



STEP 3: PLANNING

HAVE A BUSINESS PLAN

A successful business always includes a good business plan. The bottom line is that a new agricultural enterprise needs to produce profits to be worthwhile for the farmer. In order to assess if a new crop or product, like medicinal herbs, will work for your business you'll need to "run your numbers" and flush out the details by preparing a sound plan. The process of developing a business plan allows entrepreneurs to spot risks and pitfalls in a new idea and determine the profitability of that idea. In addition, lenders and funders may require a business plan prior to financing your operation.

Business plan designs and formats vary, but free templates are available on the Internet (see links below) to help get you started. Plans usually include sections such as Mission Statement, and Objectives, Marketing, and Financials. Profit plans, farm enterprise budgets, and competitive analyses are also included.

The medicinal herbs industry is very different from that of more traditional crops grown in North Carolina. There are hundreds of different herbs used in the industry and they are sold in a wide variety of forms, including fresh, dried, whole, powdered, and extracted. Buyers include wholesale producers of herbal products, like tinctures or capsules, that require strict growing standards and packaging that needs to be included in your initial planning. Getting familiar with this unique market leads us to the next step.

MARKETING YOUR PRODUCT

Before you grow any herb, you should know who you are producing it for, what volumes it is needed in, how it should be packaged, and when it should be delivered. This is the time to research the market, develop relationships with buyers, and write the market plan section of your business plan.

To fully engage in this process will mean that you, the future herb grower, will contact others who are already active players - influential types, buyers, owners, and anyone in the business - willing to give you a piece of their time to learn. The work might seem tedious but the rewards can be tremendous. Without a written plan, one's chances for success are extremely low. While working out the rigors of putting your plan to paper, then carrying out, you can trial herbs of interest for use and readiness later on.

ENTERPRISE BUDGETS

The following enterprise budgets developed based on research data, actual farmers' results, and data from cooperating growers in the Medicinal Herbs for Commerce Project. Through continued research and cooperating grower participation, we are collecting data to be used to refine and update these enterprise budgets so that they are as accurate and useful as possible. While enterprise budgets can be a useful planning tools to give you an idea of what kind of returns you may expect from a particular crop, keep in mind that everyone's experience is going to be different. They should be used only to get a general idea of required inputs and potential returns. There are many ways to alter your production practices so that you can lower your costs of production and thereby increase your profits. Prices received for products, however, are always changing. Include in your planning a range of prices so you can determine where your breakeven point probably is. Then study the price history and future projections for the crop you are interested in growing.