



The Intersection of Business Planning, Risk Management and Food Safety

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FSMA Produce Safety Rule

First ever mandatory Federal standard for growing, harvesting, packing, and holding of fresh produce

Some growers may be eligible for an exemption or excluded based on:

- Commodities grown (e.g., rarely consumed raw)
- Processing activities that include a ‘kill step’
- Average annual produce sales
- Average annual food sales and sales to ‘qualified end users’

Ultimately, all growers should understand and take action to reduce food safety risks on farm

Produce Safety Rule Compliance

Business Size

Compliance by

All others (>\$500K)

January 26, 2018

Small (>\$250K-500K)

January 26, 2019

Very small (>\$25K-250K)

January 26, 2020

**Compliance dates for certain aspects of the agricultural water requirements allow an additional two years beyond each of these compliance dates.*

What FSMA Changes

FSMA brings with it REQUIRED recordkeeping

FSMA puts in place required accountability for:

- Worker Health, Hygiene and Training
- Soil Amendment Assurances
- Wildlife, Domesticated Animals and Land Use
- Agricultural Water Quality Monitoring
 - Production and Post-Harvest
- Post-Harvest Handling and Sanitation

Ultimately, all growers should understand and take action to reduce food safety risks on farm

What We Will Cover Today

Business Plans

Recordkeeping

Risk Management

FSMA Recordkeeping Requirements

Impacts on Business Planning

What is a Business Plan ?

A Business Plan is a written outline that evaluates all aspects of the economic viability of your business.

In other words, it is the roadmap that helps you improve the management of your business.

According to the (SBA, 2009) a clear business plan explains:

- Who you are
- Why you are in business
- What you do
- How you do it
- Where you operate
- How you generate profits
- How your customers are
- Why your business is important

Purpose and Format of a Business Plan?

A business plan has two purposes:

1. Help the business management team make decisions to meet the specified objectives and goals; and
2. Help sell the feasibility of the business to bankers and other potential investors when requesting needed capital.

The Business Plan format is a systematic assessment of all the factors critical to your business purpose and goals.

Why Prepare a Business Plan?

A business plan is useful in many ways:

- It will define and focus your objective using appropriate information and analysis.
- It uncovers omissions and/or weaknesses in your planning process.
- It demonstrates the business has a plan and is well managed
- It is a selling tool when dealing with important relationships including your banks, lenders and investors.

Tip: Write down the names, addresses and phone numbers of key people that might review your business plan. For instance, family members, banker, lawyer, attorney, potential customers, investors, etc.

Why is Planning Important?

According to the U.S. Small Business Administration (SBA, 2009) you should answer the following questions before writing a business plan:

- What services or products does your business provide?
- What needs does it fill?
- Who are the potential customers of your service or product?
- Why they should buy it from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start or run your business?

What to Avoid in a Business Plan?

Avoid

1. Not placing some reasonable limits on long-term, future projections. (more than one year.)
2. Few business plans correctly anticipate how much money and time will be required.
3. Over optimism. Over confidence.
4. Use of sophisticated and complicate language.

Try this

1. Stick with short-term objectives and modify the plan as your business progresses.
2. Be extremely conservative in predicting capital requirements, timelines, sales and profits.
3. Write down your strategies in the event of business adversities.
4. Make it easy to read and understand. Use simple language in explaining the issues.

Business Plan Components

Here are some suggested topics you can tailor into your plan:

- Table of contents
- Executive summary
- Business description and mission
- Definition of the market
- Description of services and products
- Organization and management
- Marketing and sales strategies
- Financial Management

Executive Summary

Provides an overview of:

- who you are,
- what you do
- why you do it.

Write this last. It is just a page or two of highlights.

Business Description and Mission

Mission statement.

- Who the company is and what it stands for

Vision statement

- Outlines what the company wants to be in the future.

Business goals and objectives

- Business goals should describe what you want from your business

Business Profile

- Define and describe your intended business and exactly how you plan to go about it. Focus on the market you plan to serve

Definition of the Market

Describe and give an outlook of your business industry

- Industry Analysis
- Industry Participants
- Market Trends
- Market Growth

Describe the specific customer needs that your business will satisfy

- Highlight your competitive position within your industry, and describe how you are positioned to be successful.

Services/Products Descriptions

Describe what you are selling

Explain product pricing (Pricing strategy)

Describe how your product or service is competitive

Focus on customer benefits

Organization and Management

Describe how the company is organized

Explain how things get done

Document that you have the management and personnel resources necessary to run your business or a plan to obtain them

Communicate that the business has a sound production management strategy

Include bios of key company managers and their management responsibilities

Marketing Plan - Sales Strategy

Your marketing plan describes

- what you are marketing,
- how you will market your products,
- when you will market your products,
- to whom you will sell your products
- **It also describes what is occurring in the broader market regarding your products and your competitors and discuss how that will impact your business**

The plan should give some analysis of:

- current market situation
- What the market will be like in the next 3 to 5 years

Marketing Plan - Sales Strategy

To create new customers try to:

- Build relationships with your customers
- Be different and stand out from the competition
- Offer goods and services the customers want at best place, time and right quantities
- Establish a fair and competitive price

Marketing Plan - Sales Strategy

Create a marketing strategy by:

- Identifying groups you can best serve
- Understanding customers needs
- Adapting to the changes in the market

Explain your market strategic specific to the four P's of marketing:

- Promotion
- Place
- Production
- Price

Financial Management

Communicate your business' financial situation by using the following tools:

- Balance sheet – solvency
- Income statement – profitability
- Cash flow plan – liquidity

Describe the assumptions you used to make your financial projections.

Financial Management

Balance Sheet - presents a picture of the firm at one point in time. The balance sheet shows three things: assets, liabilities and net worth.

A Balance sheet measures business value.

$$\text{Assets} - \text{Liabilities} = \text{Net Worth}$$

Example -Balance Sheet Template (SBA, 2009)

Financial Management

Income Statement - The income statement shows how the firm performed in the period between the two balance sheets (i.e., during the quarter or during the year). The income statement shows three things. These are outputs, costs and incomes.

Income Statement – measures how a business has performed over a specific period of time

$$\text{Revenue} - \text{Expenses} = \text{Profit/Loss}$$

Example Income Statement Template (SBA, 2009)

Financial Management

Cash Flow Statement - The cash flow plans the future inflows and outflows of cash in the firm over a specific time period. It also shows cash in the business at the start of the period and cash left in the business at the end of the period.

Cash Flow – monthly statement of cash on hand, incoming cash and expenses

Example - Cash Flow Template (SBA, 2009)

Business Planning - Review

A business plan should

- Have an executive summary
- Be concise and to the point
- Be reviewed by someone with experience
- Communicate clearly what, how and why you do it

Remember to use the business plan

- Distribute copies to those involved in business
- Review plan periodically
- Monitor progress
- Keep records
- Compare actual outcomes to projected outcomes
- Make changes to plan as needed

Example Business Plan Template (SBA, 2009)

Recordkeeping Overview

There are several components to any good financial record keeping system

Computers and numerous software packages out there

County extension agents are a good source for beginning farm financial statements

Remember the Do's and Don'ts for farm record keeping

How to Get Started

Identify your needs

Commit financially to what you need

Commit the time

Minimum requirements

- Inventory of assets and liabilities
- Transaction journal listing income & expenses
- Copies of tax forms filed
- Employment records

Financial Records Needed

A “good” financial record keeping system:

- The minimum requirements, plus:
- **Balance sheet**
- **Income statement**
- **Cash flow statement**
- **Enterprise budgets**

These should be timely, accurate and complete!

Financial Record Maintenance

Cancelled checks	3 to 6 years
Investment records	6 years
Loan agreements	Until updated
Receipts for large purchases	Until item is sold
Service contracts and warranties	Until item is sold
Tax returns	6 years from filing date

Financial Statements

Ask your State Cooperative Extension Service:

- Crop & Livestock planning budgets
- Balance sheets
- Cash flow statements
- Equipment inventory list

Examples of these may also be obtained on-line from many sources.

- Some templates may be available on the IFAI website.
- Others templates are referenced at the end of this presentation.

Often Forgotten BUT Vitally Important

Enterprise Budgets - Budgeting is trying to plan future expenditures and match these in some way with future sales and other dollar inflows. It is one of the most important functions in running a firm. No one knows the future, so budgeting results will usually be wrong. But it is essential to try.

Record-Keeping Alternatives

Except in a few cases, the law does not require any specific kind of records

You can choose any record keeping system suited to your business

- Should at least show your income for your tax year.
- Keep a complete and separate set of records for each business in which you are involved.

Record-Keeping Alternatives

Hand kept records

- Suitable for smaller, less complex operations

“Farm Account Books”

- Good for small and part-time farmers
- Provides a record of all basic information
- Available through:
 - Cooperative Extension Services
 - Ag Lenders (USDA-FSA)
 - Farm management firms

Record-Keeping Alternatives

The most important use for a computer on the farm is for:

- Financial record keeping

and

- ANALYSIS

Computerized Records

- Increasingly affordable
- Especially useful for manipulating data
 - Cash-flow statements
 - Profit and Loss statements
 - Graphs and charts

Advantages of Computer Records

Immediate availability of key reports

Improved planning and budgeting capability

Improved asset purchase decisions

Pinpointing and elimination of unprofitable enterprises

Commercial Software Products

- **Farmworks**
 - Can integrate field level and whole-farm records
- **FINPACK**
 - Excellent tool for developing Balance Sheets, Budgets, Cash-Flows
 - Provides key financial measures
- **Quicken**
 - User friendly
 - Widely available
 - Inexpensive

www.agecon.okstate.edu/quicken/
- **QuickBooks**
 - Double-entry accounting
 - Handles payroll

Do's and Don'ts for Farm Records

Do:

- Keep records
- Put someone in charge
 - Preferably someone who likes to do it
 - Provide the right tools
 - Provide dedicated space and environment
 - Hire it done if you have to
- Keep records updated
- Keep business and personal accounts separate
- Consider record-keeping a vital part of your business

Do's and Don'ts for Farm Records

Don't:

- Wait until 2018 to do 2017 bookkeeping
 - You will forget things
 - And, it's a real pain
- Act like record keeping isn't a REAL job
- Play with balance sheet values
- Ignore balance sheet trends

Risk Assessment & Tolerance

The way you choose to manage risks, understand your choices and consider each of them.

Risk can be handled in 5 different ways.

- Retain
- Shift
- Reduce
- Self-insure
- Avoid

Production Risks

Variability in outcomes of production pose risks to achieving financial goals.

Major sources of production risk:

- Weather
- Pests
- Diseases
- Technology
- Genetics
- Input quality
- Machinery efficiency

Production Risk Tools

Enterprise Diversification

- Combinations of different crops and livestock
- Off farm employment
- Risk is reduced when income from enterprise offsets low income from the other.

Production Risk Tools

Contract Production

- Vertical integration
- Production contracts between producer and agribusiness firm
- Price guarantee
- Loss of flexibility and profit opportunities

Production Risk Tools

New Technologies

- Genetically altered seeds and Precision farming
 - Lower input costs
 - Environmental quality
 - Higher crop yields
 - Cost effective use of crop inputs

Marketing Risks

Marketing is the link between production and financial profit.

Marketing risks happens when changes in weather or policy affect prices. This risk can be managed with an informed and balanced marketing skill set.

Managing Market Risk Begins with a Plan

Personal considerations

- Know the level of risk you are comfortable with
- Be willing to increase and update your skill set
- Marketing decisions should be made dependent on financial, legal, HR, and production

Develop a long term marketing plan

- Goals and objectives of your business are the building blocks
- Supply and demand analysis
- Prices received in region

Financial Risk

Three basic components of financial risk

- Cost and availability of debt capital
- Ability to meet cash flow needs in a timely manner
- Ability to maintain and grow equity

Financial Risk Tools

Well-maintained financial records

- Balance sheet
- Statement of owners equity
- Income statement
- Projected and actual cash flows

Interest Rate Increase

- Lower the risk to lenders with the use of crop insurance

Adequate liquidity for sufficient cash flow

Controlling and meeting family living costs

Legal Risk

Legal risk is within all areas of risk; marketing, production, finance and human resource.

Four categories of legal risk

- Legal business structure and tax and estate planning
- Contractual arrangements
- Tort liability
- Statutory compliance including environmental issues

Legal Risk Tools

Operating under the proper entity

Written contracts

Comply with statutory mandates

- Tax reporting
- Payment obligations
- Wage, hour and safety requirements
- Employee discrimination, termination
- Recordkeeping requirements
- Pesticides and herbicides
- Many more (Liability insurance -Tort and environmental)

Human Resource Risk

Human resources are both a risk and a risk tool. The core is the approach to managing people.

A clear definition of how plans and decisions are made

Human Resource Risk Tools

People Management

- Job analysis and description
- Hiring
- **ORIENTATION and TRAINING**
- Employer/employee interaction
- Performance appraisal
- Compensation
- Discipline

Estate Planning

Risk Management

Risk Management Check-up

- Are my goals written, reasonable and measurable?
- Are my goals attainable in my lifetime?
- Have I shared my goals with everyone involved in the business and have they shared their goals with me?
- Do I have a Risk Management Plan for **EACH** aspect of my operation

Risk Management

Risk Management Check-up

- Have I identified my risk management tolerance?
- Which risks can keep me from attaining my goals?
- Which risks am I comfortable retaining and managing with my own resources? Which will I shift and avoid?
- When was my last insurance check-up for health, life casualty, property, disability, long-term care, medicare and crop insurance?
- **DO I HAVE A RECORDKEEPING SYSTEM THAT IS FUNCTIONAL AND KEPT UP-TO-DATE?**

What Records Does FSMA Require

Unless specified, records must include:

The name and location of the farm

Actual values and observations obtained during monitoring

An adequate description of covered produce (e.g. the commodity name, or the specific variety or brand name of a commodity, and any lot number or other identifier)

The location of a growing area or other area, if applicable to the record (e.g. a specific field or packing shed)

The date and time of the activity documented

Records must also be created at the time an activity is performed or observed, be accurate, legible, indelible, dated, and signed or initialed by the person who performed the activity.

What Records Does FSMA Require

Records to Support a Farm's Coverage or Exemption

Documentation to support an exemption from FSMA Produce Safety Rule requirements for produce undergoing a further processing step:

- Farm documentation accompanying the produce stating that the food is “not processed to adequately reduce the presence of microorganisms of public health significance”
- A written assurance from the customer that the produce will be processed to adequately reduce microorganisms of public health significance. This assurance must be obtained annually.

What Records Does FSMA Require

Records to Support a Farm's Coverage or Exemption

Establish eligibility for qualified exemption. Records must demonstrate the farm satisfies criteria for qualified exemption, including a written record reflecting the grower has performed an annual review and verification of the farm's continued eligibility for qualified exemption. The review must be reviewed, dated, and signed by a supervisor or responsible party within a reasonable time after the records are made. Receipts must be dated, no signature is required.

What Records Does FSMA Require

Personnel Qualifications and Training

Requires documentation of required training. Documentation must include the date of training, topics covered, and the names of persons trained. Required training topics are outlined in § 112.22. Training records must be reviewed, dated, and signed by a supervisor or responsible party within a reasonable time after the records are made.

What Records Does FSMA Require Agricultural Water

Findings of the inspection of the agricultural water system in accordance with the requirements of § 112.42(a). This record does not require a review but it is a best practice to have records reviewed to assure they are correct.

Results of analytical tests conducted on agricultural water.

Scientific data or information growers rely on to support the adequacy of the methods related to water treatment.

Documentation of water treatment monitoring results.

Scientific data or information relied upon to support the microbial die-off rate between harvest and end of storage or removal rate during activities such as washing.

What Records Does FSMA Require Agricultural Water

Documentation of corrective measures taken in accordance with § 112.45(b) if agricultural water does not meet the numerical water quality criteria in § 112.44.

Annual documentation of the results or certificates of compliance from a public water system, as applicable. Annual records from the public water system can be obtained from the water authority.

Scientific data or information to support any alternative microbial water quality criteria, die-off rates, or sampling frequencies established and used on the farm.

Support for any equivalent analytical methods used in lieu U.S. EPA method 1603.

What Records Does FSMA Require Biological Soil Amendments of Animal Origin

For soil amendments that growers treat and apply on their own farms, records must be kept to document that process controls (e.g., time, temperature, and turnings) were achieved. Records related to on-farm soil amendment treatment must be reviewed, dated, and signed by a supervisor or responsible party within a reasonable time after the records are made.

What Records Does FSMA Require Biological Soil Amendments of Animal Origin

For soil amendments received from a third party, growers must document annually that: The process used to treat the biological soil amendment of animal origin is a scientifically valid process that was carried out with appropriate process monitoring; and

The biological soil amendment of animal origin has been handled, conveyed, and stored in a manner and location to minimize the risk of contamination by an untreated or in process biological soil amendment of animal origin.

What Records Does FSMA Require Equipment, Tools, Buildings, and Sanitation

Growers subject to the rule establish and keep a record of the date and method of cleaning and sanitizing equipment used in covered harvesting, packing, or holding activities. This record must be reviewed, dated, and signed by a supervisor or responsible party within a reasonable time after the records are made.

What Records Does FSMA Require

Storage of Records, Allowable Record Types, and Off-Site Storage

Allows for records storage offsite if they can be retrieved and provided onsite within 24 hours of official request. Electronic records are acceptable if they can be accessed on the farm.

Existing records do not need to be duplicated if they contain all of the required information.

Records must be kept 2 years past the date the record was created. Records to support a qualified exemption must be retained as long as necessary to support the farm's status.

Records be kept as original records, true copies or electronic records.

What Records Does FSMA Require

Storage of Records, Allowable Record Types, and Off-Site Storage

Records must be readily available and accessible during the retention period for inspection and copying by FDA upon oral or written request. Growers have 24 hours to obtain records kept offsite, even if the farm is closed for a prolonged period.

Records must be provided to FDA in a format that is accessible and legible.

Records obtained by FDA in accordance with the Produce Safety Rule are subject to the disclosure requirements under 21 CFR part 20 (Public Information).

Questions?

Internet Resources

<https://www.agplan.umn.edu/>

<http://www.cffm.umn.edu/products/AgPlan.aspx>

<http://www.cffm.umn.edu/default.aspx>

<http://www.farmmanagement.org/aginuncertaintimes/>

<http://websoilsurvey.nrcs.usda.gov/app/>

www.merckvetmanual.com

Internet Resources

<http://www.agrisk.umn.edu>

www.ansi.okstate.edu/software/

www.aglawcenter.org

<http://okwomeninagandsmallbusiness.com/>

<http://agecon.okstate.edu/annie/>

<http://www.agecon.okstate.edu/quicken/>

<http://websoilsurvey.nrcs.usda.gov/app/>

<https://www.agplan.umn.edu/Default.aspx>

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Van Blokland, P.J. The Essential Tools for Running a Firm. University of Florida IFAS Extension, CIR1210, June 2003.

<http://edis.ifas.ufl.edu/pdf/FE/FE02400.pdf>

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https://agriflifebookstore.org/tmppdfs/viewpdf_1506_4744.pdf?CFID=1139584&CFTOKEN=51100911&jsessionid=9030905ec7f9e2fb23031b806d1ce353c71d

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<http://www.sba.gov/smallbusinessplanner/index.html>

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<http://ohioline.osu.edu/cd-fact/1152.html>

Keeping Your Business on Track, Part II. University of Maine Cooperative Extension.
<http://www.umext.maine.edu/onlinepubs/htmpubs/3003.htm>

Developing a Set of Financial Statements. Small Business Notes.
<http://www.smallbusinessnotes.com/operating/finmgmt/financialstmts/gettingstarted.html>

Basic Rules for Financials. Business Owner's Toolkit.
http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P06_7025

Financial Statements. Agricultural Marketing Resource Center.
http://www.agmrc.org/business_development/operating_a_business/finance/financial_statements.cfm

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Cash-Flow Projection for Operating Loan Determination. Kansas State University Extension. <http://www.oznet.ksu.edu/library/agec2/MF275.pdf>

Borrowing in a Risky Environment. Texas A & M University Extension. <http://trmep.tamu.edu/cg/factsheets/rm5-9.pdf>

Cash Management. Small Business Notes. <http://www.smallbusinessnotes.com/operating/finmgmt/cashmanagement.html>

Quicken® for Farm and Ranch Financial Records. Oklahoma Cooperative Extension Service. <http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1799/CR-324.pdf>

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Developing a Cash Flow Plan. Oklahoma Cooperative Extension Service.

<http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1782/AGEC-751web.pdf>

Developing a Balance Sheet. Oklahoma Cooperative Extension Service.

<http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1805/AGEC-752web.pdf>

Developing an Income Statement. Oklahoma Cooperative Extension Service.

<http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1789/AGEC-753web.pdf>

Schedules of Assets. Oklahoma Cooperative Extension Service.

<http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1779/AGEC-791web.pdf>

Liabilities Schedule. Oklahoma Cooperative Extension Service.

<http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1710/AGEC-792web.pdf>

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U.S. Small Business Administration

<http://www.sba.gov/smallbusinessplanner/index.html>

How to write a business plan

<http://app1.sba.gov/training/sbabp/index.htm>

My own business online course

http://www.myownbusiness.org/certcourse/downloads_non.html

How to start a business

<http://www.uark.edu/ua/mngrisk/Fact%20Sheets/English/How%20to%20start%20a%20business.pdf>

Sources of Additional Information

Net Worth Statement <http://www.uark.edu/ua/mngrisk/Finance/Net%20Worth%20Statement.pdf>

Manage Your Risk

www.manageyourrisk.net

FinPack Business Plan. <http://www.cffm.umn.edu/Software/BusinessPlan/index.aspx>

The agriculture, fisheries and small business website (AgPlan) Free Software
<http://www.cffm.umn.edu/Software/BusinessPlan/index.aspx>

Samples of business plans

<http://www.bplans.com/samples/sba.cfm>

Sources of Additional Information

Counselor's to America's Small Business. <http://www.score.org/index.html>

Small business develop center

http://www.sba.gov/aboutsba/sbaprograms/sbdc/sbdclocator/SBDC_LOCATOR.html

Women's business center

<http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html>

Small business development training network

<http://www.sba.gov/services/training/onlinecourses/index.html>

Native American Food Safety Training



Thank you for joining us!

Dr. HL Goodwin, Director of Food Safety

Indigenous Food and Agriculture Initiative, University of Arkansas

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