



THE CARROT PROJECT PRESENTS

Farm Financial Planning 102

With Cian Dalzell

THE
PROJECT carrot

Who we are



Our Vision

The Carrot Project envisions a just and resilient farm and food system, where successful farms and agricultural businesses are increasing in number and racial diversity, and are contributing to New England's economic, environmental, and social well-being.

We address the most important gaps at the intersections of financial security, racial and economic justice, financial barriers to farmland access, and farmers' ability to weather major disruptions.

Our Mission

We support agricultural businesses, securing their futures by breaking down financial barriers and building their paths to sustainability.

We do this as business advisors and through education, advocacy, and research.

Our work



The Carrot Project works to increase the number of economically viable farm and food businesses. We want your businesses to be here 5, 10, 25, and even 50 years from now.

Our services are aimed at helping farmers and food business owners achieve greater financial management expertise and confidence in making business decisions that lead to long-term business success.

Services may be free or cost-shared depending on location and household income.

Who we serve



Our programs are designed to support:

Farmers and fishers based in MA, RI, and CT who use sustainable methods and sell some - or all - of their products locally or regionally.

Food entrepreneurs who source their ingredients from these types of farmers and fishers and sell some - or all - of their goods locally or regionally.

Our priority is start-up and early-stage farms and agricultural businesses who have low-to-moderate incomes, but we also work with more established businesses.

Our services



Trainings and Workshops

The Carrot Project offers hands-on, skills-based trainings and workshops with a focus on bookkeeping and financial management skills necessary to make agricultural business thrive. Most workshops run during the agricultural “off season” of late October through March. Class size is limited to ensure participants get the attention they need.

Loan Programs

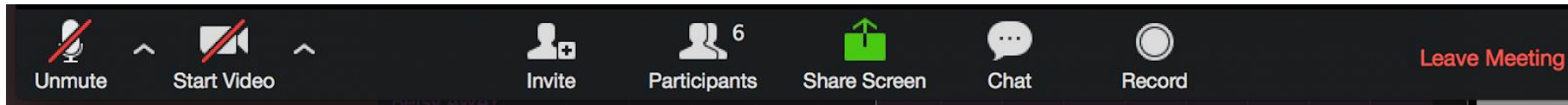
Capital or operating loans of \$5,000-\$50,000 are available to agricultural businesses that may not be able to obtain financing elsewhere, including startups and farms in the first few years of operation. Those who already have a business plan are ideally suited to apply. We offer guidance on when and how to apply for financing, as well as assistance with loan applications and connection to lenders that lend up to \$250,000.

1:1 Business Advising & Coaching

One-on-one coaching and business consulting helps farmers and food business owners achieve greater financial management expertise and confidence in making business decisions, which lead to long-term business success.

Tech Check

Click “Participants” and “Chat” menu buttons



Click “Unmute” and “Start Video” to say hello

Have Questions?



Why wait!



Raise your hand



Type in the chat window

Technology issues?

- Send chat message to Jeff, or
- Email Jeff at jcole@thecarrotproject.org.

Nice to meet you. I'm Cian.



Farmer



Consultant



Nerd



Acknowledgement

It's been a tough couple of years for a lot of reasons.

You're exhausted. Perhaps your nerves feel raw and frayed.

And yet...

You're here.

Thank you for being here.



Image by Jetpacks and Rollerskates

Agenda

- Bookkeeping Fundamentals
- Preparing for Financing
- Where to Look

Bookkeeping Fundamentals

- Cash vs. Accrual
- (Re)Organizing Your System
- Balance Sheet Equation
- Cash Flow Projections
- Consistent Practice



Cash Vs. Accrual

Cash Accounting

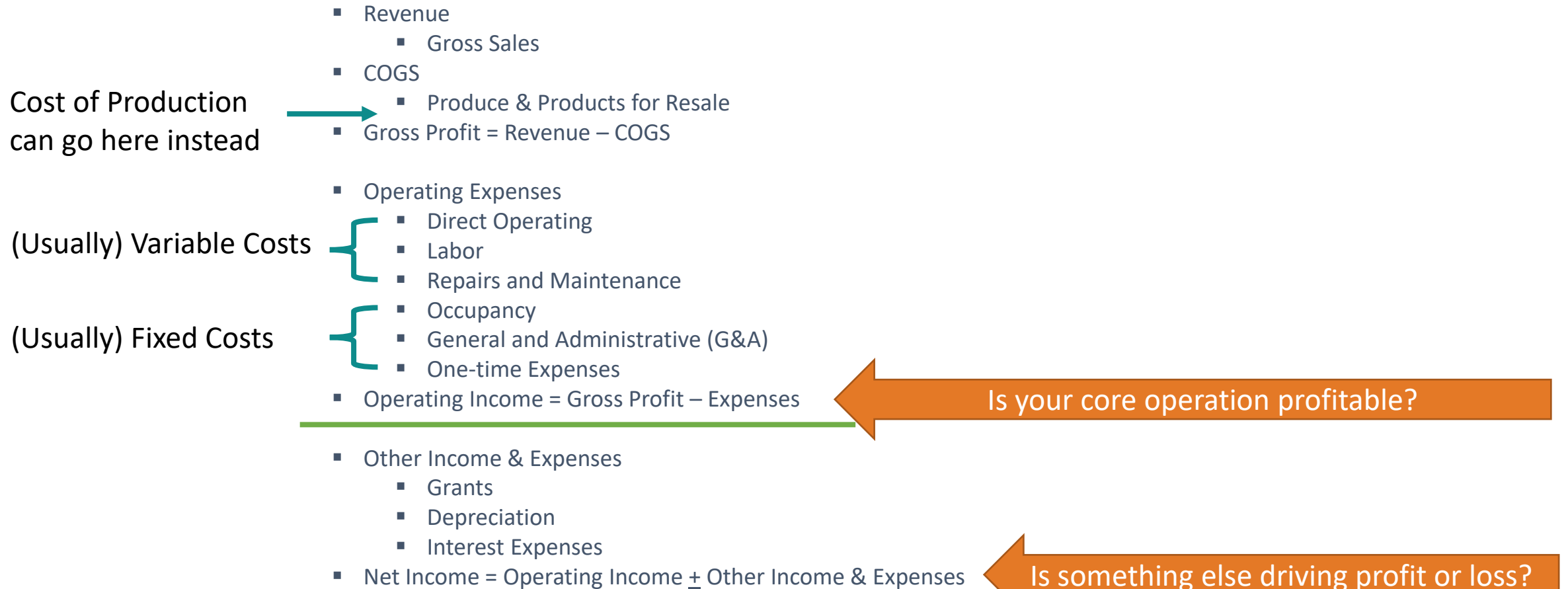
- ▶ Record revenues and expenses when the cash is received or spent.
- ▶ No A/P or A/R
- ▶ Good for managing cash flow

Accrual Accounting

- ▶ Record revenues when earned, and expenses when incurred.
- ▶ Match expenses with revenues when possible
- ▶ Good for managing production costs

Know WHICH you use and WHY

(Re)Organizing your Chart of Accounts

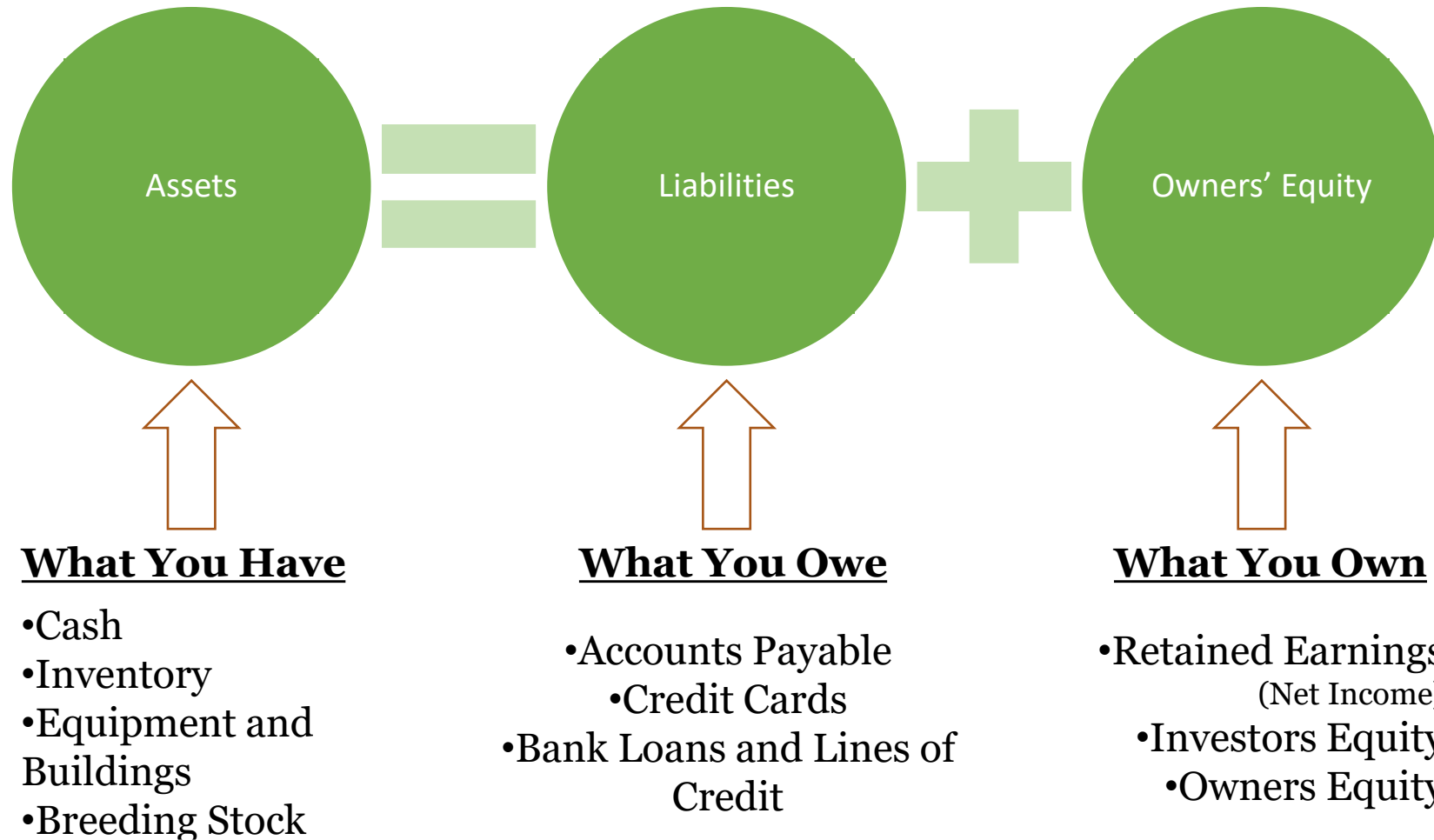


(Re)Organizing Your System

- What new questions do you want your numbers to answer?
- What data is the most important to see regularly?
 - Do you need to add subaccounts in your CoA to see them?
- What do you not need to see on every report?
 - Is it time to combine accounts?
- How have your revenue streams and expenses changed?

Do you need to change your data tracking systems?

The Balance Sheet Equation



All transactions impact the Balance Sheet

All 3 statements link together

Transaction	ASSETS		=	Liabilities	+	Owners' Equity	
	Cash	Tractor		Loan		Owner's Capital	Retained Earnings
						Revenue	Expense
Beginning Balance	\$0	\$0		\$0		\$0	\$0
Open Business	\$10,000			\$10,000			
Buy Tractor	-\$5,000	\$5,000					
Seeds/Supplies	-\$2,000						-\$2,000
Sell Produce	\$8,000					\$8,000	
Year-End Depreciation		-\$1,000					-\$1,000
Ending Balance	\$11,000	\$4,000		\$10,000		\$8,000	-\$3,000

Diagram annotations: A green rounded rectangle highlights the entire table. An orange arrow labeled "Statement of Cash Flow" points from the Loan column to the Tractor column. An orange arrow labeled "Income Statement" points from the Revenue column to the Expense column. An orange arrow labeled "Balance Sheet" points from the Loan column to the Ending Balance row.

You purchase a new greenhouse. Is it an asset or an expense?

Expense

- Revenue
 - \$100,000
 - Greenhouse
 - \$15,000
 - All other expenses
 - \$60,000
-
- Net Profit
 - \$25,000
 - Total Assets
 - \$0

Asset

- Revenue
 - \$100,000
 - Greenhouse
 - \$15,000
 - All other expenses
 - \$60,000
-
- Net Profit
 - \$40,000
 - Total Assets
 - \$15,000

Entered as Asset

	ASSETS		=	Liabilities	+	Owners' Equity	
Transactions	Cash	Greenhouse		Loan		Owner's Capital	Retained Earnings
						Revenue	Expense
Make Sales	\$100,000	\$0		\$0		\$100,000	\$0
Incur Expenses	-60,000						-60,000
Purchase Greenhouse	-15,000	+15,000					
Ending Balance	\$25,000	\$15,000					\$40,000

Diagram annotations:

- Green rounded rectangles highlight the ASSETS and Owners' Equity columns.
- An arrow labeled "Statement of Cash Flow" points from the Cash column to the Greenhouse column.
- An arrow labeled "Income Statement" points from the Revenue and Expense columns to the Owner's Capital column.
- An arrow labeled "Balance Sheet" points from the Ending Balance row to the Greenhouse column.

Entered as Expense

Transaction	ASSETS		=	Liabilities	+	Owners' Equity		
	Cash	Greenhouse		Loans		Owner's Capital	Retained Earnings	
							Revenue	Expense
Make Sales	\$100,000	\$0		\$0		\$0	\$100,000	\$0
Incur Expenses	-60,000							-60,000
Purchase Greenhouse	-15,000							-\$15,000
Ending Balance	\$25,000							\$25,000

Diagram annotations: An arrow labeled "Statement of Cash Flow" points from the Cash column to the Greenhouse column. An arrow labeled "Income Statement" points from the Cash column to the Expense column. An arrow labeled "Balance Sheet" points from the Greenhouse column to the Retained Earnings column.

Cashflow Projections

1. Review historical financials
2. Identify changes:
 1. Revenue Increases
 2. Variable vs. fixed costs
 3. Incremental expense vs. sunk costs
3. Outline changes based on new scenario
4. Organize your numbers



Run a Report! Profit & Loss by Month

Switch to Excel

Projections Complete!

Patel Farm

2022

Projections

Breaking down from an annual amount

Income

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Vegetable CSA	65,000	60,000	55,000	100,000	70,000								350,000
Egg Shares	5,500	5,000	3,000	12,000	10,500								36,000
Other Eggs	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	2,500	2,500	2,000	2,000	30,000
Chicken Shares	12,000	9,000	15,000	12,000	10,000	2,000							60,000
Other Chicken	5,000	5,000	5,000	5,000	5,000	6,000	6,000	8,000	7,000	9,000	9,000	5,000	75,000
Lamb										15,000	5,000	5,000	25,000
	89,500	81,000	80,000	132,000	98,500	11,000	9,000	11,000	9,500	26,500	16,000	12,000	576,000

Annual Projection	Remaining
350,000	-
36,000	-
30,000	-
60,000	-
75,000	-
	(25,000.00)
551,000	(25,000.00)

Expenses Variable

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Direct Operating													-
Fertilizer/Amendments	3,000	5,000	2,000										10,000
Seeds													-
Fuel	100	100	300	500	500	500	200	100	100	100	100	100	2,700
Pesticides/Chemicals			2,000	1,100									3,100
Field Supplies		350			300		700		150				1,500
Wash Station Supplies			150	240				110					500
Animal Welfare (med supplies/vet)	300		300			630							1,230
Feed (+supplements)	17,486	7,526	7,526	7,526	11,288	11,288	36,163	13,546	13,546	19,389	7,526	7,526	160,336
Housing			846	782				40					1,668
Fencing				822									822
Delivery Costs	248	248	248	248	248	540	764	824	794	828	708	248	5,944
Slaughter costs					2,720	2,720	2,720	2,720	7,720	5,453			24,053
Packaging			15,000					3,656					18,656

Annual Projection	Remaining
-	-
10,000	-
10,000	10,000.00
2,700	-
3,100	-
1,500	-
500	-
1,000	(230.33)
135,600	(24,735.61)
2,000	332.00
1,000	178.00
8,000	2,056.00
-	(24,053.00)
-	(18,656.00)

Comparing (and Updating) Regularly

Patel Farm

2022

Comparing Projections to Actuals

Revenue	January				Feb				Mar				Year To Date				Total Year			
	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%
	Vegetable CSA	65,000	72,000	7,000	9.7%	60,000	54,000	(6,000)	-11.1%	55,000	38,000	(17,000)	-44.7%	180,000	164,000	(16,000)	-9.8%	350,000	164,000	(186,000)
Egg Shares	5,500	5,000	(500)	-10.0%	5,000	5,800	800	13.8%	3,000	2,300	(700)	-30.4%	13,500	13,100	(400)	-3.1%	44,000	13,100	(30,900)	-235.88%
Other Eggs	2,000	1,844	(156)	-8.5%	2,000	1,844	(156)	-8.5%	2,000	1,844	(156)	-8.5%	6,000	5,532	(468)	-8.5%	34,000	5,532	(28,468)	-514.61%
Chicken Shares	12,000	11,300	(700)	-6.2%	9,000	9,500	500	5.3%	15,000	15,400	400	2.6%	36,000	36,200	200	0.6%	84,000	36,200	(47,800)	-132.04%
Other Chicken	5,000	4,800	(200)	-4.2%	5,000	4,800	(200)	-4.2%	5,000	4,800	(200)	-4.2%	15,000	14,400	(600)	-4.2%	85,000	14,400	(70,600)	-490.28%
Lamb	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	89,500	94,944	5,444	5.7%	81,000	75,944	(5,056)	-6.7%	80,000	62,344	(17,656)	-28.3%	250,500	233,232	(17,268)	-7.4%	622,000	233,232	(388,768)	-166.69%
Expenses Variable	Jan				Feb				Mar				Total				Total			
	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%	Proj	Actual	\$ Diff	%
	Direct Operating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fertilizer/Amendment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seeds	2,500	2,500	-	0.0%	2,500	2,500	-	0.0%	2,500	2,800	300	10.7%	7,500	7,800	300	3.8%	12,500	7,800	(4,700)	-60.26%
Fuel	3,500	3,500	-	0.0%	3,500	3,500	-	0.0%	3,500	3,500	-	0.0%	10,500	10,500	-	0.0%	17,500	10,500	(7,000)	-66.67%
Pesticides/Chemicals	7,500	7,500	-	0.0%	-	-	-	-	-	-	-	-	7,500	7,500	-	0.0%	7,500	7,500	-	0.0%
Field Supplies	-	-	-	-	500	500	-	0.0%	-	-	-	-	500	500	-	0.0%	1,000	500	(500)	-100.00%
Wash Station Supplies	500	500	-	0.0%	500	500	-	0.0%	500	500	-	0.0%	1,500	1,500	-	0.0%	2,500	1,500	(1,000)	-66.67%
Animal Welfare (meds)	2,500	2,500	-	0.0%	-	-	-	-	-	-	-	-	2,500	2,500	-	0.0%	2,500	2,500	-	0.0%
Feed (+supplements)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	7,500	7,500	-	0.0%	-	-	-	-	-	-	-	-	7,500	7,500	-	0.0%	7,500	7,500	-	0.0%
Fencing	2,000	2,500	500	20.0%	2,000	1,350	(650)	-48.1%	2,000	1,564	(436)	-27.9%	6,000	5,414	(586)	-10.8%	10,000	5,414	(4,586)	-84.71%
Delivery Costs	300	325	25	7.7%	300	316	16	5.1%	300	335	35	10.4%	900	976	76	7.8%	1,500	976	(524)	-53.69%
Slaughter costs	85	85	-	0.0%	85	85	-	0.0%	85	85	-	0.0%	255	255	-	0.0%	425	255	(170)	-66.67%
Packaging	-	-	-	-	-	-	-	-	200	200	-	0.0%	200	200	-	0.0%	400	200	(200)	-100.00%
Labor	80	80	-	0.0%	70	70	-	0.0%	70	70	-	0.0%	220	220	-	0.0%	360	220	(140)	-63.64%
Wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workers Comp Insurance	350	350	-	0.0%	350	350	-	0.0%	1,150	1,300	150	11.5%	1,850	2,000	150	7.5%	3,350	2,000	(1,350)	-67.50%
Payroll Taxes	400	400	-	0.0%	400	400	-	0.0%	-	-	-	-	800	800	-	0.0%	1,200	800	(400)	-50.00%
Employee Meals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	2,000	2,000	-	0.0%	2,000	2,000	-	0.0%	2,000	2,000	-	0.0%	6,000	6,000	-	0.0%	10,000	6,000	(4,000)	-66.67%
car/truck	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tractor Repairs	-	-	-	-	2,000	3,500	1,500	42.9%	-	-	-	-	2,000	3,500	1,500	42.9%	4,000	3,500	(500)	-14.29%
Machine Repairs	-	-	-	-	-	-	-	-	500	534	34	6.4%	500	534	34	6.4%	1,000	534	(466)	-87.27%
	29,215	29,740	525	1.8%	14,205	15,071	866	5.7%	12,805	12,888	83	0.6%	56,225	57,699	1,474	2.6%	83,235	57,699	(25,536)	-44.26%

Consistent Practice

- Will your books be perfect? No.
- Your books will get better with practice
- Better books make for better information
- Better information make for better decisions
- Better decisions make for better prepared
(and funded) businesses



Preparing for Financing

What is “financing”

- Line of Credit
- Loans
- Grants
- Investors

Line of Credit

- Pre-set borrowing limit with an institution that can be accessed at any time, to be paid back with interest.
- Functionally a loan, except the timeline doesn't expire and it can be accessed again and again
- Can be used similarly to a bridge loan for times of cashflow concern
- Can be a less thorough application process
- Often a smaller \$ Amount, with the most flexibility

Loans

- A sum of money borrowed by a customer or business from a bank, generally for a specific purpose, and with an agreed upon timeline and interest to be paid back.
- Generally involves an application process that includes providing business financial details and projections to the lending institution
- May be temporary and partnered to anticipated cash inflow from revenue, a grant reimbursement, or both (called a “bridge loan”)
- The larger the loan, the more detail the bank will ask for

Grants

- An awarded dollar amount given (generally a company, foundation, or government agency) to facilitate a particular goal
- Generally associated with a specific and discrete project
- Generally tied to particular requirements
- Often reimbursed after proof is provided that the project is complete or the goals have been met
- NOT FREE MONEY!

Investors

- A person or company providing capital, often in exchange for ownership/equity
- Often used for start-up or venture capital
- Investors have concerns and requirements to be met
- Formal/legal agreements are key

Less Formal Investors

- All or nothing funding for a particular project
- Crowd-sourcing and other methods of utilizing private investments without losing ownership/equity
- Works the same way as other investors, but smaller \$ amounts per person and no expectation of ownership
- Third party generally hosts formal agreement and processing (i.e. kickstarter)
- A return of some kind is expected ('gift with donation of \$ amount')

Stretch Break!





You are the competitor

Financers are betting on you

Making yourself a 'good bet'

➤ Loan

- Will this person/business be able to pay back this loan on time?

➤ Grant

- Will this person/business be able to fulfill the requirements set for them?
- Will this investment support the goals of the grant program?

➤ Individual Investor

- Will this investment provide me with a return?
- Will this investment support my goals?

Consistent Bookkeeping

- Current/Recent Profit & Loss Statement
- Cash flow Projections and Statement
- Current Balance Sheet
- Projections for your business
- Showing that you understand your numbers now
- Showing that you understand the impact the financing will have

Banking History

- Good Credit
 - You (or your business if not a DBA) have paid back loans on time before
 - It is likely you will continue to do so
- History with the bank
 - Having money in the bank consistently
 - Few overdraft fees or other low balance issues
- Both are established patterns of behavior related to money.

Business/Enterprise Plan

- Shows you have thought about your business
 - Where it is
 - Where it will go
 - How to get there

- Use of Funds
 - What will the financing purchase (assets, operating costs)
 - How will that affect your business (production and finances)


Use of Funds – The Wishlist Method

- A spreadsheet with assets/expenses desired for your business
 - Assign an enterprise to each purchase
 - Assign a ‘project’ to each purchase
 - \$ amounts of purchases
 - Links to where the items would be purchased

- If a financing opportunity arises the appropriately-scaled project is selected
 - Quickly update pricing
 - “Use of Funds” complete!

Finding Financing



Image from  level1
gamers

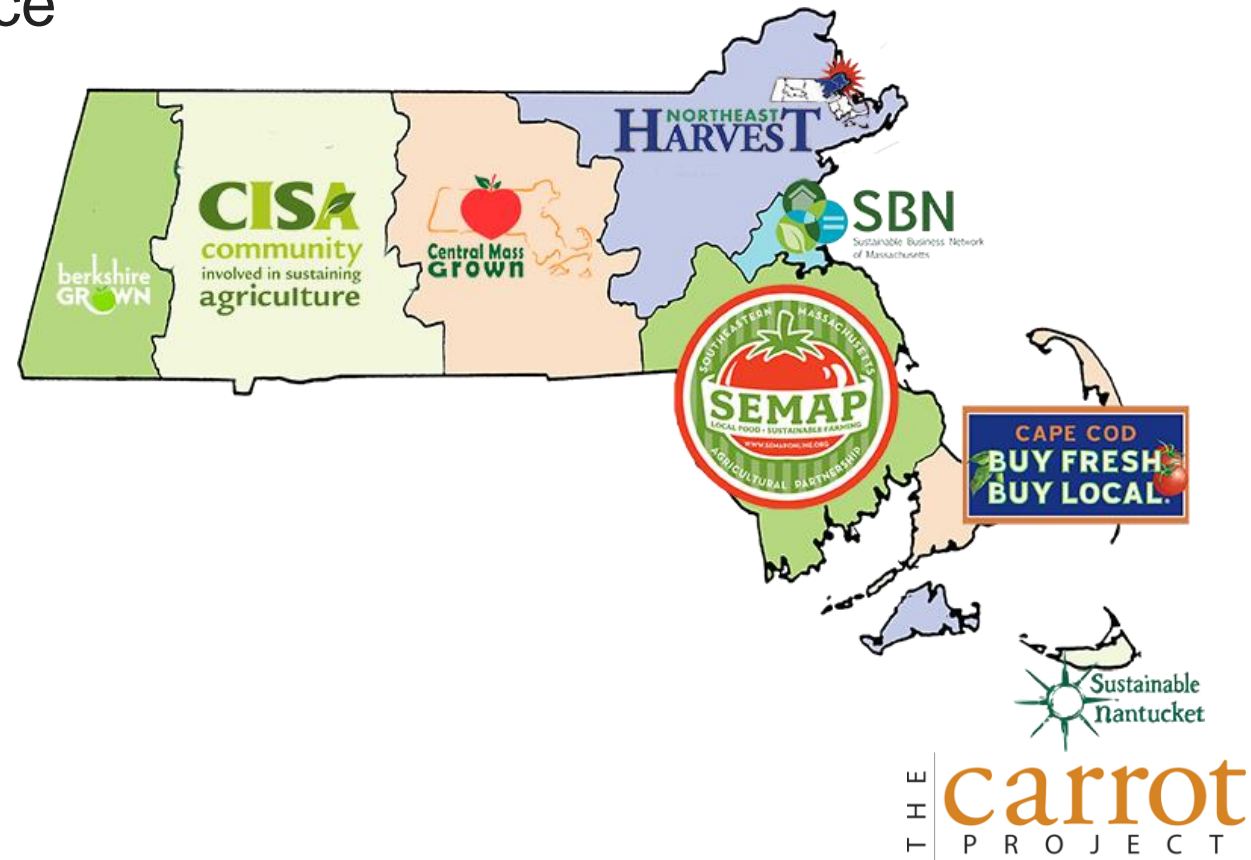
THE **carrot**
PROJECT

Loans

- Banks & Credit Unions
- Non-Profit Organizations: the Carrot Project
- Farm Credit East
- Government: SBA, USDA

Banks & Credit Unions near you

- SEED – South Eastern Economic Development Corp
- Farm Credit East – Middleboro Office
- Baycoast Bank
- First Citizens Credit Union
- Eastern Bank
- Bristol County Savings Bank
- Rockland Trust
- Shawmut Bank
- North Easton Savings Bank



Grants

- Massachusetts Department of Ag Resources
- Government: NRCS, SARE, FSA
- Local Organizations: SEMAP



In Summary

- Focus on farm bookkeeping practice and projections
- Those practices will make you a 'good bet'
- Those practices will make it easier to apply for financing
- Stay connected through organizations like SEMAP and the Carrot Project for financing opportunities

Get Support!

- Sign up for 1:1 help now to aim toward success in 2022
- Sign up for 1:1 help for next winter for success in 2023
- Do both! Bask in the support available to make your farm more profitable.



KEEP IN TOUCH

Thank you!

Reach out any time.

Follow along.



Facebook

@thecarrotproject



Twitter

@Carrot__Project



LinkedIn

@thecarrotproject



Instagram

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General Questions?

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