

RESOURCES

Loan Readiness Toolbox

FOR FOOD AND FARM BUSINESSES



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Acknowledgements

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NOTE FROM THE AUTHORS

Small businesses, especially those owned by Black, Brown, Latinx, and Indigenous owners, have historically been left out of the banking industry. We aim to break down the barriers that exist for food and farm businesses to ensure when financing is needed, entrepreneurs are prepared to apply for and obtain financing.

While applying for a loan can be stressful, it may also be what is needed for a food and farm business to grow. Though grants are often available, they are highly competitive and should not be relied on to operate a business. One farmer shared with the authors of the *Toolbox* that “without financing, he would not have been able to scale his farm business.”

MSU Center for Regional Food Systems (CRFS) envisions a thriving economy, equity, and sustainability for Michigan, the country, and the planet through food systems rooted in local regions and centered on Good Food: food that is healthy, green, fair, and affordable. We hope this *Toolbox* of resources will provide guidance through the loan application process, helping to create a more equitable food system for all. Read more about CRFS’s vision, goals and values online at <https://foodsystems.msu.edu/about>.

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Introduction

Running a farm or food business can be extremely rewarding, and yet, at times can be overwhelming. On top of that, applying for financing can be an intimidating process. Understanding your business financials and having a strong, up-to-date business plan can help provide peace of mind and ensure you are ready to apply for a loan when the time comes. The resources included in the MSU Center for Regional Food Systems *Loan Readiness Toolbox for Food and Farm Businesses* provides the steps needed to confidently apply for financing.

The *Loan Readiness Toolbox for Food and Farm Businesses* was developed by the MSU Center for Regional Food Systems with support from Dr. Dan McCole with the MSU Department of Community Sustainability. Specifically designed for food and farm businesses, the *Toolbox* includes resources for consumer-packaged goods manufacturers, caterers, restaurants, kitchen incubators, food trucks, and farmers who are ready to monitor and track their financial records and access financing in the next 18 – 24 months.

WHAT'S INCLUDED IN THE TOOLBOX?

- Purpose of this resource
- Instructions for using the template documents
- Template files and examples
- Tips for obtaining financing

PURPOSE OF THE DOCUMENTS

The MSU Center for Regional Food Systems *Loan Readiness Toolbox for Food and Farm Businesses* is intended to guide entrepreneurs who are ready to start exploring financing options to help prepare them to move through the process smoothly and successfully.

In the *Toolbox*, you will have access to templates for the most requested documents by a lender, plus other resources to help you complete the files. The templates in the *Toolbox* have been developed to prepare your business for financing. Those included are:

- Business Plan
- Cash Flow Worksheet
- Balance Sheet
- Profit/Loss Statement (called a “P and L”)



You may hear the term “proforma” used when referring to the financial documents a lender wants to see. The proforma is based on assumptions – how you expect the business to grow in the next three to five years.

INSTRUCTIONS FOR USING THE TEMPLATES

The templates are designed for you to save to your files and edit for your business. The files are saved in a [Google Folder](#) and should be downloaded to your computer. Instructions for using each template can be found in each file.



Text included on the templates in *italics* should be deleted and replaced with your own business information. Use the text in *italics* as a guide for what you should include in your business documents.

Below is a summary of what to expect when you start using the **Business Plan** template. A sample business plan can also be found in the Google Folder for comparison as you write your own plan. If you need additional assistance writing a business plan, you can connect with support organizations in your community, including the [Small Business Development Center \(SBDC\)](#), [SCORE](#), or programs like the [Michigan Good Food Fund](#). Additional resources are available including [AgPlan](#) and [Centro](#), no-cost online and app platforms to guide you through the business planning process.



SUMMARY OF THE BUSINESS PLAN TEMPLATE

Executive Summary: A snapshot of the entire business plan that summarizes all the information within the main plan. This should be completed as the last part of the process of writing out your business plan.

Overview and History: A description of your business story – why you started it.

Market Analysis: Insights into potential customers and your competition; how well do you know your competitors and your product sector. Spend time researching the current and projected trends of your product/similar products to showcase the growth potential and marketability of your specific product.

Marketing Plan: How are you going to get your product out there and set yourself apart from the competitors? For this part of your business plan, think of the following:

- A decent budget - and then double it! With the ever-changing consumer landscape, it is important to have a consistent online presence. Marketing expenses can vary from month to month and costs can add up quickly. This is especially true if you run more advertisements during slower months and the holidays. Having a healthy budget for marketing will ensure that you have enough funds to get your product in the faces of your customers.
- Places you potentially want your products to be seen (e.g., Facebook, Instagram). Remember, wherever YOU see ads, you are probably going to want to also see yours.

Operations: This section can be broken down into two parts:

- **Key Personnel:** Show the job rankings of the business. Even if it is only you at this time, show what positions will be added to the team to keep up with demand as business grows. Be sure to include who will lead your marketing, bookkeeping, sales, etc.
- **Use of Funds:** Spell out how the money requested will be utilized. Be sure to have an itemized list of costs to show the breakdown of funds.

Financial Statements: There are two that we highlight in the Business Plan Template:

- **Three to Five Year Sales Forecast:** This is an educated projection of your company's financial performance over the next five years. It specifically details projected revenues, costs, expenses, cash flows, and owner equity, as well as projecting sales growth and margins.
- **Three Year Cash Flow Analysis:** This involves estimating cash coming in and going out based on past business performance. To put it a different way, think of it as a simplified Balance Sheet where you carry over debt/expenses and income into the subsequent years.

The financial document templates and examples included in the *Toolbox* will help you track your cash flow, understand your profitability, and project your revenue earned. These resources can be used to make critical decisions including which products are doing well and which should be removed from your line and will also help a lender understand how successfully you will be able to repay a loan.

Access the template documents using this [link to the Google Folder](#).

FIND THE RESOURCES HERE

Tips for Obtaining Financing

Understanding business financials does not come easily for many people. However, being ready to apply for a loan when you need money to support your business is critical for growth. If the opportunity of a lifetime comes, you will want to be ready! Having the documents that a lender wants to see up-to-date and available will speed up the loan application process.

Along with the business plan and financial documents mentioned, it is important for you to be able to explain your business in 60 to 90 seconds. This is often called an “elevator pitch.” It is a succinct explanation of your business in the time it takes to ride in an elevator. Having a well-prepared pitch will allow you to effectively and efficiently tell your business story to a lender. You can find examples of business pitches and slide deck templates online on YouTube, [Canva](#) and others.

A lender will often want to see additional documents, including business and personal tax returns, your current sources of income, list of collateral, lease agreements, or a list of equipment. For a more thorough list of what a lender wants to see, you can visit the [Michigan Good Food Fund](#), a lending network for good food businesses in Michigan.

Traditional banks and credit unions may offer you the best rates when it comes to lending. However, there are alternate lending options through kickstarters, crowdfunding, and Community Development Financial Institutions (CDFI). Many of these programs and organizations exist to help create a more equitable lending industry. Some may choose not to see your credit score, others may waive loan application fees, and others may allow for interest only payments for the first three months. MSU Center for Regional Food Systems [Funding Sources for Food Related Businesses](#) offers ideas for alternative funding options to food and farm businesses.

RESOURCES FOR TRACKING YOUR FINANCIALS

In the table below are examples of business financial tracking systems. Many others exist and this list is meant to get you started. Tracking your financials in one place makes applying for financing that much easier!

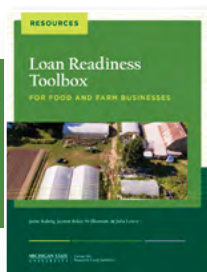
Name of resource	Type of business	Notes
Farmbrite	Farm Business – produce or livestock	Track financials, production, grazing patterns, feed inventory. Monthly or annual fee required.
Farm Records Book MSU Extension	Farm Business	No cost to access. Download a copy for your business.
QuickBooks - Desktop	Any type of business	Fees associated.
QuickBooks Online	Any type of business	Monthly or annual fee required. Can share access with accountants & others.
WAVE Accounting	Any type of business	No cost for limited use.

Additional Resources to Help Prepare for Financing

- Beginning Farmers Crowdfunding for Small Farmers resource is available [here](#).
- How to complete a cash flow worksheet for food businesses – [webinar recording](#) provided by Northern Initiatives and Michigan Good Food Fund.
- Loan Preparation for New and Beginning Farmers webinar series recordings available [here](#). Learn from lenders across the industry on what to know about preparing for a loan for your farm.
- Michigan Good Food Fund [Loan Process Checklist](#) explains the steps needed to obtain financing through the Michigan Good Food Fund partners.
- [MSU Extension Beginning Farmer](#) website, webinars, and resources on managing a farm business.

CLOSING NOTE FROM THE AUTHORS

Our team hopes this resource will help you as a business owner obtain the funding to scale and grow your business! For more information on our work, please visit us at [MSU Center for Regional Food Systems](#). Together we can build stronger, healthier, and more equitable food systems!



EXPLORE THE DIGITAL RESOURCES

VISION

CRFS envisions a thriving economy, equity, and sustainability for Michigan, the country, and the planet through food systems rooted in local regions and centered on Good Food: food that is healthy, green, fair, and affordable.

MISSION

The mission of CRFS is to engage the people of Michigan, the United States, and the world in applied research, education, and outreach to develop regionally integrated, sustainable food systems.

ABOUT

CRFS joins in Michigan State University's legacy of applied research, education, and outreach by catalyzing collaboration and fostering innovation among the diverse range of people, processes, and places involved in regional food systems. Working in local, state, national, and global spheres, CRFS' projects span from farm to fork, including production, processing, distribution, policy, and access.

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