

## Bloomfield Farm

Bloomfield Farm is a diversified vegetable and livestock farm growing organic vegetables, as well as raising layers, meat birds and pork. They sell their products at local farmers' markets as well as at the farm through an honor system.

Owners Jamie and Lee want to renovate their barn to create more of a "farm-store" area and a parking lot. They can't accommodate more sales from the farm without an improved farmstand. Not only can they sell more of their own products, they can also sell value-added items bought from other farmers. Given the labor and time constraints of selling at farmers' markets, they think an on-farm sales area is important to their growth. One of their goals is to work towards an owner's draw of \$50,000 per year.

Converting the makeshift farmstand to a permanent structure would cost approximately \$120,000. They'd also need to buy coolers (\$5,000), as well as new signage for the front of the building and the street (\$2,000). To properly grade and pave the area around the farm store for parking would be an additional cost of \$18,000. They plan to take out a loan for \$145,000, and their annual payments will be \$15,000.

Jamie and Lee think the improvements will pay off. In addition to increased sales, they'll gain efficiencies and expect their cost of production will decrease. They recognize they'll have new expenses from staffing the farmstand (\$35,000), and utility bills (\$5,000) from the new lighting and refrigeration.

They've come to you for advice. What do you think they should do?

### Step 1: Review historicals

- What do you think of their current business?
- Do you think they need to make this change?
- How else might they reach their profit goals?

### Step 2: Identify changes

- How do you think the sales will increase?
- How would you make that estimate?
- How will their current expenses change?
- What new expenses will they have?
- What expenses will change with an increased volume of sales and what will stay the same?

### Step 3: Lay out the Opportunity

- How will their profits change with the new opportunity?

### Step 4: Decision making

- After reviewing the numbers—and evaluating the potential profit and the minimum sales needed to make the venture work—what would you advise Bloomfield Farm?