

Starting a business as a primary food producer

Money

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This session

- Business structures
- Making Money
- Pricing
- Discuss horticultural businesses – small farm profits ELC
- Business plan- financial forecast

Business Structure

- Self employed
 - Sole trader
- Ltd company
- Partner
- Community Interest Company
CIC
- Bona fide co-op
- Community benefit societies
 - (A co-op that benefits the
community)

- Most important
thing is...

Keep a record of sales
and expenses.

How much do you need to earn?

- Do cost calculations (personal budget plan)
 - What are your monthly out goings?
 - Rent/ mortgage, bills, travel, food, luxuries
- How much profit do you need to make from your new business?
 - Turnover – expenses
- How will you bridge the gap between seasonal money in and money out?

Start-up costs

- Land/ Premises
- Establishing the site
 - Fencing, entrance, parking
 - Utilities -water, electric
 - Buildings – barn, polytunnels, toilet
 - Bio service areas (trees & hedges)
- Equipment
 - Tools, machinery, irrigation, crop protection
- Average start up costs
 - Gardener £5000-£10,000
 - Market gardener £100,000+

Overhead costs

- Land rent
- Water & electric
- Office- internet, phone
- Transport
- Marketing
- Tools & Repairs

Consumables

- Seeds / plants
- Compost/ organic matter

Don't underestimate the scale you need to be at to earn a living

- 2 – 10 acre is recommended
- Fruit & vegetable production is highly productive per unit area
 - average financial output of £13K per hectare (Defra, 2017)
- 59% of horticultural food producers had to have off farm work to support their income (LWA survey)
- Small farms provide better quality of work life
 - jobs are more varied, require more skill and occur in a more pleasant environment
 - increasingly people seek meaningful outdoor work that brings environmental and social benefits

Land efficiency

- Average fulltime workers for horticultural food production is 3.1per hectare.
 - Horticultural food production requires high labour intensity on a low area of land use.
- Typical yield per hectare per year is 18 tons of food
 - This fluctuates dependent on land, production method and variety.

‘A Matter of Scale’ report by Land Workers Alliance

<https://landworkersalliance.org.uk/2017/07/small-scale-agroecological-farms-attract-uk-workers-produce-high-yields-of-vegetables-and-deliver-multiple-environmental-and-social-benefits/>

What price for your goods

- Organic wholesalers monthly price list
- Shop comparison- check local shops regularly
- What will people pay?
 - Higher price for out of season produce

Wholesale or Direct

Wholesale

- Redistributors = lowest price
- Direct wholesale
 - Restaurants (-20%)
 - Shops (-40%)
 - Veg bag schemes (variable)
- Advantages
 - less time to pack
 - Higher volumes
- Disadvantage
 - Lower price
 - May need larger storage facilities

Direct

- 100% minus:
 - Card fees / online shop software fees
 - Markets
 - Packaging & labelling
- Advantages
 - More direct contact with end user
 - Higher price
- Disadvantage
 - Other skills needed in markets, people
 - More admin

Labour Costs

Growing

- Seed sowing
- Bed prep
- Planting
- Watering
- Mulching
- Hoeing
- Harvesting

Additional Labour

- Packing
- Delivery
- Marketing
- Admin – planning, accounts, management

Economy of scale

What price for your goods

How much has it cost you to produce?

- On average your hourly rate is a 3rd of your income. The rest is overheads. E.g.
 - 1 hr labour = produce sold for £36.33
 - $£36.33/3 = £12.21/\text{hr}$ minimum wage (April 2025)

What is the current market price?

- Organic wholesalers monthly price list
- Shop comparison- check local shops regularly
- What will people pay?

Price lists

Lets take a look
Group research

Watson & Pratts Organic wholesale prices

Split into 3 groups

Research wholesale prices for a crop over different seasons

- Washed carrots
 - Potatoes
 - Peas

Small farm profit

Is it possible?

What model is right for you?

Discuss

Welsh government support

- Currently fruit and veg is 2% of the total Welsh agricultural output
- Expansion of horticulture
 - Gov strategy to increase horticultural production
 - Capital grants for startup & development
 - Training – Farming connect
 - Research into the impact of planning rules
 - Public procurement pilots for school meals
- The Sustainable Food Trust's goal is for Wales to produce 75% of its fresh produce within 10 years.

Report: <https://www.gov.wales/sites/default/files/publications/2018-05/horticulture-industry-strategic-action-plan.pdf>

Creating your business plan

Company Name
Business Plan
[period the business plan covers]
1. Executive Summary
(We suggest you complete this section after you have completed the other sections of the Business Plan.)
2. Introduction and Company Overview
(Provide a brief description of what your business is, who is involved, what you want to achieve and how you will measure success. Include a description of your product or service and explain your USP.)
3. Market and Competitors
(Provide an overview of the market you are working in, including a competitor analysis, and explain how you plan to compete. Give details about your target markets, your customers' needs and how you match those needs.)
4. Sales and Marketing Strategy
(Explain your marketing strategies and how you cut through the competition. Give details of where your customers are and how you plan to reach them. Include your pricing strategy and a detailed sales forecast.)
5. Operations
(Outline your operational capabilities and explain how you plan to conduct your business. Include information about your location, premises and equipment, and your production plans, supplier base and distribution strategies. Also include details of staff, and systems and procedures.)
6. Financial Information
(Provide a month-by-month cashflow forecast for the first year, together with a profit and loss statement for years 2 and 3, and a calculation of how much you need to break-even.)
7. Appendices
(Include all documents and evidence to support your plan. This may include market research, letters of intent and any firm orders you may have, references, portfolio of previous work, legal documents, price lists.)

Cashflow Forecast At A Glance

The main source of income is sales, including VAT. Other income may include investment you have made into the business, bank loans or grants.

Net Cashflow is the difference each month between total income and total costs.

Opening Balance is the amount the business starts with each month.

	Jan	Feb	March	Total
Income (money coming in)				
Sales	2,000	2,000	2,500	6,500
Personal Investment	2,500			2,500
TOTAL INCOME	4,500	2,000	2,500	9,000
Costs (money going out)				
Wages			500	500
Drawings	1,000	1,000	1,000	3,000
Rent	150	150	150	450
Computer	40	40	40	120
Initial equipment	2,500			2,500
Electricity	85			85
Telephone	30	30	30	90
Marketing		250	250	500
Ingredients	250	250	350	850
TOTAL COSTS	4,055	1,720	2,320	8,095
NET CASHFLOW	445	280	180	905
Opening Balance	0	445	725	0
Closing Balance	445	725	905	905

Includes capital and revenue costs, including VAT. Capital costs have long-term benefit and are usually paid at time of purchase with depreciation paid over time. Revenue costs include fixed costs/overheads (for day-to-day running) and direct/variable costs (related to level of production).

Closing Balance = opening balance + net cashflow. A negative closing balance means the business needs additional funding (overdraft or loan).

NOTE: If you are VAT registered, you should also include a line for VAT in your costs.

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7. Appendices

(Include all documents and evidence to support your plan. This may include market research, site plan, cropping plan, sowing timetable, SWOT analysis, letters of intent and any firm orders you may have, references, portfolio of previous work, legal documents, price lists, CVs for key team members and sample promotional material. Make sure you cross reference the appendices to the appropriate section of the business plan.)

Business Help

Agora Menter a Busnes

<https://menterabusnes.cymru/home/>

Cywain – Food & Drink Welsh businesses

<https://menterabusnes.cymru/cywain/en/home/>

Farming Connect

<https://businesswales.gov.wales/farmingconnect/>

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<http://www.ashandel.m.co.uk>