
THE FINANCIAL PLAN

The financial plan will help you (and any potential lender) estimate how much cash will be needed and when, in order to start and/or maintain a profitable business. You'll also be able to estimate how much profit you can generate, given the level of capital you are able (or willing) to invest.

The process of creating financial projections for your business's income, cash flow and financial position will force you to think through the financial transactions you plan to complete at a fairly high level of detail. Through this process, any discrepancies, gaps or unrealistic assumptions will more than likely come to light.

The information you will need to pull the financial projections together will, for the most part, already have been created when you completed the sales, operating and human resource plans in earlier sections. Since much of the information you'll be working with is subject to uncertainty, you'll be wise to create three sets of projections:

- a "pessimistic" scenario;
- a "most likely" scenario; and
- an "optimistic" scenario.

The change in profits and cash requirements from one scenario to another will indicate to you the degree of risk you're likely to be facing.

A more complete analysis of profitability and risk should be completed and a discounted cash flow should be prepared and included in your informal business plan.

When preparing a financial plan for an existing business, statements for the past two to three years should be included.

When the business plan is being used to acquire financing, detailed lists of inventories, accounts receivable, accounts payable, insurance coverage, copies of legal agreements, orders, letters of intent, appraisals, personal net worth statements and references may also be required.

The British Columbia Ministry of Agriculture, Fisheries and Food has Planning Packages available to producers to assist them in their planning process. The following schematic illustrates how the financial planning package can be used when developing a financial plan. Copies are available from the Farm Management Branch or your closest district office.

1. Comparative Analysis

An important business planning technique is comparative business analysis for the purpose of identifying areas of strength and areas for management to improve. In the Canadian dairy business this is best facilitated by standardized financial statements, supported by a common chart of accounts with comparisons on a per cow, per hectolitre and per cent sales basis. Individual farms may be compared against other farms or group averages to identify potential strengths and weaknesses.

Sample Dairy Farms has prepared the results of last year in this format as an example. The three right columns are useful for comparison with other dairy businesses keeping similar records and may guide management in business planning.

Comparative Analysis Example

Sample Dairy Farm Ltd. Income Statement for Comparative Business Analysis		85 Cows-Milking & Dry 7,220 Hectolitres			
		Last Year	Per Cow	Per HL	% Sales
Revenue:					
Net Milk Income	375,440	4,417	52.00	92.2%	
Livestock	25,333	298	3.51	6.2%	
Crops & Custom Work	6,640	78	0.92	1.6%	
Total Revenue	407,413	4,793	56.43	100.0%	
Variable Costs					
Bedding	2,453	29	0.34	0.6%	
Breeding	3,780	44	0.52	0.9%	
Custom Work	1,900	22	0.26	0.5%	
Depreciation - Equipment	1,900	22	9.57	17.0%	
Fertilizer/ Seed / Chemical	69,088	813	1.22	2.2%	
Freight	8,800	104	1.19	2.1%	
Gas & Oil	8,620	101	0.72	1.3%	
Purchased Feed & Forage	5,186	61	10.54	18.7%	
R & M - Equipment	76,107	895	1.46	2.6%	
Supplies	10,566	124	0.59	1.0%	
Testing	4,230	50	0.34	0.6%	
Utilities	2,422	28	0.78	1.4%	
Veterinary	5,650	66	1.21	2.0%	
Total Variable Costs	206,961	2,435	28.67	50.8%	
Change in Value of Inventories	(1,295)	(15)	-0.18	-0.3%	
Contribution Margin	205,666	2,420	28.49	50.5%	
	201,747	2,373	27.94	49.5%	
Other Expenses:					
Amortization of Quota	14,161	167	1.96	3.5%	
Depreciation - Bldgs & Other	30,447	358	4.22	7.5%	
Fees & Dues	300	4	0.04	0.1%	
Insurance & licences	5,240	62	0.73	1.3%	
Interest and Bank Charges	1,952	23	0.27	0.5%	
Interest on Long Term Debt	15,000	176	2.08	3.7%	
Office & Sundry	985	12	0.14	0.2%	
Professional Fees	1,980	23	0.27	0.5%	
Property Taxes	4,582	54	0.63	1.1%	
R & M - Buildings & Other	7,450	88	1.03	1.8%	
Rent	6,000	71	0.83	1.5%	
Vehicle & travel	3,895	46	0.54	1.0%	
Wages & Benefits - Hired	5,469	64	0.76	1.3%	
Wages & Benefits - Mgmt	60,000	706	8.31	14.7%	
Total Other Expenses	157,462	1,852	21.81	38.6%	
Net Income Before Tax	44,285	521	6.13	10.9%	

2. Income Statement

Prepare a schedule showing projected income from sales for the next three to five years. For an existing business, include information for the last two or three years. The following form shows an example for the Sample Dairy Farm. The “most likely” production target scenario has been used throughout the financial statements. The numbers used have been intentionally altered so that they do not reflect an actual situation and therefore you should not use them in preparing your own budget. The Sample Dairy Farm is projecting average milk prices to fall \$1 per hectolitre per year through the forecast period. Financial projections should always reflect the principle of conservatism where there is uncertainty.

PLEASE NOTE: This is for example purposes only and is not a forecast of actual milk prices.

Definitions for financial terms are included in the glossary.

Inventory adjustments. Farm income is often reported on a cash basis or when produce is sold. To accurately estimate expected income, unsold inventory and unused supplies are included in the income calculations thus showing accrued income. Farm expenses should also be adjusted to include expenses incurred but not paid or delete prepaid expenses.

Income Statement Example

Sample Dairy Farm Ltd. Income Statement

	2 Yrs Ago	Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
Farm Production Income							
Net Milk Income	382,660	375,440	477,140	525,600	515,088	504,576	494,064
Livestock	24,650	25,333	33,440	38,000	38,000	38,000	38,000
Crops & Custom Work	6,800	6,640	6,600	6,600	6,600	6,600	6,600
	414,110	407,413	517,180	570,200	559,688	549,176	538,664
Production Expenses							
Variable	2,592	2,453	3,238	3,679	3,679	3,679	3,679
Bedding	3,690	3,780	5,500	5,500	5,500	5,500	5,500
Breeding	1,345	1,900	2,000	2,000	2,000	2,000	2,000
Custom Work	91,310	69,088	64,998	62,558	56,188	54,750	51,109
Depreciation - Equipment	8,750	8,800	9,000	10,000	11,000	11,000	11,000
Fertilizer/ Seed / Chemical	8,590	8,620	11,508	12,930	12,930	12,930	12,930
Freight	4,854	5,186	6,923	7,779	7,779	7,779	7,779
Gas & Oil	72,583	76,107	101,602	114,160	114,160	114,160	114,160
Purchased Feed & Forage	9,789	10,566	14,106	15,850	15,850	15,850	15,850
R & M - Equipment	4,752	4,230	5,647	6,345	6,345	6,345	6,345
Supplies	2,350	2,422	3,032	3,633	3,633	3,633	3,633
Testing	5,586	5,650	7,500	8,100	8,100	8,100	8,100
Utilities	7,380	8,160	11,095	12,240	12,240	12,240	12,240
Veterinary					259,404	257,966	254,325
Total Variable Production Expenses	223,571	206,962	246,149	264,774	259,404	257,966	254,325
Change in Value of Inventories	480	(1,295)	0	0	0	0	0
	224,051	205,667	246,149	264,774	259,404	257,966	254,325
Contribution Margin	190,059	201,746	271,031	305,426	300,284	291,210	284,339
	45.9%	49.5%	52.4%	53.6%	53.7%	53.0%	52.8%
Other Expenses:							
Amortization of Quota	15,227	14,161	37,057	34,463	32,051	29,807	27,721
Depreciation - Bldgs & Other	33,830	30,447	38,653	46,100	41,612	37,566	33,920
Fees & Dues	300	300	300	300	300	300	300
Insurance & Licences	5,125	5,240	6,400	6,400	6,400	6,400	6,400
Interest and Bank Charges	1,856	1,952	2,300	2,300	2,300	2,300	2,300
Interest on Long Term Debt	20,000	15,000	68,067	63,571	58,604	53,117	47,055
Office & Sundry	1,060	985	1,000	1,000	1,000	1,000	1,000
Professional Fees	1,560	1,980	3,000	2,500	2,500	2,500	2,500
Property Taxes	4,355	4,582	5,500	5,500	5,500	5,500	5,500
R & M - Buildings & Other	7,286	7,450	10,000	11,000	11,500	12,000	12,500
Rent	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Vehicle & travel	1,688	3,895	1,700	1,700	1,700	1,700	1,700
Wages & Benefits - Hired	4,587	5,469	27,000	27,000	27,000	27,000	27,000
Wages & Benefits - Mgmt	50,000	60,000	60,000	60,000	60,000	60,000	60,000
Total Other Expenses	152,875	157,462	266,977	267,834	256,467	245,190	233,895
Net Income Before Tax	37,185	44,284	4,053	37,591	43,817	46,020	50,443
Income Tax	9,296	11,071	1,013	9,398	10,954	11,505	12,611
Net Income After Tax	27,888	33,213	3,040	28,194	32,863	34,515	37,832

3. Cash Flow Summary

Accurate cash flow planning is essential. Inadequate working capital is a common cause of small business failure, especially during the first three to five years. When cash flow is tight, you may want to evaluate the benefits of leasing rather than purchasing capital assets.

Identify the cash inflows and outflows for your business operation over three to five years of operations. Some expenses, such as insurance, are paid all in one payment, creating peaks and valleys in cash flows. The

5 Year Cash Flow Example

Sample Dairy Farm Cash Flow Statement		2 Yrs Ago	Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
Farm Production Income		414,110	407,413	517,180	570,200	559,688	549,176	538,664
Funds Borrowed		0	0	700,000	0	0	0	0
Total Cash Received		414,110	407,413	1,217,180	570,200	559,688	549,176	538,664
Variable Cash Expenses								
Bedding	2,592	2,453	3,238	3,679	3,679	3,679	3,679	3,679
Breeding	3,690	3,780	5,500	5,500	5,500	5,500	2,000	2,000
Custom Work	1,345	1,900	2,000	2,000	2,000	11,000	11,000	11,000
Fertilizer/ Seed / Chemical	8,750	8,800	9,000	10,000	11,000	12,930	12,930	12,930
Freight	8,590	8,620	11,508	12,930	12,930	7,779	7,779	7,779
Gas & Oil	4,854	5,186	6,923	7,779	7,779	114,160	114,160	114,160
Purchased Feed & Forage	72,583	76,107	101,602	114,160	114,160	15,850	15,850	15,850
R & M - Equipment	9,789	10,566	14,106	15,850	15,850	6,345	6,345	6,345
Supplies	4,752	4,230	5,647	6,345	6,345	3,633	3,633	3,633
Testing	2,350	2,422	3,032	3,633	3,633	8,100	8,100	8,100
Utilities	5,586	5,650	7,500	8,100	8,100	12,240	12,240	12,240
Veterinary	7,380	8,160	11,095	12,240	12,240			
Total Variable Cash Costs	132,261	137,874	181,151	202,216	203,216	203,216	203,216	203,216
Other Cash Expenses:								
Fees & Dues	300	300	300	300	300	300	300	300
Insurance & licences	5,125	5,240	6,400	6,400	6,400	6,400	6,400	6,400
Interest and Bank Charges	1,856	1,952	2,300	2,300	2,300	2,300	2,300	2,300
Interest on Long Term Debt	20,000	15,000	68,067	63,571	58,604	53,117	47,055	42,569
Office & Sundry	1,060	985	1,000	1,000	1,000	1,000	1,000	1,000
Professional Fees	1,560	1,980	3,000	2,500	2,500	2,500	2,500	2,500
Property Taxes	4,355	4,582	5,500	5,500	5,500	5,500	5,500	5,500
R & M - Buildings & Other	7,286	7,450	10,000	11,000	11,500	12,000	12,500	13,000
Rent	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Vehicle & travel	1,688	3,895	1,700	1,700	1,700	1,700	1,700	1,700
Wages & Benefits - Hired	4,587	5,469	27,000	27,000	27,000	27,000	27,000	27,000
Wages & Benefits - Mgmt	50,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Income Tax Expense	9,296	11,071	1,013	9,398	10,954	11,505	12,611	13,717
Livestock purchases	5,869	0	72,000	0	0	0	0	0
Asset Purchases	0	0	375,000	0	50,000	40,000	35,000	30,000
Quota Purchases	0	0	455,000	0	0	0	0	0
Debt Principal Repayment	50,000	50,000	142,939	47,436	52,403	57,890	63,952	70,000
Total Other Cash Expenses	168,982	173,924	1,237,220	244,104	296,161	287,212	283,817	280,422
Total Cash Expenditures	301,243	311,798	1,418,371	446,320	499,377	490,428	487,033	483,638
Cash Surplus or (Deficit)	112,867	95,615	(201,191)	123,880	60,311	58,748	267,791	255,026
Opening Cash Balance	17,561	130,428	226,043	24,852	148,731	209,043	267,791	319,422
Closing Cash Balance	130,428	226,043	24,852	148,731	209,043	267,791	319,422	381,448

Note: Projected income tax expense estimated at 25%. Actuals will be based on 5 year averaging.

surplus or deficit at the bottom of the statement will show the increase or decrease of any bank loan which you will require during the year. Quarterly summaries are often adequate but occasionally monthly summaries are required. The examples compare the year 1 cash flow with its quarterly peaks and valleys. Cash flow planning is critical.

The BCMAFF has Planning Packages available to producers to assist them with detailed instruction on preparing a farm cash flow projection. Copies are available from the Farm Management Branch or your district office.

Quarterly Cash Flow Example

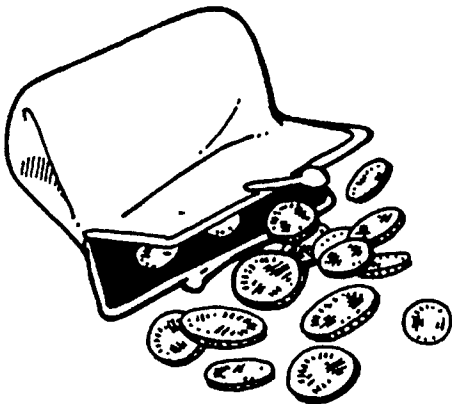
Sample Dairy Farm Cash Flow Statement-Year 1 Quarterly	Q1	Q2	Q3	Q4	Year 1
Farm Production Income	99,777	126,863	145,270	145,270	517,180
Funds Borrowed-Mortgage	200,000	500,000	0	0	700,000
Total Cash Received	299,777	626,863	145,270	145,270	1,217,180
Variable Cash Expenses					
Bedding	810	810	810	810	3,238
Breeding	1,375	1,375	1,375	1,375	5,500
Custom Work	500	500	500	500	2,000
Fertilizer/ Seed / Chemical	4,500	4,500	0	0	9,000
Freight	2,220	2,823	3,232	3,232	11,508
Gas & Oil	1,731	1,731	1,731	1,731	6,923
Purchased Feed & Forage	19,601	24,923	28,539	28,539	101,602
R & M - Equipment	3,527	3,527	3,527	3,527	14,106
Supplies	1,412	1,412	1,412	1,412	5,647
Testing	758	758	758	758	3,032
Utilities	1,875	1,875	1,875	1,875	7,500
Veterinary	2,774	2,774	2,774	2,774	11,095
Total Variable Cash Expenses	41,082	47,006	46,532	46,532	181,151
Other Cash Expenses:					
Fees & Dues	75	75	75	75	300
Insurance & licences	1,600	1,600	1,600	1,600	6,400
Interest and Bank Charges	575	575	575	575	2,300
Interest on Long Term Debt	17,017	17,017	17,017	17,017	68,067
Office & Sundry	250	250	250	250	1,000
Professional Fees	750	750	750	750	3,000
Property Taxes	0	5,500	0	0	5,500
R & M - Buildings & Other	2,500	2,500	2,500	2,500	10,000
Rent	1,500	1,500	1,500	1,500	6,000
Vehicle & travel	425	425	425	425	1,700
Wages & Benefits - Hired	6,750	6,750	6,750	6,750	27,000
Wages & Benefits - Mgmt	15,000	15,000	15,000	15,000	60,000
Income Tax Expense	253	253	253	253	1,013
Livestock purchases	0	72,000	0	0	72,000
Asset Purchases	200,000	175,000	0	0	375,000
Quota Purchases	0	455,000	0	0	455,000
Debt Principal Repayment	110,737	10,734	10,734	10,734	142,939
Total Other Cash Expenses	357,432	764,929	57,429	57,429	1,237,220
Total Cash Expenditures	398,514	811,935	103,961	103,961	1,418,371
Cash Surplus or (Deficit)	(98,738)	(185,072)	41,309	41,309	(201,191)
Opening Cash Balance	226,043	127,305	(57,767)	(16,457)	226,043
Closing Cash Balance	127,305	(57,767)	(16,457)	24,852	24,852

4. Projected Statement of Assets, Liabilities and Owner's Equity

Prepare a schedule showing a projected statement of assets and liabilities at the end of each year for the next three to five years. For an existing business, include information for the last two or three years. The example illustrates how the Sample Dairy Farm completed this schedule.

The letters in the example are references to help explain how this statement is prepared. Definitions for the financial terms are included in the glossary.

The British Columbia Ministry of Agriculture, Fisheries and Food has Planning Packages available to producers to assist them with detailed instruction on how to prepare a farm balance sheet. Copies are available from the Farm Management Branch or your closest district office.



Statement of Assets, Liabilities and Owner's Equity Example

STATEMENT OF ASSETS, LIABILITIES AND OWNER'S EQUITY

	2 Yrs Ago	Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT ASSETS:							
Cash	130,428	226,043	24,852	148,731	209,043	267,791	319,422
Inventory	20,400	21,695	21,695	21,695	21,695	21,695	21,695
Accounts Receivable	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Current Assets	170,828	267,738	66,547	190,426	250,738	309,486	361,117
INTERMEDIATE ASSETS:							
Livestock	201,098	201,098	273,098	273,098	273,098	273,098	273,098
Machinery and Equipment	299,240	230,152	290,154	227,595	221,407	206,657	190,548
Total Intermediate Assets	500,338	431,250	563,252	500,693	494,505	479,755	463,646
FIXED ASSETS:							
Land	640,000	640,000	640,000	640,000	640,000	640,000	640,000
Farm Buildings	304,474	274,026	485,374	439,274	397,662	360,096	326,176
Total Fixed Assets	944,474	914,026	1,125,374	1,079,274	1,037,662	1,000,096	966,176
Intangible Assets	300,000	285,839	703,781	669,318	637,267	607,460	579,739
TOTAL ASSETS	1,915,639	1,898,853	2,458,953	2,439,711	2,420,171	2,396,796	2,370,677
CURRENT LIABILITIES:							
Operating Loan	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Accounts Payable	0	0	0	0	0	0	0
Total Current Liabilities	15,000	15,000	15,000	15,000	15,000	15,000	15,000
TERM LIABILITIES:							
Loan No. 1	150,000	100,000	0	0	0	0	0
Loan No. 2	657,061	609,625	657,061	609,625	557,222	499,333	435,381
Total Term Liabilities	150,000	100,000	657,061	609,625	557,222	499,333	435,381
TOTAL LIABILITIES	165,000	115,000	672,061	624,625	572,222	514,333	450,381
OWNER'S EQUITY							
Share Capital	400	400	400	400	400	400	400
Retained Earnings	1,750,239	1,783,452	1,786,492	1,814,686	1,847,549	1,882,063	1,919,896
Total Owner's Equity	1,750,639	1,783,852	1,786,892	1,815,086	1,847,949	1,882,463	1,920,296
TOTAL LIABILITIES AND OWNER'S EQUITY	1,915,639	1,898,852	2,458,953	2,439,711	2,420,171	2,396,796	2,370,676

5. Capital Sales, Purchases

Investors and lenders will require detailed information on the capital purchases that are anticipated during the planning period as well as information on how these assets are to be financed and the expected useful life of the assets. This can be done for a new business where totalled values would be given, or for an established or expanding business which would detail just the changes anticipated.

Leasing assets and contracting services may be considered where they can be employed as a feasible way to increase profitability or reduce risk.

The following shows the anticipated capital requirements of the Sample Dairy Farm:

Capital Sales, Purchases Example

Schedule of Fixed Asset Purchases Required

	Year 1	Year 2	Year 3	Year 4	Year 5
Eligible Capital Equivalent					
Quota	455,000				
Total quota	455,000	0	0	0	0
Buildings					
Barn	200,000				
Roofed Manure Storage	50,000				
Total Buildings	250,000	0	0	0	0
Equipment					
Milking Equipment	95,000				
Milk Tank Upgrade	30,000				
Feeding systems				40,000	
Total Equipment	125,000	0	0	40,000	0
Mobile Equipment					
Tractor			50,000		
Harvesting Equipment					35,000
Total Mobile Equipment	0	0	50,000	0	35,000
Total Asset Purchases	830,000	0	50,000	40,000	35,000

6. Loan Summary

Information on loans is required for both existing loans and new loans. Loan information should outline the interest rate being paid, frequency of payments, security given, type of loan, i.e. amortized (where annual payments remain the same over the life of the loan) or non-amortized and outstanding balance, the amount of the loan for new loans and the outstanding balance, and financial institution for existing loans.



Loan Summary Example

Loan Schedule		Year One								
	Amount Owing	Interest Rate	Payment Frequency	Annual Payment	Principal	Interest	Source/lender	Security Provided	Term Years	Amortized Non-Amortized (A)/(N)
Existing Loans										
Operating Loans		11%								
Intermediate Loans										
Long term Loans	100,000	10%	-	-	50,000 per year	-	J.R.B.	Note		N
Total	100,000				(to be paid out by new loan)					
New Loans										
Short Term Loans										
Operating Loan		11%								
Intermediate Loans										
Long term Loans	700,000	10%	X 12	111,007	42,939	68,067	Bank	1st Mortgage	10	A
Total	700,000			111,007	42,939	68,067				

7. Financial Performance Indicators

In this final section, project profit, risk, and growth ratios for your business. These ratios are calculated from information on the financial statements and provide guidelines to measure the progress of your business and alert you to problems.

Profitability ratios including Return on Equity and Return on Investment indicate how efficiently your capital is being used.

Risk ratios including the Current Ratio, the Debt Servicing Ratio, and Debt to Equity Ratio indicate the ability of your business to carry on when unexpected problems arise.

Growth ratios including the Sales Growth ratio and the Equity Growth ratio can be used to track financial progress.

Future ratios should be based on the "most likely" sales forecast. For more information and examples of how to calculate these ratios refer to the British Columbia Ministry of Agriculture, Fisheries and Food Factsheet: 1990-07 *Financial Analysis Using Financial Ratios*.

The example form shows the ratios for the Sample Dairy Farm.

Financial Performance Indicators Example

Financial Ratios (Formula)	2 Yrs Ago	Last Year	Year 1	Year 2	Year 3	Year 4	Year 5	Bench-mark
Profitability Ratios								
Return on Equity (%) $\frac{\text{net income} \times 100}{\text{total equity}}$	2.1%	2.5%	0.2%	2.1%	2.4%	2.4%	2.6%	> term deposits
Return on Investment (%) $\frac{\text{net income} + \text{paid interest} \times 100}{\text{total investment}}$	3.0%	3.1%	2.9%	4.1%	4.2%	4.1%	4.1%	> interest on term loans
Risk Ratios								
Current Ratio $\frac{\text{current assets}}{\text{current liabilities}}$	11.4	17.8	4.4	12.7	16.7	20.6	24.1	>2
Debt to Equity Ratio $\frac{\text{total liabilities}}{\text{owners' equity}}$	9.4%	6.4%	37.6%	34.4%	31.0%	27.3%	23.5%	18%
Interest Coverage Ratio $\frac{\text{net income} + \text{interest}}{\text{interest expense}}$	2.9	4.0	1.1	1.6	1.7	1.9	2.1	positive
Debt Servicing Ratio (%) $\frac{\text{annual payments} \times 100}{\text{total revenue}}$	16.9%	16.0%	40.8%	19.5%	19.8%	20.2%	20.6%	< 30%
Growth Ratios								
Sales Growth (%) $\frac{\text{sales increase} \times 100}{\text{previous sales}}$	n/a	-1.6%	26.9%	10.3%	-1.8%	-1.9%	-1.9%	positive
Equity Growth (%) $\frac{\text{equity increase} \times 100}{\text{previous years equity}}$	n/a	1.9%	0.2%	1.6%	1.8%	1.8%	2.0%	positive

THE LONG- RANGE PLAN

The long range plan (covering the next 5 to 10 years) helps to keep your business progressing toward goals which are consistent with your long-range goals and objectives. Answers to questions such as “where would I like the business to be in 10 years?” and “what will the business look like?” will form the backbone of your long-range plan. When you’ve defined the goals and objectives, you can then anticipate the major steps or milestones which must be reached over the next five years in order to achieve the longer term objectives.

Reaching these milestones will likely require additional management, production or marketing skills. You can begin to think about what these needs are now and formulate plans to acquire them. The example on the next page shows the plans the Sample Dairy Farm has for the future.

Long-Range Planning Example

Business Goals and Objectives

- Maintain a profitable business with a positive net income.
- Maintain the production goals set forth in this plan.
- Provide high quality milk with due care for the environment.
- Maintain high quality of life.

Major Milestones

- Train children in management and involve in management decisions.
- Formalize plan for children to take over farm if desired undertaking estate planning as required.
- Retire mortgage and turn operation over to children or sell within 20 years.

Additional Production, Financial and Labour Management, or Marketing Skills Required

- Develop labour management and financial management skills and pass on to children.
- Attend workshops and conferences to improve knowledge on various aspects of dairying.

Other Assistance (non financial) required

- Information on management of large dairy herds to plan for possible future expansions.

