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# Starting an Ag-Business? *A Pre-Planning Guide*



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### **First things first: what agricultural enterprises are you thinking about starting?**

If you don't already know, take a look at the next few pages and get some ideas. During this exercise, don't think about money, in fact, don't think about anything except what agricultural enterprise you think that you would enjoy! There will be plenty of opportunities in the remainder of this book to think about money. Plus, most farmers do not start an agricultural enterprise simply for money—most do it because they enjoy it as well!

#### **Commodity production**

On the next two pages is a list of the top commodities grown in New York State. This list was compiled from the USDA National Agricultural Statistics Service in 2003. This list is not comprehensive, but commodities found on this list would most likely receive more support in New York (expertise and allied industries).

**Livestock Production** - Dairy and animal production in New York provided nearly \$1.87 billion to farmers in 2002. That accounts for nearly 60 percent of all cash receipts.

**Dairy Products** - Milk is New York's leading agricultural product and is produced all across the state. **Milk** sales account for over one-half of total agricultural receipts. Production in 2002 was 12.2 billion pounds with a value of \$1.56 billion.

**Meat Production** - New York livestock producers marketed 211 million pounds of meat animals during 2002 bringing in \$116 million in cash receipts. Sales from **cattle and calves** accounted for \$108 million of the total, **hogs and pigs** returned \$6.4 million and **sheep and lambs** provided \$2.0 million.

**Poultry Production** - The value of New York eggs, broilers and turkeys plus the value of sales for other chickens totaled \$64.6 million for 2002. **Eggs** made up \$44.8 million of the total followed by **ducks** at \$10.9 million.

**Fruits** - New York's fruit crops were valued at \$179 million in 2002. Apples and Grapes lead New York fruit crops in value. **Apples** - New York ranks 2nd nationally with a crop worth about \$102 million in 2002. Three general areas produce most of the apples: along the southern Lake Ontario shore, along the Hudson Valley, and along the upper Lake Champlain Valley. New York's leading varieties are McIntosh, Empire, Rome, Idared and Red Delicious.

**Grapes** - Wine and juice grape production place New York 3rd behind California and Washington. The crop was worth \$43.3 million in 2002. Two-thirds of the production was for **juice** and one-third went into **wines**. The four major producing areas are: Lake Erie area, the Finger Lakes, the Hudson Valley and the eastern end of Long Island.

**Tart Cherries** - Production in New York ranks 3rd in the Nation. Tart cherry production totaled 12.7 million pounds with a value of \$6.42 million.

**Pears** - production ranked 4th in the nation with 9,850 tons and had a value of \$3.68 million.

**Strawberries** - are the 3rd most valuable fruit in New York and places New York 7th in national production. About 6.30 million pounds were harvested in 2002 and returned \$8.82 million to growers.

**Vegetables** - The value of vegetables totaled \$476 million in 2002. Fresh market vegetables rank 6th and processing vegetables are 9th among all states. Leading crops in New York are cabbage, sweet corn and onions. **Cabbage** - The nation's leader in production, cabbage is principally grown south of Lake Ontario in Monroe, Genesee, Orleans, Ontario and Niagara counties. New York cabbage is typically stored for sale as fresh during winter months. Value of the crop in 2002 totaled \$48.6 million. **Sweet Corn** - Produced statewide, fresh market sweet corn had a value of \$89.8 million. Concentrations are found in the Lower Hudson Valley and around the Genesee Valley. The 2002 fresh market crop, worth \$83.6 million, placed 3rd nationally and the processing crop valued at \$6.21 million ranked 6th. **Onions** - An important crop worth \$33.8 million in 2002. Onions are grown in New York's muck soils in Orange, Orleans, Oswego, Madison and Wayne counties. The state ranked 8th in production for 2002 with 258 million pounds. **Snap Beans** - Grown in the Central and Western regions for fresh and processing. The 2002 crop was valued at \$48.9 million. Fresh production accounted for 31 percent of the total and puts New York 2nd across the nation. Processing sales of \$11.1 million rank New York 3rd.

**Other Vegetables** - **Tomatoes** (\$24.0 million - 8th nationally), **Pumpkins** (\$23.8 million - 1st nationally), **Cucumbers** (\$22.5 million - 4th nationally), **Squash** (\$18.8 million - 5th nationally), **Green Peas** for processing (\$8.13 million - 4th nationally), **Cauliflower** (\$3.97 million - 3rd nationally).

**Field Crops** - New York produces a variety of field crops largely in support of its dairy industry. Corn, oats and wheat are most widely grown with soybeans steadily increasing importance. New York ranks 3rd in corn silage, valued at \$194 million. Production of **grain corn** ranked 21st with a value of \$124 million. **Soybeans** were valued at \$24.5 million. The state placed 9th in **oat** production, 31st in **wheat** and 20th for soybeans. **Hay** production put New York 17th and was valued at \$374 million in 2002. Most hay is used on farms and its value is realized through sale of milk and livestock. **Potatoes** reached a value of \$64.4 million in 2002 and made New York the 12th leading producer.

**Maple Syrup** - At \$6.84 million, New York ranks 2nd behind Vermont in value but was 3rd with 210,000 gallons produced behind Vermont and Maine in 2003

**Floriculture Crops** - In 2002, New York floriculture products were valued at \$185 million. Bedding and garden plants top the list of commodities. New York's floriculture output ranks 6th nationally. A variety of crops are produced in 25 million square feet of covered area and in 1,034 acres of open ground.

**Christmas Trees** provide about \$18 million of sales and made New York the 11th leading producer in 2001.

## **“Alternative” agricultural products**

If commodity production does not sound like it is what you would like to do, then perhaps you are more interested in an “alternative” agricultural product—alternative meaning that it is an alternative to conventional commodity production. The list below was compiled by the Cornell Farming Alternatives program and has been edited since that time. This list is by no means complete, but perhaps you will find something that interests you.

### **Biotech Products and Products for Scientific Use**

Animals raised for medical use

Animals raised for medical products

#### **Field Crops**

Aduki beans

Amaranth grain for food and feed

Barley, waxy hull-less

Bird seed (sunflowers, millet, canary, etc.)

Buckwheat

Canola for oil

Comfrey

Corn snack foods

Crambe

Field peas (food and feed)

Fresh or stone ground flours, arid grains

Fuel crops (ethanol generation, etc.)

Garbanzo beans

Indian corn, miniature or regular sized

Kenaf

Lentils

Lupines, Sweet (as cash grain and for feed)

Malting barley

Medics

Mustard

Organically grown grains of all types

Popcorn, white arid colored

Seed production

Natto soybeans

Soybeans for human consumption

Soybeans processed into tofu, tempeh food products

Sunflower for oil and birdseed

Value added seed production (Registered and Certified Seed)

Wild rice

#### **Fish and Game**

Beefalo (hybrid of buffalo and beef)

Buffalo (American Bison)

Deer farming

Fallow deer, Red deer, white tailed deer

Elk (Wapiti)

Fish bait-worms, minnows

Game farms for tourists

Guinea fowl

Mallard duck for meat  
Peacocks for feathers  
Pheasant rearing for release/restocking programs and for meat  
Rabbits for meat  
Rabbits (Angora) for hair  
Salmon, Trout

**Forest Products**

Apple tree firewood  
Christmas trees  
Firewood  
Furniture, e.g. outdoor chairs, picnic tables  
Nuts  
Sawlogs  
Tree seed collection  
Toys from wood

**Fruits**

Apples, Applesauce  
Berry products, jams, jellies, wines, juices, pie fillings  
Blackberries  
Blueberries, highbush cultivated and low bush foraged  
Cider  
Cranberries, Currants, Dried fruit  
Elderberries, elderberry wine  
Fresh white and pink grape juice  
Gooseberries  
Grape pie filling  
Homemade jams, jellies  
Mixed berry juices  
Melons  
Pick-your-own products  
Raspberries, red, black, purple, and yellow  
Raspberries, chocolate covered  
Rhubarb products  
Strawberries, day neutral types  
Table grapes, seeded and seedless  
Wine grapes for home brewing market

**Horticultural/Nursery**

Annual flowers sold as potted plants  
Dried flowers, cultivated and wild  
Field grown cut flowers  
Field grown mums  
Greenhouse production  
Herb bedding plants  
Herbs for culinary purposes  
Herbs for potpourri and dried arrangements  
Ornamental shrubs and perennial flowers  
Organically raised bedding plants and fruit trees  
Potted annuals  
Specialty bedding plants  
Vegetable transplant/bedding plant production

Wild flowers and seeds

**Livestock and Animals**

Beef, conventional and organic or "chemical free" buffalo

Donkeys, miniature

Elk, meat processing, jerky

Fox, red, silver, and blue

Goats for milk (fresh and cheese) and meat

Goats (Angora) for hair

Honey and beeswax products

Horses, trail rides, draft horse breeding, caval, miniatures, exotic

Llama for pack animals, hair, and pets

Mink

Mules, donkeys

Rabbits for meat and lab animals

Rabbits (Angora) for hair

Sheep for lamb and mutton, wool, milk (for cheese)

Sheep wool for home spinning market

Sheepskin leather products

Veal, conventional and "FACT" certified

**Poultry**

Balut (duck eggs partially incubated)

Chicken eggs partially developed for oriental markets

Chicken processed into patties for wholesale markets

Duck for meat

Ducks for liver pate

Free range poultry of all types

Geese

Organically raised poultry of all types

Turkey, fresh, frozen or cooked

**Services and Recreation**

Antique shop

Barn dances

Bed and breakfast inn

Boat storage

Campground

Child care in country setting

Chuck wagon

Composting of municipal wastes

Confections and candles

Entertainment agriculture

Subscription farming

Crafts

Antique restoration

Custom machinery work

Custom planting and care of window boxes and container annuals

Custom planting and care of vegetable gardens

Custom slaughter

Farm sitting

Gift shops

Hunting, fishing, and nature hike guides

Lectures on herbs, gardening at farm  
 Museum of old farm equipment on working farm  
 Pet motels for large as well as small animals  
 Petting zoo  
 Religious services held on farm, e.g. sunrise Easter services, weddings  
 Restaurant  
 Seed and supplies distributor  
 Sleigh rides with work horses  
 Small engine repair  
 Taxidermy, mammal and bird  
 Tours for public, school children, bus tours of farm, winery, etc.  
 Trail rides  
 Vacations on farm  
 Wagon trains  
**Vegetables**  
 Asparagus, Baby vegetables  
 Cabbage  
 Carrots  
 Celery  
 Cole crops (broccoli, cauliflower, brussel sprouts, kohlrabi)  
 Corn, miniature  
 Garlic  
 Gourds, ornamental  
 Gourmet vegetables  
 Horseradish  
 Hydroponically produced crops, out of season  
 Indian corn, regular, strawberry type, and mini-multicolored  
 Mushrooms, bisporous, shiitake, etc.  
 Onions (diversification, e.g. transplants, shallots, sweet, early)  
 Organic vegetables of all types  
 Oriental vegetables  
 Peppers, green and specialty types (purple, hot, etc.)  
 Pumpkins  
 Red beets  
 Sprouts (Alfalfa, bean, etc.)  
 Squash  
 Sweet corn  
 Sweet potatoes  
 Tomatoes, little yellow types

**What if my idea isn't on either list?**

No need to be discouraged—in fact, you should be encouraged! You may have thought of something that is new and improved that no one else is currently producing!



**Worksheet #1: Use this worksheet for up to 5 different products/product strategies**

Marketing Worksheet	#1	#2	#3	#4	#5
Business Idea					
1. Describe your product or service. What are its attributes, its benefits?					
2. Who is likely to buy this product or service? What are characteristics of this customer?					
3. How are you going to reach your customer? Wholesale? Retail? How many potential customers are nearby?					
4. How will your customer find out about you and the products you offer?					
5. What is your expected range of prices that you will receive?					
6. Who is the competition and what do they offer? What makes your product better than those that they offer?					

**Worksheet #2: Describe the land characteristics that you will need or that are available for your agricultural enterprises**

Land Characteristics	#1	#2	#3	#4	#5
Product					
1. Land Capability (Crop growing factors) (Soil class needed) (Soil amelioration?)					
2. Location Factors (Personal preference) (Marketing factors) (Zoning restrictions?)					
3. Other Factors (water availability?) (building sites?) (Utilities/services?) (access to inputs and service providers?)					
4. Buy or Rent? (Options?) (Cost of each?)					

**Worksheet #3: Describe the buildings and facilities that you will need for your agricultural enterprise**

Building & Facilities	#1	#2	#3	#4	#5
Product					
1. What type of housing is desired?					
2. What buildings & facilities are required?					
3. Build, renovate, or rent the building & facilities?					
4. Cost of each option?					

**Worksheet #4: Describe the equipment that you will need for your agricultural enterprise**

Equipment Worksheet	#1	#2	#3	#4	#5
Product					
1. What equipment is needed?					
2. Buy, rent, or custom hire your equipment?					
3. Estimate the cost of the equipment					

### Worksheet #5: Capital Start-up costs

What are the total costs for those items that you are BUYING (write down a range):

Land Costs:	From	\$ _____	To	\$ _____	(Total cost)
Buildings and Facilities:	From	\$ _____	To	\$ _____	(Total cost)
Equipment	From	\$ _____	To	\$ _____	(Total cost)

### Worksheet #6: Sunk costs for permits, licenses, and fees

Estimate the costs of permits, licenses, and fees to start your new enterprise:

Required permits:	_____	Costing \$ _____
Required licenses:	_____	Costing \$ _____
Other fees:	_____	Costing \$ _____
		Total Cost \$ _____

### Worksheet #7: Costs to “turn on the lights”

Estimate the costs of operation that are incurred before the first sale of product:

Monthly operating cost:	\$ _____
Months before 1 <sup>st</sup> sale:	_____
Total Cost:	\$ _____



### Total up your start up costs

From worksheets #5-#7, total up all the start up costs that you will incur with your business ideas. You may have a range of costs if you have multiple business ideas.

Total Start up costs will range from \$ \_\_\_\_\_ to \$ \_\_\_\_\_

### How will you finance your start up costs?

To cover these costs, you will to use your own money or someone else’s money. Using your own money (or bringing in financial partners) is often called “equity financing” and using someone else’s (namely, the bank) money is called “debt financing.” For the purposes of this workbook, we are only going to cover debt financing\*.

How much of the start up costs will be financed with debt? \$ \_\_\_\_\_

What are the terms of the debt? Length of loan: \_\_\_\_\_ Interest rate: \_\_\_\_\_

What will the payments be per month?	\$ _____	Principal
	\$ _____	Interest
	\$ _____	Total Payment/month

What are the payments per year?	\$ _____	Principal
	\$ _____	Interest
	\$ _____	Total Payment/year

\* If you are considering bringing in equity partners to your business, you should request a copy of “Doing Business Together: A Joint Business Agreement Guide” (\$12) from NY FarmLink 1-800-547-3276. This will help you structure the right business agreement.

**Worksheet #8: Determine your cost of goods sold**

Idea #1:		Idea #2:		Idea #3:		Idea #4:	
Unit:		Unit:		Unit:		Unit:	
Cost of goods sold	\$						
<b>Total</b>		<b>Total</b>		<b>Total</b>		<b>Total</b>	

**Worksheet #9: Determining your overhead costs**

Overhead Costs	\$
Interest	
Office/Management Salaries	
Insurance	
Repairs, Building	
Equipment Repairs/Vehicle Expense	
Property Taxes	
Lease/Rental/Custom	
Land Rent	
Office Supplies	
Professional Services	
Miscellaneous/Other	
<b>TOTAL FIXED COSTS</b>	

**Worksheet #10: Determining your necessary profit**

What must profit include?	\$
Family living expenses	
Bank principal payments	
Income taxes	
Retained Earnings	
Other	
<b>DESIRED PROFIT:</b>	

**Summarize Worksheets #8-#10**

Take the results from worksheets #8, #9, and #10 and write them in the blanks below

Idea #1: \_\_\_\_\_ Total Cost of goods sold: \$ \_\_\_\_\_

Idea #2: \_\_\_\_\_ Total Cost of goods sold: \$ \_\_\_\_\_

Idea #3: \_\_\_\_\_ Total Cost of goods sold: \$ \_\_\_\_\_

Idea #4: \_\_\_\_\_ Total Cost of goods sold: \$ \_\_\_\_\_

Total Annual Fixed Costs (all ideas): \$ \_\_\_\_\_

Total Annual Profit: \$ \_\_\_\_\_

**Determine your margin**

Margin	=	Overhead cost	+	Desired Profit
\$ _____	=	\$ _____	+	\$ _____

**Determine how much product can be produced and sold**

<u>Product/Service</u>	<u>Range of production volume</u>
Idea #1: _____	Volume of product: _____ to _____
Idea #2: _____	Volume of product: _____ to _____
Idea #3: _____	Volume of product: _____ to _____
Idea #4: _____	Volume of product: _____ to _____

**Calculating your per unit margin**

<u>Product/Service</u>	<u>Margin\Volume</u>	<u>Per Unit Margin</u>
Idea #1: _____	_____ \ _____	= \$ _____
Idea #2: _____	_____ \ _____	= \$ _____
Idea #3: _____	_____ \ _____	= \$ _____
Idea #4: _____	_____ \ _____	= \$ _____

