

Business Plan

Situation Overview:

- A. *Why did the farm need a business plan?* One of the goals of the Transformation Team project was combining two herds and creating a new business entity. The plan required all of our thoughts on strategy and how to run the business successfully to create a road map for the future.
- B. *What resource people did the team use to build the plan?*
- The Center for Dairy Excellence website, www.centerfordairyexcellence.com
 - AgChoice Farm Credit AgBiz Masters program
 - Hartman Shurr P.C.
- C. *Does the farm have a mission statement?* Zahncroft Dairy LLC will provide high-quality products to consumers, lifestyle to our family members, and environment for our animals, while remaining committed to our families, faith, finances, and well-being of our animals.

Challenges and Opportunities:

- D. *What challenges, if any, developed during the business plan process?* It was more difficult to write a plan because we were creating a new business; we didn't have any financial history as a foundation for the plan.
- E. *How did the team overcome those challenges?* We used financial projections based on herd performance and industry benchmarks to create goals and form business analyses with financial expectations.

Actions:

- F. *What are the key components to the final plan?* [Click here for a PDF of the Zahncroft Business Plan.](#)
- Key components include:
- Summary
 - Vision
 - Goals and objectives
 - Farm and financial analysis
 - Projected financing needs

Business Plan...continued

G. *Approximately how much did the business plan cost?* We paid \$120 for the AgBiz Masters program. Legal fees totaled \$3,000. That sum included various operating and rental agreements, in addition to input on the business plan. We have a Lease and Farm Agreement with Dennis Sattazahn, our father, that covers the dairy buildings and land that we rent from him. We also have an Operating Agreement for the LLC.

The Lease and Farm Agreement begins by defining which buildings and acres are rented by the LLC. It also lays out our permitted uses, payments, and the length of the lease. Next, the agreement states what insurance we, the lessee, will carry, including personal property and liability policies. It also says who will be responsible for repairs and maintenance of the premises. The lessor will take care of the buildings while the lessees will see to the milking and feeding equipment and any other improvements that we add over time.

This Lease Agreement further covers responsibilities in a variety of loss events, including loss by fire, taking by eminent domain, loss by casualty, and default on a loan.

Finally, the lease explains the terms of purchasing feed from Dennis and also his employment by the LLC.

The Lease and Farm Agreement totals 13 pages, ensuring total and complete understanding of responsibilities. It includes more information and outlines more circumstances than we could have generated on our own without a lawyer. Even though the agreement is between our family, we felt it was the best and safest route to have the law firm involved to cover all our bases.

The Operating Agreement states the name of the company, tax ID number, registered address, terms, purpose and member interests. David and Katie as tenants by entirety have 50% interest, and Doug and Raechel as tenants by entirety have 50% interest.

Next, the agreement notes that there will be an annual meeting of all partners, however, there is no requirement for routine meetings. David and Katie have one vote and Doug and Raechel have one vote. The agreement also states that David and Doug will devote their full time and energy to work on the farm. It also creates the offices of President, Vice President, Secretary and Treasurer and assigns those positions.

The agreement sets the salary paid to the members and also includes what our initial financial contributions or other capital contributions are to the business.

We included some Buy/Sell Provisions too. Those basically create terms in the event a member decides to leave the LLC. After one year, the member would be bought out for 25% of their initial interest, 50% after five years, and 100% after eight years.

H. *Approximately how long did it take to develop the plan?* One to two months.