



FACT SHEET

PRO-FARM Leadership and Management

Fact Sheet 670

Strategic Planning: Drafting a Blueprint for Your Farm Business

Dale M. Johnson

regional Extension farm management specialist
Western Maryland Research and Education Center

James C. Hanson

Extension farm management specialist
Department of Agricultural and Resource Economics
University of Maryland at College Park

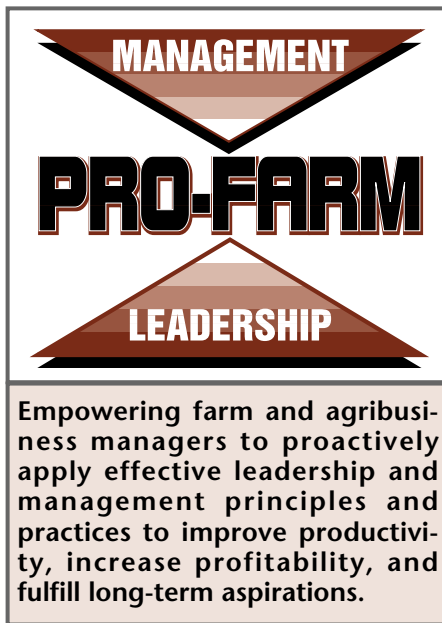
Strategic planning is long-range planning. A strategic plan is the blueprint used to operate the business that is envisioned in the mission statement and broadly defined by the objectives developed in the needs assessment. A strategic plan consists of written long- and short-term goals to accomplish the objectives of the farm business. These goals are usually backed by detailed production, financial, and marketing plans. Sometimes estate plans are included. On farms with more than one owner/operator, a partnership agreement or the structure of the corporation should be defined as part of the strategic plan. During the strategic planning process it is useful to inventory all resources available to the farm. Figure 1 summarizes the elements of a strategic plan.

Strategic planning is an interactive process rather than a step-by-step process. We usually begin with setting long-term goals and then developing the production, financial, and marketing plans. However, sometimes goals must be altered as problems are identified in the planning process.

SMART goals

Setting effective long- and short-run goals is the basis of the strategic plan and is essential to accomplishing the objectives identified in the needs assessment. Goals work because they (1) focus attention and action, (2) mobilize energy and effort, (3) increase persistence, and (4) encourage the development of work strategies.

The acronym "SMART" can represent the characteristics of effective goals.



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Figure 1. Elements of a strategic plan

Goals should be: **S**pecific, **M**easurable, **A**ttainable, **R**ewarding, and **T**imed. **Specific** and **measurable** goals can help farmers focus attention on important activities and set priorities on action to be taken.

The level of difficulty is critical to the effectiveness of goals. If goals are sufficiently challenging but still **attainable**, they will mobilize energy and effort. People enjoy the sense of completion when a goal is accomplished. If a goal is **rewarding** it will increase persistence. Every goal that we attain is carried out through tasks or activities. If a goal is **timed**, it will encourage the development of work strategies necessary to complete the tasks and activities. Every goal should be judged by the characteristics of the SMART acronym. Figure 2 summarizes the attributes of effective goals.

Goal-Setting Process

There are six steps in the goal-setting process:

1. State an objective that was identified in the needs assessment.
2. Brainstorm goals that address this

objective. Determine what specific things must be done to accomplish the objective. (Goals are usually a series of tasks that need to be completed to reach the objective.)

3. As you set each goal, verify that it has the characteristics suggested by the SMART acronym. Develop a tactical plan if necessary.

4. Obtain a commitment from all individuals involved in accomplishing the goal. A goal is difficult to achieve unless everyone involved is committed to reaching it.

5. Provide support elements for successful completion of the goal. Make sure there are sufficient resources and technical skills to reach the goal. Obtaining these resources and skills may be short-term subgoals to reach longer term goals.

6. Evaluate while working toward the goal and when it has been reached. If goals are not on track, make mid-course corrections. Upon completion, review the process to gain insights for future goals.

Goal setting is an important technique for reaching the objectives of the farm business. It is a simple and effective part of the strategic plan and should be used interactively with the other parts,

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|----------|------------------|--|
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| A | TTAINABLE | Increase persistence |
| R | EWARDING | Encourage development of work strategies |
| T | IMED | |

Figure 2. SMART attributes of effective goals and how they work

described in the following sections. The copies of Worksheet 1 at the end of this fact sheet can be a useful aid in setting SMART goals that are based on objectives outlined in Fact Sheet 669 “Needs Assessment.”

Production Plan

After setting long-term goals to meet the objectives of the farm, develop a detailed long-term production plan. Decide what crops or livestock you will produce on the farm.

- Determine the number of acres of each crop grown.
- Make sure crop rotation corresponds to livestock feed requirements.
- Identify methods you will use to produce these crops and livestock.
- Determine what seed, fertilizer, feed, equipment, or other resources you will need and plan where and when you will obtain them.
- Anticipate storage requirements for feed crops and postharvest market crops.
- Prepare schedules for crop field operations and livestock production.

The production plan should be in writing. It should cover at least a year, but should extend into the future as far as is feasible.

Financial Plan

Develop a detailed financial plan based on production plans.

- Develop an enterprise budget for each crop and livestock enterprise.
- Prepare a projected profit and loss statement, a projected cash budget and a balance sheet (the assets for the balance sheet can be determined in the resource inventory).
- Develop a record-keeping system.

Marketing Plan

Study your markets and learn how to use pricing mechanisms such as forward contracting, futures contracts, and options. If you produce fruits and vegetables or other crops and livestock that are not marketed through major commodity marketing channels, you will have to develop your own markets. In developing your markets you will need to answer the following questions.

- What market are you targeting?
- Who are your customers?
- What do they want?
- How do they want your crops and livestock delivered?
- Can you make your products different so that people will be more likely to buy them?
- Can you advertise your products to attract customers?
- What are your distribution channels?
- How will you get your crops and livestock to market?
- Can you cut out the middleman?
- Can you identify or develop a new market?
- Can you get a contract to sell your crops or livestock?
- Can you process some of your crops or livestock to add value or make them easier to sell?

Most farmers are skilled at preparing production plans, but some lack expertise in developing financial and marketing plans. If you need to improve your skills in these areas, enroll in agricultural finance and marketing courses or attend Extension marketing club meetings and participate in Extension finance and marketing workshops.

Environmental Plan

Develop an environmental plan that will address the soil and water conserva-

tion needs of the farm and considers forest, wildlife, and other natural resources that may be affected by the farm. Develop a nutrient management plan and use integrated pest management.

Retirement and Estate plans

Do not postpone retirement and estate planning, particularly when you must consider the intergenerational transfer of the farm business. Planning early will improve your chances for sufficient financial resources through retirement and a successful transfer of the farm to the next generation.

Farm Business Structure

The farm can be structured as a sole proprietorship, partnership, corporation, or any other type of businesses long as the following concerns are addressed:

- Duration of business structure agreement
- Contributions of each participant
- Description of how profits are shared
- Responsibilities of each participant
- Description of how business organization will be terminated, if necessary

Resource Inventory

An inventory of resources is useful in the strategic planning process. Inventory all resources currently available in the farm business and determine the additional resources needed to carry out the goals of the strategic plan. Determine where additional resources will come from. The resource inventory should include the following:

- Explanation of who is involved in the management of the farm, including the production, financial, and marketing skills of these managers
- Soil maps of the farm and results from recent soil tests
- Determination of other land available for purchase, lease, or rent
- Description of all existing buildings and renovations or new buildings needed
- List of all machinery and equipment, any new machinery that is needed, and custom machinery work available
- Summary of breeding livestock
- Explanation of labor currently employed and other full-time and seasonal labor available.
- Summary of cash on hand and credit that may be available
- List of stored crops and market livestock on the farm
- List of any other resources available on the farm

The resource inventory should be in writing and should be updated at least once a year. It is the basis for production, financial, and marketing plans.

Implement and Evaluate

The strategic plan should be followed in detail unless there is a good reason to change it. Keep thorough records on your progress. Learn from your mistakes. Update the strategic plan each year. Adjust your plans as problems develop.

Worksheet 1

Goal-Setting Process

List the major needs of the farm and state an objective that will address each need.

1. State an objective that was identified in the "Needs Assessment" (Fact Sheet 669).
2. Brainstorm goals that address this objective.
3. Set the goal, check for SMARTness, and develop a tactical plan, if necessary.
4. Obtain a commitment from all individuals involved in accomplishing the goal.
5. Provide support elements for successful completion of the goal.
6. Evaluate while working toward the goal and when it is completed.

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