

BUSINESS PLANS ARE MORE IMPORTANT NOW THAN EVER

Jenni Jeras¹

Small-business owners who need financing are smart to do their homework, and that includes creating a comprehensive business plan. Lenders in today's economy want to be assured that they are putting money into a sound venture, and they have to understand the business to make that determination. "It's extremely critical in dealing with a bank to have a business plan. It's the only way you'll get financing, unless you have substantial assets in the bank", says Bill Moss, a partner in the Phoenix accounting firm Henry & Horne. A business plan is much more important in today's tighter economy, Moss says. "Everybody got burned with the real estate market and the downturn in the economy, so the banks really pulled in the reins," he says. "I don't think it's all bad, but they don't want to get burned on these loans."

Unfortunately, not enough small businesses are equipped with business plans, says Brent Stewart, a partner in the accounting firm Stewart, Beebe & Co. "Many small businesses have not considered what it takes, and there aren't enough questions being asked by people who know what questions to ask," he says.

What the plan essentially does is force the business owner to spend some time thinking about the business, industry and

competition, and to determine the best direction for the business. "We think of the business plan as very basic," says Dennis Landauer, a partner in Gallant & Co. "Most people can't cook without a recipe or go to college without a curriculum. That's how we think of it" Typically included in a business plan are background information about the owner and key people within the company, a detailed explanation of the industry, and geographic and statistical data on which to base projections. "The business plan is the tool that helps the lender understand what the business does, how it makes money and how the borrower will pay back the loan," Landauer says. Sources agree that the plan shows the lender whether the owner understands the business well enough to make it a success and eventually, to pay back the loan.

While creating a business plan costs money, small businesses on a tight budget don't have to neglect the plan simply because of that factor. Business owners can turn to books or consultants, or even do much of the work themselves in order to keep costs down. "Most of the publications that I have seen are pretty well written" say Landauer. A more complex business requires a more sophisticated and possibly more expensive plan. But it might be able to recoup the cost in the future, he says. "The more sophisticated the borrower, the greater chance of negotiating a lower interest rate," Landauer says. "That can more than offset the cost of the business plan over a two or three year period of time." However the plan is prepared, the business owner needs to be a participant in the process, Stewart says. "You can hire someone to give you direction, and they can help you, but you need to have the answers," he says. You have to know what's going into the plan, and you have to address the issues."

**BUSINESS PLANNING
CHECKLIST - IS YOUR PLAN
COMPLETE?**

Description of Business

- ___1. Business form: proprietorship, partnership, corporation or cooperative?
- ___2. Type of business: retail, wholesale, manufacturing, service or consulting?
- ___3. What is the product and/or service? What makes it unique?
- ___4. Is it a new business? A takeover? An expansion? A franchise?
- ___5. When is your business open?
- ___6. Is it a seasonal business?
- ___7. How long have you been in business?
- ___8. What have you learned about your business from past operations or (if you're a start-up) from outside sources?
- ___9. Why will your business be profitable?
- ___10. What are your personal and business goals?

Product/Service

- ___1. What are you selling?
- ___2. What benefits are you selling?
- ___3. What is unique about your goods or services?
- ___4. If you are a consultant, what process will you use?

Market

- ___1. Who buys from you?
- ___2. Are your markets growing, steady or declining?

___3. Is your market share growing, steady or declining?

___4. Have you segmented your markets? How?

___5. Are your markets large enough for expansion?

___6. What social, political, regulatory, economic and technological changes are taking place that could impact your industry, your market or your market's perception of and desire for your products/services?

Competition

___1. Who are your-nearest direct competitors?

___2. Who are your indirect competitors?

___3. How are the businesses similar to and different from yours?

___4. What have you learned from their operations? From their advertisements?

Product Development Plan

___1. What other products/services (if any) are you currently considering?

___2. What is your time frame for developing and introducing them?

Marketing Plan

___1. Who will actually buy from you (e.g., do you sell to distributors, wholesalers, retailers, businesses, consumers?) And how does this impact your marketing plan?

___2. How will you attract and hold your target market and increase your market share?

___3. Are you planning to enter or leave any markets?

___4. How do you price your products?

___5. Where are you (will you be) located?

___6. Why is this a desirable area? A desirable building?

___7. What kind of space do you need?

___8. Are there any demographic or other market shifts going on in your area that could impact your marketing plan?

Sales Plan

___1. Who will do the selling in your business? (You? Company salespeople? Independent sales representatives?)

___2. What are your weekly, monthly and quarterly sales goals?

___3. What other checkpoints have you established for reaching those goals?

___4. What sales approach will you use?

Operations Plan

___1. How will you organize the flow of work through your business? (This is especially important if you have several people doing different parts of the overall tasks, such as in a factory or a farming operation.)

___2. How will you assure that all tasks are performed? Performed on time?

___3. How will you monitor quality?

___4. How will you keep costs under control?

Personnel Plan

___1. What are your current personnel needs?

___2. What skills will your employees need in the near future? In three years?

___3. What are your plans for hiring and training personnel?

Management Plan

___1. How does your background/business experience help you in this business? For your own use: What weaknesses do you have and how will you compensate for them? What related work experience do you have?

___2. Who is on the management team?

___3. What are their strengths and weaknesses?

___4. What are their duties?

___5. Are these duties clearly defined? How?

___6. What additional resources are available to your business?

Application and Expected Effect of Loan (Investment)

___1. How will the loan (investment) make your business more profitable?

___2. Will you buy or lease your equipment, location or vehicles?

___3. Do you really need this money? Or can you make do without?

Financial

___1. Have you completed your financial projections? (As a minimum you should have profit and loss statements, cash flow and income projections for three years and a current balance sheet.)

___2. Will you need additional cash? If so, how will you get it?

___3. Have you shown that your business will be profitable?

START-UP EXPENSES

Start-up expenses are the various expenses it takes to open your doors for business. The majority of these expenses will be one-time expenditures, while others will occur every year. Examples of these expenses are listed on the next page. If you have an existing business, skip this work-sheet.

Step 1:

Fill in Total available cash for starting your business venture.

Step 2:

Review the expenses listed on the next page. You probably can use this list for the expenses for your business. You may have some expenses which are not listed here, write them under Other expenses.

Step 3:

Estimate your cost for each expense.

Step 4:

Calculate the total for your start-up expenses.

Step 5:

Calculate Beginning Cash Balance by subtracting Total Start-up Expenses from total available cash. This amount should be written on the Projected Cash Flow worksheet under each month on the Beginning Cash Balance line.

START-UP EXPENSES		
EXPENSE		COST
Total available cash		\$ _____
Total of capital equipment (find this total on next page)	\$ _____	
Beginning inventory of merchandise for retailing businesses	_____	
Legal fees	_____	
Accounting fees	_____	
Licenses & permits	_____	
Remodeling work	_____	
Deposits (public utilities, etc.)	_____	
Advertising (grand opening, etc.)	_____	
Promotions (door prizes, etc.)	_____	
Other expenses: _____	_____	

TOTAL START-UP EXPENSES	_____	\$
Beginning Cash Balance	_____	\$

CAPITAL EQUIPMENT

Equipment	Cost	Acquisition Date	Useful Life (in months)	Monthly Depreciation

Total Costs Capital Equipment	\$	Total Monthly Depreciation	\$
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Projected Cash Flow

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are greater than the cash disbursements, you will have a positive cash flow. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (\$5,218).

Step 1:

Fill in your beginning cash balance for the first month. This amount should be taken from the start-up expenses worksheet if your business plan is for a new business.

Step 2:

Fill in the various categories for Cash Receipts and total them for the first month only.

Step 3:

Fill in the various categories for Cash Disbursements and total them for the first month only.

Step 4:

Calculate the Net Cash Flow for the first months (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first month. (Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month, (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months remember to complete one month at a time!

PROJECTED CASH FLOW

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Beginning Cash Balance													
CASH RECEIPTS													
Cash Sales													
Collect Account Receivables													
Loans from Banks, Etc.													
Other Receipts													
Total Cash Receipts													
CASH DISBURSEMENTS													
Purchases (merchandise)													
Salaries													
Payroll Benefits													
Occupancy Expenses													
Insurance													
Interest													
Other:													
Other:													
Purchase Capital Equipment													
Loan Principal Repayment													
Owner's Withdrawals													
Total Cash Disbursed													
Net Cash Flow													
Ending Cash Balance													

PROJECTED INCOME STATEMENT

You are now ready to assemble the data for your projected income statement. This statement will calculate you net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures; just recopy on the work sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures; just recopy on the work sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of labor-related operating expenses (salaries, mandatory benefits, optional benefits). You estimated these figures already; just recopy them on the work sheet.

Step 5:

Fill in the Operating Expenses — Non-labor. You estimated these figures; just recopy them.

Step 6:

Fill in the Monthly Depreciation Expense. You estimated this figure already; just recopy them for each of the 12 months.

Step 7:

Calculate the Total Operating Expenses for each month by adding all operating expenses.

Step 8:

Calculate the Net Profit or Net Loss (before income taxes) for each month (Gross Margin minus Total Operating Expenses).

PROJECTED INCOME STATEMENT

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Sales													
Cost of Goods Sold													
Gross Margin													
OPERATING EXPENSES													
Salaries & Wages													
Mandatory Benefits													
Optional Benefits													
Occupancy Expenses													
Car/Delivery													
Supplies													
Advertising													
Legal/Accounting													
Insurance													
Bad Debts													
Interest													
Other													
Depreciation													
Total Operating Expenses													
Net Profit (or Loss) Before Income Taxes													

BALANCE SHEET

The balance sheet can be compared to a picture of your financial condition on a particular day. This statement is a list of your assets (at your cost), your liabilities (your debts), and your equity in those assets.

You are going to prepare a balance sheet as of the end of your last fiscal year or as of the start-up date of your business. You should include all the assets and liabilities as of the appropriate date. You will also be preparing a projected balance sheet for a date one year in the future.

Step 1:

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

Step 2:

Fill in the amount for Fixed Assets, (Land, Buildings and Equipment), less accumulated depreciation.

Step 3:

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

Step 4:

Fill in the amounts for current and long-term liabilities and calculate the required totals.

Step 5:

Calculate the Owner's Equity (Total Assets - Total Liabilities).

Step 6:

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

Step 7:

Repeat Steps 1 through 6 for the end of the year projections.

BALANCE SHEET

Assets	As of	As of
Current Assets		
Cash	\$ _____	\$ _____
Accounts receivable	\$ _____	\$ _____
Inventory	\$ _____	\$ _____
Prepaid expenses	\$ _____	\$ _____
Other current assets	\$ _____	\$ _____
TOTAL CURRENT ASSETS		
Fixed Assets		
Land	\$ _____	\$ _____
Buildings (Less Accum. Depr.)	\$ _____	\$ _____
Equipment (Less Accum. Depr.)	\$ _____	\$ _____
Other fixed assets	\$ _____	\$ _____
TOTAL FIXED ASSETS		
Total Assets	\$ _____	\$ _____
Liabilities		
Current Liabilities		
Accounts payable	\$ _____	\$ _____
Federal & State taxes owed	\$ _____	\$ _____
Other current liabilities	\$ _____	\$ _____
TOTAL CURRENT LIABILITIES	\$ _____	\$ _____
Long-term Liabilities		
Notes payable to bank	\$ _____	\$ _____
Mortgages payable	\$ _____	\$ _____
Other long-term liabilities	\$ _____	\$ _____
TOTAL LONG-TERM LIABILITIES	\$ _____	\$ _____
Total Liabilities	\$ _____	\$ _____
Owner's Equity		
Owner's Equity	\$ _____	\$ _____
Total Liabilities + Owner's Equity	\$ _____	\$ _____

Jenni Jeras¹
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FROM:

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SOURCES OF SMALL BUSINESS ASSISTANCE

Julie Leones¹

A wide variety of organizations offer assistance to small businesses. These are just a few of the most popular and easily accessible sources. One warning: these organizations seem to change addresses and phone numbers frequently, so check the phone directory if you can't reach them at the addresses and phone numbers provided here.

Arizona Business Connection

Arizona Department of Commerce
3800 N. Central Ave., Suite 1500
Phoenix, AZ 85012

Phone: (602) 280-1480
FAX: (602) 280-1339
Hours: M-F 8 a.m. - 5 p.m.

A resource for information, referrals, analysis and advice. This is a good place to start if you are looking for information about starting or running a small business.

Arizona Farmers, Growers and Producers Association

P.O. Box 14188
Phoenix, AZ 85063-4188

Phone: (602) 848-1234
FAX: (602) 848-8253

A nonprofit organization that organizes and manages farmers markets in the metropolitan Phoenix area and elsewhere. A good source of information on opportunities to sell in farmers' markets.

Better Business Bureau

4428 N. 12th St.
Phoenix, AZ 85014

Phone: (602) 264-1721
FAX: (602) 263-0997

Better Business Bureau of Southern Arizona

3620 N. 1st Ave., Suite 136
Tucson, AZ 85719

Phone: (602) 888-5353
FAX: (602) 888-6262
Hours: M-F 9 a.m. -5 p.m.

Provides business reliability reports, conciliation, mediation and arbitration of complaints, public education and counseling.

The Entrepreneurs' Center

2425 E. Camelback Rd, Suite 102
Phoenix, AZ 85016

Phone: (602) 912-0031
FAX: (602) 912-0043

The center sells information for start-up businesses and offers meeting places for groups of small business owners.

The HomeBased Business Association

919 W. Mission Drive
Chandler, AZ 85224

Phone: (602) 464-0778
FAX: (602) 899-0605

The Association provides assistance to home based businesses by publishing a directory of home based business and helping home based businesses find customers.

Service Corps of Retired Executives (SCORE)

2828 N. Central Ave., Suite 800
Phoenix, AZ 85004-1025

Phone: (602) 640-2324
FAX: (602) 640-2360

Chapter 402 (East Valley)

26 N. MacDonald St.
Mesa, AZ 85201

Phone: (602) 964-4846

Chapter 532 (Prescott)

101 W. Goodwin
Suite 307
Prescott, AZ 86301

Phone: (602) 778-7438

Northern Arizona	(602) 778-7438
Sedona	(602) 282-5440
Lake Havasu City	(602) 885-7812
Flagstaff	(602) 556-7333
Dewey	(602) 772-7969
Glendale	(602) 937-4754
Kingman	(602) 753-6644
Bullhead City	(602) 754-4121
Yuma	(602) 782-2400

Chapter 118 (Tucson)

300 W. Congress
Seventh Floor, Rm. 7-H
Box FB 33
Tucson, AZ 85701-1319

Phone: (602) 670-4761
FAX: (602) 670-4763

Promotes development of small business by offering free counseling and low cost seminars on starting, operating and growing a business. Run by volunteers who are retirees with business or management experience. SCORE is supported by the U.S. Small Business Administration.

Small Business Development Centers (SBDCs)**Arizona Western College**

281 W. 24th St.
Suite 152
Century Plaza
Yuma, AZ 85364

Phone: (602) 341-1650
FAX: (602) 726-2636

Cochise College

901 N. Colombo
Room 411
Sierra Vista, AZ 85635

Phone: (602) 459-9778 or
1 (800) 966-7943 ext. 778
FAX: (602) 459-9737

Coconino Community College

3000 N. Fourth St., Suite 25
Flagstaff, AZ 86004

Phone: (602) 526-5072 or
1 (800) 350-7122
FAX: (602) 526-8693

Eastern Arizona College

622 College St.
Thatcher, AZ 85552-0769

Phone: (602) 428-8590 or
1 (800) 678-3808, ext. 8590
FAX: (602) 428-8462

Gateway Community College

108 N. 40th St.
Phoenix, AZ 85034

Phone: (602) 392-5223
FAX: (602) 392-5329

Mohave Community College

1971 Jagerson Ave.
Kingman, AZ 86401

Phone: (602) 757-0894
FAX: (602) 757-0836

Northland Pioneer College

Institute for Business and
Community Development
P.O. Box 610
Holbrook, AZ 86025

street address:

1001 Deuce of Clubs
Show Low, AZ 85901

Phone: (602) 537-2976
1 (800) 266-7232
FAX: (602) 524-2227

Pima Community College

4903 E. Broadway, Suite 101
Tucson, AZ 85709-1260

Phone: (602) 748-4906
FAX: (602) 748-4585

Rio Salado Community College

301 W. Roosevelt, Suite B
Phoenix, AZ 85003

Phone: (602) 238-9603
FAX: (602) 340-1627

Yavapai College

Elks Building
117 E. Gurley St., Suite 206
Prescott, AZ 86301

Phone: (602) 778-3088 or
1 (800) 922-6787
FAX: (602) 778-3109

SBDCs generally provide assistance to small businesses or people interested in starting small businesses. They often offer both individual counseling and seminars. The SBDCs are supported by the U.S. Small Business Administration and community colleges of Arizona.

Small Business Institute

Arizona State University West

4701 W. Thunderbird Rd.
P.O. Box 37100
Phoenix, AZ 85069-7100

Phone: (602) 543-6225
FAX: (602) 543-6221

Northern Arizona University

Box 15066
Flagstaff, AZ 86301

Phone: (602) 523-7324
FAX: (602) 523-7331

Provide consulting services to small businesses. This is also a program of the U.S. Small Business Administration.

Small Business Service Bureau, Inc.

554 Main St.
P.O. Box 1441
Worcester, MA 01601-1441

Phone: (508) 756-3513 or
1 (800) 222-3434
FAX: (508) 791-4709

Provide legislative advocacy, management assistance and group benefits (health, retirement and financial plans) to small businesses.

U.S. Small Business Administration

2828 N. Central Ave., Suite 800
Phoenix, AZ 85004-1025

Phone: (602) 640-2320
FAX: (602) 640-2360

300 W. Congress
Seventh Floor
Rm. 7-H FB 33
Tucson, AZ 85701-1319

Phone: (602) 670-4759
FAX: (602) 670-4763

Assist, counsel and back small business through government-backed loans and management assistance.

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Tucson, Az 85721*

FROM:

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A BUSINESS PLAN IS IMPORTANT WHEN WORKING WITH A LENDER

You don't have to borrow money to expand a business and make your dreams come true, but borrowing money can make those dreams come true sooner than if you wait to save all the necessary cash.

That means you have to have a good, working relationship with your banker or other agricultural lender. After all, when you borrow money, the lender becomes your partner and has a vested interest in your business. As your partner, the lender will want to know as much about your business as possible. He'll have a lot of questions and may even play the devil's advocate—just to make sure you have a well-conceived business or marketing plan.

Gary Kirking is a rural enterprise specialist at the Western Wisconsin Technical College (WWTC) in La Crosse, Wisconsin. Among the many skills Kirking brings to the college is his ability to help enterprising farmers and growers organize and start new businesses. He says the first step usually involves borrowing money.

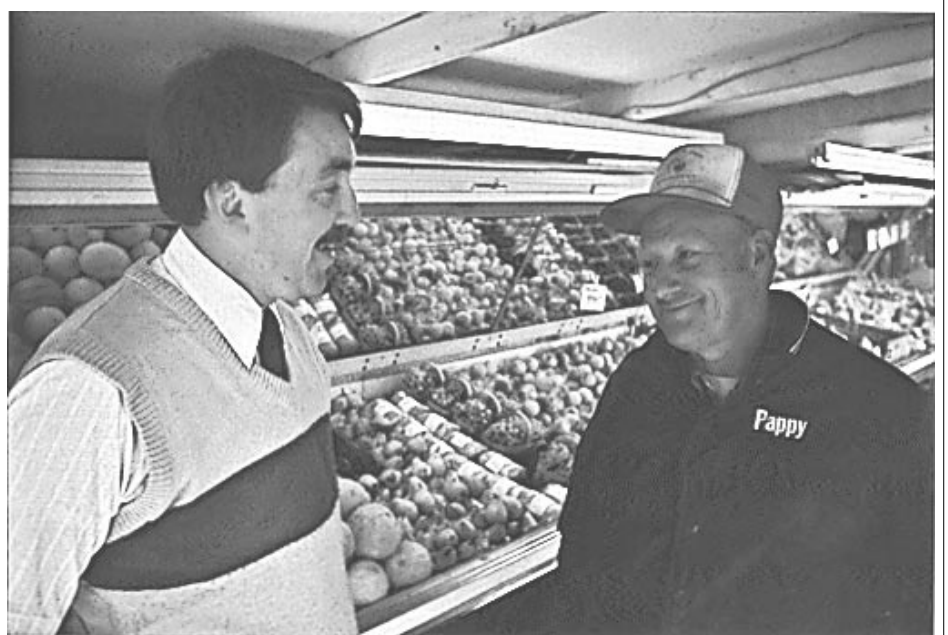
Working with lenders is an area Kirking understands. Prior to joining the WWTC staff, he worked as a lending officer for 12 years, including 10 years with Farm Credit Services. His experience includes working with dairy, beef, fruit and vegetable and fish farm-

ers. If a grower in the Mississippi River Valley and surrounding coulee country near La Crosse has a question about loans, Kirking can tell them how growers and lenders can pool their objectives and work as a team in rural enterprise financing. Kirking can give advice on on-site evaluations, loan analysis, budgeting discussions and business and marketing plan reviews.

Kirking says open lines of communication between borrowers and lenders are important to a successful loan relationship.

"Loan applicants have to realize that today there is strong competition, for available money," Kirking says. "Loan officers can generate fast returns from car loans, and in some cases, agricultural loans may not be as popular with bankers as other small business loans."

But don't let that hinder your plans for securing a loan. Kirking says lending



John Jolivet (right) and Gary Kirking say that growers who want to expand should be prepared to talk about their businesses when they meet with a lender. A lender actually becomes a partner who wants to know as much as possible about your production and marketing plans.



School tours are a major attraction at Jolivettes' farm market. Every October more than 9,000 school-age children are invited to the farm. The children receive a small pumpkin as a giveaway item.

agencies are in business to make money, and they recognize that a viable agricultural loan is likely to generate further business for the lender.

"Remember, the lender wants your business to succeed," Kirking says. "And there are five major factors a lender will consider when reviewing a loan application."

According to Kirking, the lender will consider the human factor, the financial history of the business, how the loan will be repaid, what collateral is available to secure the loan, and the purpose of the loan.

"The human factor' is a major consideration for most lenders," Kirking

says. "Each lender will have a different set of criteria for each type of loan, but the borrower should be willing and able to communicate pride in the business, enthusiasm for the business plan and confidence in his or her management abilities."

"In direct marketing enterprises and other rural businesses, the lender may also strongly consider the role of other family members in the business. The lender may want to know who will keep the books, what labor inputs will be made by children, or if the business plans have the emotional support of other family members."

Strong Family Commitment

John Jolivette, a fruit and vegetable grower from West Salem, Wisconsin, about 15 miles east of La Crosse, agrees that a strong commitment by family members is

important not only for the success of his business, but it's also a factor that his lenders have brought up.

John and Joan Jolivette and four of their six children grow and market strawberries, peas, beans, sweet corn, cantaloupes, cucumbers, peppers, potatoes, tomatoes, squash, pumpkins and zucchini on 270 acres of cropland. They also rent an additional 100 acres and grow soybeans and corn.

From early May to late December, the Jolivettes market directly to consumers. The family operates a greenhouse and sells bedding plants to kick off the growing season. It's hard to miss their market from U.S. Highway 16 because the Jolivettes fill large balloons with helium and anchor them to their market. The Jolivettes are known for their strawberries and pumpkins, and for their tours that bring in thousands of school children each year.

The Jolivettes' direct marketing enterprise didn't happen overnight. John started his farming career with 40 acres and 10 milk cows. He was a full-time factory worker and a part-time farmer. After expanding the dairy herd and then selling out a few years later, John decided to try direct marketing fruits and vegetables. His father and grandfather operated a large truck farm on French Island, which is just up the Mississippi River from La Crosse, many years ago. So this business wasn't new to John.

John and Joan purchased his cousin's farm along the western edge of West Salem. From that base, the Jolivettes developed their fruit and vegetable farm and farm market. In addition to selling all of their fruits and vegetables at the market, they also handle some wholesale produce and other add-on sales merchandise, such as jams, jellies, honey and crafts.

John says that the ideal situation is to handle most operational expenses with revenue from the farm market business.

However, when it comes to buildings and improvements, he relies on local lenders.

The Jolivettes live in an area where dairy farms are predominant. Consequently, John has explained his business to many a lender. Direct marketing enterprises that deal in fruits and vegetables are not the most common form of agriculture in the area. For example, John has outlined how a strawberry planter is valid collateral and how a proper insulation job may cost more than the expense of the original building.



John Jolivette's farm market is located on a major highway in west central Wisconsin. Strawberries and pumpkins are the market's specialties, but he sells a wide variety of homegrown crops.

Financial Planning History

John says there is no substitute for a sound financial history of the business when seeking money for expansion. The Jolivettes recently hired an accountant to back up and double-check the recordkeeping system handled by his wife and daughter. John's lender also receives an annual report from the accountant.

"I know our lender keeps a current copy of our financial spreadsheet on file," John says. "We also plan to install a computer system to improve our recordkeeping and to provide more accurate figures to our financial advisors."

A sound financial history will also help the lender determine a loan repayment plan. Kirking says lenders want to know if the business will generate enough cash flow to pay bills, pay off the loans, buy capital items, provide for family needs and turn a profit.

"Lenders like to see a two-to-one asset-to-liabilities ratio," says Kirking. "This can be outlined in the net worth statement a borrower provides for the lender."

John says that in a seasonal business like his, lenders have to understand when loan payments can be made. "We do

about 50% of our annual business in the first three months of the growing season," he says. "Our first major payment comes at the end of June. The next payment is in late November—after field crops have been harvested."

John says borrowers ought to ask about fluctuating interest rates as well as flexible repayment schedules. He says some lenders are open to renegotiating interest rates if the relationship between the borrower and the lender has been positive. "It doesn't cost anything to ask," he says.

Explaining Your Business

Kirking says borrowers should be prepared to explain collateral fully. The better a lender understands a borrower's collateral, the more likely they are to make a loan.

"No one plans on failure, but in reality a percentage of businesses do fail," Kirking says. "Even if only one out of 90 fails, the lender has to see enough value in the business to cover the loan if the business plans don't work out. You have to



John Jolivette and an employee check produce before it is placed in the farm market's bin. High-quality produce brings customers back, says John.

make the lender feel comfortable about lending you the money, and your collateral is the lender's only security blanket."

When explaining to the lender why a loan is needed, a well-conceived marketing plan is essential. Kirking says the lender will want to know how, when and where the loan money will be used. The lender also wants to know what the borrower's response will be if the market changes and there is a problem repaying the loan.

John admits he tries not to make too many long-range promises when it comes to crop farming because in any given season, at least one of his specialty crops could fail. He counts on his proven ability to make adjustments to reassure the lender.

John also reassures his lender by investing in a strong insurance program. He says that's important in today's lawsuit-happy environment. The Jolivettes are also considering incorporating the business to obtain better insurance cov-

erage and to protect the personal interests of other family members involved in the business.

Helpful Loan Hints

Kirking says that good business management is best demonstrated in the products you sell and the quality of service you provide. These factors are also instrumental in making a lender feel more comfortable doing business with you.

"It has been said that 'If I hear, I may forget. If I see, I will understand, and I will remember,'" says Kirking. "It is important for the lender to get a good understanding of the business that will be using the loan."

John agrees that lenders who visit his operation ask more intelligent questions and learn what it takes to make the operation successful. He has found most lenders are anxious to visit his farm and farm market to look at the business up close. The key is that John asks the lenders to visit his operation.

Kirking says there are a number of mistakes borrowers can make in seeking loans. Borrowers may not present themselves or their business in a confident manner. For example, they may not be familiar with their own marketing or business plan. Or, they show a general lack of planning. They also may not ask the questions which could get them better interest rates or a more favorable repayment schedule.

"If a borrower doesn't get his loan, he or she should find out why and make improvements on the presentation," Kirking says. "Be sure to keep up-to-date on lending practices and the current economy. Timing a loan application to a lender's availability of funding can make a big difference. Also, don't ask for seasonal operating loans in May."

Kirking also suggests that borrowers be assertive in seeking assistance and advice. Local and county state extension offices and technical colleges offer a variety of courses and valuable brochures.

Editor's note: For more information, you can contact Gary Kirking at Western Wisconsin Technical College, 304 North Sixth Street, La Crosse, WI 54602. John Jolivet can be contacted at Jolivet's Berry Farm, Route 2, West Salem, WI 54669.

You can also order the following sources for additional information: Publications #1003 and #1004— Understanding and Evaluating Money Sources, which are available from your area Small Business Administration office; Direct Marketing Brochure, available from the Wisconsin Department of Ag, Trade and Consumer Protection, 801 W. Badger Rd., PO. Box 8911, Madison, WI 53708 or call (608) 266-1531; or NCR 54—Credit Management for Business Firms, available from the UW Extension Office, Ag Bulletins, Room 245 30 North Murray St., Madison, WI 53715 or call (608) 262-3346.

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TRAINING HELPS FARM MARKET EMPLOYEES SUCCEED

by Bernard L. Erven

No matter how carefully a farm market operator recruits and selects employees, they will not come to their new jobs with all the necessary knowledge, skills and abilities. Training is essential if employees are to reach their potential. Training should help them feel like they are improving and creating better opportunities for themselves.

Training is anything an employer does to help employees learn to do their work the way the employer wants them to do it. Training is an investment in people, benefiting both the employer and employee. In an ideal employer-employee situation, the investment in teaching allows an employee to do the job better. Doing the job better benefits both the employee and the farm market.

Trainers (teachers) are challenged to understand what the employees (learners) know from previous training and experience. Trainers need to see the job through the eyes of the employees. Good training makes complicated and complex tasks seem simple.

Note how complicated riding a bicycle seems until one knows how. All experienced computer users know there is not an "any key" on a computer keyboard. Yet many inexperienced users have searched in vain for such a key to be able to follow the direction in the computer manual which says, "Press any key and

continue." Finding pneumonia in the dictionary happens only after one knows that it begins with a "p" rather than an "n".

The importance of training programs in farm markets will increase dramatically in the 90's. Customers will have higher expectations of market employees. Equipment will become more complicated. The work in successful markets will be more complex. People with all the necessary skills and experience for success in a farm market can not be hired. Without training programs, labor can easily become the weakest link in the plans for success of the farm market.



With a proper training program, employees will know how to use their time more efficiently, even if it involves such basic tasks as cleaning.



Showing the employee the proper steps of each task and explaining the importance of doing the task can help the employee perform the job better.

Content of Training

Training of farm market workers involves four kinds of learning: knowing, doing, combinations of what is known or can be done, and combinations of knowing and doing. Learning implies:

1. Knowing something intellectually or conceptually one never knew before. Two examples of this kind of learning are: (a) Apples bruised during harvest will be unmarketable coming out of storage. (b) Some apples are better suited for baking than eating raw.
2. Being able to do something one couldn't do before. Two examples are: (a) Operate a cash register. (b) Change the oil in a truck.
3. Combining two knowns into a new understanding of a skill, piece of knowledge, concept, or behavior. Examples are: (a) Knowledge about apple varieties

and knowledge of how cider is made being combined to select apples for cider versus apples for fresh market. (b) Knowledge of which chemicals can damage eyes and knowledge of what can happen to liquid under pressure combined to always wear protective goggles.

4. Being able to use or apply a new combination of skills, knowledge, concepts, or behaviors. Examples are: (a) Combining the skill of being able to back a trailer with a tractor and the knowledge of the gears in a new semi-tractor to be able to back a semitrailer up to a loading dock. (b) Combining mechanical skill, attention to detail, knowing what to listen for, and superior hearing to recognize when a belt needs tightening.

All four kinds of learning should be part of a training program as appropriate. Training must be

more than teaching employees how to do things. Helping them understand the importance of the job, the principles behind the job, and how they can use what they already know are important.

Each farm market should have a plan for training. The plan should include creation of a positive environment for learning. Reinforcing the following assumptions in each trainer and employee helps create an ideal learning situation:

- All employees can learn.
- Learning should be made an active process.
- Learners need and want guidance and direction.
- Learning should be sequential.
- Learners need time to practice.
- Learning should be varied to avoid boredom.
- Learners gain satisfaction from their learning.
- Correct learner behavior should be reinforced.
- Learning does not occur at a steady rate.

Training Objectives

An employee training program should have three distinct phases: (a) orientation, (b) learning to do the first job, and (c) preparation for future tasks and responsibilities. Orientation is limited to answering immediate questions and providing essential information for a new employee to get off to a good start. Some of the orientation will have been done during

the application and interviewing process. Written job descriptions, an employee handbook, a written employer-employee agreement, and openness to questions also are important to orientation.

Sensitivity to immediate information needs and postponing the nonessential information to the second phase of training are the keys to successful orientation. Where to park the car, what to wear to work, location of the bathroom, names of co-workers and to whom to go with questions are essential to orientation. The details of a retirement program and procedures for arranging which week to take vacation are not.

Training the employee to handle the first tasks logically follows the orientation. Preparation for future tasks and responsibilities is a continuous process based on the employee's skills and aspirations, and changes in the farm market.

The relative amount of time devoted to orientation, training for the first job and preparation for future responsibilities varies with the type of employee. Temporary workers may receive only orientation and training focused on the seasonal job, e.g., harvesting and loading apples. Long-term key employees may continue to receive training for both immediate and future tasks and responsibilities for as long as the employment lasts.

Job instruction can be divided into getting ready to train and training. Trainers in farm markets are often so experienced in what they are teaching that taking time to prepare for training seems like a waste of time. "I don't have time to prepare" or "I know this job so well I don't need to think about how to teach it" may be foolish attitudes. Muddled and confused instruction increases the time spent on training and causes frustration for both trainer and employee.

Two important questions guide preparation for training. What is the objective of the training? Define specifically what the

learners are to know or be able to do at the conclusion of the training. An acceptable level of performance and timetable for the training should be established.

What are the principal steps in the task and in what sequence should they be done? Analyzing each task can be helpful. Develop tips on how the job can be made easier, done more quickly or done with less frustration for the employee.

Having answered these two questions, the trainer is ready to prepare equipment, materials, learning aids and the work place for the actual training. Looking for equipment or supplies during training leaves the learner suspicious that the teacher is careless or incompetent or both.

The actual instruction can be aided by a five step teaching method:

1. **Prepare** the learner. Learners are prepared when they are at ease, understand why they need to learn the task, are interested in learning, have the confidence that they can learn and the trainer can teach. The most important part of learner preparation is creating a need to know or desire to learn on the part of the trainee. It helps to show enthusiasm for the task, relate the task to what the learner already knows, help the learner envision being an expert in the task, have the learner explain how the task will relate to success at the farm market, add fun and prestige to the task when possible, and associate the task with respected co-workers.
2. **Tell** the learner about each step or part of the task.
3. **Show** the learner how to do each step or part of the task. In demonstrating the task, explain each step

emphasizing the key points and more difficult steps. Remember the little and seemingly simple parts of the task. Get the learner involved by asking questions about what is being shown.

4. Have the learner **DO** each step of the task while being observed by the trainer and then without the trainer observing. Ask the learner to explain each step as it is performed. If steps or parts of the task are omitted, re-explain the steps and have the learner repeat them.
5. **Review** each step or part of the task with the learner, offering encouragement, constructive criticism and additional pointers on how to do the job. Be frank in the appraisal. Encourage the learner toward self-appraisal.

“Training must be more than teaching employees how to do things.”

—Bernard L. Erven
Dept. of Ag Economics
Ohio State University

Improved training for both new and experienced employees offers farm market managers a way to increase employee success. Training programs rarely change quickly and easily. Deciding what can

be accomplished through better training is a good starting point. Create a good environment for learning. Prepare before jumping into changes in training. Learn and use a five step method, Prepare-Tell-Show-Do-Review, to steer both trainers and employees toward greater success.

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