

MAKING A BUSINESS PLAN FOR A COMMERCIAL APIARY

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Why start a business?

You create a business to satisfy your aspirations.

These aspirations may be about investment and return, a hobby, a lifestyle, or an inherited family business that you have grown with and is a career you wish to pursue.

Do you need a business plan?

YES.

A business plan is a document that outlines the service or activity that is being conducted, what the business will achieve, what market it will operate in, what personal and other resources are required and financial data.

There are two reasons for making a business plan;

- ◆ It is a guide to help organise your thoughts and ambitions for the business, and,
- ◆ it enables you to measure your successes (or failures) and determine where the most profitable improvements can be made to the business.

THE DECISION MAKING IS UP TO YOU!

Persons deciding to invest in an apiary have to make decisions about a wide range of options. The format of this paper will be to simply pose options and guide you through some of the more complex issues. You have to provide the answers, weigh up their impact, make the decisions and live with them.

What do you need to make decisions about?

1. People (the apiarists' family and any other paid or unpaid labour)

- ◆ Who is involved? Wife/partner, children, and other family members? What are their needs? Wife/partner's work/career income necessity? Children's schooling/employment opportunities?
- ◆ What services are needed? eg. medical, education, career opportunities (wife/partner/children)?
- ◆ What housing is needed? Who is to provide management? Will this be a "one-man operation" or will you need added labour (family/hired)? Are their fellow beekeepers in the area with whom you can exchange free labour services? How do they relate to your family?

Don't forget that the resource most likely to make or break your apiary business is the human factor (people).

2. Money

- Do you establish the beekeeping business to:
 - *create a satisfactory return on investment?
 - *create a capital growth investment?
 - *supplement other income sources?
 - *gain tax exemptions - as applicable to most primary producers?
 - *be your hobby? or
 - *give you a way of life that you enjoy but are not worried about profit?

What has been your answer to this question?

- Are there any Government grants or subsidies that will help you start your business?
- In Australia most beekeepers acquire their apiaries over a period of some years, starting small and re-investing profits back into the apiary. During this build-up period, which may be from three to eight years, most beekeepers have a “blue-collar” or rural full-time occupation. In effect this is a hidden resource that may be called upon in the event of temporary or permanent failure. Many also take the opportunity to buy “yards” of bees on a share basis with the view to paying them off over the next season or two. This method necessarily means that the standard of vehicles, shedding and often housing is a bare minimum. It is difficult to say with any certainty by generalising but many commercial beekeepers find that their standard of living in terms of modern housing, vehicles, shedding and equipment of “acceptable standard” does not arrive until they have been in the business for fifteen to twenty years. By this time they will have acquired sufficient equity to qualify for loans to further raise the standard of their extracting equipment to the very latest Quality Assurance(QA) standards.

In the meantime the family lives on a modest income and if the wife/partner is also an income earner then the standard of living rises accordingly, but the time factor for total modernisation is hardly altered. In other words, apiary operations/profits are constantly turned back into the apiary.

3. Location

The apiary business will need to consider family housing, sheds, garaging and seasonal flora when deciding on a location.

- ◆ Where will the apiary be? Proximity to a wide range of seasonal flora. Initially a radius of 200km extending to 600km as numbers and vehicles improve.
- ◆ Climatic considerations are generally subordinate to one’s native living area.
- ◆ The primary place of residence is largely governed by family requirements. This may be an “in town” residential area or an “out-of-town” location with the apiary shed/s, etc.
- ◆ Local environment plans are a major consideration for the commercial apiary. Will local government regulations allow a land/shed occupancy or will the shed have to be in a designated industrial area? Almost all are located at “well-out-of-town” sites with the ones “in-town” being there from when they were established as “out-of-town” locations.
- ◆ “Not in my backyard” is becoming an increasing problem for small urban apiaries. Some local Governments have instituted statutory obligations prohibiting or limiting apiaries – but still call on beekeepers when feral swarms become a public nuisance.

4. Resource Management

In Australia:

- ◆ The presence of native flora is seen by the beekeeper as a positive advantage since it can provide the richest honey crops and bee breeding conditions. Environmentalists are doing everything possible to deny access to this natural resource (National Parks and Wildlife Service (NP&WS) sites are virtually unavailable). Most crown land and privately owned sites are available.
- ◆ On the whole the best honey producing areas requiring the least management are located in zones dominated by summer or uniform rainfall.
- ◆ The seasonal flowering of honey crops provides a natural rotation. Rotation of stock (races/strains) is a long term function - not lightly undertaken and not done by the majority of beekeepers (breed fixation syndrome)
- ◆ Pollination is a growing business with extensive areas of field crops (oilseed rape and sunflowers) and vegetables (melons, pumpkins and tomatoes) demanding increased numbers of hives. Fruit crops (orchards) are for the most part declining. However, the Australian beekeeper is still heavily orientated towards honey production and pollination is a sideline with very few specialising in this enterprise.

5. Input Process

Think long and hard about the inputs that go into your apiary business:

- They might include:
 - # Finance, including loans
 - # Labour
 - # Genetic sources (Queens)
 - # Flora sources
 - # Motor transport
 - # Boxes and frames
 - # Extracting machinery
 - # Marketing containers
 - # Promotional materials
 - # Plans for the business

A way of tackling this issue is to conduct an audit and list all the *physical resources that apply to the business*.

- Access to a variety of queen breeders will provide a wider diversity of stock thus assuring some hives become better producers in selected areas. Australian genetic stock classification has not reached the stage where races/strains suitable for particular zones/flora is identifiable and available.
- Beekeeping machinery manufacturers are few and far between and costs of purchase and installation of specialist items such as extractors, uncappers and centrifuges will be more or less uniform across all beekeepers. But, pumps and plumbing, motors and electrical works, vehicles and vehicle servicing, and a host of other items and services are available in many rural centres and the relative costs vary from place to place. For example, there is a 5-8¢ litre advantage on motor fuel in some states. This could add up to an annual \$5,000 advantage by establishing the business location where the fuel is cheaper.
- Knowledge of flora for honey production is a basic skill that requires beekeepers to be competent in both botany and insect (bee) management.

6. Production Process

Think about and note what you will do for:

- ◆ Selection of sites and flora
- ◆ Timely movement to selected sites
- ◆ Management of hives, eg. replacement of queens, supering, lifting brood
- ◆ Harvesting – use of chemical deterrents or escape boards
- ◆ Extracting and storing the crop on farm versus shipping off immediately to a contracted market
- ◆ Regular inspections for hive strength/health
- ◆ Replacement of harvested supers
- ◆ Possible need for barrier systems resulting from recent disease outbreaks

7. Production Sources

What is the predicted scope and production of your business?

How many hives?

Do you raise your own queens?

Are you in the business of:

- ◆ Honey production?
- ◆ Pollination services – fixed annual contracts or flexibility to pollinate or not?
- ◆ Combination of the above?

8. Marketing

Which of the following will be to your best advantage:

- Contract to a large honey packing company, or be a free agent, or conduct backdoor sales?
- Are there local places (shops, weekend markets), to market products: honey, wax, queens?
- A choice of shipping/retailing containers?
- Specified freight arrangements to the packing house – who pays the freight?
- Quality Assurance (QA) and Hazard Analysis, Critical Control Points (HACCP). Demands of the buyers for product analysis or guarantees of quality standards – who does the tests and who pays? As a general rule ISO standards are not required of beekeepers but they need to be aware of them so they can confidently sell their products on the best markets.
- As a commercial honey producer you will have several options for marketing your honey. In fact, it is most likely that you will supply at least two possible markets and each will have entirely different demands to satisfy.

You may:

- a) have a permanent contract with a packinghouse to take your entire crop.
 - b) supply other non-contract (speculative) packers or a contract company on a non-contractual basis.
 - c) supply a local consumer market through a number of local corner stores, roadside stalls or weekend markets.
 - d) have a back-door clientele in addition to the above alternatives.
- All of these market/clients will have their own preferences for both type and quality of honey. Each must be serviced according to the cost of producing and the volume of sales. Note that packing houses (contract or not) are likely to vary their demands according to the needs of their market clients and you must be ready to serve them - probably at the cost of the others.

Given the four alternatives for market/clients listed above, be aware that you may have to vary the size of your apiary to satisfy each one. For example, contractual packing houses may want you to buy shares in their company and it will be difficult to do so and supply them with their needs with less than about 300 fully productive colonies. Non contractual companies may take shipments from smaller apiaries say 40 hives and upwards. Local consumer supplies may demand 40-100 hives depending on how wide and aggressive you are prepared to go into selling. Backdoor sales can often be satisfied with 5-10 hives, again depending on how aggressive your marketing technique.

These market/clients are driven by a range of decisions that they will need to make about their purchase. In broad terms, most western buyers see honey as a food. On the other hand, eastern countries see honey more as a health promotant while at the same time it is consumed as a food.

These differences are not academic and strict rules can apply to the type of honey supplied to each. In broad terms the western market favours clean clear honey that is moderately to well flavoured. Colour is not quite so important although there is often, in the minds of the consumer, a relationship that equates dark honey with strong flavours and light honey with mild flavours. Eastern buyers on the other hand want to know the type of plant the honey comes from. Certain plants are highly favoured in particular regions. So far as can be ascertained, no plants of great significance have been found in Australia. So the eastern market is most likely only willing to accept honey as a bland product in those areas where western diets are gaining favour.

9. Consumers

There are two markets in Australia for apiary products:

- ◆ The international market driven by overseas consumers set the highest standards. Bear in mind that the cost of Australian honey is such that only the middle and upper income consumers, in whatever country, can really afford our honey. These people are also the best educated and therefore demand honey of the highest standards.
- ◆ The domestic market.

Honey packers receive the honey to supply both international and domestic markets. At the point of receipt there is no indication which market any particular kilogram of honey is going to supply. It necessarily follows that, packers must adhere to the international standard. This practice is supported by an industry program to have the NRS regularly test honey for residues, pollutants, etc.

Market focus over the past five years has concentrated on the children's market largely because they represent a powerful influence on the buying habits of parents, but also because they will be the future buyers.

Quality assurance has taken a significant turn during the past ten years. Prior to the late 1980s every state could list half a dozen floral types of honeys which were regarded as representing the highest "quality" produce. During the 1980s there was an almost complete turn around in the definition of "quality".

Quality is now defined as being, "honey of any floral origin which can be marketed as table or industrial honey and which is free of residues, pollutants and any other impediment that detracts from a 'clean and green' image".

10. Community

Beekeeping may never get total acceptance in the community. Several reasons can be advanced but there is little doubt that the whole community during the last 20-30 years has become more intolerant of situations which are deemed to be a "threat", whether the threat is real or not.

Prior to this time a beekeeper could keep a small apiary in the urban backyard and no one would question the "beekeeper's rights" to do such a thing.

- ◆ Many Local government bodies require Local Environment Plans (LEPs) to be submitted prior to keeping bees. Many councils have totally banned bees although enforcement of the bans appears to be *laissez faire*. Many councils, mostly in country areas, have no policy about the keeping of bees and some have actively sought the support of the industry in self-regulation and assistance.
- ◆ The whole question of community involvement boils down to one of personal attitudes in the community rather than objective assessment.

The balancing of issues in these ten areas will decide the emphasis that individuals will place to satisfy their aspirations.

Now you must put all of the conclusions into a business plan.

THE BUSINESS PLAN:

The eight questions that you need to answer to create your plan are;

1. What is the economic, technical and social “world” for your apiary?

List out the three to five most important issues for:

Economic eg volatility of the currency, cost of transport

Technical eg Incidence of exotic disease, your marketing strategy

Social eg Complaints about noise, no educational facilities for children

This will allow you to paint a picture of the current and future situation in which your business will develop, operate, compete and survive (or fail). Your understanding of these issues will enable you to make the most appropriate, effective and efficient choices for your apiary against the external influences that impact on your business.

2. Who are the clients?

Determine and list the most influential clients of your business: These could include contracted packing houses, irregular (speculative) honey buyers, cropping farmers (for pollination), queen bee suppliers, drug suppliers, artificial feed suppliers, manufacturers of boxes and frames or extracting machinery, labour, management and consumers.

These are the people that on a day to day basis you will need to negotiate for services, goods, ideas, finance, labour and /or product quality feedback to ensure that the business succeeds.

3. What is the desired change with these clients?

State whether these clients need to change their skill or knowledge level or change what they are doing (behavioural change), to help you achieve your aspirations and complete your business plan.

Remember that you are the "guide" for your business and you make the decisions that determine how your business functions. However the skills, knowledge and behaviour of a whole range of clients influence how and what decisions you make. It should be of mutual benefit with you also shaping the type and degree of influence that you use in your business decision making.

4. What products and/or services does the apiary produce to effect these changes?

Make up a chart that states the strategy and action that you intend to carry out or set in place, for each of these client groups and the designated change required, so that you can get started on moving your business forward.

In this chart list each of the clients that you have determined will need to shape the type and degree of influence on your apiary business. Then categorise whether the client, or client group, will need to change skills, knowledge or behaviour.

CLIENT GROUP	SKILL CHANGE	KNOWLEDGE CHANGE	BEHAVIOURAL CHANGE
1			
2			
3			
4			
5			
6			
7			
8			

5. What are your measures or criteria of success on client change or products delivered?

Write down the criteria or measures that will tell you that you have been successful in changing your clients.

There may be a range of these such as:

Skills change: being able to identify a disease such as American Foul Brood.

Knowledge change: a lender knowing my cash flow situation as it affects my borrowing needs.

Behavioural change: selling my honey in(what.....) market?

6. How do you collect data to verify the success of the client changes and products?

Systematically record information on the criteria or measures that you have identified in 5.

Criteria or measure	Client	Collection Method	Information
Skill Change1			
Skill Change2			
Skill Change 3			
Skill Change ∞			
Knowledge Change1			
Knowledge Change2			
Knowledge Change 3			
Knowledge Change ∞			
Behavioural Change 1			
Behavioural Change 2			
Behavioural Change 3			
Behavioural Change ∞			

7. What resources does your apiary require in \$, people, assets, skills and strategic direction for success?

Create for each of the next five years on all aspects of your apiary (and personal) business,

- what you want to achieve for the business in each of the five years. A clear definition of the economic (eg making money), environmental (eg protection of your flora sources) and social (eg educational requirements of the family) should be written down.
- a cash flow budget (estimated monthly income and expenditure),
- an annual labour requirement chart,
- a schedule of infrastructure (sheds, vehicles etc) requirements or replacements,
- the training program required for management, family and/or labour for skills, knowledge, OH&S, Quality Assurance, and
- your holiday, recreation, sport and/or training schedule.

8. Who needs to know about your business plan – bank, accountant, your clients?

Clearly indicate who you want to know about your plan for your apiary. Remember that a business plan well prepared, strongly communicated to your clients, will engender confidence in you and your business.

An annual update of this plan should occur and this should be communicated to any key clients so that they fully understand the part that they must adapt to, or change what they are doing, so that your business achieves its potential.

WHERE DO YOU START?

Start when you leave this room to follow the format set out in this paper and your business plan will evolve at the level of effort that you are prepared to apply.

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KEN FISHPOOL, B Soc Sc., H.D.R.E., H.D.A., A Cert REA.

Ken Fishpool worked for NSW Agriculture, Australia for 42 years and for the latter period of this specialised in strategic planning and evaluation of projects and large programs and industries at both government and industry level.

His conceptual frameworks for strategic planning have been used throughout Australia as the basis for organisation and agency strategic plans. Additionally Ken has developed techniques for self analysis that enable individuals to set their own objectives for businesses or future personal development.

Ken's career involved working as an Agronomist, an Extension Specialist, an Extension Manager, a Manager of Program Evaluation, a Policy Officer specialising in planning and evaluation, and an Executive Assistant responsible for cross program planning and evaluation. He has qualifications in Agriculture, Rural Extension, Social Science, and Real Estate Management.

He has presented papers on planning and evaluation at the Australasian Evaluation Society international conferences and the American and Canadian Evaluation Association Conference.

In the paper presented Ken and close colleague Bob Gulliford combine long experiences to bring together ideas, thoughts, frameworks and action challenges for those involved in the apairy industry to develop business plans. This will allow individuals and companies to make better decisions, for success or know when failure may occur, in the future.

ROBERT B. GULLIFORD, B.A., G.D.E., H.D.A.

Since 1993 Robert Gulliford has been the Editor of "Australasian Beekeeper". Publishers, Pender Beekeeping Supplies, Rutherford, NSW, Australia. As a journalist for this publication he has organised, attended and chaired meetings of journalists in many countries throughout the world to further communication about apicultural production and businesses. At the Vancouver, Canada Apimondia Conference he organised a program on beekeeping journalism and delivered the keynote address on journalism. At this conference in Durban he is presenting and reviewing papers as well as reactivating the International Beekeeping Journalists Association.

Robert has been a lecturer on apiculture at tertiary level as well as organising and delivering short courses on apiculture and other disciplines. In 2001 he completed and published "A Dictionary of Scientific and Practical Beekeeping".

Prior to the career in journalism he was an Extension Officer in Apiculture with NSW Agriculture, Australia for forty years where Robert performed research, regulatory and extension work at a number of locations throughout the state. During this period he gained a broad ranging appreciation of the issues confronting those entering and conducting apicultural businesses. This knowledge he has combined with Ken Fishpool in the preparation and presentation of the combined paper that leads apiculturists through a process of business plan development.