



## Producer Business Checkup

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### Introduction

Agricultural producers face five types of risk, as defined by USDA: production, market or price, financial, legal or institutional, and human or labor risks. Producers typically focus on production or perhaps market risks and may not be fully aware of other perils that could threaten their operations and livelihood.

The intent of this document is to build awareness of those perils that are related to the business side of your operation and to help prioritize and address those that are business related.

### How to use this guide

This guide will walk you through a three-step process. First, we will evaluate a series of topics or items that are posed as questions. You will need to determine the importance of each item to your operation and what it will cost to complete it. The cost should include actual dollars spent plus time and effort.

Second, use your evaluations (high, medium, low) to place each topic in the appropriate quadrant of the

graph. "Medium" items can either straddle the lines, or you can decide on a placement based on how closely they match other topics. You can use either the number or the descriptive terms (in bold) to help identify each topic. All topics that are completed can be listed at the bottom of the graph.

Items in the upper left quadrant—those that have a low cost to complete but are of high importance—should be addressed first. Once you have listed all topics in the appropriate quadrants, revisit the ones in the upper left quadrant and list each of them in the "To Do List" by priority or in the order you are planning on doing them. Put a completion date and, if applicable, key persons involved. Recording the date when you started helps to remind you of tasks that may have been lingering.

This exercise should be repeated periodically to check your progress. Remember that most legal documents will need to be reviewed or redone after any major change involving the family, business, estate tax law, or other related issues.



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Please answer the following questions by circling the most appropriate answer for both the importance of each item and the cost to complete each item for your operation.

Date: \_\_\_\_\_

GOALS AND BUSINESS OUTLINE Do you have...	Importance to Operation			Cost to Complete			
1) Short-term ( <b>s.t.</b> ) goals (within 1 year) that are in writing?	Low	Med.	High	Done	Low	Med.	High
2) Long-term ( <b>l.t.</b> ) goals (3 years and more) that are in writing?	Low	Med.	High	Done	Low	Med.	High
3) A current written <b>business plan</b> that includes goals and objectives with financial, production, and marketing components (formal or informal)?	Low	Med.	High	Done	Low	Med.	High
4) A current <b>marketing plan</b> ? If so, is it tied to your business plan?	Low	Med.	High	Done	Low	Med.	High
5) A <b>contingency plan</b> in the event of disasters?	Low	Med.	High	Done	Low	Med.	High
6) <b>Agri-tourism</b> activities or events associated with your business, or do you want to add any?	Low	Med.	High	Done	Low	Med.	High
7) Do you want to add any <b>new products</b> to your business?	Low	Med.	High	Done	Low	Med.	High
8) Are your <b>goals known</b> by other family members and key personnel?	Low	Med.	High	Done	Low	Med.	High
9) Does the <b>next generation</b> want your operation?	Low	Med.	High	Done	Low	Med.	High
10) Do you have <b>transition plans</b> for passing your operation to the next generation?	Low	Med.	High	Done	Low	Med.	High

RECORD AND DOCUMENT ITEMS Do you have...	Importance to Operation			Cost to Complete			
11) Records that document your good agricultural practices ( <b>GAPs</b> )?	Low	Med.	High	Done	Low	Med.	High
12) A <b>contact list</b> of individuals and entities who are key to your operation?	Low	Med.	High	Done	Low	Med.	High
13) An <b>operations manual</b> (formal or informal) for key activities on your farm/ranch?	Low	Med.	High	Done	Low	Med.	High
14) A <b>will</b> ?	Low	Med.	High	Done	Low	Med.	High
15) A <b>living will</b> ?	Low	Med.	High	Done	Low	Med.	High
16) Legal documents such as wills, business license, leases, and other <b>documents on file</b> in more than one place?	Low	Med.	High	Done	Low	Med.	High
17) Paid <b>employees</b> ?	Low	Med.	High	Done	Low	Med.	High
18) A current <b>balance sheet</b> ?	Low	Med.	High	Done	Low	Med.	High
19) A current <b>cash flow statement</b> ?	Low	Med.	High	Done	Low	Med.	High
20) Do you file <b>income tax</b> every year? If so, do you use a schedule F or C? (Please circle which one you use.)	Low	Med.	High	Done	Low	Med.	High

ANALYSIS ITEMS		Importance to Operation			Cost to Complete			
21)	Do you know the <b>break-even price</b> for each of your products?	Low	Med.	High	Done	Low	Med.	High
22)	Do you know your total liabilities and assets and your current <b>net worth</b> ?	Low	Med.	High	Done	Low	Med.	High
23)	Have you determined the value, if any, of utilizing direct farm marketing or marketing any agri-tourism activities on your operation? ( <b>direct mkt/agtour value</b> )	Low	Med.	High	Done	Low	Med.	High
24)	How confident are you that your <b>transition</b> plans are being or will be successfully implemented?	Low	Med.	High	Done	Low	Med.	High
25)	Do you know your <b>working capital</b> ratio?	Low	Med.	High	Done	Low	Med.	High
26)	Do you know the current and potential size of your <b>markets</b> ?	Low	Med.	High	Done	Low	Med.	High
27)	Do you know your current and potential <b>production capabilities</b> ?	Low	Med.	High	Done	Low	Med.	High
28)	What is the availability of <b>local workers</b> ?	Low	Med.	High	Done	Low	Med.	High
29)	What is the availability of <b>skilled workers</b> ?	Low	Med.	High	Done	Low	Med.	High
30)	Have you completed a <b>SWOT</b> (Strengths, Weakness, Opportunities, and Threats) analysis for your operation?	Low	Med.	High	Done	Low	Med.	High

INSURANCE AND RISK		Importance to Operation			Cost to Complete			
31)	Do you grow crops that are insurable for yield, price, and/or revenue shortfalls? ( <b>insurable crops</b> )	Low	Med.	High	Done	Low	Med.	High
32)	Do you have <b>crop insurance</b> for a disaster that may occur to your trees and/or nursery stocks?	Low	Med.	High	Done	Low	Med.	High
33)	Do you have a <b>key employee</b> backup plan?	Low	Med.	High	Done	Low	Med.	High
34)	Have you taken action to protect your operation against the risks of the <b>4 Ds</b> : death, disability, divorce, and departure of key individuals?	Low	Med.	High	Done	Low	Med.	High
35)	Do you have <b>structure insurance</b> on your buildings and other at-risk improvements?	Low	Med.	High	Done	Low	Med.	High
36)	Do you have <b>liability insurance</b> ?	Low	Med.	High	Done	Low	Med.	High
37)	Do you have <b>health insurance</b> ?	Low	Med.	High	Done	Low	Med.	High
38)	Do you have <b>workman's compensation</b> ?	Low	Med.	High	Done	Low	Med.	High

OTHER		Importance to Operation			Cost to Complete			
39)	Other:	Low	Med.	High	Done	Low	Med.	High
40)	Other:	Low	Med.	High	Done	Low	Med.	High
41)	Other:	Low	Med.	High	Done	Low	Med.	High



