

# **A Business Plan for a Permaculture Farm**

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## **ABSTRAKT**

Tato bakalářská práce se zabývá zpracováním podnikatelského záměru pro založení malé rodinné farmy s využitím permakulturních technik. V teoretické části jsou definovány základní náležitosti podnikatelského záměru a je zde také popsán koncept permakultury a její základní principy. V praktické části je nastíněn konkrétní podnikatelský záměr, jehož záměrem je zjistit, zda může farma sloužit pouze k samozásobitelství, nebo se může v budoucnu stát plnohodnotným zdrojem příjmu.

Klíčová slova: podnikání, podnikatelský plán, SWOT analýza, permakultura, farma, zemědělství

## **ABSTRACT**

This bachelor's thesis deals with elaboration of business plan for foundation of small family farm that relies on permaculture techniques. The theoretical part defines the basic content of the business plan and also describes the concept of permaculture and its basic principles. The practical part outlines a specific business plan. The business plan should help to find out whether the hobby can be turn into a work generating reasonable income.

Keywords: entrepreneurship, business plan, SWOT analysis, permaculture, farm, agriculture

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## INTRODUCTION

The purpose of this thesis is to introduce a business plan for a small permaculture family farm which has been being established by the author of the thesis and her husband. Permaculture is a blend of two words - permanent and agriculture. It is based on the ideas of sustainable development and the pursuit of self-sufficiency. Permaculture means “sustainable agriculture”. In reality, it is nothing new, it is actually a return to the original agricultural techniques such as raised beds, mulching, rotary grazing, minimum use of machinery, no use of pesticides, simply the techniques used by our ancestors. It is a pragmatic and rational approach that draws on the knowledge of nature and its specifics. The permaculture farm will make full use of the coexistence of crops, livestock and insects. At the beginning, the cultivated area will be 1 hectare of land. Initially, revenues will mainly stem from sales from the yard and taking part at the farmer's markets occasionally. The agricultural activities will be performed a secondary gainful activity while keeping jobs in different fields. Maintaining a job is perceived not only as a financial security but also some kind of balance in life. The financial analysis does not calculate with labour costs as in the early years, the project will require funding and will not generate a significant revenue. The vision is to build a self-sufficient enterprise in a horizon of five years. This will be obtained by implementing sources of income with a high added value such as goat cheese in the third year of existence. After securing the production premises, it is also contemplated to open a farmer's shop with a range of own products, that will gradually expand. Nevertheless, this is rather a long-term goal which will not be considered during the next five years. As the whole project will be financed from own resources, the owners decided to start rather slowly and step-by-step to avoid biting off more than they could chew. The thesis is divided into two parts. The theoretical part provides an overview of the concept of permaculture as well as a basic theoretical foundation of a business plans. The second part is devoted to the introduction of the intended project itself, the product offer and a short-term plan. The purpose of the thesis is to find out whether such project is viable or not.

# **I. THEORY**

## 1 ENTREPRENEURSHIP

The decision to start a business should be preceded by serious consideration, as it brings a number of positive but also negative consequences. It is undisputed that only rarely is the business smooth and risk free. In particular, the entrepreneur should consider his or her professional and material prerequisites and consequently should draw up a business plan to verify whether the plan is feasible and viable. It is important to consider all the possible benefits and risks and to decide whether it is preferable for a person interested in doing business to remain in employment or to use his or her skills to start own business. Another option is doing business as a secondary gainful activity which gives the entrepreneur the security of a regular financial income but might become too time-consuming and demanding from a long-term point of view. Especially in the case of small and medium-sized companies, the support of the entrepreneur's family is very important during the first years, as the business is strongly connected with the entrepreneur's personal life. (Veber, 46-48)

Ries points out that "entrepreneurship is management" and further develops this idea as follows "a start-up is an institution, not just a product, and so it requires a new kind of management specifically geared to its context of extreme uncertainty. Start-ups exist not just to make stuff, make money, or even serve customers. They exist to learn how to build a sustainable business." (Ries, 7-8)

The entrepreneur should have certain qualities that can be divided into predispositions and personal qualities. The predispositions include innate abilities, acquired knowledge and skills, in other words the ability to apply the gained knowledge. Personal qualities can be further divided into non-specific and specific. Non-specific qualities are universal, such as integrity, honesty or punctuality. Specific qualities are for example one's relationship to work and determination to build a business from scratch. A starting entrepreneur should consider his or her abilities and accept the responsibility for all his or her decisions and actions.

Motivation is a significant factor in business. Motives are stimuli of human behaviour that lead to mental and physical activity. Strong motivation is an important prerequisite for company's development. The entrepreneur's motivation should be based on his or her long-term personal plans, intentions and wishes. (Veber, 55)

## **1.1 Legal Forms of Business in the Czech Republic**

In the Czech Republic, the legal regulation of business conditions is based on the chapter four of the Charter of Fundamental Rights and Freedoms which states that everybody has the right to engage in enterprise and other economic activity. (Article 26) The specific legislative regulations of business are given by the Commercial Code and the Trade Licensing Act. Right at the beginning, before starting a business, it is necessary to decide on the appropriate type of legal form. For the purpose of this thesis, only a comparison of two most suitable legal forms will be provided.

### **1.1.1 Practice of Agriculture in the Czech Republic**

According to Lawrence, farming is expected to deliver many benefits to society, from food safety, biodiversity preservation, viability of rural communities, to high animal welfare standards. (Lawrence et al., 43) Individuals who practise agriculture have to be registered under a special regulation - the Czech Agriculture Act (Act No. 252/1997 Coll.) An agricultural entrepreneur is a person who practises agriculture for profit and meets the agreed conditions, including being at least 18 years of age, having legal capacity and Czech citizenship.

### **1.1.2 Natural Person and Licensed Trades**

“Licensed trade is a specific area of business in manufacturing, trade and services. Trade means a continuing activity carried out independently in one's own name and at one's own responsibility in order to achieve a profit and under the conditions laid down by the Trades Licensing Act.” (Ministry of Industry and Trade 2019) Every person who starts a business must report his trade to the appropriate authorities. In the past, it was the Trade Licensing Office, Tax Office, relevant social security administration and health insurance company. This process was simplified by introducing a Single Registration Form (SRF). SRF is a document that can be used to report the start of a business and register at all mandatory offices without having to visit each office separately. The SRF is submitted to one of the central registration points and the authorities transmit the information to each other. It is a form suitable for start-ups and those who do not see the business as their main source of income. The advantages are that obtaining a trade license is easy, capital is not required, there are overall lower administrative burdens as well as lower tax burden, on the other hand the tradesman is liable with all his or her property for all the debts.

### 1.1.3 Limited Liability Company

The second type of the legal form taken into consideration in case of a small family farm is a Limited Liability Company as the most common form of business corporation in the Czech Republic. There are two steps of founding a corporation: establishment and incorporation. Corporations are established by a memorandum of association which in case of the LLC must have a form of a notarial deed which is charged according to the notarial tariff. An established corporation acquires legal personality by the incorporation which is achieved by registration in the Commercial Register, administered by Register Courts. (Business Info 2019) The registration must be delivered within six months since the company was established and can be processed by a notary. It follows from the above that the bureaucracy is much more demanding than in the case of a natural person. The minimum registered capital is 1 CZK. In Limited Liability Company, the advantage is the limited liability as the owner is liable for all the debts only up to the amount of the capital put into the company. (Josková et al. 11-14)

## **2 BUSINESS PLAN**

Before an entrepreneur starts implementing any plan, he or she should verify its viability and here a well-built business plan represents the most suitable tool. A business plan is essential not only for establishing a company, but also for existing businesses. As businesses change and grow over time, the original business plans should be revised regularly. Reviewing a business plan also helps to summarize the goals that were already accomplished and reveals the issues that should be aimed at. Another reason for creating a business plan may be the need of a larger investment which requires applying for a loan. Banks, as well as other investors, examine the applicants and their business plans in great detail. Writing a business plan is important for the establishment and further development of every company.

### **2.1 Types of Business Plans**

Several types of business plans can be distinguished depending on the criteria of categorization. One of the aspects that can be used to divide business plans is by the purpose they are meant to serve.

#### **2.1.1 Business Plan for Internal Use**

As the title suggests, a business plan for internal use is used within the company. It can be composed as a Start-up Plan as well as a Growth Plan of an already existing company. Internal Business Plan can be much shorter and simpler than a Business plans for external use, as some parts such as company description can be omitted, nevertheless it is not a rule.

#### **2.1.2 Business Plan for External Use**

Presenting a Business plan for External Use may be required when applying for loans or other types of financing. These business plans usually respect the given structure, content and format. It is important to prepare a business plan that is thorough and transparent because in this case much greater attention is paid to the professionalism of processing. Again, business plans for external use might be created as Start-up plans as well as Business plans of operating companies.

## **2.2 Business Plan Components**

### **2.2.1 The Executive Summary**

According to Abrams (2003), the executive summary is the most important part of every business plan. It should be clear and concise as it serves as a recapitulation of the whole



business plan and the structure should be adjusted accordingly to the target audience. Two types of executive summary can be distinguished, depending on the nature of the business. The first one being the Synopsis Summary which is more straightforward and basically connects the conclusions of each section. The second type is the Narrative Summary which may be more personal, providing the founder's personal experience and motives. In case of the Narrative Summary, emphasis is placed on the business' concept and less attention is paid to operational details. Nevertheless, it is important to not cross the line and not incline to exaggerate enthusiasm or drama. (Abrams, 53-56) According to Osterwalder, "storytelling is an undervalued and underused art in the world of business." It helps to communicate the content of the business plan and makes it more tangible. He adds that numbers and facts are important but the story can win the attention. (Osterwalder, 172) Although the Executive Summary appears at the beginning of a Business Plan, it is written last as it summarizes the key points of the whole document.

### ***2.2.1.1 Company Description***

Generally speaking, the Company Description should cover the following sections:

- **Company Name** which basically means all the names associated with the business such as the legal name of the company together with the legal status, a brand name, a domain name and also the entrepreneur's name.
- **Company's Objectives** that develop into Mission Statement and clarify the company's philosophy. The Mission Statement should not be only some empty words but genuine principles the entrepreneur identifies with.
- **Legal Issues** are dedicated to describing the chosen type of legal entity. Already at the beginning of business activities it is necessary to decide on the appropriate type of legal form of the business. Of course, the choice is not irreversible and later can be transformed into another type of legal entity.
- **Products and Services**, as the name suggests, this part of a business plan clearly describe the nature of the products and services provided. Future products or services can be also included.
- **Management and Leadership** section provides information about the key people in the business and their relevant experience.
- **Business Location**
- **Development Stage** indicates the phase of development and stage of operation.

- **Financial Status** outlines a brief idea of the status of the company in terms of financial situation and personnel. (Abrams, 53-67)

### 2.2.2 Market Analysis

A Market Analysis enables the entrepreneur to identify the customers and understand their needs. When identifying the market, attention has to be paid to primary differentiation of the customer in terms of the end-consumers versus intermediaries as each of these target groups may have completely different priorities when purchasing. For intermediaries it may be the price which is most important, whereas end-consumers' preferences may be much more diverse. Another important aspect that should be kept in mind is to avoid describing the market in too broad terms. The definition of target market should meet these criteria: definability, meaningfulness, measurability and attainability. When defining the market, it is important to take into account the basic criteria of segmentation such as demography and geography as well as the socio-economic classification such as customers' lifestyle and the current trends. (Abrams, 100-109)

Osterwalder reminds that it is crucial to understand whom we are creating value for and the most important customers are. The ideal case is to find a niche market, in other words a specific and specialized customer segment, to which the business activities and products should be then tailored to. When identifying the niche market, it is also important to keep in mind what kind of value does the business intends to deliver inclusive of what value are the customers willing to pay for, as well as the channels through which the customers wish to be reached. Osterwalder further points out the importance of establishing and maintaining customer relationships which also includes co-creation, hence making the customers feel involved. The above-mentioned aspects highly influence (Osterwalder, 21-35) Stapleton and Thomas add that when it comes to analysing the customers' buying behaviour, it is important to distinguish 'what' is being bought in the market and 'why'. There are two theories that explain the buying behaviour. One theory assumes that customers buy to maximize their satisfaction or utility. Whereas the other emphasizes the customer's socio-cultural background and premises that customers do not buy a product but the benefits the product provides. (Stapleton and Thomas, 36)

Ries emphasizes that relying on existing market research or conducting a survey may only reveal what customers think they want and later suggests building a simple product instead (a minimum viable product) and testing the customers' behaviour immediately in real time. Such experiments should result in more accurate data about customer demand and

customer behaviour. Coming out with the minimum viable product enables the entrepreneur to start the process of learning as quickly as possible. Moreover, planning takes months to be completed whereas experiments can be performed almost immediately. Ries calls these experiments ‘value hypothesis tests’ and the goal is to find out whether a product or service delivers value to customers once they are using it. (Ries, 55-58) The merits of trying the business on a small scale to find out what works and what does not is emphasized by other authors too. Running a pilot scheme of a business while retaining a stable income is suitable especially for those entrepreneurs who are trying to expand their hobbies into a business. (Hughes and Weller, 11)

### **2.2.3 Marketing Plan**

“Marketing provides the bridge between an opportunity and a purchase. Marketing planning is the construction of that bridge.” (Stapleton and Thomas, 7) The purpose of marketing is to increase customers’ awareness and to deliver a message which can be achieved by advertising, social networking and many other activities. The message can emphasize a specific tangible attribute or can be rather abstract. The process of marketing planning is very complex, including marketing research, taking into account the company’s strengths and weaknesses, making assumptions, setting objectives and creating strategies to achieve them. (Westwood, 7) A part of the Marketing plan is the SWOT Analysis. SWOT is basically an acronym for Strengths, Weaknesses, Opportunities and Threats. This analysis provides an overview where the company is now (S + W) and outlines the possible future scenario (O + T). It is an attractive tool which helps the entrepreneur to analyse the Strengths and Weaknesses of the business and to identify the Opportunities and Threats. (Osterwalder, 224)

#### **2.2.3.1 The Niche Marketing**

Niche marketing focuses on maximizing the value provided to the customer rather than on minimizing the costs. It is a strategy that focuses on unique markets instead of the mass market. Niche marketing is suitable for small businesses who supply relatively small quantities of unique products to unique consumers. This goes hand in hand with Osterwalder’s concept of ‘Long tail business models’ which is described as ‘selling less of more.’ It is emphasized that large number of niche products sold relatively infrequently may result in lucrative aggregate sales. (Osterwalder, 67)

The issue of niche marketing is further developed in the practical part of the thesis. Ries recalls that sustainable growth of a company “is characterized by one simple rule: New customers come from the actions of past customers.” (Ries, 191)

### ***2.2.3.2 The Four P's of Marketing***

The ‘Four P’s’ are the four main elements of a company’s operations, including product, price, promotion and place. **A product** represents the item produced to satisfy the customer’s needs. The product may be tangible or intangible as it can be in form of goods or services. The second P is dedicated to **Place**. Placement or distribution means making the product accessible to the customer. It is essential to find the right distribution channels that appeal to the target customers. The author of the thesis chose direct selling which is further described below. **Promotion** refers to the marketing communication methods and marketing channels used, whether visual, audio, online or offline, etc. Promotion gives the entrepreneur an opportunity to draw the customers’ attention, awaken his or her interest which will, ideally, lead to purchase. **Price** is no less important component of the marketing mix as it helps to shape the perception of the product in customers’ eyes. Moreover, creating the right pricing strategy is essential for the company’s viability.

The original Marketing mix consists of four P’s but it is sometimes extended by subsequent P’s. For the purpose of this thesis, with respect to the specifics of the chosen industry, People and Packaging were added. People within the company add value through their knowledge, experience or personal values. Food packaging does not serve only as a hygienic protection, it is a great tool to boost a brand recognition and directly influences the consumers’ decision making.

### ***2.2.3.3 Direct selling***

From the historical point of view, direct selling is the oldest business method. It is based on the offer and subsequent sale to persons whom the seller knows personally or thanks to a mediator. Direct selling means selling products directly to the end consumer in a non-retail environment, for example at home or at work. Benefits can be found both on the customer's side and on the seller's side. Which is, in fact, an obvious incentive of the seller. For the customer, the benefit is especially personal contact with the seller, who can provide advices and thorough familiarization with the product or service. Other benefits include the ability to deliver the product to the customer’s house or to agreed location and constant contact with the supplier who provides up-to-date information on the offer and news. For sellers, this way of selling is attractive because it does not require large input investments, the reward is

directly dependent on own performance and is suitable for performing the business as a secondary gainful activity. (Vojík, 117)

#### **2.2.4 Financial Plan**

The financial plan is an important part of the business plan as it is the basis for evaluating business opportunities. The financial plan has a very specific component of a business plan. It provides an overview of the costs of starting operations, regular monthly operating costs, a realistic estimate of revenues and, last but not least, funding sources. The basic characteristic of a short-term financial plan is the fact that it is based on existing production capacity and it is created for a period of up to one year. Long-term financial plans are usually created for a period of two to five years.

#### **2.2.5 Risk Analysis**

Risk and uncertainty are an inseparable aspect of a business that must not be ignored. This implies, every business plan should take all the risks into account and come up with a plan to minimize them. In general, there are two main types of risk: business risk and financial risk. The business risk represents the risks connected to the nature of a given industry and the competitive strategy the company applies. The financial risk is related to the company's capital structure and its financial strategy. Risks may be affected and lowered but cannot be completely eliminated. (Fotr and Souček, 135-140) Osterwalder states that businesses are influenced by four external forces: key trends in terms of societal and cultural, socioeconomic or also technological; market forces such as behaviour of market segments and their needs and demands; specific industry forces and macro-economic forces. (Osterwalder, 201) These should be also kept in mind when analysing the risks.

One of the methods of reducing risks in agriculture is diversification. This method is based on the idea that potential adverse outcomes of one activity can be offset by achieving good results in other activities. The aim of this technique is to ensure stable income for farmers. A farmer can diversify in crop production by focusing on growing several crops or in addition to crop production, focus also on livestock production. Diversification of agriculture in the Czech Republic is supported by the Rural Development Operational Program. Risks can also be reduced due to the inclusion of non-agricultural gaining activities.

### **2.2.6 Appendices and Exhibits**

This part of a business plan may include additional documents that support the credibility of a business plan, such as studies, research or any other material that is directly related to the business plan.

### 3 PERMACULTURE

Permaculture is a blend of two words - permanent and agriculture. This term was coined in late 1970's by Bill Mollison and his student David Holmgren to describe "integrated, evolving system of perennial or self-perpetuating plant and animal species useful to man." (Holmgren, 2002, 12) Permaculture is about designing sustainable human settlements. It is an approach to life based on the ethical use of landscapes that combines microclimate, plants, animals, soil, water management, structures and human needs into mutually cooperating, productive communities (Bill Mollison, 111). In 1982, Mollison received an alternative Nobel prize for the concept of permaculture.

Indeed, permaculture offers a distinctly different approach to gardening than is commonly used today. It is based on the ideas of sustainable development and the pursuit of self-sufficiency. Permaculture means "sustainable agriculture". This is in direct opposition to present-day agriculture, which is largely dependent on oil for the operation of agricultural machinery and chemicals such as fertilizers and pesticides. The founders of the Permaculture Movement, Bill Mollison and David Holmgren, defined it as follows: "A conscious transformation of a landscape that mimics natural relationships and patterns that provides enough food, plant material, and energy to meet local needs." Using permaculture principles, Holmgren created three areas and settled on one of them with his family. This demonstrative permaculture project is called Melliodora. Melliodora is a 8700 m<sup>2</sup> property situated on the edge of Hepburn Springs; it is one of the best documented and well known permaculture demonstration sites in the world.

Another important icon of permaculture movement is Sepp Holzer, who puts a simpler definition of permaculture "A permaculture system is a system that resembles nature and is based on natural cycles and ecosystems." (Holzer, 16) Holzer is an Austrian farmer, writer and international adviser on natural agriculture, who in 1962 took over the mountain farm of his parents and implemented the principles of permaculture. Holzer's farm, Krameterhof, is located in 1100 to 1500 meters above sea level. The farm spans over 45 hectares of forest gardens, including over seventy ponds. The system of ponds and wetlands is also used to breed fish, crayfish and edible aquatic plants. Holzer implemented ecological farming and permaculture techniques on his farm after the common techniques failed. Today, the "rebel farmer" is famous for creating great examples of the use of ponds and rock piles to change the microclimate which enables successful harvest even in mountains where the average annual temperatures are around 4° C.

### **3.1 Goals of Permaculture**

Permaculture is nothing new, it is actually a return to the original agricultural techniques. Raised beds, mulching, rotary grazing, these are all techniques used by our ancestors. It is a pragmatic and rational approach that draws on the knowledge of nature and its specifics.

The main goal of the concept is sustainability. Firstly, the world's population and resource consumption continue to follow a growing trend which brings the need to secure enough food for all. Secondly, there has been a trend of customers suddenly being eager to know the origin and producer of the food they purchase. This offers two solutions, either to secure at least part of the food by ourselves or to prefer small local farmers to supermarkets.

### **3.2 Principles and elements of permaculture design**

According to Mollison (18-24), the process of designing permaculture systems is based on the principles of environmental science, energy saving and landscape planning. It uses techniques that can be applied and adapted to any climatic conditions and geographical regions. These include the following principles:

#### **3.2.1 Relative Positioning/Location**

Each element is placed in relationship with each other. In permaculture design, it is crucial to replace competition by cooperating. In garden design, it means having a good knowledge of all plant species, their soil requirements and resistance to pests. Eventually, individual characteristics can be promoted by a subsequent combination of plants. There are many examples of such cases where individual plants are mutually influenced by each other. For example, planting tagetes among vegetables is applied in gardens quite often as it can relieve neighbouring plants of mold, rot, nematodes, aphids, whiteflies and other insect pests. Another common practice is growing strawberries and garlic in one bed, not only to save space but also because of their interaction. Strawberries shade the soil and keep the moisture when garlic protects strawberries from mold.

#### **3.2.2 Each element performs several functions within the whole**

By interacting with each other in the system, complex mutually supportive units can be effectively created. Permaculture finds application for almost all plant species.



### 3.2.3 Every important function is provided by several elements

The main purpose is to reduce dependence on networks that supply energy and resources and replace them by own resources within the farm. Water resources can be secured by capturing rainwater into containers or creating ponds and swales. Swales are used for catching and distributing water on a sloping land, they could be simply described as a system of ditches holding and distributing water on a sloping land. However, for the accumulation of water on plain, it is preferable to construct a pond.

### 3.2.4 Efficient energy planning

The principle of zoning and sectoring processes is based on a long-term and well-thought-out design planning with regard to the present resources. In the case of permaculture gardens, the design of the landscape respects the slope, sunlight, direction and strength of wind blowing and of course distance from the house. Zoning is the horizontal structuring and placement of elements depending on their usage. In practice, this means that the garden area requiring the most frequent interventions, is located closest to the house. The amount of zones depends on the size of the property being managed. Zoning patterns can be changed and adapted to specific situations. (Svoboda, 2009)

Examples of zoning:

**Zone 0:** A house.

**Zone 1:** The nearest area around the house. This area usually represents garden of vegetables, fruits and herbs as these require intensive care.

**Zone 2:** Medium-frequented zones require care, but not so intense. For example, an area of fruit bushes.

**Zone 3:** Commercial production area. May contain fruit orchard or less demanding vegetables grown for commercial purposes such as potatoes, onion, garlic and squashes. This zone is also devoted to pastures and livestock.

**Zone 4:** The territory of minimal care. It is an area almost uncontrolled, partly left to self-regulation, used to collect crops and wood. For example, a wooded area used for collecting herbs which can serve as a firewood supply in the future.

**Zone 5:** A wilderness. Uncontrolled zone that is not transformed but used for learning and recreation only.

### 3.2.5 Prioritizing biological resources

By correctly linking the sub-components of the system, the natural features of the elements help to work and save time and energy. This includes the already mentioned importance of companion planting of different crops. Holmgren also talks about growing plants that have a so-called “sacrificial” function. In practice, this means that the sacrificial plant is preferentially attacked by pests for its characteristic scent and therefore the important crops are saved. (Holmgren, 2002, 283) This technique is also sometimes called “trap cropping”. For example, some caterpillars feed primarily on cabbage and to protect the crops, nasturtium can be planted in immediate vicinity of the cabbages as the eggs of the pests are preferentially laid on the nasturtium in this case and so the crops are safe. (Pleasant, 36-41) Another important aspect is the use of green manure, which is intentional planting on the bed surface after the harvest. The green plants that grow there protect the soil surface from erosion, both water and wind. When the first frosts come and the plants perish, they decompose till spring and thus enrich the soil. Composting animal manure and using it as a natural fertilizer should not be omitted either.

### 3.2.6 Productive collaborative systems use the polyculture and diversity of mutually beneficial species

This issue was already commented on in the previous paragraphs. Bill Mollison, in his book *Introduction to Permaculture*, states: “...we should not confuse order with tidiness. Tidiness separates species and creates work (and may also invite pests), whereas order integrates, reducing work and discouraging insect attack. European gardens, often extraordinarily tidy, result in functional disorder and low yield. Creativity is seldom tidy. Perhaps we could say that tidiness is something that happens when compulsive activity replaces thoughtful creativity.” (Mollison, 17) Species diversity is a fundamental principle in permaculture. The high variety of vegetation ensures greater resistance to pests and diseases, thus ensuring greater crop yield.

Svoboda adds to this that a prolonged harvesting period can be achieved by several methods: selection and withdrawal of early, middle and late varieties; planting the same varieties in different conditions which results in different aging times; a selection of long ripening varieties. (Svoboda, 2009)

Mollison and Slay mention eleven principles in their book, the author of the thesis chose only those six that seem as the most important. Other authors state slightly different principles, but these do not contraindicate. It is unquestionable that permaculture promotes

a sustainable and low-energy approach based on careful planning. From the theoretical point of view, permaculture belongs in the field of sustainable development as it shares the common vision for the conservation of the planet's resources.

## **II. ANALYSIS**

## 4 THE BUSINESS PLAN

### 4.1 Summary of the Business Concept

The concept of intended permaculture farm represents agriculture with minimal use of mechanical machinery and no use of chemicals. What is crucial, is the biodiversity of cultivated crops, which maximizes soil yield and minimizes unwanted phenomena such as pest attacks. The Permaculture Farm will make full use of the coexistence of crops, livestock and insects. At the beginning, the cultivated area will be 1 hectare of land. Initially, revenues will mainly stem from sales from the yard and taking part at the farmer's markets. After securing the production premises, it is also contemplated to open a farmer's shop with a range of own products, that will gradually expand. Nevertheless, this is rather a long-term goal. There is no plan to sell products to existing stores or e-shops, as one of the priorities is a direct route to the end consumer to ensure a lower price and maximum quality. Moreover, the direct contact with customers should represent an added value.

The authors of the original concept of permaculture are Bill Mollison and David Holmgren, who brought the idea to life as a way of sustainable and ethical use of the landscape during the 1980's. The basic principles of permaculture remain the same throughout the world but the techniques used vary according to climate, soil composition, available resources and, last but not least, the needs of its specific users. The basic principles include the use of locally available resources, linking multiple elements into a functioning unit, and maximizing efficiency with a minimal energy input.

Previous experience of the author of the thesis has shown that an average garden usually yields only about less than a half a year, which is caused by growing only a limited amount of species of fruits and vegetables. Moreover, monoculturally planted areas are prone to pest attacks. Soil yields can be positively influenced by biodiversity as the diversity of cultivated crops and herbs minimizes pest attacks while guaranteeing soil performance from spring to winter. For example, fruit bushes, unlike most fruit trees, produce fruit every year and their fruit ripen gradually from May to November. **Consistent planning** is important to make a garden as useful as possible, for example a combination of unpretentious crops, such as wild tomatoes that have a long fertility period and are easy to grow, combined with short growing season vegetables grown repeatedly for several months at intervals of few weeks such as leafy vegetables. Permaculture techniques are usually cheaper, easier to

apply and easier to understand and can be used to save time, work and money. Emphasis will be put on land zoning, controlled rotary grazing and maximum use of rainwater.

“For money or for pleasure” was one of the hardest questions to ask. A small farm that is a business is very different from one that is only for self-realization or self-sufficiency, as the decisions and planning should stem from a business perspective. The goal is to find balance between the enjoyment of the animals and garden and the focus on self-sufficiency. Initially, farm income will be driven mainly from sales from the yard and farmer’s markets. Once the premises for milk processing and heat treatment of fruit and vegetables have been renovated, the offer will be extended to include dairy products, jams, syrups and more. The offer will gradually include chicken, duck and quail eggs, honey, meat from small farm animals, dried herbs. Given the current trend, cultivation of some meadow flowers and cooperation with florists can be also considered as one of the elements of the income in the future.

Agricultural business has similar principles to any other business activity, it is mostly done for profit, it is necessary to monitor economic indicators and comply with legislation but it also has its own specifics. The business plan summarizes and specifies all options, introduces a timetable for when we can achieve our goals, a marketing plan (how and what is going to be sold, to whom and where) and a financial plan.

## 4.2 Motives

Both owners of the farm always enjoyed working in the garden as well as visiting farms of their friends and relatives in their free time. For a long time, both, as a household, have been avoiding buying most of the food from big companies and chains that dominate the global market and preferring small local producers instead. Moreover, both are passionate about homemade products and a wide range of other DIY projects. These motives naturally grew into a desire for freedom, independence and mostly self-sufficiency.

After two years of working in PR, the author of the thesis suddenly realized her job is not making her as happy and fulfilled as it always used to and suddenly brings more negative things than positive into her life. Another six months passed until she admitted to herself that she is burning out and needs to focus on something else. The next day, she quit and decided to establish a farm. The emotional and ecological motives have naturally been completed with the desire to add an economic motive to become self-sufficient. Having the land and enthusiasm, the decision was easy. It was autumn, she felt relieved and thrilled and

immediately began to plant fruit bushes and trees. Another step was preparing the field and planting garlic, for the first time in life. That is how it all started.

Winter season, which was devoted mainly to planning, planting seedlings and purchasing all the necessary hand and mechanical garden tools, has passed and despite initial doubts of some people from surroundings, the farm is already looming. However, winter eventually brought one change. The realization of the fact that so much freedom is unbearable and one needs a balance between professional and personal life. And so the author of the thesis took a new job in the office again. Nevertheless, working less than standard working hours allows her to fulfil herself at work and still have enough time for farming, which altogether feels like a step in the right direction. Indisputable advantage is also the security of having a regular income.

### **4.3 Mission, vision and goals**

Our mission is to operate successfully a small family farm while using sustainable farming techniques with minimal use of agricultural machinery and no use of pesticides. This also includes raising animals in an environment that allows them the freedom and space. The goal is to simply turn attention back to the pre-industrial agriculture.

Our vision is not only the distribution of high-quality organic food but also to draw people's attention back to the country's lifestyle as such and its benefits. The main idea is to get people involved. To give people the opportunity to try things out and to inspire them. This will be obtained by organising entertaining and educating activities in future. Long-term vision includes extending the farm's activities and opening a small shop once the farm is self-sufficient. The main short-term objectives of the farm in the three-year horizon include: building and maintaining a productive farm and creating a base of satisfied customers who will report their positive experience to their friends and acquaintances. The long-term objectives of the farm in the ten-years horizon include: reducing investments and raising profit, opening a shop and turning the hobby into a living for one of the owners.

### **4.4 Legal form of the business**

The Act on Agriculture states that a natural person engaged in small-scale planting and breeding activities, selling unprocessed crop and animal products, is not subject to the registration of an agricultural entrepreneur. In case of growing and selling unprocessed products occasionally, one does not need any permission, trade license or registration. If the income from this casual activity does not exceed 30,000 CZK per calendar year, one does

not have to tax it or state it in the Tax return form. If this income exceeds CZK 30,000 per calendar year, it is necessary to include it in the Tax return form as “other income.” After applying flat-rate expenses (80 % of revenue) to the earnings, the difference between revenue and expenditures is taxed.

The definition of an agricultural entrepreneur and the conditions for doing business in agriculture are regulated by Sections 2e to 2h of Act No. 252/1997 Coll., On Agriculture. General conditions must be met which means legal age and legal capacity. It is also necessary to submit an application for registration in the Register of Agricultural Entrepreneurs at the relevant municipal office of a municipality with extended competence. A starting entrepreneur has a legal obligation to register with the authorities such as Tax Office, the District Social Security Administration and Health Insurance Company. In the beginning, the agricultural activities will be performed as a secondary gainful activity.

The choice of legal form of a business is undoubtedly an important decision. With regard to the size of the business entity itself and the structure of the assets as it will not be necessary to use a bank loan, an agricultural entrepreneur was chosen as a form of business from the next year on. This allows for the application of the flat-rate method. Thus, the entrepreneur records only income from agricultural activities and can apply the expenses by a flat rate, which is currently 80 % as stated in the §7 of Act 586/1992. The overall lower administrative burdens as well as lower tax burden also play a role in selecting this form.

As it is planned to expand the activities next year and start with goat breeding, it will be also necessary to register the farm at the Czech-Moravian Breeders Society. Then the farm will receive a registration number and will be able to sign up the animals which have to be ear-tagged or tattooed properly.



## **5 ANALYSIS OF THE INTERNAL RESOURCES**

### **5.1 Tangible and intangible resources**

Here will be identified and analysed the significant influencing factors that exist within the enterprise. The operation of the whole enterprise will be completely secured on land owned by the entrepreneurs, except the production and storage facilities that will be established in the nearby family house. Initially, renting a production space was considered but after the owners got an offer to use two rooms and a cellar in a nearby family house, this option seemed much more reasonable. Since everything is planned to be financed from own resources, such cost reduction was very welcome.

The farm itself is located in a pleasant valley. At present, it is mostly grassland, a small part of the land is forested and there is also an orchard, a number of fruit bushes and a field. There is also a wooden building (a barn) intended as a hinterland for livestock which is currently used for storing tools and agricultural machinery and the attic is used for storing hay and straw. Then there already is a henhouse, a duck-house and two rabbit-hutches. All necessary hand and mechanical garden tools were already purchased during the winter season. Continuous investments, working hard and paying attention to pre-cultivation during the last five months offers a decent start. This is undoubtedly an advantage and a strong point in the case of a considerably demanding project.

The nascent farm is new on the market which means there are no valuable intangible resources such as brand awareness, image or reputation at the moment.

### **5.2 Human resources**

All work has been being done by the owners and the situation is not likely to change at least in the horizon of three years. Both of the owners spend less than the standard weekly hours at their jobs which allows them to schedule their time reasonably. Although none of the owners have previous experience with this type of business, they are highly motivated and will make use of their previous experience from many fields which may also significantly reduce some of the expenses. The advantage is previous experience with working with farm animals, on the other hand, the disadvantage is the lack of experience of running such a business which means studying all the regulations will be very time-consuming.

### **5.3 Financial resources**

The farm's financial resources will consist solely of the owners' own resources. Therefore, it will not be necessary to obtain a bank loan to start the business. Considering the nature of the business we do not plan taking a loan at all. At first, it was planned to make large investments to have a fully-formed farm on day one, to minimize additional shaping and fine-tuning. The intended aim was to be prepared to start at full speed on day one and make the best impression. The readiness was perceived as crucial for persuading the customers and gaining the place on the market. Nevertheless, the financial strategy was re-evaluated according to the specifics of the industry and so the owners decided to start rather slowly and step-by-step. It was simply realised that biting off more than one could chew could lead to a higher rate of failures which would be demotivating. The strategy was modified completely. The farm will attempt to succeed by being small and unique.

## 6 PESTLE ANALYSIS

### 6.1 Economic factors

The group of economic factors results from the economic nature and economic development. These are characterized by the state of the economy.

#### 6.1.1 Macroeconomic prediction

According to the Ministry of Finance of the Czech Republic, the global economic expansion continues but over time it is losing its strength. Economic growth forecasts are declining for almost all of the world's largest economies, especially for the countries in euro area. This is caused due to increased political uncertainty, continued tensions in international trade and a further reduction in business and consumer confidence. However, the positive fact is that recession is not foreseen for any of the world's largest economies. A major source of uncertainty is oncoming exit of the UK from the European Union.

##### 6.1.1.1 *Gross domestic product*

Gross domestic product (GDP) is one of the most important indicators of the country's economy. Agricultural production accounts for a significant share of GDP. Gross domestic product per capita in Zlin region keeps its growing trend, being 374,779 CZK in 2015, 387,986 CZK in 2016 and 408,009 CZK in 2017. Also, the living conditions are continuously improving, as the Average annual net money income per person grows. (Czech Statistical Office, 2019)

##### 6.1.1.2 *Inflation*

Inflation is another indicator. According to Czech Statistical Office, inflation means a general rise in price levels over time. The statistical expression of inflation is based on the measurement of net price changes using consumer price indices. The inflation rate is slightly growing, compared to the average annual inflation in 2018, which was 2.1. In March 2019 the inflation rate was 2.4.

### 6.2 Social factors

Farmer's decisions are mainly based on the economic and environmental factors but the social factors cannot be omitted either. Recently, there has been a growing trend in consumers' interest in quality and origin of the food they purchase. Consumers are

increasingly interested in where the products are made and who the manufacturer is. Another fact is that as the standard of living grows, consumption also increases.

### **6.3 Technological factors**

Technological progress in agriculture has been noticeable in recent years. Especially the concept of precision agriculture (PA) which is based on using information and communication technologies. General technological progress which brought the internet of things and drone technology allowed progress also in farming practices. Precision agriculture, as the name suggests, means application of precise and correct amount of inputs with the intention to maximize the yields. Which implies, that the concept of PA is typical for mainstream farmers who use it to maximize their profits by, for instance, using GPS guided autonomous tractors and collecting data to optimize the use of fertilizer across the field according to the need.

Nevertheless, in our case, due to the small scale of agricultural production and preferring permaculture techniques, the technological factors will play a minor role. Some technological elements will be included though. The hinterland for livestock is equipped with a solar panel which powers two laps, one inside and one outside the hinterland. Another technological advancement is represented by the use of automatic door on the henhouse. Locking and unlocking the door means a twice-a-day chore which can be easily avoided by installing the automatic door which operates on the principle of a twilight switch, opens the door at sunrise and closes it at sunset.

### **6.4 Political and Legal factors**

Politics has a significant impact not only on the country's economic situation, but also on business conditions. Czech Republic's accession to the EU in 2004 brought very substantial change in the agricultural sector as the principles of the Common Agricultural Policy of the European Union have been applied. It is based on a common market for agricultural products and specifies the options of financial support for farmers.

Due to the bureaucracy, it was decided that during the first year, the farm's products will be sold mainly from yard and occasionally on the farmer's markets. Certain activities, such as the sale of small quantities of own primary products, can be carried out without the knowledge of the veterinary administration, without approval or registration. The conditions for the sale of small quantities of primary products are set in Section 27a and Section 27b of

the Veterinary Act and specified in Decree No. 289/2007 Coll. On the farm, the farmer may sell small quantities of:

- Live poultry and rabbits
- Fresh poultry and rabbit meat
- Raw milk and cream
- Fresh unwrapped eggs
- Bee products
- Venison
- Live fish

If the conditions are met, approval or registration of the Regional Veterinary Administration is not required. The certain conditions for some of the products are described in chapter dedicated to the marketing mix. During the first year there will be no need to obtain a trade license or registration at the Veterinary Administration.

#### **6.4.1 Act No. 252/1997 Coll., On Agriculture**

Agriculture in the Czech Republic is regulated by the Act No. 252/1997 Coll., as amended. The Agriculture Act defines, among other things, who can do business in agriculture, where and how to obtain a business license in agriculture and what is meant by agricultural production. The definition of an agricultural entrepreneur and the conditions for doing business in agriculture are regulated by Sections 2e to 2h of Act No. 252/1997 Coll. It is also necessary to submit an application for registration in the Register of Agricultural Entrepreneurs at the relevant municipal office of a municipality with extended competence. A starting entrepreneur has a legal obligation to register with the authorities. It is mainly about registering with the Tax Administration, the District Social Security Administration, Health Insurance Company. Nevertheless, during the first year these will be avoided as described in part of the thesis which deals with the legal form of the business.

#### **6.4.2 Regulation (Ec) No 852/2004 Of The European Parliament And Of The Council Of 29 April 2004 On The Hygiene Of Foodstuffs**

Especially Annex II, Chapter III which deals with Requirements for movable and/or temporary premises (such as marquees, market stalls, mobile sales vehicles), **premises used primarily as a private dwelling house but where foods are regularly prepared for placing on the market**, and vending machines.

### **6.4.3 Act No. 166/1999 Coll., On veterinary care**

According to the Act, the breeder must ensure that the products are produced in a clean environment using equipment and work tools that have to be kept clean. Furthermore, products should be protected from influences that could adversely affect their health, in particular contamination.

Business activities in this field are highly regulated. This implies studying the laws and regulations, which is very time consuming. Non-compliance may be severely financially penalized or even lead to the closure of a business.

## **6.5 Environmental factors**

Agricultural production, as an economic activity, is largely determined by the biological reproduction cycle and is dependent on natural conditions and access to land. It is also characterized by significant seasonality. The primary production factor in agriculture is soil which has three basic attributes: it is a living organism and an active factor, non-reproducible and not interchangeable with another production factors. On the other hand, unlike other means of production, it does not wear out and its fertility can be increased by suitable cultivation methods.

## **7 MARKET ANALYSIS**

### **7.1 Competitive advantage**

Competitive advantage will be obtained through differentiation. Providing not only products and services of superior quality but also giving the customers the feeling of being engaged should help our farm to build a strong brand which will set it apart from the competition thoroughly. Clearly traceable origin and the shortest possible path from producer to customer are essential attributes. For us, the whole concept feels like a step in the right direction. Nevertheless, as it will be further developed in swot analysis, competition is not perceived as a serious thread.

### **7.2 Customers**

During the first three years, as a target market are considered mostly friends, friends of friends and acquaintances. Customers will also be end consumers here. It will be men and women of all ages and social status or entire families with children. According to a research carried out by Median for the Department of Agriculture, among the typical customers who buy farm products are mainly these groups: middle aged women, businessmen and housewives. Hand in hand with the above mentioned, Lawrence et al. state that European consumers are one of the most concerned about food quality because “consumers have become more sophisticated and diverse in their food interests and more people are now prepared to pay a premium for better food” (Lawrence et al., 43) The aim is to make use of the growing demand by consumers for locally grown and organic products and to satisfy this unique niche market composed of people who currently are not well served by the large supermarket chains.

## **8 MARKETING MIX**

The marketing mix is predominantly associated with the 4Ps – Product, Price, Place and Promotion. As the farm will also offer services it is important to extend the marketing mix with subsequent Ps such as People and Packaging.

### **8.1 Product**

The growing season of our farm will start in early May and end in October. The expected goal is to achieve at least 20 productive weeks during which mostly vegetables and fruits will be harvested. To ensure long and continuous harvest, it will be very important to plan carefully and pay attention to poly-cultural planting. Once this period will be coming to its end, the focus will naturally be given to meat processing.

#### **8.1.1 Vegetables and fruits**

Being given the fact April is usually quite unfavourable in our climate, the offer will probably be limited to bear garlic and leafy vegetables such as rucola. May is more favourable and gives the opportunity to harvest rhubarb, early varieties of lettuce, radish, dill, spring onion and spinach. Some of the fruits also begin to ripen at this time, such as Kamchatka honeysuckle and also herbs already offer a rich harvest. The owners of the farm have plans to include asparagus as an attractive crop with a quite long harvesting period from April to June, nevertheless due to its specific cultivation, asparagus will not be harvested until next year. Since June the harvest becomes varied and offers a countless range of common and less common fruits and vegetables.

During the first year, it will be possible to harvest many fruit bushes such as currant, gooseberry, raspberries, blackberries, josta-berry and sea buckthorn. Last autumn, attention was paid to planting tens of mature and already fruiting bushes as a kind of temporary substitute to fruit trees because the existing orchard is monocultural at the moment as there are only plums. Tens of fruit trees such as cherry, apple, pear, fig and mulberry are being planted but the harvest can be expected in three years at earliest. Above that, fruit bushes, unlike most fruit trees, produce fruit every year as they are not so prone to diseases and changes in weather as trees and their fruit ripens gradually from May to late November. Diversity of planted species should guarantee a meaningful yield despite the adverse conditions that may occur during the season.



### 8.1.2 Eggs

The offer will gradually expand and besides chicken eggs, the owners would like to offer duck (specifically Indian runner) eggs and quail eggs. A personal commitment has been made that consistently, at least half of the flock of hens will be formed by caged hens redeemed from factory-farms. It is not only a moral matter, there are economic reasons too. The price of one-year old hen bought from a factory-farm is 50 CZK (Zevos, March 2019) which makes a noticeable difference to 200 - 300 CZK for a grown hen of an ordinary breed bought from a breeder. The acquisition costs were also minimized by building the henhouse by ourselves. Feed costs are approximately 2,500 CZK per year for flock of 30 hens.

Without being approved or registered by the Regional Veterinary Administration, a breeder can sell small quantities of fresh unpacked eggs. According to Section 14 (4) of Decree No. 289/2007 Coll. a small quantity is considered to be 60 eggs sold directly to one end consumer or 600 eggs per week in the case of selling to local retail shop. A breeder holding up to 50 laying hens does not need to mark the eggs with a producer code but his or hers name and address has to be stated at the point of sale. The eggs must not be packed and cannot be older than 21 days.

### 8.1.3 Meat

The farm will initially offer poultry meat, especially chicken, turkey and quail and later also rabbits. Selling other types of meat is not being considered yet, as the slaughter of larger animals is much more demanding in terms of legislation.

According to §10 and §11 Act. 289/2007, a farmer whose annual production is less than 2,000 turkeys, geese or ducks or 10,000 other poultry may sell the meat of such animals in small quantities from the backyard without registration or approval of the Regional Veterinary Administration under the following conditions: fresh meat must not be broken down, only skinned or plucked and gutted. In rabbits, the head must not be separated from the body. The information “Meat is not veterinary examined - determined after heat treatment for consumption by the consumer” must be clearly visible at the point of sale.

### 8.1.4 Honey and bee products

The owners of the farm have plans to introduce honey bees and offer honey as another organic product. Such decision came quite naturally. Most plants and crops must be pollinated by bees. Bees not only affect the variety of wild flowers, bushes and trees but also the food economy. Almost 84 % of plant species grown in Europe and 76 % of food production depend on them. (Committee on Agriculture and Rural Development, 2018)

Moreover, current legislation is very benevolent to novice beekeepers. To begin with beekeeping, it only requires finding a suitable habitat, purchasing beekeeping equipment and getting a colony. The only legal obligation is to comply with the Veterinary Act. The acquisition cost will be minimized again, by making the beehives ourselves as all the shelters at the farm.

Without being approved or registered by the Regional Veterinary Administration, a beekeeper can sell small quantities of honey and bee products. However, he or she has to be registered at a person who maintains a central register of beekeepers. A small quantity shall be no more than two tonnes of honey per year. A small amount of royal jelly and beeswax is not specified. Honey must be labelled with all the information required by the legislation. The products must be sold and stored in packaging that meets the packaging requirements for food of animal origin.

## **8.2 Price**

The owners decided to choose competitive pricing strategy with consideration of the costs. The final prices may be comparable to the prices of competition or even a bit higher. The idea of beating the competition by lower prices is not considered at all, price competition would be highly unfavourable. Instead we aim to compete by the quality of products and services provided. We strive to satisfy the customers' needs and to build a strong base of loyal customers who will return to regularly.

## **8.3 Place**

The farm will operate on its own land and in its own buildings located in South Moravia, specifically in the Zlín Region, in a small village called Hvozdná. The farm is located in a nice valley, easily accessible and attractive. The strategic location provides an opportunity to attract various groups of customers from surroundings. The farm is surrounded by forests and fields full of horses and cows which adds to the atmosphere of a calm countryside oasis while it is easily accessible from town. The farm will also serve as the point of sale as the aim is to grow fruits and vegetables full of flavour, to pick ripe and to sell quickly.

## **8.4 Promotion**

Promotion will be covered by a website, profiles on social media, specifically Instagram and Facebook and a visual noticeboard.

#### **8.4.1 Website and Blog**

A well-processed website with responsive layout is essential. The website is planned to be powered by WordPress as the site environment is very intuitive and easy to manage. This will allow the owners to manage the website on their own and reduce the costs. The website will provide basic information about the farm such as location, contacts and range of products. But more importantly, it will be dedicated to stories behind the products – information about the production processes accompanied with attractive photographs. This will provide the customers the impression of engagement and acquaintance which is very important. The blog will serve as a place to share all the joy and sorrow. It will be dedicated to the story of an office girl who decided to give up high heels and put on gumboots instead. The chances are, there will be plenty of stories of failure as well as those of the little success to share.

#### **8.4.2 Social media**

The farm will also operate profiles on Facebook and Instagram. The advantage is that these two social media can be intertwined easily as every photo published on Instagram can be easily shared on Facebook. Profiles on social media will be determined for publishing photographs and shorter stories and real-time communication with customers. Moreover, content on social media has a potential of reaching people outside of the original group of followers.

#### **8.4.3 Word of mouth**

Word of mouth is considered the most important and most effective way of promotion. Our goal is to create a base of satisfied customers who will report their positive experience to their friends and acquaintances. Word of mouth marketing will take place not only literally in the offline world but also on social media, which validates the need of running these profiles.

### **8.5 People**

All work has been being done by the owners and the situation is not likely to change at least in the horizon of three years. Both of the owners spend less than the standard weekly hours at their jobs which allows them to schedule their time reasonably and spend the afternoons of weekdays on their farm.

## 8.6 Packaging

Besides the quality of products, strong emphasis will be put on reducing waste production. Our goal is to grow the awareness of the possible ways of reducing waste production. However, the Achilles' heel of sustainable packaging is the fact that most of it still ends up in a landfill and so loses the eco-friendly benefit. Therefore, the farm will require a plan to appropriately dispose of the waste, to lead by example is the right way to motivate the customers. Packaging may not sound interesting but it is reality and we would like to provide the customers with a more environmentally minded option. The vision is that cheeses will be packaged in biodegradable cheesecloth or biodegradable wax paper. Milk, honey and processed vegetable and fruits will be sold in glass containers and bottles. Fresh vegetables and fruits will be sold in returnable wooden boxes of own production. The customers will also be encouraged to bring their own containers.

## 9 SWOT ANALYSIS

When it comes to analysing the feasibility of a project, SWOT analysis is one of the most commonly used tools for business planning and getting a quick overview of the businesses position.

Table 1. SWOT Analysis

Strengths	Weaknesses
Enthusiasm Wide range of skills of both owners Own resources High quality of products and services	Low awareness of the farm Choices limited by land and resources
Opportunities	Threats
Current trend Gaining loyal customers Location Opening a shop Expansion of the farm's activities by leisure and educational activities	Lack of customer interest Competition Deterioration in general economic conditions Extreme weather conditions: dry season/wet season Pests Administrative and legislative

*Source: own creation*

As the main strength is considered the dedication and enthusiasm of the owners from whom the whole thing is not about building a business but rather a matter of fulfilment of doing things that matter. The founders believe that putting emphasis on the quality and origin of the products should help the farm to be recognised and establish itself in the market. The quality of products has to be supported with the prime quality of services provided. Last but not least the strengths include personal ownership of land and buildings used for business purposes. There will be no need to buy or rent buildings. A significant advantage is also represented by the opportunity to make use of the founders' previous experiences from many fields which may significantly reduce some of the expenses.

While talking about the weaknesses, as the main disadvantage is perceived the low brand awareness which is natural for a new business. Building a brand identity and gaining loyal customer base supplying word of mouth marketing will be essential during the first few months. This might be achieved by a strong online presence. Social media offer a great way to attract customers when entering a market. Moreover, getting the customers involved helps to establish and maintain good relationships while reaching new potential customers at the same time. Company's profiles on social media as well as the website will be simply dedicated to putting a face to a name. Some of the choices will be limited by the land and resources which is also a relevant weakness.

As to the opportunities, we see an opportunity in the current trend when people seem to care about the quality of food they buy and its origin. This need could be not only satisfied but further developed by making the people engaged and providing them an added value by being open and possibly organising entertaining and educating events from time to time. The location of the farm seems to suit these plans well. Expansion of the farm together with opening a shop in the future is undoubtedly an opportunity too.

Last part of the SWOT analysis deals with threats. The most serious threat is a drastic change in weather conditions as it could destroy the yields. The power of nature has been experienced recently as the strong wind destroyed a brand-new high tunnel which was ready for planting. Also, soil water reserves are significantly lower this year than at the same time a year ago. One of the most affected areas is South Moravia. The intensity of the dryness in the surface layer (0-40 cm) deepens. Drought occurs in most of the Czech Republic. As well as the intensity of drought in a deeper layer (40-100 cm) is worsening. (Intersucho, 2019) "If the weather is normal or there will be even less rainfall than the long-term average, the water in the soil will occur during May or June," the bioclimatologist Miroslav Trnka said. Farmers in the most affected areas are, according to him, relatively nervous and this year more than ever have to consider what crops and varieties they choose. "The moisture deficit is deep. Obviously, if the current weather continues, we will see the effects of drought very quickly. In the context of drought years 2015, 2017 and 2018, it is very warning," said Trnka. (Trnka, 2019)

Legislation is perceived as another threat. To produce and sell homemade dairy products, carcasses, meat products, but also musts, marmalades, fruit syrups and so on, it is necessary to comply with the relevant hygienic, construction and veterinary regulations. Many farmers and small producers admit that the bureaucracy is demanding, costs a lot of time and can be highly demotivating. On the other hand, competition is not perceived as a

threat as such as the market with local products of high quality is not still not that saturated. Although the existing businesses do not represent a threat, the perception of competition could change with new competitors entering the market in immediate vicinity. Nevertheless, our approach is that we do not want to compete, but cooperate instead and change the game completely. Another threat could occur if the customers, despite our assumptions, would not show interest in our concept. Last but not least it is important to keep in mind possible deterioration in general economic conditions.

## 10 FINANCIAL PLAN

The following tables present an overview of revenues and expenditures for the next three years. The cost of land acquisition, fences and barn are not included because these assets were already passed on the owners as a gift. At the end of the chapter, there is a comparison of the optimistic and pessimistic projection. Because the owners plan to cover all investments from own financial resources it was decided that the amount should not exceed one hundred and fifty thousand per year as this amount is seen as a reasonable and acceptable risk for a pilot project. This decision corresponds with the intention to start small, grow gradually and learn a lot during the process.

### 10.1 Projection for the First Year of Existence (2019)

Some of the expenses may seem underestimated, but there are several influencing factors that will be described below. For example, the amount spent on purchasing a flock of thirty hen may seem underestimated but in reality, it is calculated with a purchase price two hundred crowns per piece for fifteen hens bought from a breeder and fifty crowns per piece when purchasing the other half of the flock from a 'chicken factory.' Another item that seems underestimated is hay. The stated amount represents only the expenditures for lending a tractor for hay harvest on own land. By 'other expenses' the author means a reserve for veterinary care and other unexpected expenses that may occur. Some items are not included in the tables as these already were or can be obtained free of charge from family members and friends, being for example sawdust used as bedding for animals; bees and sheep. The fact that many family members and friends are engaged in various farming, cultivating and similar activities offers a great opportunity to gain sources at negligible prices or for a barter. This fact together with the shared enthusiasm is truly an invaluable advantage.

The optimistic projection of expected revenues in the first year of existence was calculated with respect to the sources available. Image of the second year, counts with increase in production. In the projected table of revenues, the considered prices are based on the market valuation of home-made products which allows for higher prices than in the supermarkets. The pessimistic projections calculate with a thirty percent decrease in yield that can be caused either by unfavourable weather conditions such as droughts or, in contrast, by a great harvest that would push the prices down as the supply would grow in general.



Table 2. Expected Expenditures in 2019

Item	Expenditures in CZK
Registration of an Agricultural Entrepreneur	1,000
Wood for Construction of Abodes	20,000
Fasteners and Other Material	1,150
Automatic Door for Henhouse	2,500
Gasoline Agricultural Rotavator	10,000
Brushcutter	3,500
Gardening Tools	10,500
Slaughter Pistol	1,000
High Tunnel	2,600
Green House	25,000
Fruit Bushes and Trees	3,200
Seedbed Substrate	900
Flock of 30 Hens	3,750
Flock of 20 Quails	1,000
Seeds and Planting	3,000
Seedlings	1,200
Feed	7,800
Bee Hives	4,000
Beekeeper Equipment	2,000
Glasses and Stickers	1,200
Feed for Bees	400
Domain and Webhosting	450
Property Tax	2,075
Hay	2,000
Other Expenses	5,000
<b>Total Expenditures</b>	<b>115,225</b>

Source: own creation

Table 3. Expected Revenues in 2019

Item	Price per kg in CZK	Price per piece	Expected yield	Expected revenues in CZK
Potatoes	30		300 kg	9,000
Garlic	250		30 kg	7,500
Onion	45		100 kg	4,500
Tomatoes	120		100 kg	12,000
Peppers	105		40 kg	4,200
Chilli Peppers	300		3 kg	900
Herb Seedlings		40	100 pcs	4,000
Other Vegetables	70		50 kg	3,500
Fruits	80		10 kg	800
Champignons	100		50 kg	5,000
Eggs		5	5200 pcs	26,000
Quail Eggs		3	3320 pcs	9,960
Turkey Meat	250		50 kg	12,500
Quail Meat	450		2,6 kg	1,170
Rabbit Meat	230		20 kg	4,600
Cut Flowers		15	100 pcs	1,500
Honey	260		50 kg	13,000
<b>Total Revenues</b>				<b>120,130</b>

Source: own creation

## 10.2 Projection for the Second Year of Existence (2020)

The optimistic projection of revenues in second year presumes an increase in production which also means adequate increase in spending. Excluding the zero cost of acquiring another hens, as the fifty percent increase here is caused by the prolonged season. The calculation for 2019 counts with shortened laying season of eight months with respect to the period before the young hens matured and started laying eggs, whereas in 2020 it is calculated with twelve months. The increase in production is intended to rise by fifty percent

in fruits, one hundred percent in vegetables and meat. It is especially the meat production that will be accompanied with noticeably higher costs for feed. Most important is the intended increase in production of garlic which should rise by two hundred percent as it is seen as most lucrative taking into account the costs and the level of care it requires. When it comes to overall expenditures, the most significant amount will be invested in purchasing a herd of five goats and reconstruction of the production premises for cheese production and its equipment. The reconstruction will not require large investments as it will be done by the owners. Goat milk products will be introduced during the third year.

Table 4. Expected Expenditures in 2020

<b>Item</b>	<b>Expenditures in CZK</b>
Seedbed Substrate	1,800
Seeds and Planting	5,000
Feed	14,500
Flock of 20 Quails	1,000
Property Tax	2,075
Webhosting	200
Glasses and Stickers for Honey	1,200
Reconstruction of Production Premises	15,000
Equipment	90,000
Herd of 5 Goats	10,000
Hay	2,000
Income Tax	3,604
Other Expenses	10,000
<b>Total Expenditures</b>	<b>156,379</b>

*Source: own creation*

Table 5. Expected Revenues in 2020

Item	Increase in production by	Expected revenues
Vegetables	50 %	51,150
Garlic	200 %	22,500
Fruits	100 %	1,600
Champignons	50 %	7,500
Eggs	50 %	55,290
Honey	10 %	11,000
Turkey and Rabbit Meat	100 %	34,100
Herb Seedlings	100 %	8,000
Cut Flowers	100 %	3,000
<b>Total Revenues</b>		<b>186,140</b>

*Source: own creation*

### 10.3 Projection for the Third Year of Existence (2021)

In the third year, it is not planned to increase the existing production. Instead, a great deal of attention will be paid to milk processing and cheese making. It is calculated with the same revenues as in 2020 plus revenues from selling goat cheese. These revenues are based on a sober estimate that five goats should produce fifteen litres of milk per day which equals to 1.87 kilograms of cheese. If we count with two hundred and ten days of lactation, it is approximately 394 kilograms of cheese, with the price of 400 CZK per kilogram, we get the revenues. This activity is of course accompanied with the costs of packaging material such as glass jars and waxed paper that are included in the expenditures. Another activity that is intended to be further developed during the third year is the floriculture. Nevertheless, this step will be evaluated according to the customers' interest in cut flowers. During the third year, a noticeable leap in expected profit can be noticed. However, it is important to keep in mind, that the human labour has not been included in the calculations the whole time. The revenues further purified by taxation and statutory deductions should serve as an input for further development of the farm.

Table 6. Expected Expenditures in 2021

Item	Expenditures in CZK
Seeds and Planting	10,000
Feed	15,000
Hay	2,000
Packaging	15,000
Energy and Water	4,000
Property Tax	2,075
Income Tax	5,584
Other Expenses	15,000
<b>Total Expenditures</b>	<b>68,659</b>

*Source: own creation*

Table 7. Expected Revenues in 2021

Item	Revenue in CZK
Revenues as in 2020	186,140
Revenues from Selling Goat Cheese	157,500
<b>Total revenues</b>	<b>343,640</b>

*Source: own creation*

#### 10.4 A Comparison of an Optimistic and a Pessimistic Scenario

The following tables offer a comparison of the optimistic and pessimistic scenario. The pessimistic projection is based on a thirty percent decrease. The decrease might be caused by either lower yield caused by weather conditions that can change rapidly, or in contrast, by growth in supply of competitors which may push the prices down and result in lower revenues. Such decrease results in loss of thirty-one thousand in the first year and twenty-six thousand in the following year. Due to the moderate strategy, such loss does not represent a burden and is fully acceptable. Positive finding is that the third year still results in profit which is caused mainly by lowering the expenditures and engaging a profitable activity such as goat milk production.

Table 8. Optimistic Scenario

	2019	2020	2021
<b>Revenues</b>	120,130	186,140	343,640
<b>Expenditures</b>	115,225	156,379	68,659
<b>Profit / Loss</b>	<b>4 905</b>	<b>29,761</b>	<b>274,981</b>

*Source: own creation*

Table 9. Pessimistic Scenario

	2019	2020	2021
<b>Revenues</b>	84,091	130,298	240,548
<b>Expenditures</b>	115,225	156,379	68,659
<b>Profit / Loss</b>	<b>-31,134</b>	<b>-26,081</b>	<b>171,889</b>

*Source: own creation*

## **11 RISK ANALYSIS**

Before setting up a business, it is important to upfront and discuss potential risks that can occur in future. Analysing risks and dangers in advance is crucial for developing strategies to avoid the risks or strategies to deal with them once they occur. Some of the most important risks are discussed below.

### **11.1 Market risk**

First of all, it is important to consider the possibility that the market will behave differently than the entrepreneurs expect. Insufficient number of customers interested in our concept may result in a failure. To avoid this situation, it will be important to pay attention to promotion to get customers to know the farm at the first place. Secondly, to keep the customers, creating an excellent experience is not enough, our goal is to solidify relationships with them because people are the lifeblood of every business. Attention will be paid to daily interaction with customers, listening to their opinions and acting on the given feedback. Daily interaction with customers is a great way to get feedback which may help us to avoid mistakes and get better.

### **11.2 Competitive risk**

Competitive risk is closely related to the market risk mentioned above. As it was stated, the existing competition is not perceived as a threat but with many new businesses entering the market, the situation could change rapidly. Nevertheless, there is the possibility that the competition may perform better by simply suiting the customers' needs more.

### **11.3 People risk**

Success of our farm will depend not only on the quality of products but also on the quality of service as it is a business made by people for people. Even the best products can be degraded by the poor quality of services. To avoid this risk, it requires a continuous process. The main risk is the fact that the whole farm will be dependent on two people only. In case one of them becomes unable to work on the farm for whatever the reasons may be, it will be necessary to deal with the situation adequately as there is too much work for one to be able to handle it for a long run. In that case, it would be necessary to get help. First and foremost, family and friends would surely help but in case of the need of a long-term help, hiring a temporary worker would have to be considered which would bring certain expenses. It is also important to take into account the possibility of failure. Due to the specifics of the

chosen business, the owners will not be able to draw from their education as well as their work experience in completely different fields will not be much of use. Therefore, they cannot rest on laurels and have to work on improving and educating themselves. That is why the author of the thesis plans to go through “a course for general agricultural activities” during autumn.

#### **11.4 Climate and price risk**

Production of the crops highly depend on its environment which causes the uncertainty about the revenues received for commodities. Weather conditions that can change rapidly may cause a significant decrease in yields. To lower the risk, it is important to expand the portfolio and diversify the farm’s activities. Moreover, the price risk can be perceived from a different perspective. Substantial growth in harvested crops and therefore the growing supply may bring a noticeable decline in the market prices of produced commodities.

#### **11.5 Financial risk and financial strategy**

Financial risk is faced by every company entering the market across all industries. The financial strategy of the farm was evaluated carefully. The financial resources will consist solely of the owners’ own resources without obtaining a bank loan. Considering the nature of the business, being burdened with a loan seems too risky. At first, it was planned to make larger investments to have a fully-formed farm on day one, to minimize additional shaping and fine-tuning. The intended aim was to be prepared to start at a full speed and make the best impression. The readiness was perceived as crucial for gaining the place on the market. Nevertheless, the financial strategy was re-evaluated according to the specifics of the industry and so the owners decided to start rather slowly and step-by-step. Biting off more than the owners could chew could lead to a failure. The right path seems to concentrate on becoming successful by being small and unique. Moreover, the essential investments have already been made. Having discussed the financial strategy, any risks that were not identified and addressed above can occur. Therefore, regardless all efforts and positive prospects, the owners are aware of the necessity of having a financial reserve to cover unexpected problems. Here it is worth mentioning again that both owners of the farm have a stable income from non-agricultural activities.



## CONCLUSION

This thesis was devoted to constructing a business plan that would help the entrepreneur to sort out the thoughts and get some tangible idea of the direction that should be taken. The aim of the thesis was to find out the possible level of self-sufficiency that can be achieved, whether only in terms of growing own food or also in term of making a living by farming in the future. The amount of commodities produced that could generate the revenues was estimated based on the resources currently available. The considered prices are based on the market valuation of home-made products which allows for higher prices than in the supermarkets.

A positive finding is that the farm should be able to cover its expenses without being wholly donated by the owners. After evaluating the financial analysis, it was found out that the farm should be relatively viable even in its beginnings. The strategy to start small and grow slow seems reasonable as the third year could bring first real profits and motivate the owners to further develop the farm. Nevertheless, it is important to mention that the financial analysis did not calculate with labor costs in the first three years of existence. It is expected that the work and time spent on the farm will be paid during the fourth year at the earliest. The financial strategy is moderate as the owners' goal is to build a self-sufficient farm without the use of liabilities. The business plan also provided a projection of the target market and the means of communications the market will be reached by. Nevertheless, the author of the thesis is aware of the fact that the business plan provides only assumptions and that to produce is only a half of the success whereas to sell is the other. The first two years will serve as a pilot version of the project to find out not only what should be paid attention to according to the customers wants and needs with respect to the resources available and expectable yields. After this period, we should be able to decide what crops and products pay attention to with respect to the resources and demand. The business plan outlined the possible trajectory, the outcome suggests that the project is relatively viable and so met the goal satisfactorily.

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## **LIST OF ABBREVIATIONS**

- DIY Do It Yourself - the activity of making or repairing things by oneself
- GPS Global Positioning System - a satellite-based navigation system
- PA Precision Agriculture - a farming management concept
- PR Public Relations - a strategic communication process used by organizations

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