<b>1,850</b>	For greenhouse propane, cooler and freezers, electric for shop and livestock barn, garbage service
<b>Lease on land and buildings</b>	<b>4,200</b>	\$350/month for fields, 2 barns and small garage
<b>Insurance</b>	<b>1,320</b>	Liability, Property, and Vehicle
<b>Payroll Tax + Workers Comp</b>	<b>2,654</b>	On \$17,500 in worker wages
<b>Sales &amp; Marketing Costs</b>	<b>5,950</b>	
Website	120	
Printing	500	CSA Materials, Invoice Books, Business Cards
Packaging	1,100	Produce Boxes, Egg Cartons, Pints, Quarts, Bags
Farmers Market Fees	2,780	For 2 high-traffic season-long markets
Tolls	350	To and from farmers' market
Deliveries (Contracted)	1,100	Weekly deliveries to NYC restaurant account
<b>Misc Administrative Costs</b>	<b>360</b>	
Office & Cleaning Supplies	100	
Bank Fees	150	
Permits & Registrations	110	
<b>Contractors &amp; Consultants</b>	<b>1,250</b>	Accountant, Electrician, Graphic Designer
<b>Debt Service</b>	<b>6,900</b>	On \$43,000 FSA Microloan

**TOTAL OVERHEAD COSTS**

**29,234**

# Budgeting Example

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We are a new farm! We've chosen several enterprises based on our skills, interests, and our assessment of where there is an unmet demand in our local markets. We are raising:

- Chicken
- Salad Greens
- Flowers

In year one, we want to focus just on setting up our farm, but we want to make back the money we put in to the farm that year (while we work off farm for personal income). In year 2, we aim to make 20k in income.

# Budgeting Example

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We used **enterprise budgets** to determine how much we needed to grow and sell to break even in year one and net 20k in year two. (We are keeping marketing possibilities in mind as we crunch these numbers!).

In year one, we will guest vend at a farmers market for the month of September, aiming to debut our range of products, gather information about market performance, and sell enough to break even on costs. We plan to enroll in the market as a full-time vendor in year two.



# Budgeting Example

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Link to Farm Planning Workbook:

[https://docs.google.com/spreadsheets/d/1rEEXXHxZYCFVQc3lWM61dA-PjbEfupxC\\_UtZid7xeso/edit?usp=sharing](https://docs.google.com/spreadsheets/d/1rEEXXHxZYCFVQc3lWM61dA-PjbEfupxC_UtZid7xeso/edit?usp=sharing)

You will need to click “File → Make a Copy” to create your own editable workbook.