

# Sustainable Farming Association



# New Farm Reality Check™

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@johnmesko

#adjust2015



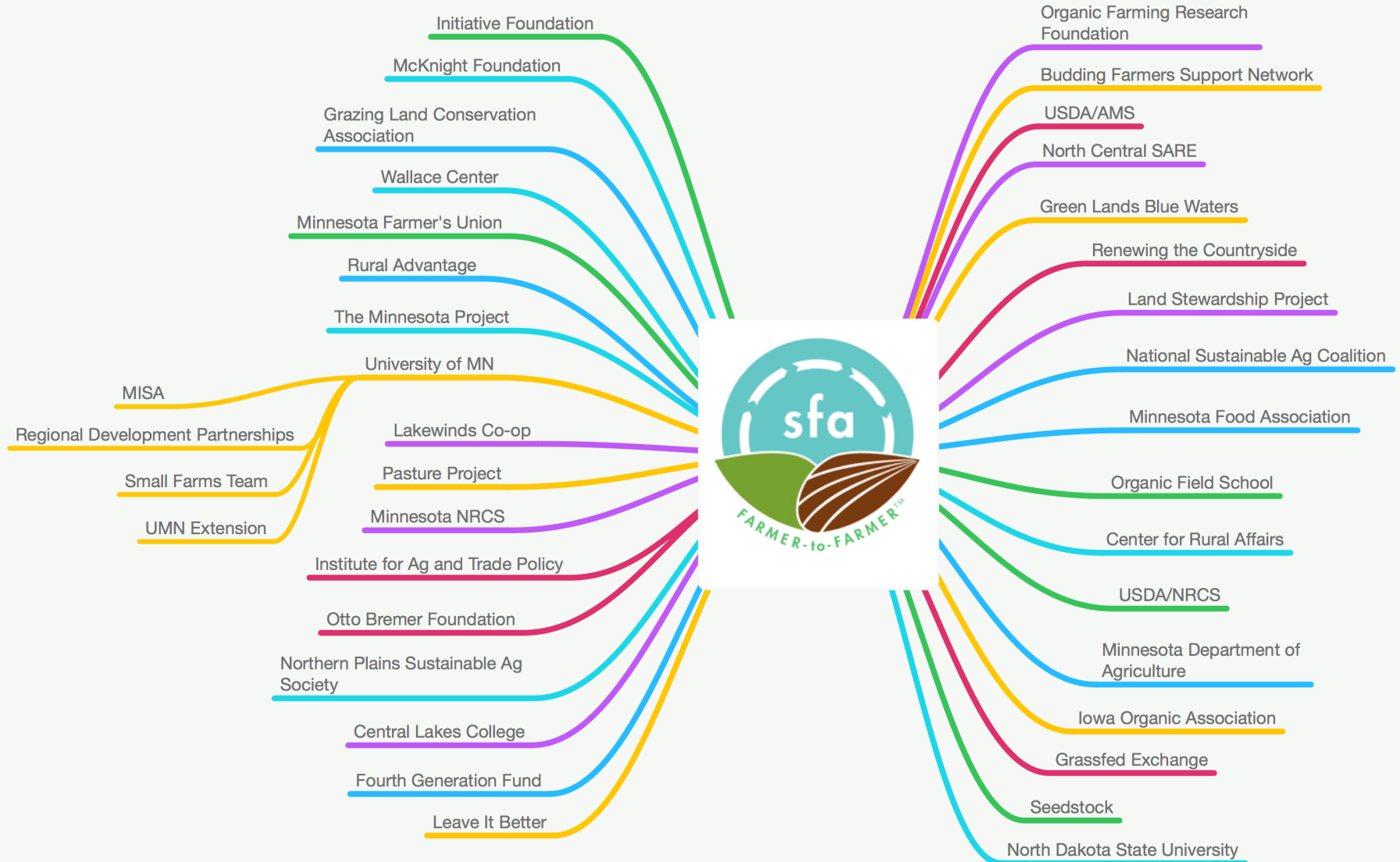
**ADJUST**  
2015

# Mission

- » The Sustainable Farming Association supports the development and enhancement of sustainable farming systems through farmer-to-farmer networking, innovation, demonstration, and education.



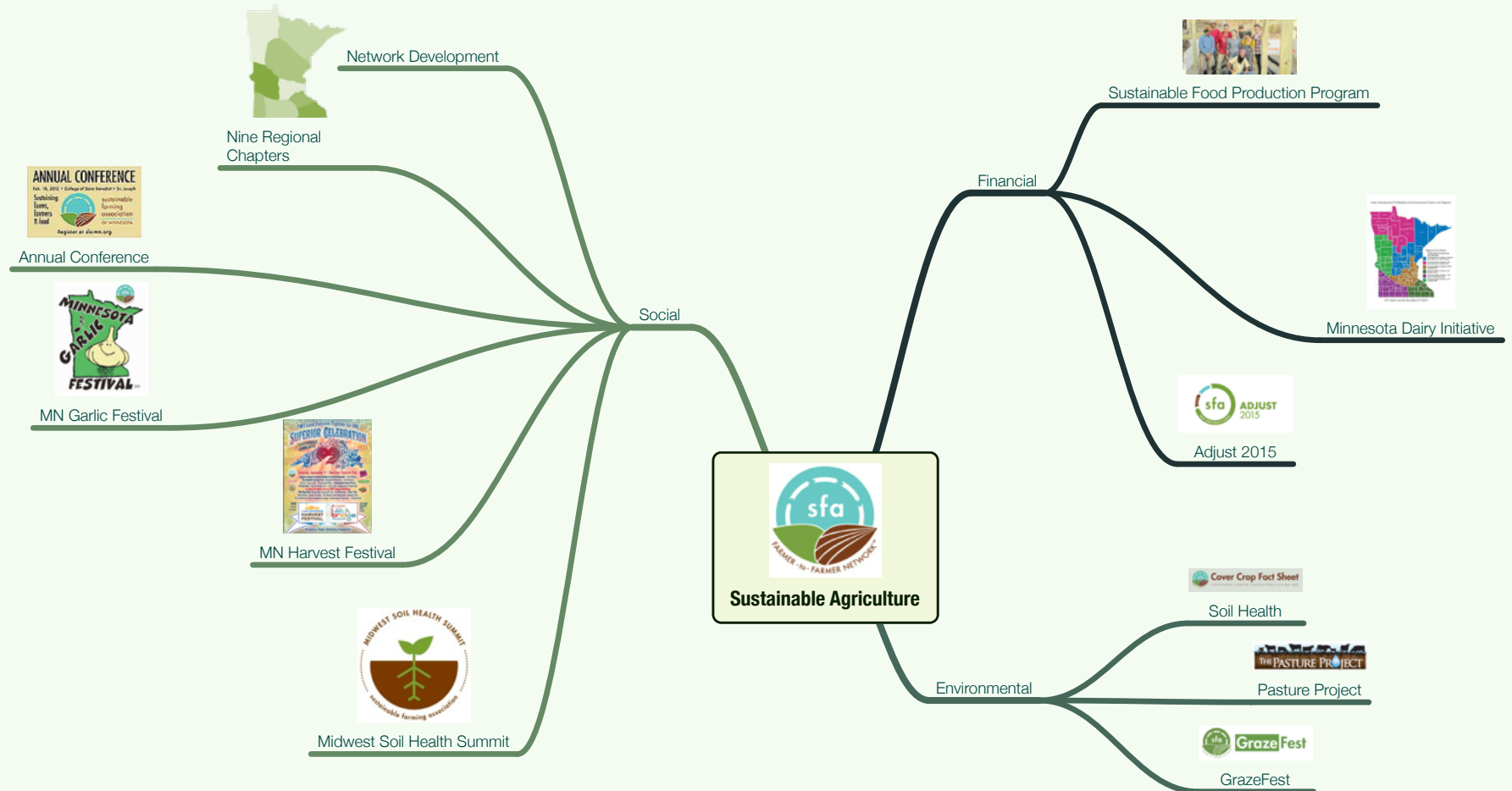
# SFA Connections



# Sustainability

- » Financial: Sustainable Agriculture is only sustainable if farmers can make an adequate living.
- » Environmental: Leaving the land in as good or better condition over the long term.
- » Social: Stronger communities, stronger relationships and families.

# SFA Work



# Adjust 2015

- » NCR-SARE Funded Project
- » Surveyed ~ 200 farmers
- » Interviewed ~ 40 farmers and farm families.
- » Determine the range and causes of farm difficulties, especially new businesses.
- » Develop add-on curriculum to support beginning farmer education.

# Adjust 2015

- » 71 % of respondents intended their farm business to provide a full-time income
- » 54 % make less than 25 % of their net income from the farm, and 33 % make less than 10 % of their net income from farming
- » About 69 % of respondents are not satisfied with their farming income



# Adjust 2015

» 62 % of respondents are not able to pay salary or wages to themselves / family members on the farm.



# Adjust 2015

- » 75 % of respondents have changed goals since they started farming.
- » 3/4 original business plan did not predict farming experience, while 18 percent rated plan as “not accurate at all”

# Adjust 2015

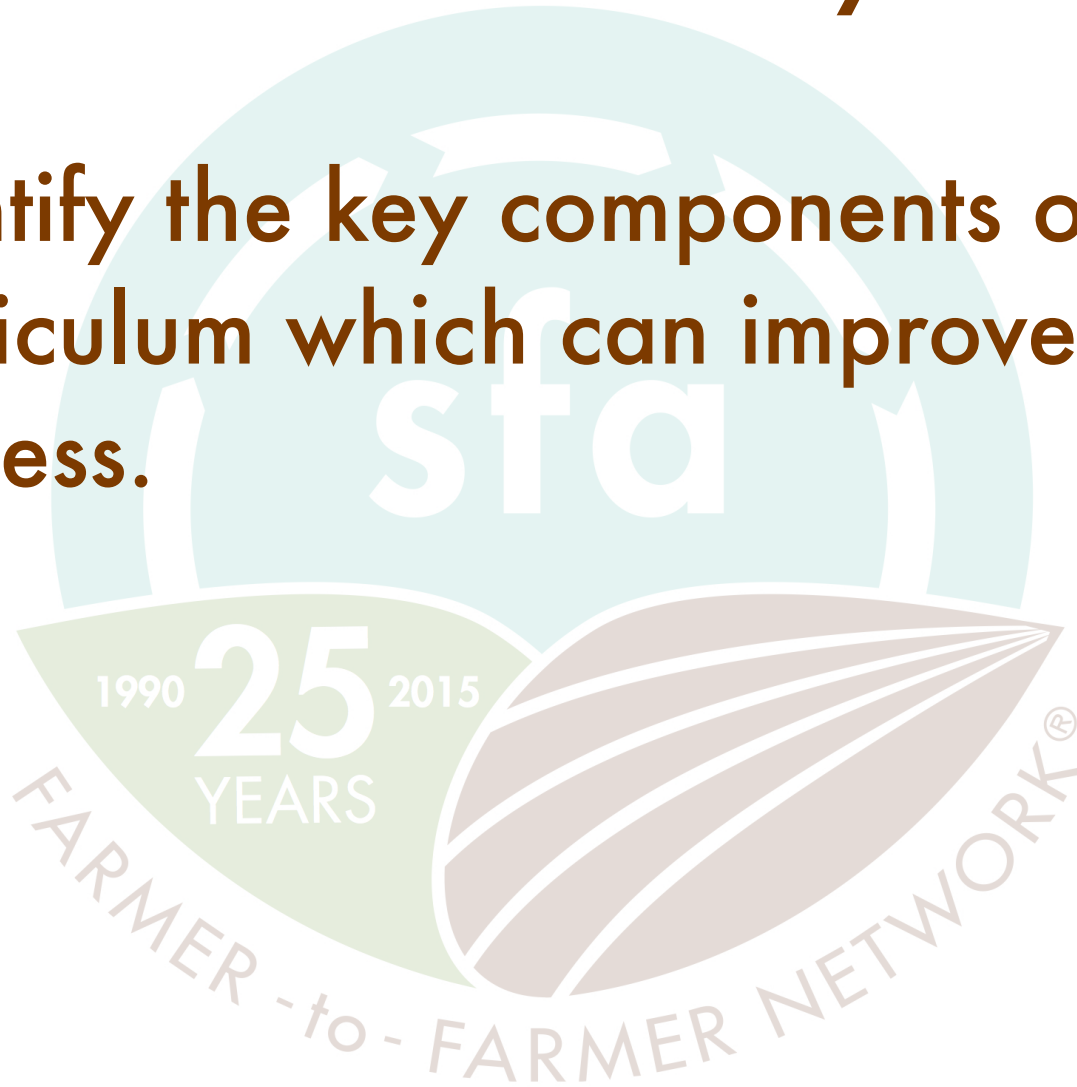
» “The reality of how hard it is to take on all that (we planned/dreamed) and to build our business from the ground up has been a shock. I admire people who have gone before us and set up great farm businesses, especially the people who have done so without a partner. There are just so many hurdles to get over when starting a farm business.”

# New Farm Reality Check

- » Farming is stressful.
- » Success is difficult.
- » These factors contribute to overall health and wellness issues.
- » Which in turn, affects sustainability.

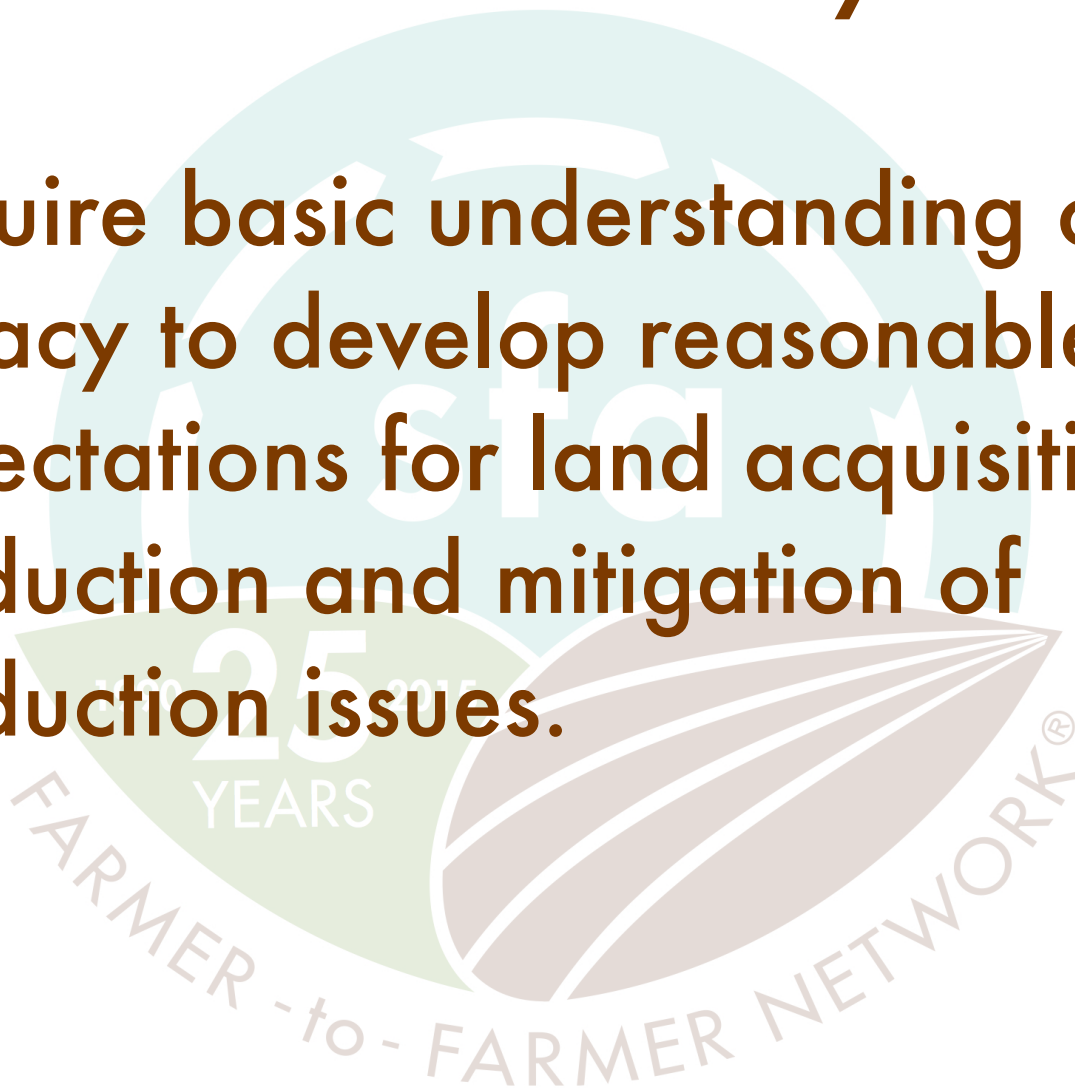
# New Farm Reality Check

- » Identify the key components of a curriculum which can improve farm success.



# New Farm Reality Check

- » Acquire basic understanding of soil literacy to develop reasonable expectations for land acquisition, production and mitigation of production issues.

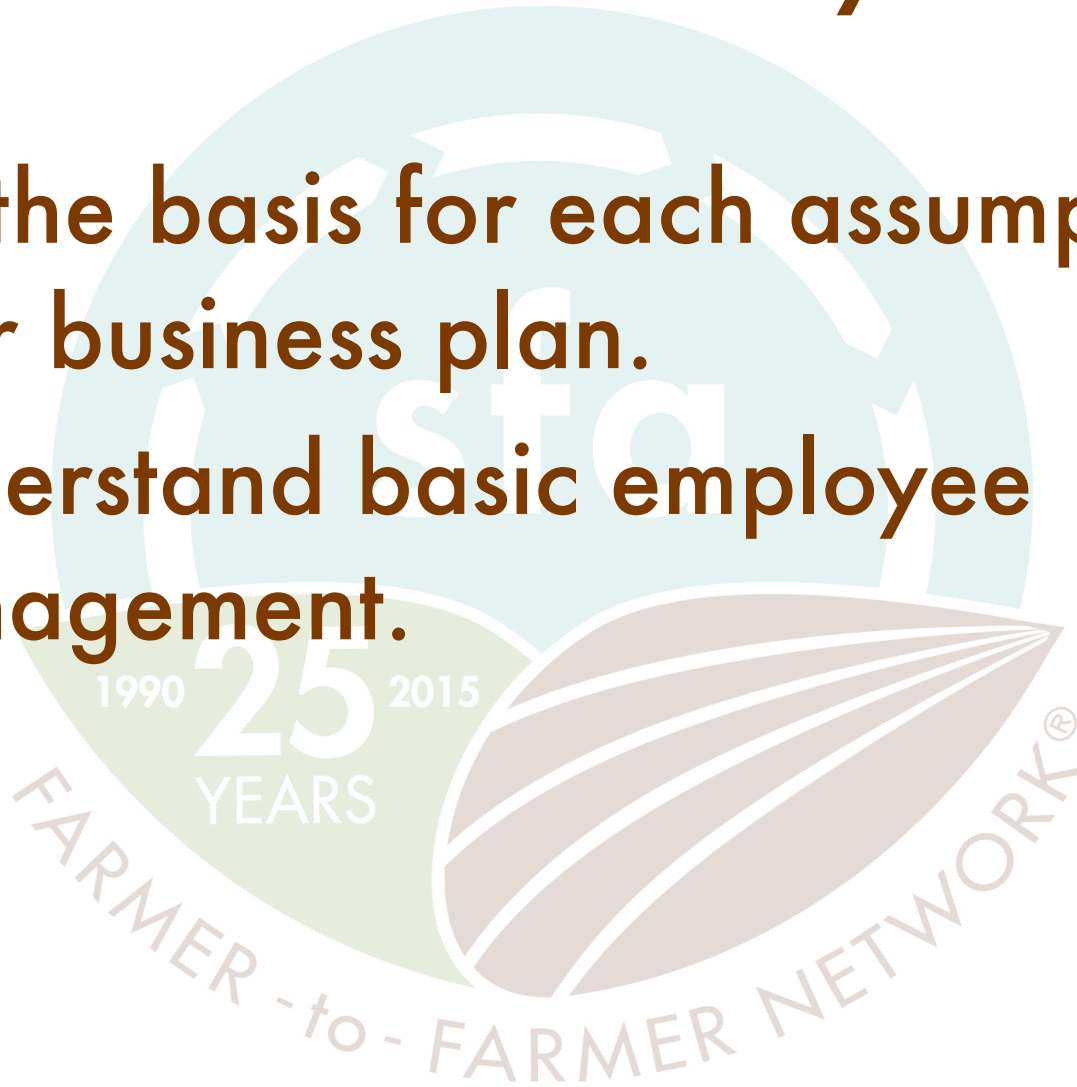


# New Farm Reality Check

- » Identify progress benchmarks consistent with realistic expectations. Build them into the business plan.
- » Identify benchmarks associated with exiting the business. (find examples from other industries, and businesses.)

# New Farm Reality Check

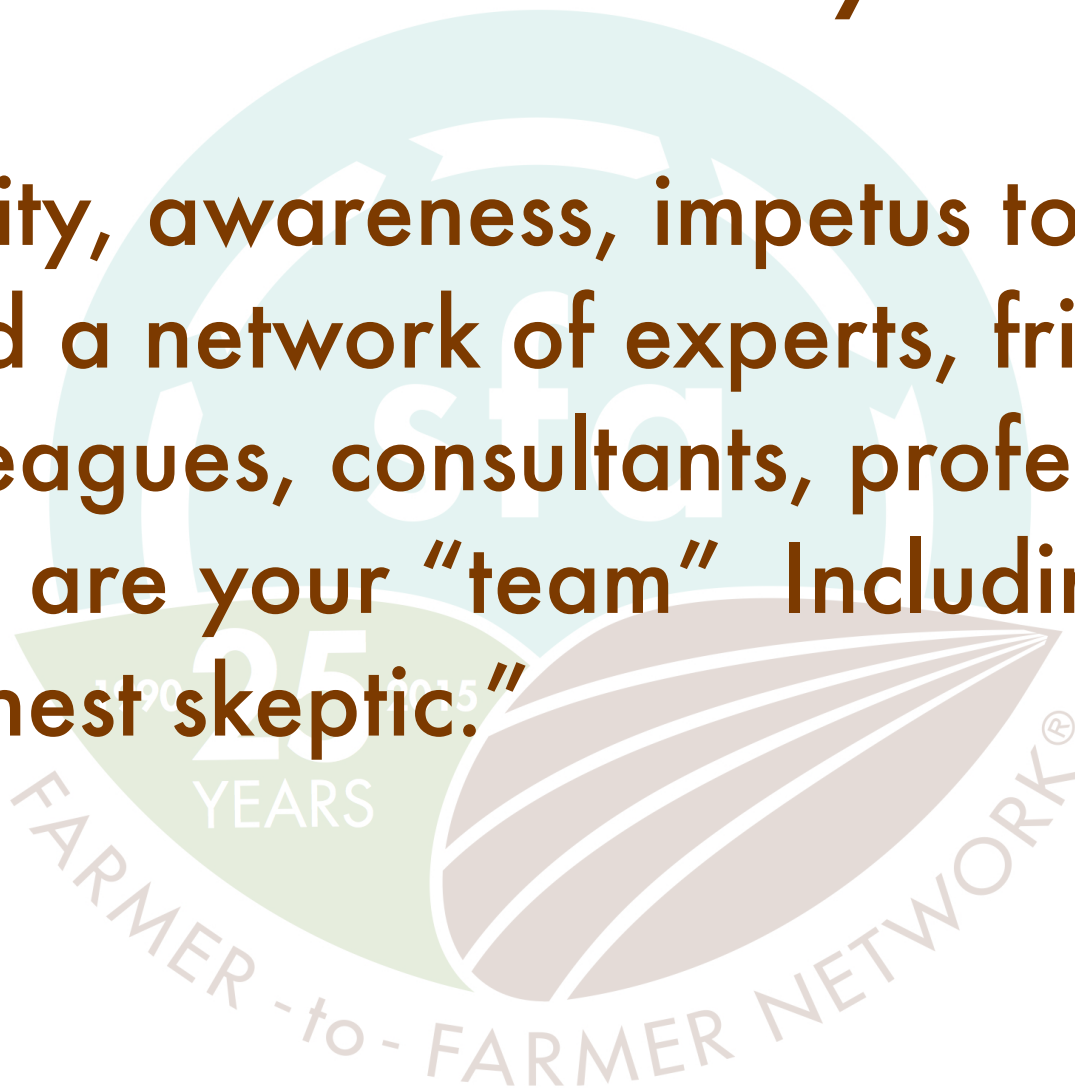
- » List the basis for each assumption in your business plan.
- » Understand basic employee management.





# New Farm Reality Check

» Ability, awareness, impetus to actually build a network of experts, friends, colleagues, consultants, professionals who are your “team” Including an “honest skeptic.”



# New Farm Reality Check

- » Identify community building opportunities.
- » Identify life patterns (relationship and behavior) contrary to farming or business success.

# New Farm Reality Check

- » Identify community building opportunities.
- » Be able to develop alternative plans (3) in addition to primary plan.



# New Farm Reality Check

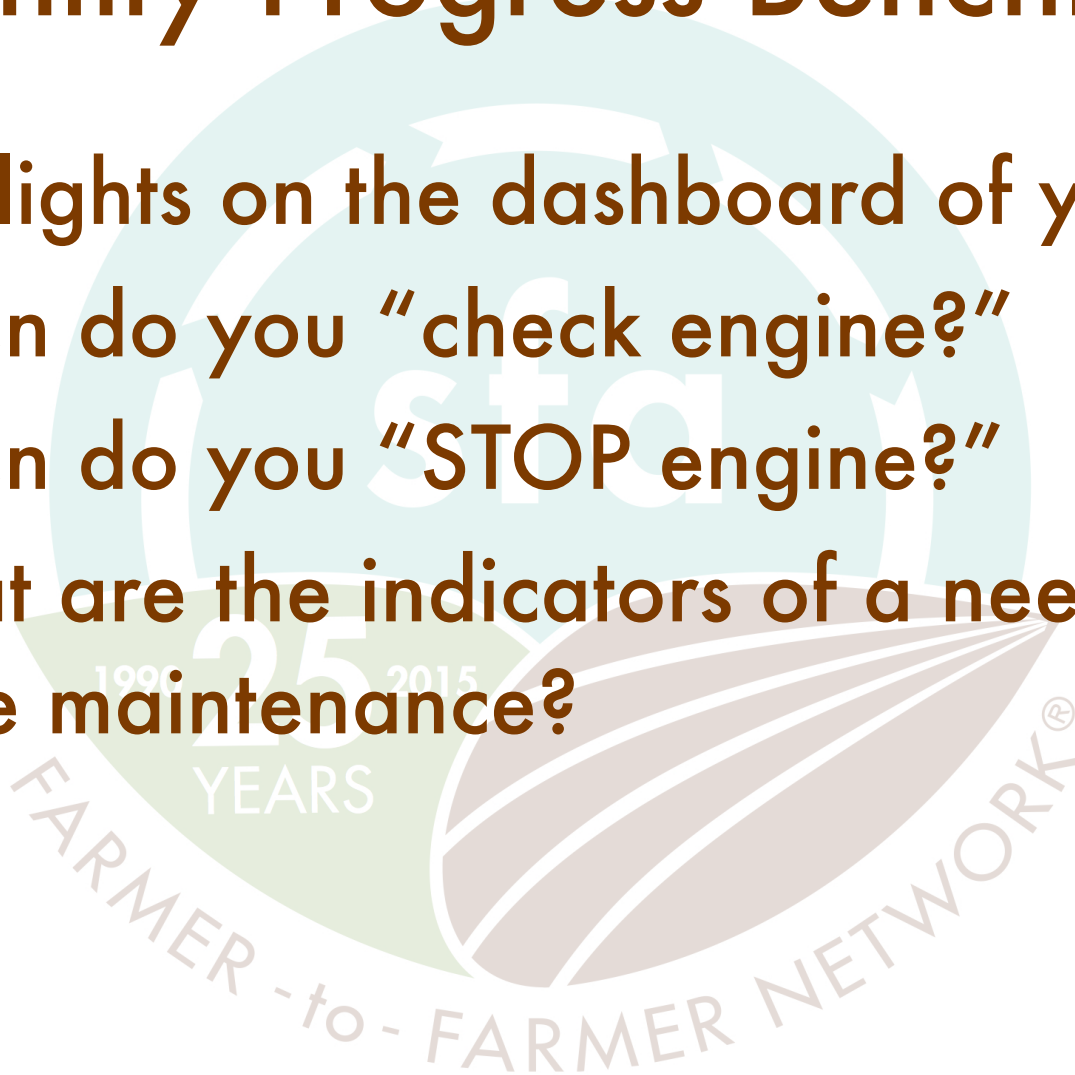
- » Discuss expectations and understanding regarding farming with children.
- » Establish farming roles with family members. Managing family differs from employees.

# Lights On the Bus



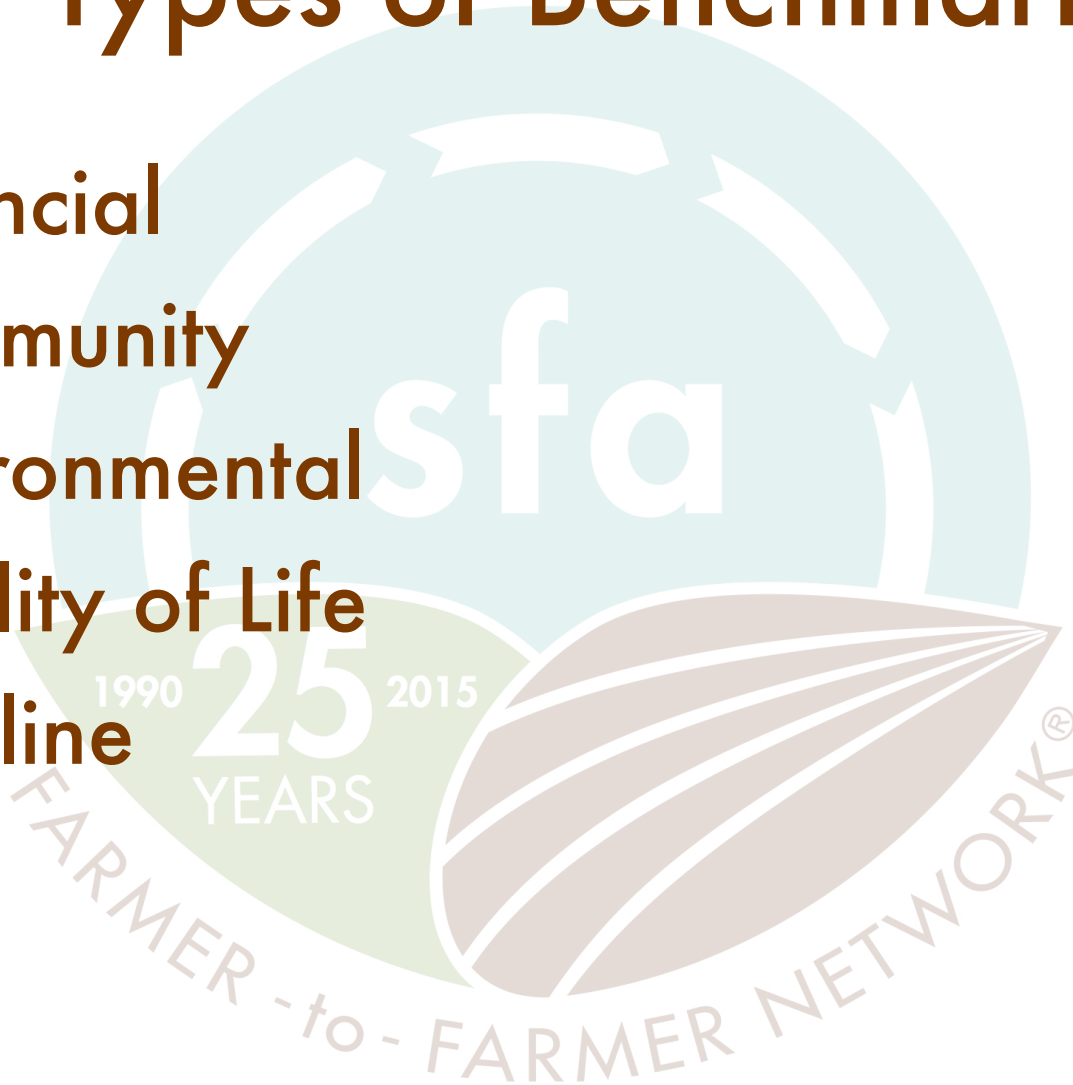
# Identify Progress Benchmarks

- » Red lights on the dashboard of your car.
- » When do you “check engine?”
- » When do you “STOP engine?”
- » What are the indicators of a need for some maintenance?



# Types of Benchmarks

- » Financial
- » Community
- » Environmental
- » Quality of Life
- » Timeline



# Financial Benchmarks

## Current Ratio

Calculated by:  $\frac{\text{Current Assets}}{\text{Current Liabilities (short term)}}$

Calculate monthly  
Acceptable Range: 1.5 - 3.5+





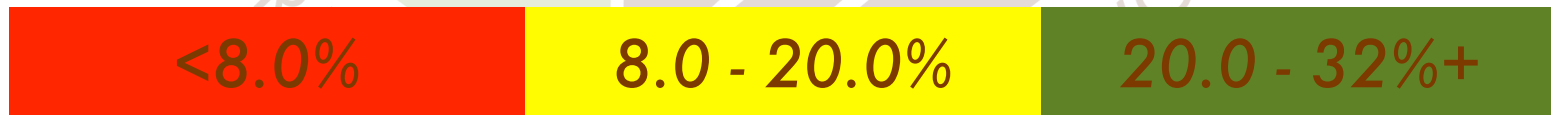
# Financial Benchmarks

## Operating Profit Margin

Calculated by: 
$$\frac{\text{NFI} + \text{Int.} - \text{Fam. Exp.} - \text{Taxes}}{\text{Total Revenue}}$$

Calculate Annually

Acceptable Range: 8 - 32%+



# Financial Benchmarks

## Revenue per Full Time Labor

Calculated by: 
$$\frac{\text{Total Revenue}}{\text{Person - years of labor}}$$

Calculate Annually

Acceptable Range: \$125,000 - 275,000+

<\$125,000

\$125-200,000

\$200,000+

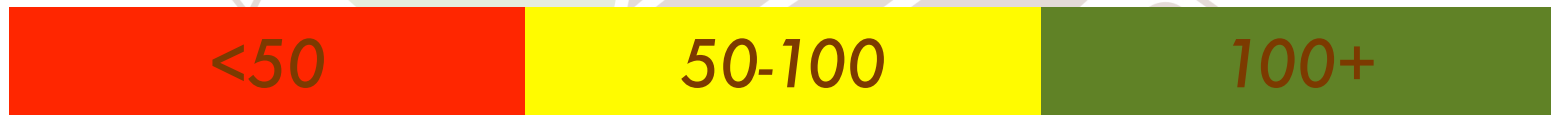
# Community Benchmarks

## # Customers

May want to set a minimum purchase amount. (# customers spending >\$xxx.xx)

Calculate Annually

Acceptable Range: (varies) 50-200



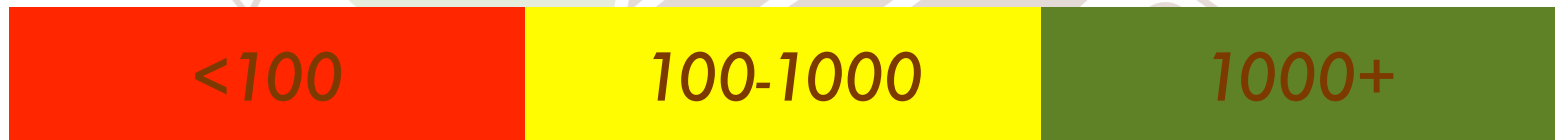
# Community Benchmarks

## # Newsletter subscribers

Calculate continually

How many newsletter subscribers per paying customer?

Acceptable Range: (varies) 500-1000

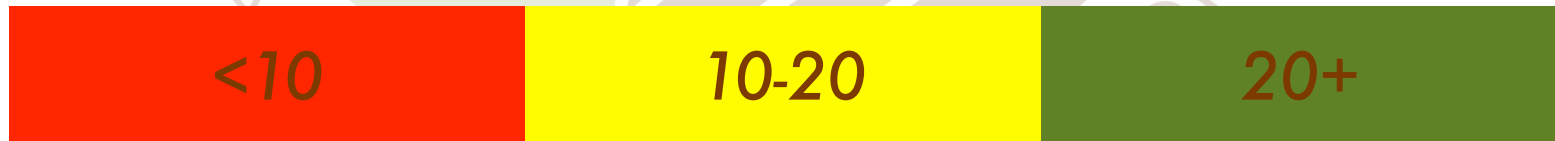


# Quality of Life Benchmarks

## # Days off the Farm

Calculate Annually or Monthly

Acceptable Range: (varies) 10 - 20

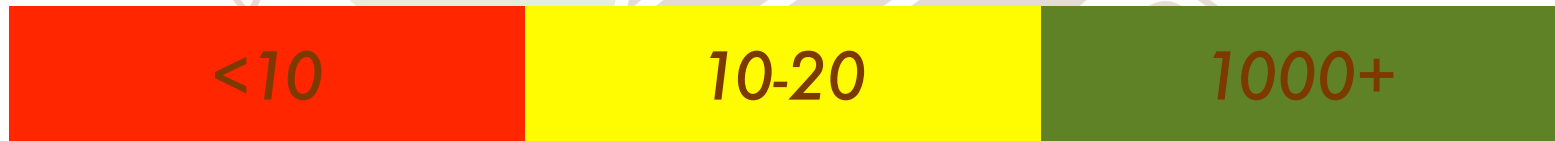


# Quality of Life Benchmarks

## # Days off the Farm

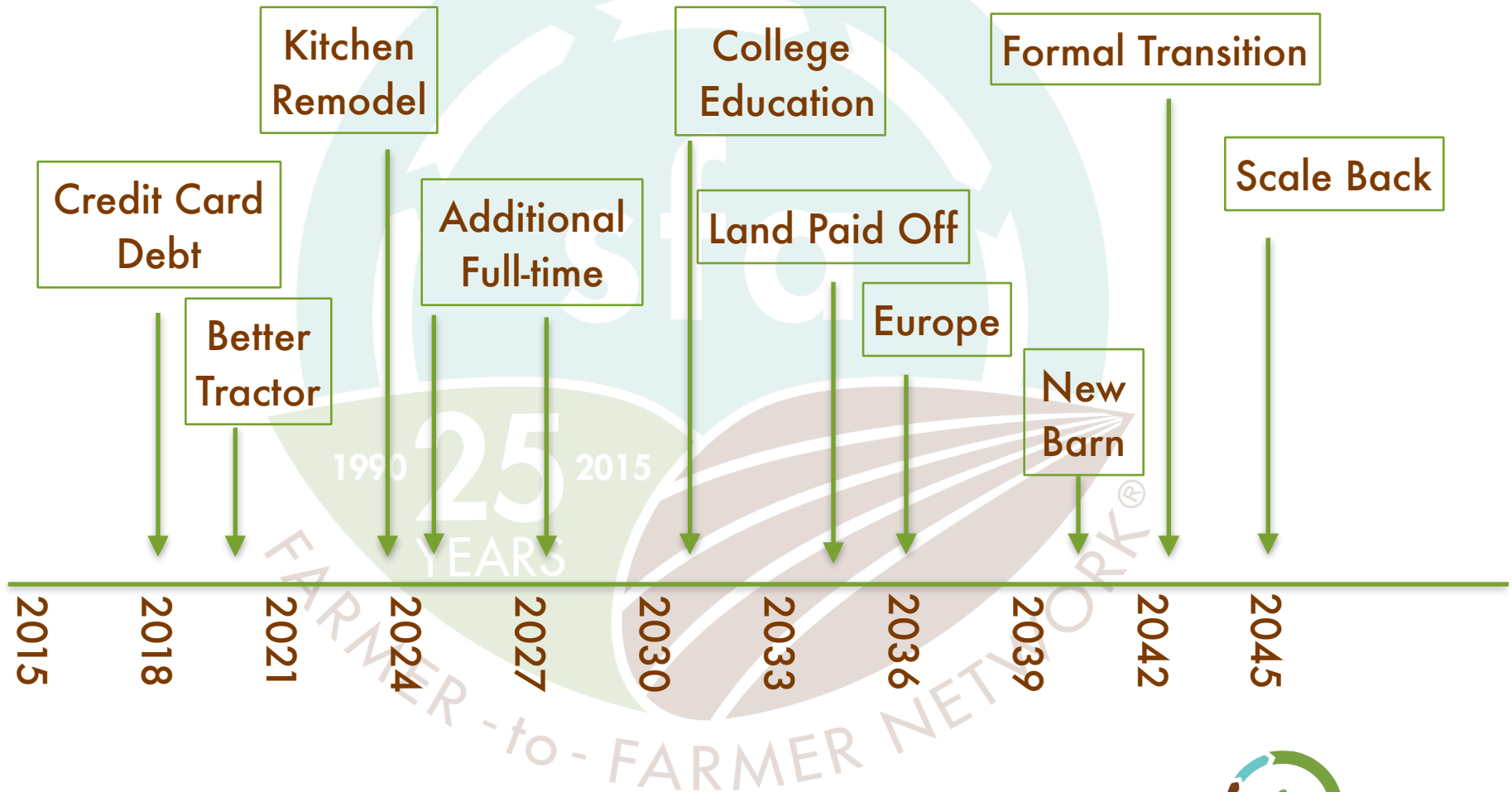
Calculate Annually or Monthly

Acceptable Range: (varies) 10 - 20



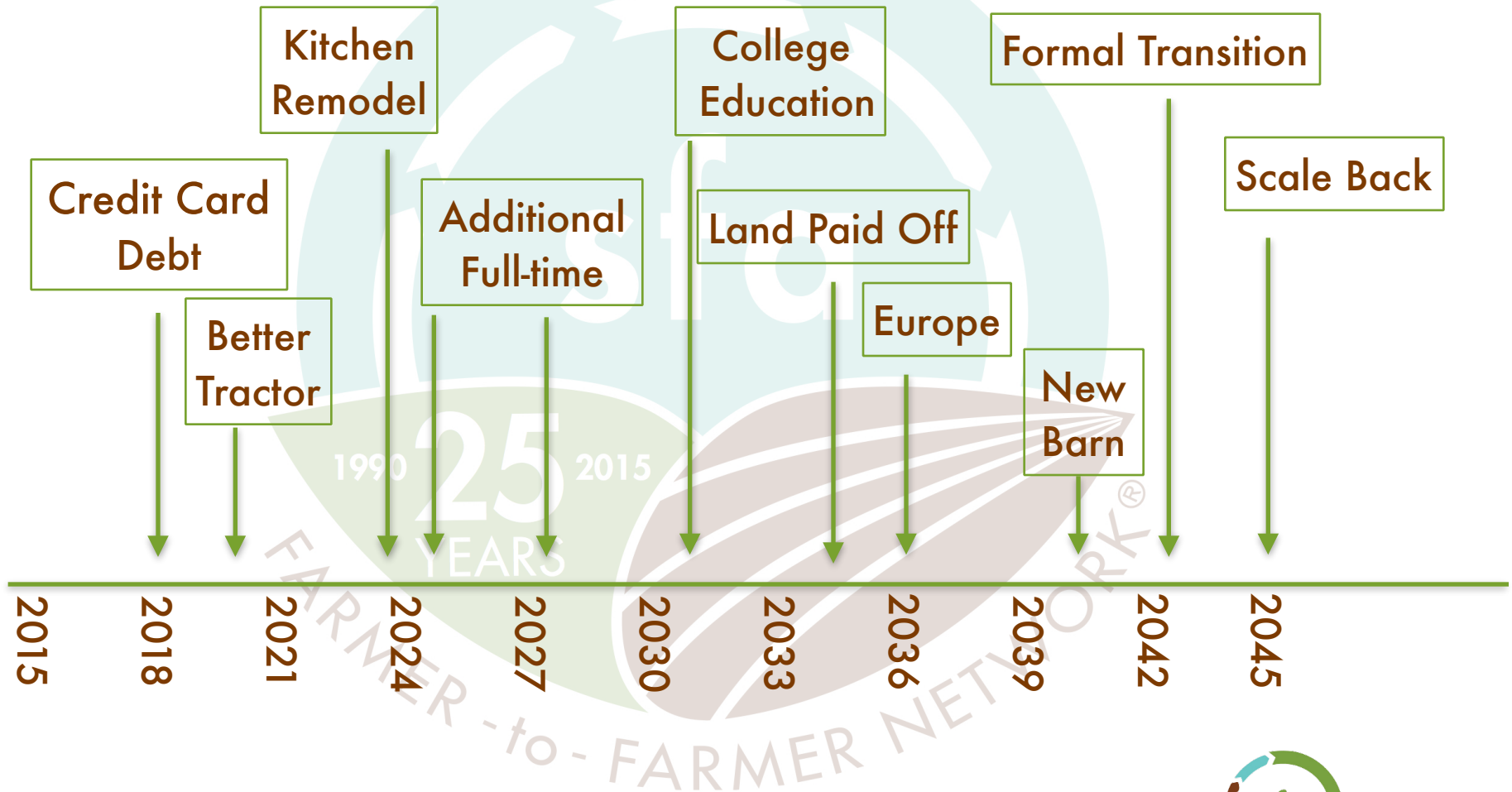
# Timeline Benchmarks

## Tracking Family/Business Goals



# Timeline Benchmarks

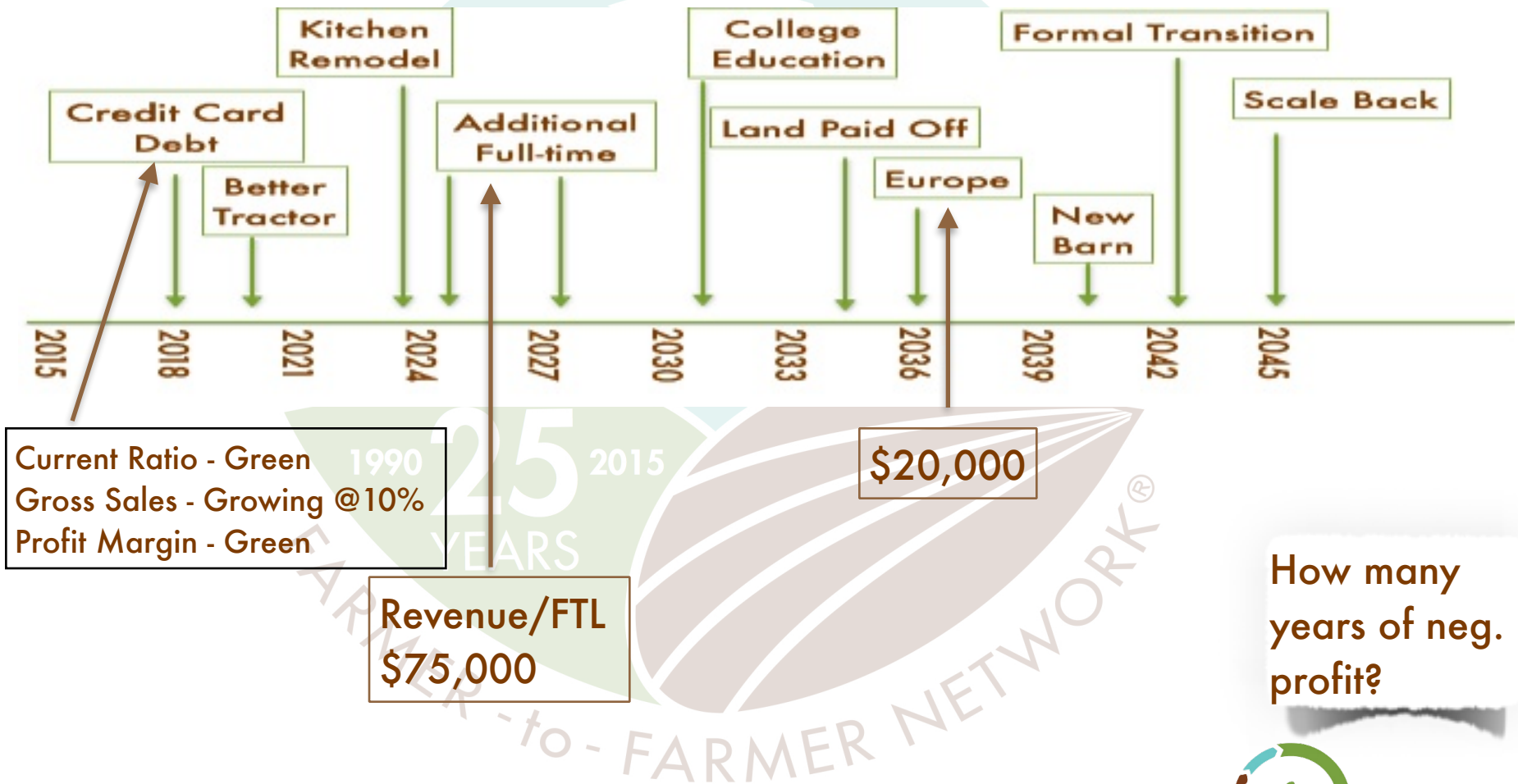
## Tracking Family/Business Goals





# Timeline Benchmarks

## Tracking Family/Business Goals



How many  
years of neg.  
profit?

# Assumptions

**Assume = ASS - U - ME**



# Good Assumptions

60 feet, 6 inches in 0.4 sec.

Batter must start swinging when  
ball is 25 feet away.

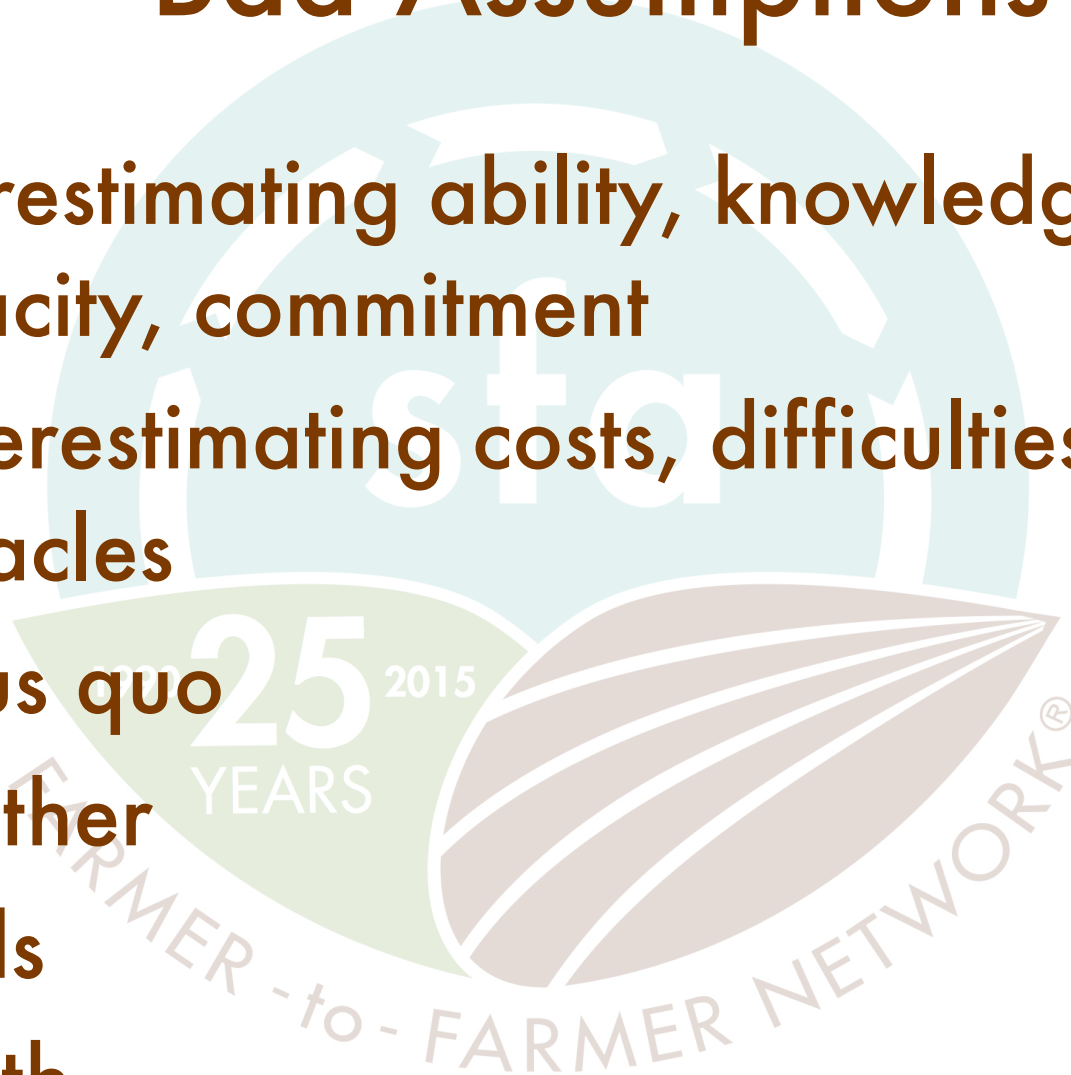
Difference between  
average and HOF  
baseball player =



**ASSUMPTIONS**

# Bad Assumptions

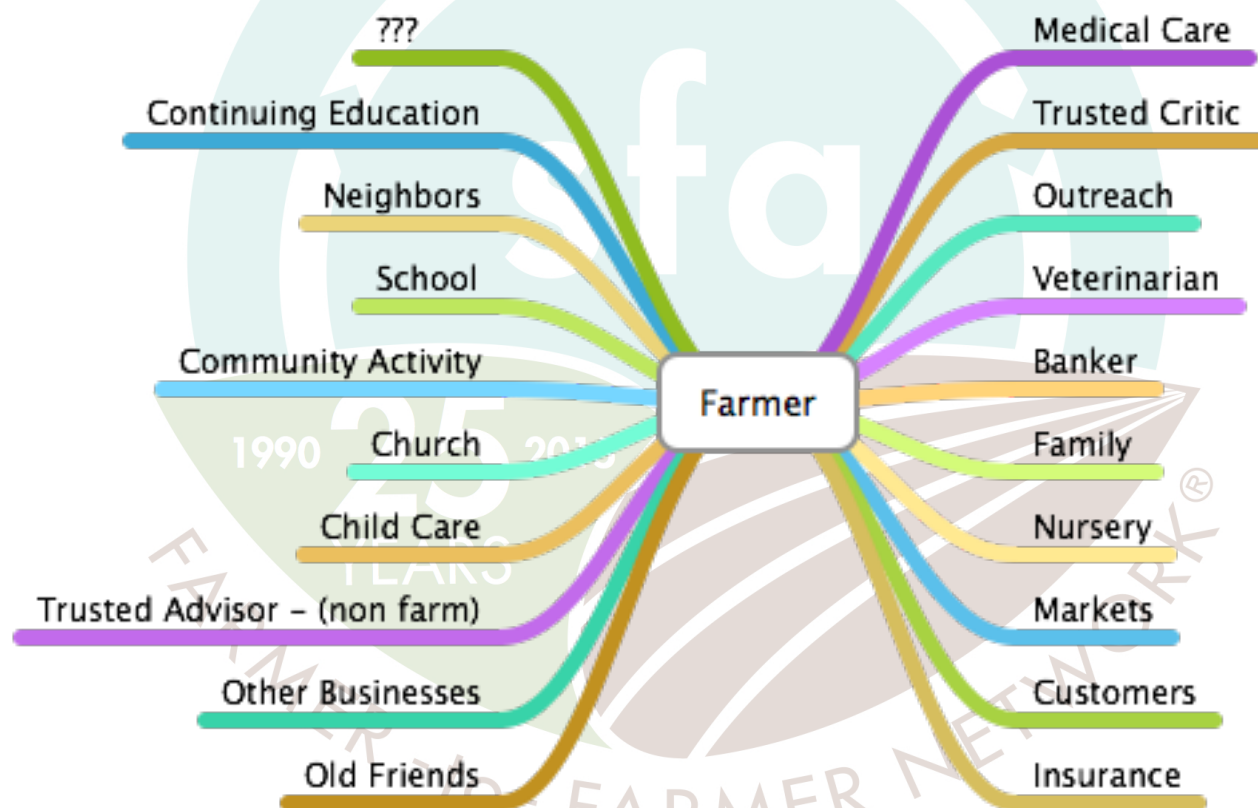
- » Overestimating ability, knowledge, capacity, commitment
- » Underestimating costs, difficulties obstacles
- » Status quo
- » Weather
- » Yields
- » Health





# Building Teams / Networking

Success = Community



# Building Networks

- » Relationships
- » Rural Revitalization
- » New Farmers bring something to the community.
- » Become a networker, change-agent.



The background features a large, light blue circular logo for the SFA 25th anniversary. It includes a stylized 'sfa' in white, a green leaf-like shape on the left with '1990' and '25 YEARS' text, and a brown leaf-like shape on the right. The words 'FARMER -to- FARMER NETWORK®' are written in a circular path around the bottom. Overlaid on this is the text 'Thank You!' in a large, bold, brown font.

# Thank You!

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