

Ten Key Considerations to Successfully Scale up your Farm



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Agriculture and Natural Resources

Scaling up your farm means ...

- Making tough decisions
- Long-term planning: impacts of your decisions may be long-lasting
- Adjusting to a new role as manager vs. laborer



1. Crop Selection

- Focus on a few crops (≤ 10) that:
 - Wholesale markets need
 - Farmers' markets may also need
 - You can grow well
 - You can sell a significant volume and
 - Are profitable at wholesale prices
- Diversity is often not profitable
- Let go of the romance of growing “everything.” Put it in the garden, not the field



1b. Crop Selection

- Variety choice is key
 - Farmers' market varieties may not work for wholesale
 - May need more standard cultivars
 - Market research is critical
- Evaluate how to scale up each crop – a few beds to $\frac{1}{2}$ acre each
- What is the labor demand for each crop and when?
- Can you mechanize them?
 - Equipment needed – e.g. barrel washer, bean picker



2. Labor

- You will become more manager than laborer
- Economic cost: you, the most efficient and effective laborer are not farming!
- Plan for peak labor: availability and cost



2b. Labor

- Labor = largest cost in vegetable production
- With hired labor, is each crop profitable?
- Plan for efficiency:
 - Build task- or crop-specific teams
 - Good training—costly, but pays off in higher efficiency
 - Cost of mechanization vs. labor



3. Management

- Plan 1 day per week to work on the business
- What's your experience with
 - business management
 - economic analysis
 - personnel management
- How good a planner are you? Need operations plan for tasks, labor, expenses, cash flow, etc.
- Are you a good trainer? Can you train people to lead a team that will be responsible for a couple of crops or blocks of crops?



3b. Management

- Do you or a member of your management team **like**
 - Personnel management?
 - Recordkeeping/bookkeeping?
 - Running the numbers/economic analysis?
 - Selling/managing sales?
- You & your team members will need to become specialists - need job descriptions



4. Rules & Regulations

- As a larger size producer, more visible
- Learn the rules and regulations, e.g.
- Labor & OSHA laws
- Food Safety Modernization Act (FSMA) Produce Rule: subject to it if >50% of food sales are not “sales to qualified end-users
- If sales cross state lines, interstate commerce rules



5. Risk Management

- Increase in size and gross sales, higher risk - more to lose
- What's the backup plan?
- If the cooler goes out, the pump breaks, the delivery truck breaks down?
- Who/where will you get it fixed ASAP?
- Who do you call to borrow a truck or rent a tractor?
- What if you get injured?



5b. Risk Management

- Consider a line of credit for emergency use
- Separate personal and business completely
- Consider type of business (LLC, partnership, etc.) you need to protect your assets
- Need adequate insurance for the business – liability to cover business assets, owners, etc.

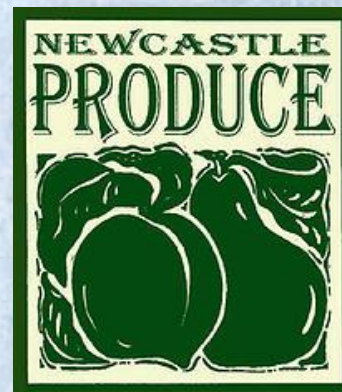


6. Financing

- May need financing for capital purchases (infrastructure, e.g. cooler, packing house, reefer truck, etc.) to scale up
- With employees, may need operating loans to meet payroll
- Build bank/lender relationships
- Need solid business plan and good records of previous years' sales and expenses for loan

7. Marketing and sales

- Know where you are going to sell your crop
- What volume your primary market can sell
- How much can your 2nd & 3rd markets take?
- Backup market(s) - risk management strategy



7b. Marketing and sales

- Consider a sales and marketing specialist:
 - need a point person for wholesale sales
 - may need key person for each type of sales: farmers' market, direct-to-retail, wholesale; fulfillment & distribution
- Long-term: Think about the arc of the business, it will change over time
- Build a brand that will last...
 - Johnson Family Farm vs. Johnson's Pumpkin Farm



8. Packing & handling

- Moving from direct marketing to wholesale (or a hybrid): need mechanization, packing house for trucking
- Standard pack requirements
- Grading and sizing capability; packaging, cartons, pallets, shrink wrap, etc.
- Subject to regulations: e.g. FSMA Produce Rule
- Cross state lines, need paperwork, different rules, regulations, taxes



9. Transportation

- Costs, logistics, and vehicle
- Map for vehicle movement on farm – is layout appropriate?
- Can farm roads accommodate large vehicles from buyers?
- Know your numbers: prices must cover **all** costs: mileage, depreciation, driver time, etc....not just truck
- Set benchmarks for amount you need to pack & haul to be cost effective

10. Transition over time

- Take it easy, but TAKE it!
(W. Guthrie)
- Take it in steps, but don't move too slowly or you get caught in the middle
- The middle is not a good place to be –
– too much capital invested, not making enough to pay for everything.
~\$100,000-150,000 gross sales for a full time income
- Need solid plan and timeline to get from A to B



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Thank you!

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