

# **Business Goal Setting: Developing A Management Plan**

**Josh Elmore                      Michelle Elmore**  
**Lisa Kriese-Anderson        Walt Prevatt**  
**Alabama Cooperative Extension System**  
**Auburn University**

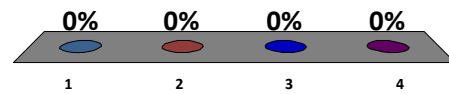
**Alabama BCIA Field Day**  
**Seedstock Continuing Education Program**  
**AU Stanley Wilson Beef Teaching Unit**  
**July 31, 2010**

## **Warm-Up Questions**

- 1. The following slide set is a set of questions to help you think about “business goal setting.”**
- 2. The clickers you have will be used to choose your reply to each question.**
- 3. Your individual response is not identifiable. So feel free to answer**
- 4. First, I will read the question.**
- 5. Second, I will tell you to begin entering your answers with your clickers.**
- 6. Third, we will review a chart that summarizes the responses.**
- 7. Raise your hand if you have any trouble with your clicker or don’t understand how to use it.**

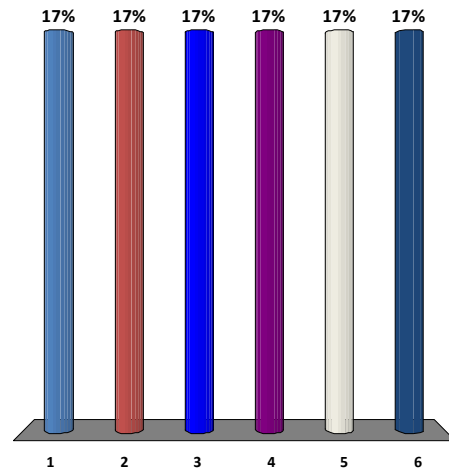
## What is your age?

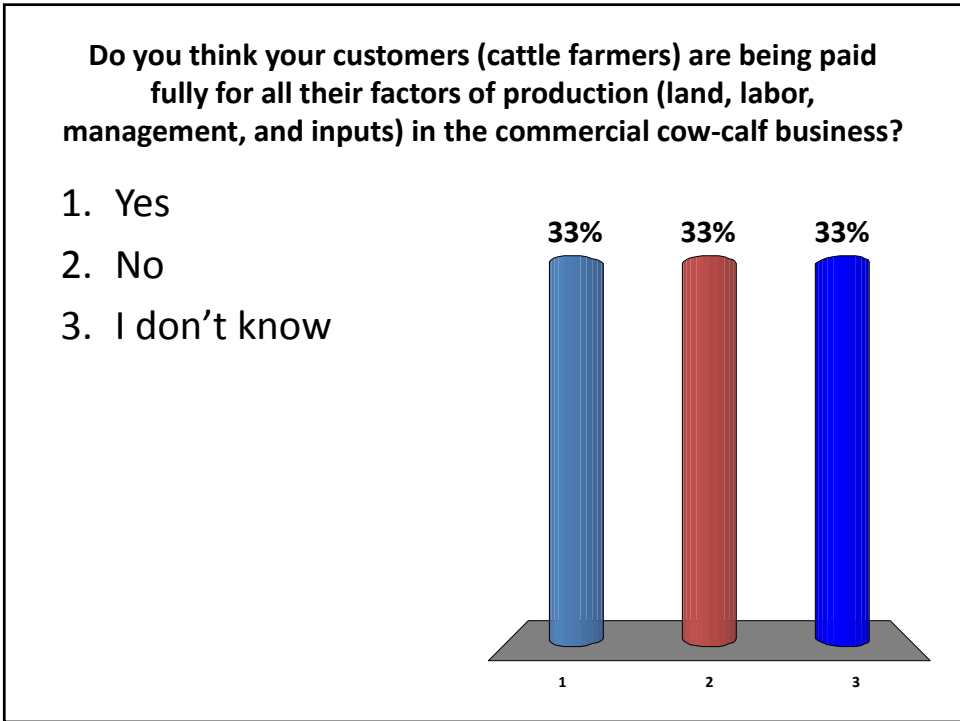
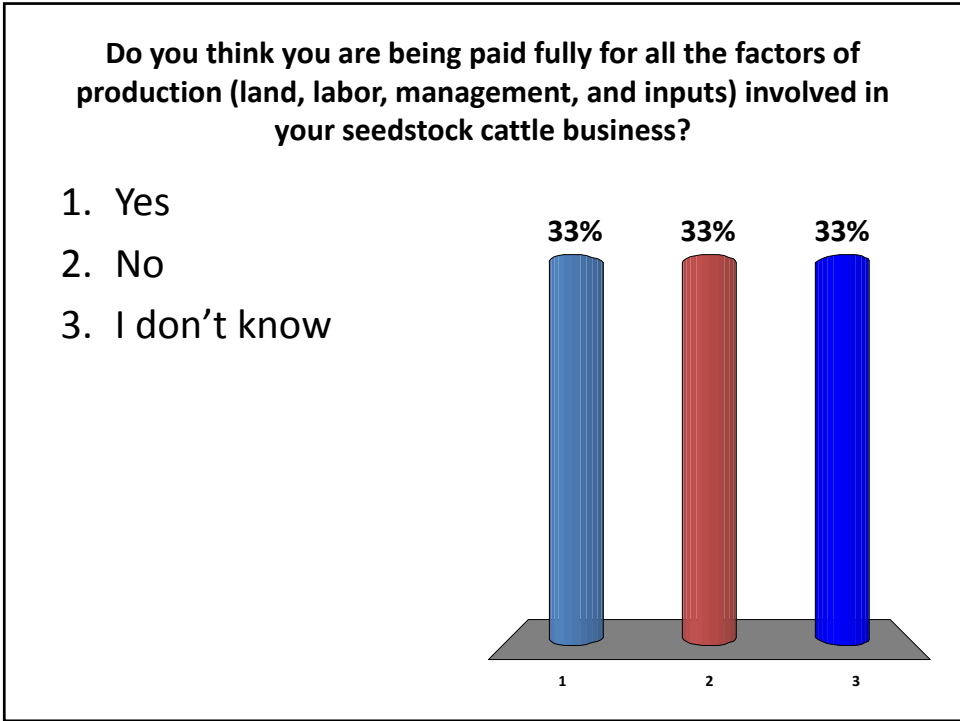
1. < 25
2. 25-50
3. 51-70
4. >70



## What is your race?

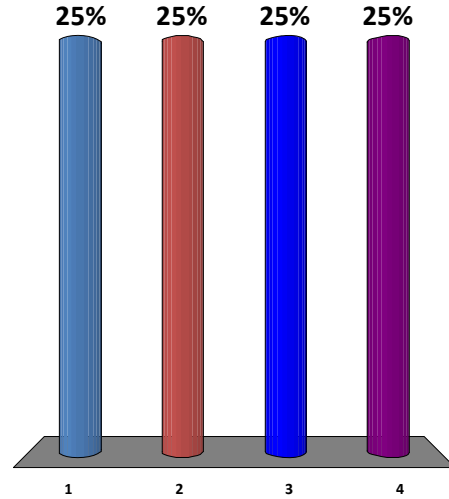
1. African American
2. Asian
3. Caucasian
4. Hispanic
5. Indian
6. Other





**In the future do you think Alabama needs:**

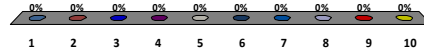
- 1. More seedstock cattle operations
- 2. Fewer seedstock cattle operations
- 3. The same number
- 4. I don't know



**Start-up Phase  
Business Planning Goals**

**Please rank the top three goals of your seedstock cattle business in order of importance?**

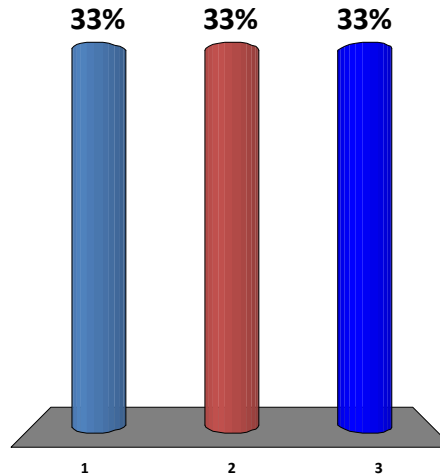
1. Profit
2. Animal Investment (appreciation in value)
3. Land investment (appreciation in value)
4. Being your own boss
5. Holding assets (land, cattle, etc.) for future generations
6. Working on the land
7. Working together with family/friends
8. Recreation (hunting, fishing, camping, etc.)
9. Minimize tax bill
10. Other \_\_\_\_\_



**Do you have a “competitive advantage” for operating a seedstock cattle enterprise?**

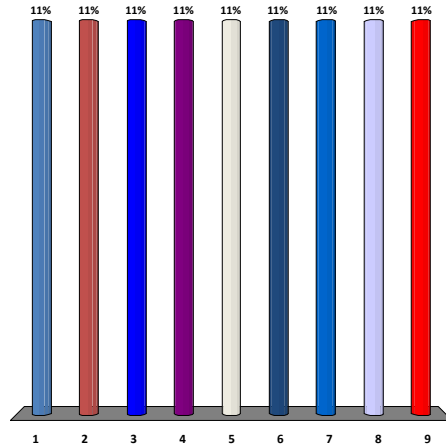
1. Yes
2. No
3. I don't know

A “competitive advantage” allows you to be more profitable than your competitors.



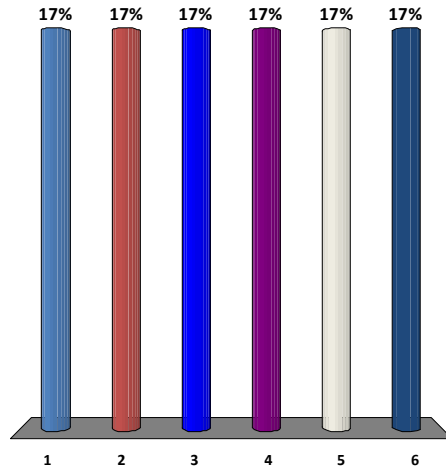
**What factor contributes the most to your “competitive advantage” for operating a seedstock cattle enterprise?**

- 1. Cheap capital
- 2. Cheap land
- 3. Cheap labor
- 4. Cheap feed
- 5. Cheap fertilizer
- 6. Excellent farm mgt.
- 7. Excellent Bus. Mgt.
- 8. Other \_\_\_\_\_
- 9. I don't know



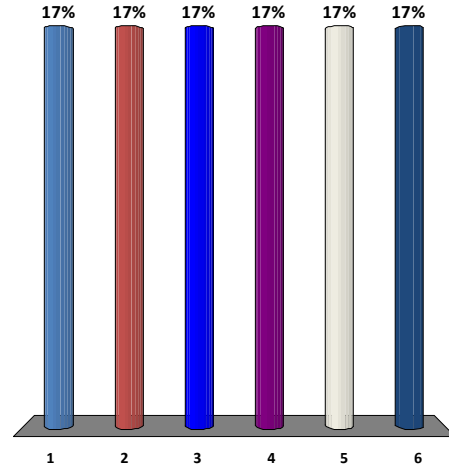
**How do you define profit for your seedstock cattle business?**

- 1. Returns over cash expenses
- 2. Net Farm Income
- 3. Net Income
- 4. Return on Investment
- 5. Other \_\_\_\_\_
- 6. I don't know



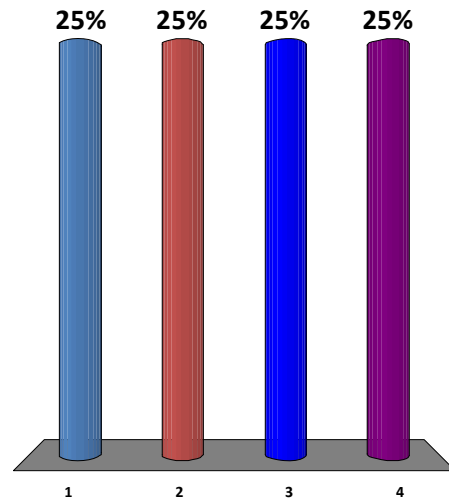
**Let's assume you choose NET FARM INCOME as your measure of profit. How much Net Farm Income is reasonable for you to make with the seedstock cattle enterprise?**

- 1. \$0 to \$50,000
- 2. \$50,001 to \$100,000
- 3. \$100,001 to \$150,000
- 4. \$150,001 to \$200,000
- 5. >\$200,000
- 6. I don't know



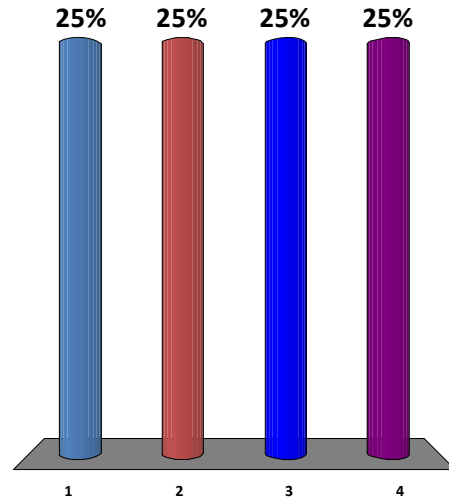
**How important is it for you to attain a positive net farm income from your seedstock cattle enterprise?**

- 1. Important
- 2. Somewhat important
- 3. Not important
- 4. I don't know



**In your opinion, you expect future net farm income from your seedstock cattle enterprises to:**

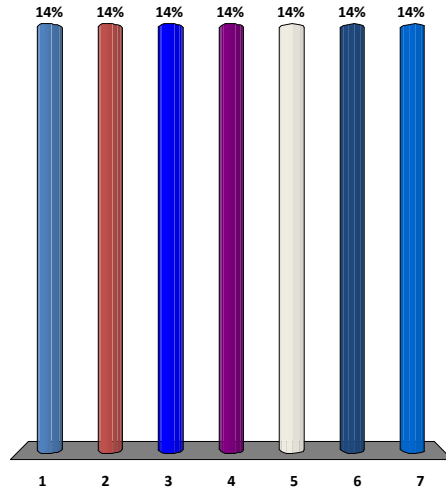
- 1. Increase over time
- 2. Stay about the same
- 3. Decrease over time
- 4. I don't know



## Operating Phase Business Goal Setting

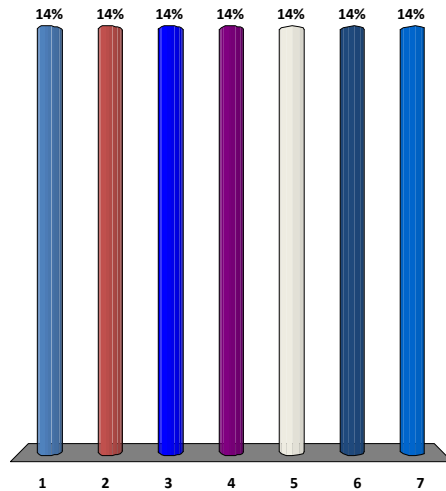
### What was the 2009 gross revenue from your seedstock cattle business?

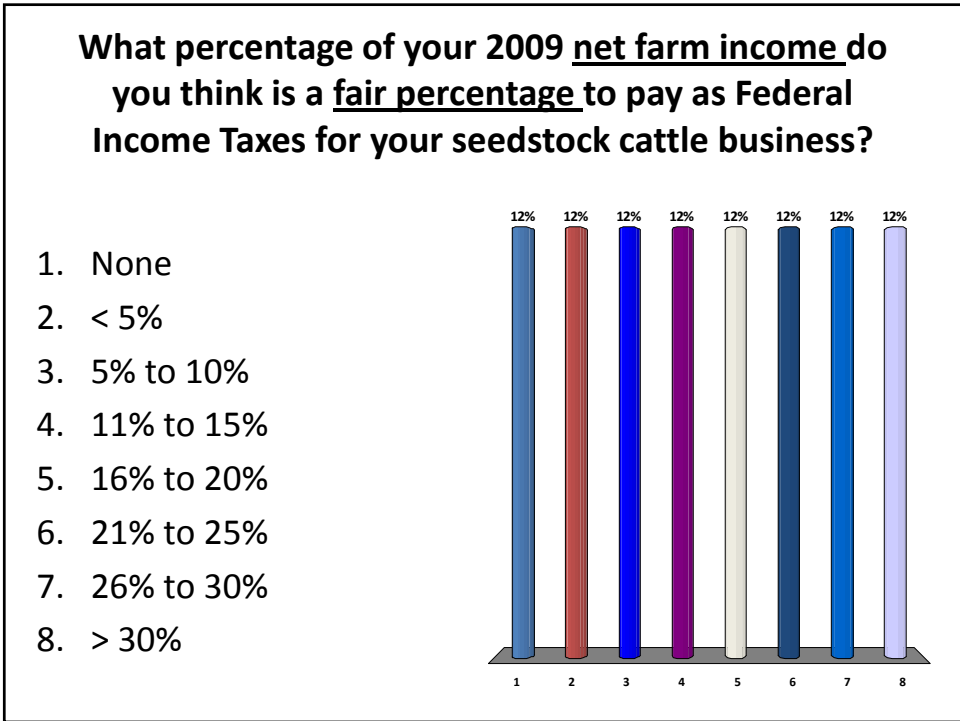
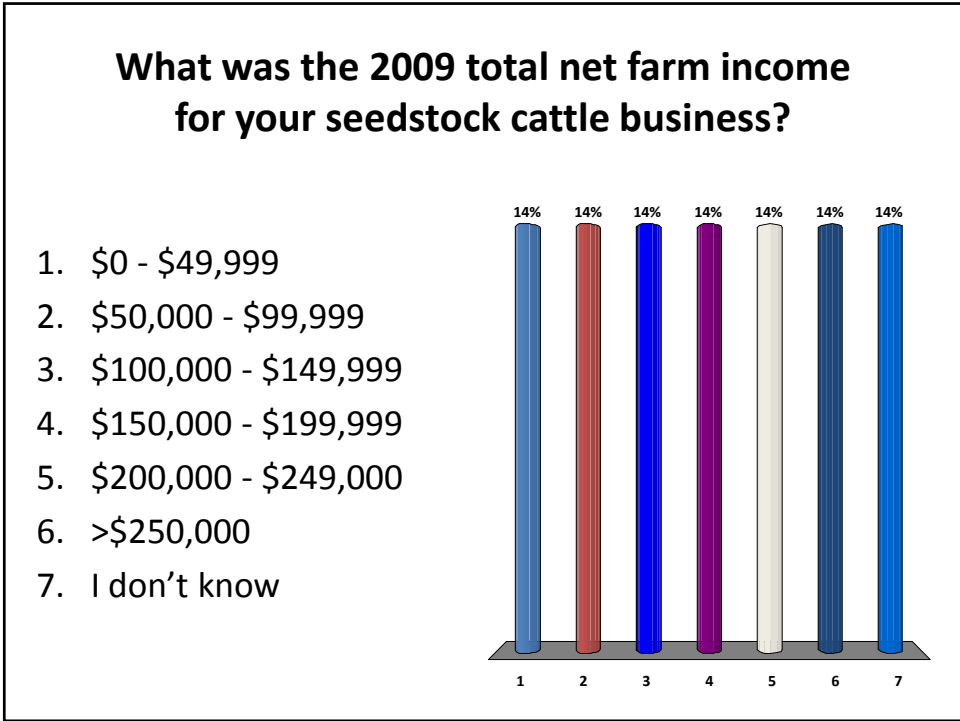
- 1. \$0 - \$99,999
- 2. \$100,000 - \$249,999
- 3. \$250,000 - \$499,999
- 4. \$500,000 - \$749,999
- 5. \$750,000 - \$999,999
- 6. > \$1,000,000
- 7. I don't know



### What was the 2009 total cost of production for your seedstock cattle business?

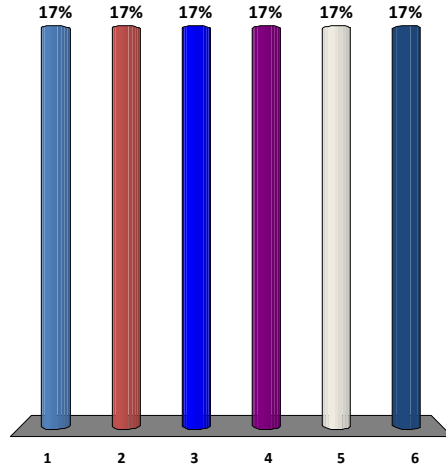
- 1. \$0 - \$99,999
- 2. \$100,000 - \$249,999
- 3. \$250,000 - \$499,999
- 4. \$500,000 - \$749,999
- 5. \$750,000 - \$999,999
- 6. > \$1,000,000
- 7. I don't know





**How much total Federal Income Tax would you like to pay given the selection you made regarding the percentage of your net farm income paid as Federal Income Taxes?**  
[Note: \$xxx of NFI \* Tax Rate = Federal Income Tax]

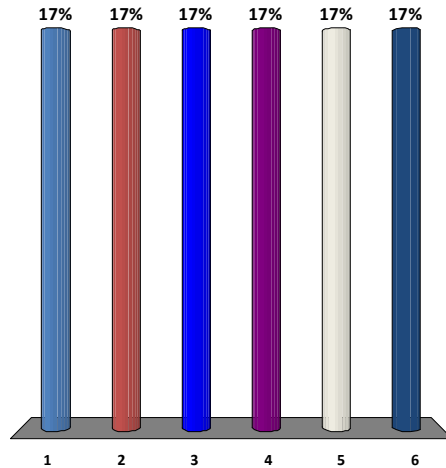
- 1. None
- 2. \$0 to \$25,000
- 3. \$25,001 to \$50,000
- 4. \$50,000 to \$100,000
- 5. >\$100,000
- 6. I don't know



**How many total acres do you use in your seedstock cattle business?**

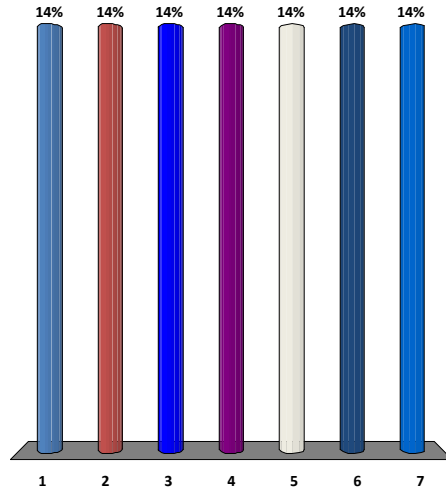
[Be sure to include cropland, pastureland, hay, etc. – owned & rented]

- 1. 1-100 acres
- 2. 101-200 acres
- 3. 201-300 acres
- 4. 301-400 acres
- 5. > 400 acres
- 6. I don't know



### What is the estimated total value of the land used in your seedstock cattle business (owned and rented)?

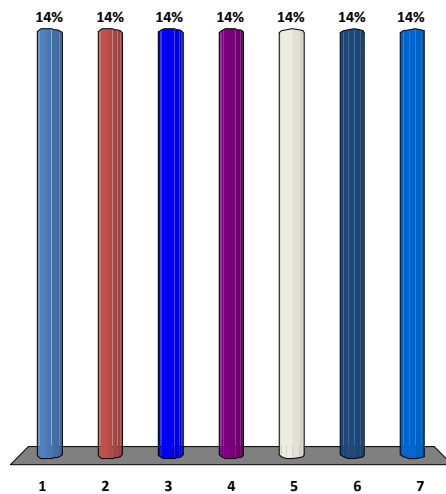
- 1. \$1-\$250,000
- 2. \$251,000 - \$500,000
- 3. \$501,000 - \$1,000,000
- 4. \$1,000,000 - \$2,000,000
- 5. \$2,000,000 - \$3,000,000
- 6. > \$3,000,000
- 7. I don't know



### How many purebred brood cows are in your seedstock cattle business?

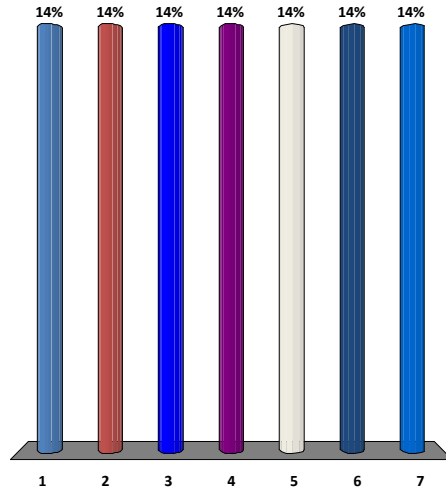
[Be sure to include owned & rented]

- 1. 1-50 brood cows
- 2. 51-100 brood cows
- 3. 101 – 200 brood cows
- 4. 201-300 brood cows
- 5. 301-400 brood cows
- 6. > 400 brood cows
- 7. I don't know



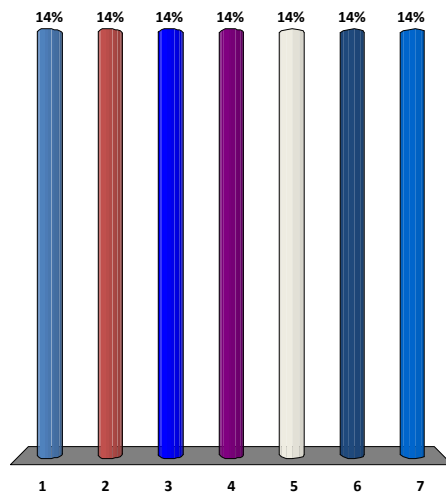
### What is the estimated total value of your purebred brood cows used in your seedstock cattle business (owned and rented)?

- 1. \$1-\$100,000
- 2. \$100,001 - \$250,000
- 3. \$251,000 - \$500,000
- 4. \$501,000 - \$750,000
- 5. \$750,000 - \$1,000,000
- 6. > \$1,000,000
- 7. I don't know



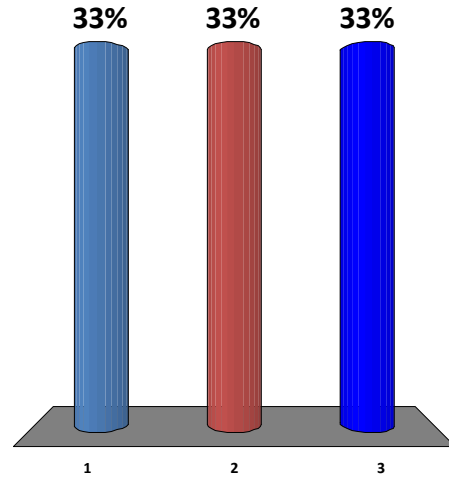
### How much does pastureland (similar to your pastureland) rent for in your county?

- 1. \$0 to \$10 per acre
- 2. \$11 to \$15 per acre
- 3. \$16 to \$20 per acre
- 4. \$21 to \$25 per acre
- 5. \$26 to \$30 per acre
- 6. > \$30 per acre
- 7. I don't know



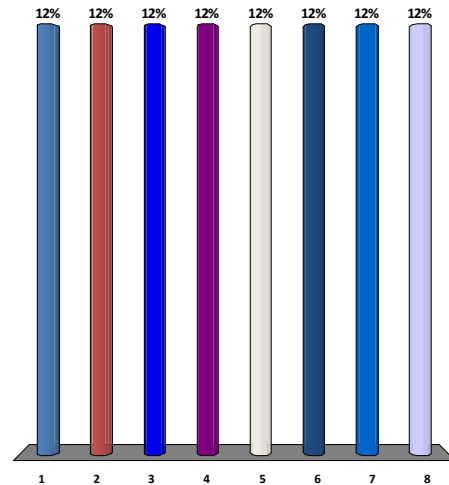
If profit was the most important goal for your seedstock cattle enterprise, would you discontinue this enterprise if you couldn't attain a net farm income per acre of at least the amount you could cash rent your pastureland?

- 1. Yes
- 2. No
- 3. I don't know



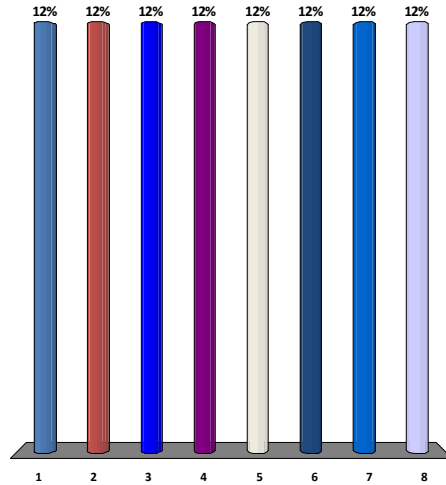
What is the highest value use of your time as an owner of a seedstock cattle enterprise?

- 1. Business manager
- 2. Farm manager
- 3. Herdsman
- 4. Laborer
- 5. Marketing manager
- 6. Office manager
- 7. Other \_\_\_\_\_
- 8. I don't know



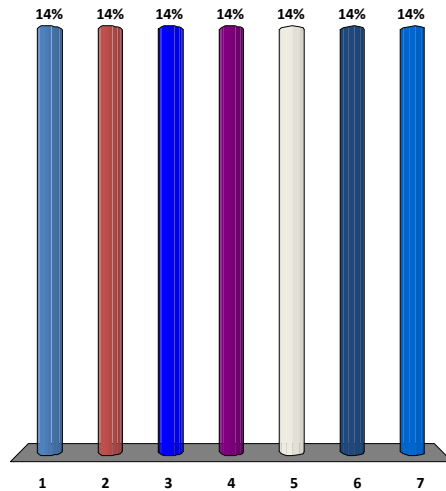
### What is the lowest value use of your time as an owner of a seedstock cattle enterprise?

- 1. Business manager
- 2. Farm manager
- 3. Herdsman
- 4. Laborer
- 5. Marketing manager
- 6. Office manager
- 7. Other \_\_\_\_\_
- 8. I don't know



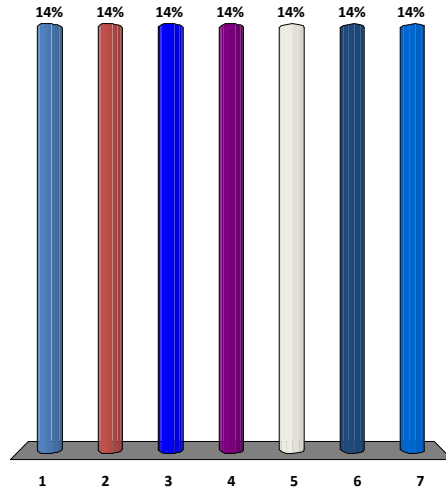
### If you took an off-farm job, what annual salary would you expect to receive?

- 1. < \$25,000
- 2. \$25,000 to \$50,000
- 3. \$50,001 to \$75,000
- 4. \$75,001 to \$100,000
- 5. > \$100,001 to \$125,000
- 6. > \$125,000
- 7. I don't know



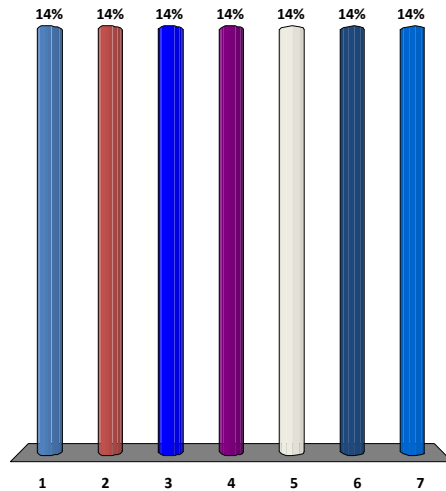
**During the last three years, what average annual salary did you earn from your seedstock cattle enterprise?**

- 1. < \$25,000
- 2. \$25,000 to \$50,000
- 3. \$50,001 to \$75,000
- 4. \$75,001 to \$100,000
- 5. > \$100,001 to \$125,000
- 6. > \$125,000
- 7. I don't know



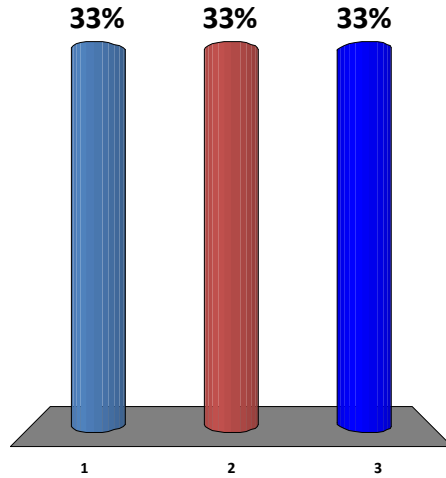
**During the last three years, what average annual salary did you earn from your seedstock cattle enterprise?**

- 1. < \$25,000
- 2. \$25,000 to \$50,000
- 3. \$50,001 to \$75,000
- 4. \$75,001 to \$100,000
- 5. > \$100,001 to \$125,000
- 6. > \$125,000
- 7. I don't know



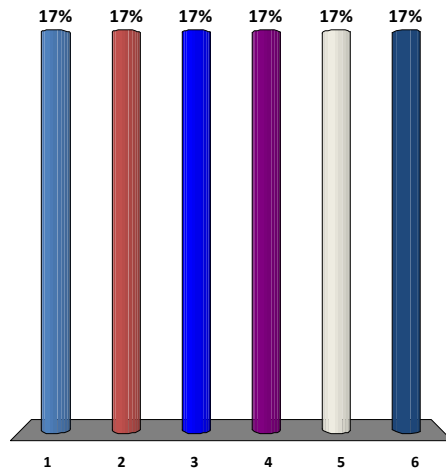
If profit was the most important goal for your seedstock cattle enterprise, would you discontinue this enterprise if you couldn't attain an annual salary that was as much as the amount that you could earn from an off-farm employment opportunity?

- 1. Yes
- 2. No
- 3. I don't know



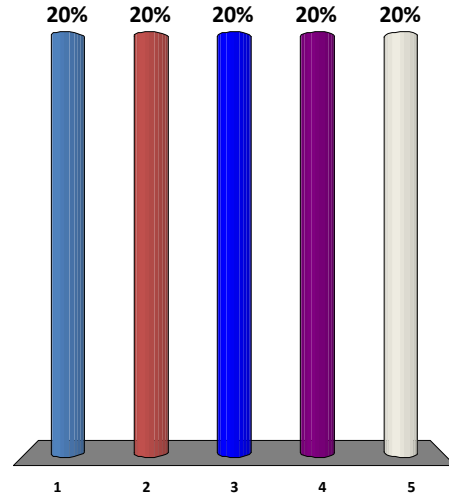
In the event that you incur a financial loss from the seedstock cattle enterprise, from what source would you be able to cover the financial loss?

- 1. Loans (borrowing)
- 2. Off-farm job income
- 3. Savings (CD's, Stocks,...)
- 4. Sell some assets (cattle, mach./equip, land, timber, .....)
- 5. Other \_\_\_\_\_
- 6. I don't know



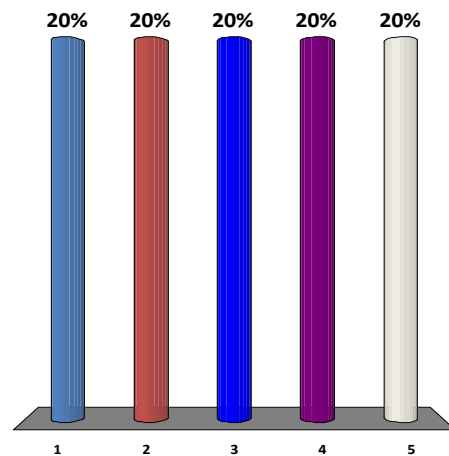
### How long are you willing to provide outside money to support the seedstock cattle enterprise in the event of financial losses?

- 1. One year
- 2. Two years
- 3. Three years
- 4. > Three years
- 5. I don't know



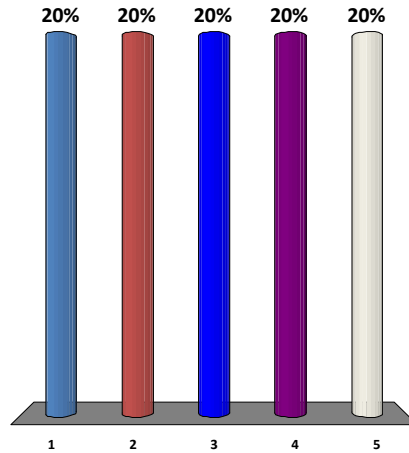
### What are your future plans over the next five years for your seedstock cattle enterprise w.r.t. number of brood cows?

- 1. Maintain current number of brood cows
- 2. Expand the number of brood cows
- 3. Reduce the number of brood cows
- 4. Liquidate all of the brood cows
- 5. I don't know



## In order to maintain the same “Standard of Living” in the future, you will need to:

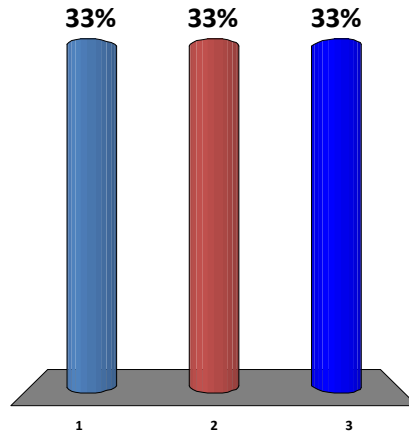
1. Increase the net farm income of my seedstock cattle enterprise by the rate of inflation.
2. Reduce the size of my seedstock cattle enterprise and supplement my net farm income with a part-time off-farm job.
3. Reduce the size of my seedstock cattle enterprise and supplement my net farm income with a full-time off-farm job.
4. Other \_\_\_\_\_
5. I don't know



## Transfer Phase Business Planning

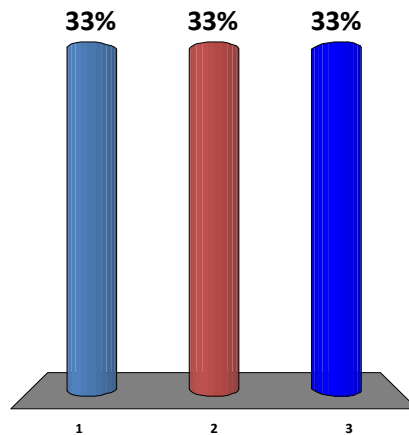
### Do you have a will?

- 1. Yes
- 2. No
- 3. I don't know



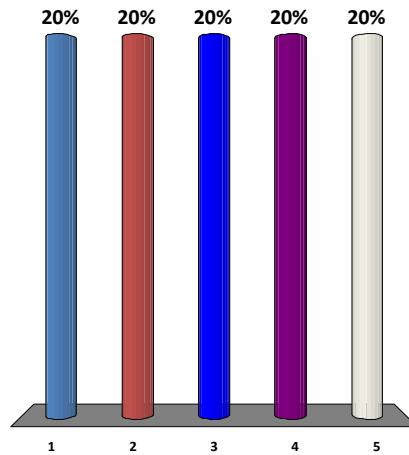
### Do you have an estate transfer plan?

- 1. Yes
- 2. No
- 3. I don't know



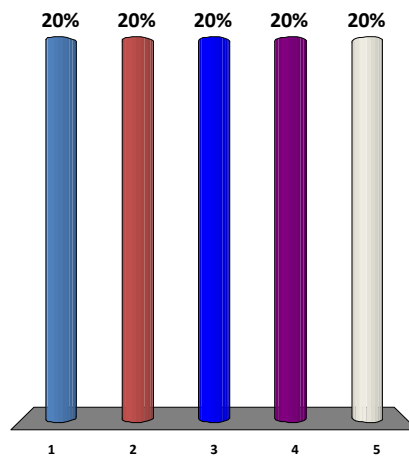
**If you and/or your spouse die or become disabled today, who will operate the seedstock cattle business?**

- 1. Family (spouse, daughter, son, ....)
- 2. Friend
- 3. Hired manager
- 4. Other \_\_\_\_\_
- 5. I don't know



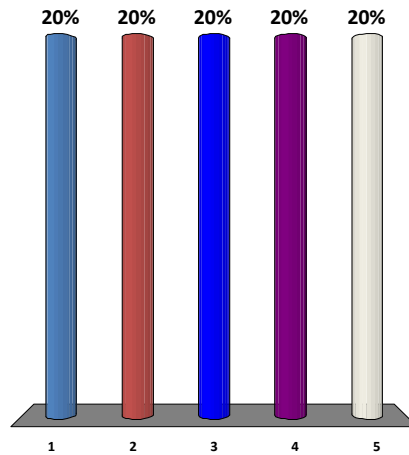
**If you plan to transfer the seedstock cattle business to someone currently involved in the business, what is the most important single action you should take in order to help transfer the business to them in your opinion?**

- 1. Increase their labor responsibility
- 2. Increase their management responsibility
- 3. Increase their salary
- 4. Other \_\_\_\_\_
- 5. I don't know



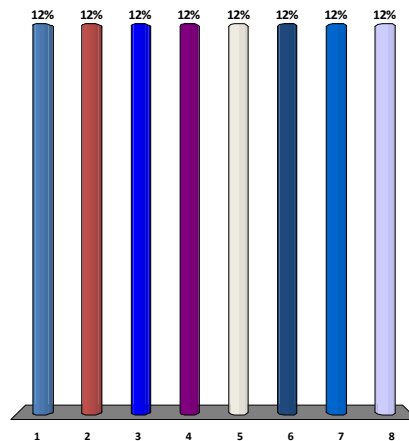
### When should you begin developing an estate transfer plan in your opinion?

- 1. At the beginning of the business (start-up phase)
- 2. When the business is up and running (operating phase)
- 3. After you become unable to operate the business
- 4. Never
- 5. I don't know



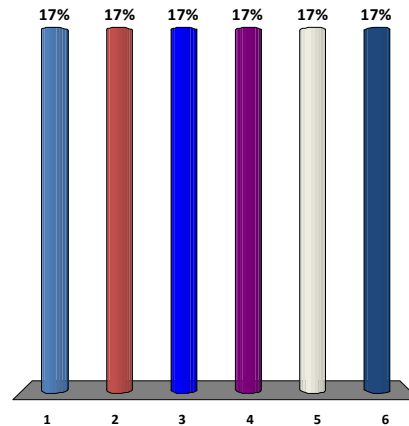
### Who should you involve in developing the estate transfer plan?

- 1. Accountant
- 2. Banker/Lender
- 3. Financial planner
- 4. Insurance Agent
- 5. Lawyer
- 6. Personal Representative
- 7. Recipients
- 8. All of the above



## How often should you revise the estate transfer plan?

1. When personal events change (wedding, divorce, births, deaths, ...)
2. When assets change (buy and sell assets, leases, ....)
3. When liabilities change (incur non-paid expenses, borrow money, pay off mortgages, ....)
4. When financial information changes (change banks, change insurance policies/levels, .....)
5. When estate transfer tax policy changes
6. All of the above



## Pointers on Starting The Farm Business

1. Take a day and write a business plan. Know what you want to do and why you want to do it. Describe production, marketing, and financial plans.
2. Decide how to terminate the farm business should you become unprofitable or decide farming is not for you.
3. Decide on how to transfer the farm business should you die or become disabled.
4. Set up a record keeping system that includes both production and financial information. Don't let inadequate information cheat you out of a profit.
5. Know your cost of production and how to use this information. Review this information frequently. Be careful about paying for the "D and 3 Fs."
6. Manage DEBT. Money is necessary to make money. Beware of its pitfalls.
7. Understand taxes. Federal, State, and Local taxes. Pay your taxes fairly. Absolutely do not buy something just to get the tax benefits.
8. Maintain some financial reserves for unexpected situations.
9. Understand what works and what doesn't work. Traditional practices may or may not be profitable.
10. Don't accept the status quo! Examine innovative practices thoroughly before adopting. Adopt in small increments.
11. Manage family living expenses. Practice controlled spending using a budget.
12. Take time to train the next generation about the farm business (financial, marketing, production, regulations, community and organizational responsibilities, etc.).

# **Thank You!**

## **Questions and Comments?**

**Additional References:**

**Steve Brown, Brewton, 251-867-7760**  
**Holt Hardin, Scottsboro, 256-754-2143**  
**Bob Lisec, Headland, 334-693-2010**  
**Robert Paige, Crossville, 256-528-7133**  
**Jamie Yeager, Greensboro, 334-624-4016**

## **Business Goal Setting: Developing A Management Plan**

**Josh Elmore                      Michelle Elmore**  
**Lisa Kriese-Anderson        Walt Prevatt**  
**Alabama Cooperative Extension System**  
**Auburn University**

**Alabama BCIA Field Day**  
**Seedstock Continuing Education Program**  
**AU Stanley Wilson Beef Teaching Unit**  
**July 31, 2010**