Vermont Farm Viability Enhancement Program
DRAFT PROCESS MODEL FOR ON-FARM VIABILITY SERVICES

The Vermont Farm Viability Enhancement Program recommends that all service providers in the Farm Viability Program use the following process in working with enrolled participants:

(1) <u>Establish a point person.</u> Establish who will be the coordinator or "point person" for each farm. The point person can be the business planner, a technical assistance specialist other than the business planner, or a coordinator who is neither the business planner nor a technical assistance specialist. The role of the point person is to establish a line of communication with the farmer and with the various service providers, to assemble technical assistance teams and arrange for meetings on the farm, to monitor the progress of services on the farm, to be a sounding board for feedback from the farmer and the providers, and to evaluate the overall process and the final business plan.

(2) <u>First meeting: introductory information.</u> After an applicant has been accepted into the Program, the point person should arrange for a first meeting on the farm. It is recommended that the first meeting include the point person and the business planner.
- (a) The first meeting should provide an opportunity for the parties to meet one another and to decide if there is compatibility. The farmer should be given an opportunity at this stage to decline to participate for whatever reason. Likewise, the business planner may decide at this point that his or her expertise is not best suited to provide services on the particular farm, in which case, the point person should be asked if another business planner can be engaged.
- (b) At the first meeting the providers should also describe: the rationale for and utility of a business plan, the scope and sequence of the Viability process, and the expectations for time commitment and "homework" by the farmer.
- (c) The first meeting should also be a chance for the Viability team informally to gather more information about the farm. It is helpful at this stage—without getting too detailed—to get an initial sense of the ownership structure, the current financial condition, the land base, the farm buildings, and the units of production. It may also be an opportunity to learn some of the farmer's management plans and business goals, as well as to hear the farmer identify specific management problems or obstacles to profitability.
- (d) As part of the first meeting it is also recommended that the point person go over the Viability Program's policy on the confidentiality of business plans, and some organizations may wish to have the farmer sign a participation agreement at this time, or before the second meeting.
- (e) Homework for the farmer arising from the first meeting should be to assemble farm financial records from the most recent tax year and have them ready to share with the business planner at the next meeting.

(3) <u>Second meeting: farm tour and S.W.O.T.</u> The second meeting may be attended by the business planner without the point person. It is recommended that the second meeting combine a farm tour and the start of a S.W.O.T. analysis.
- (a) The farmer should be asked to give the business planner and any other team members present a brief (an hour may be a good maximum) orientation tour of the farm.

(b) Also at the second meeting, it is recommended that the business planner begin a strategic planning process with the farmer using what is known as a S.W.O.T. analysis. S.W.O.T. stands for Strengths, Weaknesses, Opportunities, and Threats. A good outline of a S.W.O.T. analysis process can be found at the Pennsylvania Dairy Advisory Teams web site—http://dat.das.psu.edu. The initial S.W.O.T. analysis meeting should be an opportunity for all those involved in the farm business to brainstorm. The business planner should be in a listening mode and should carefully record the results of the meeting.

(c) Strengths and Weaknesses are defined as internal to the business. Strengths are the things the farm does best. It may be possible to augment the business in these areas, in order to capitalize on existing strengths. Weaknesses are things the farm needs to improve. It may be possible to improve the farm's profitability by identifying weaknesses that can be overcome by making specific management changes.

(d) Opportunities and Threats are defined as external to the business. Opportunities could be the conditions in the industry or in the community that the farm might use to improve its position. Threats are the conditions in the industry or the community that might undermine the success of the farm operation.

(e) Finally, at the second meeting, the business planner should examine the farm's financial statements for completeness—not for content at this time—and if components are missing, help the farmer understand what still needs to be assembled.

(4) <u>Progress report.</u> After the second meeting, the business planner should give an early progress report to the point person. The business planner should tell the point person if areas of additional technical assistance needs have already been identified. This will give the point person a heads up to start lining up these other technical assistance providers.

(5) <u>Third meeting: examine financials, review S.W.O.T., set goals.</u>

(a) By now the business planner should have the farm's financial statements, which should include balance sheet, and income and expense sheet for the most recent tax year (for the two most recent tax years if possible). Cash flow projections (if available) are also useful. The business planner should go over the financials in detail with the farmer, asking questions where necessary, and pointing out areas of strength or weakness in the financials, bringing in a discussion of ratio analysis as appropriate. A good farm finance scorecard using ratio analysis is available from UVM Extension.

(b) Also at this time the S.W.O.T. should be reviewed and modified, reflecting any information taken from the financials, from the business planner's observations, or from new information or ideas provided by the farmer.

(c) Finally, the third meeting may be a good time to begin a goal setting process. Written goals help provide businesses with an identifiable direction over the long and short run. A suggested format is as follows:

(i) Begin with a mission statement that describes why the business exists based on the preferences and values of the owners.

(ii) Identify four to six general or long-range objectives.

(iii) Identify goals that are specific, measurable, achievable, and rewarding. Designate a time when each goal will be achieved.

(6) Engaging one or more technical assistance providers. The point person, in consultation with the business planner should now engage the services of one or more technical assistance providers. These can be staff of provider organizations or subcontracted private consultants. The point person should arrange with the business planner and farmer for an initial visit by one or more technical assistance providers.

(7) Fourth meeting: technical assistance, review goals.
   (a) The nature of the technical assistance visit will vary by the type of assistance required, but it is important for the business planner, and/or the point person to be present to orient the technical assistance provider to the process and ensure that the assistance can be integrated into the business plan. The technical assistance may require more than one visit, and in all cases should result in a written report that is shared with both the farmer and the business planner.
   (b) This meeting may also be an opportunity for the business planner and farmer to review and refine the mission statement, the objectives, and the specific goals.

(8) Fifth meeting: additional technical assistance, begin writing business plan.
   (a) Additional technical assistance should be coordinated as described above.
   (b) The business planner should introduce an outline of a business plan. By this time some of the elements of the business plan have already been assembled. Other elements may be mission. It is essential that the farmer be brought into this process as much as possible, with the business planner assigning "homework" as appropriate.

(9) Sixth (and subsequent) meetings: finalize business plan, project financials forward.
   (a) The business planner should schedule as many subsequent meetings as necessary to complete the business plan using the Viability Program's Business Plan Guideline (or similar outline).
   (b) A final component of the business plan should be a cash flow projection based on any management changes suggested by the business planning process.
   (c) The final business plan should be reviewed and signed by the farmer. The business planner should submit a copy to the point person, who should then forward a copy to the Viability Program.

(10) Follow-up and evaluation. Viability Program service providers may be asked by the Viability Program Coordinator to assist in follow-up evaluations of the Viability process.
   (a) This assistance may entail sharing with the Program Coordinator any information on participating farms collected by the service provider after the end of the business planning process.
   (b) The Program Coordinator may ask point persons or business planners to conduct phone surveys of farmers with whom they assisted with business plans to determine if goals described in the business plans have been met, specifically whether (i) management changes have been carried out, (ii) funding has been secured for new farm investments, (iii) new products have been successfully developed, and (iv) the farm's net farm income, and/or ratios of financial health have improved.