

This presentation is part of an educational modular program designed to provide new and beginning farmers and ranchers with relevant information to initiate, improve and run their agricultural operations



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Developing a Business Plan for your Agricultural Operation



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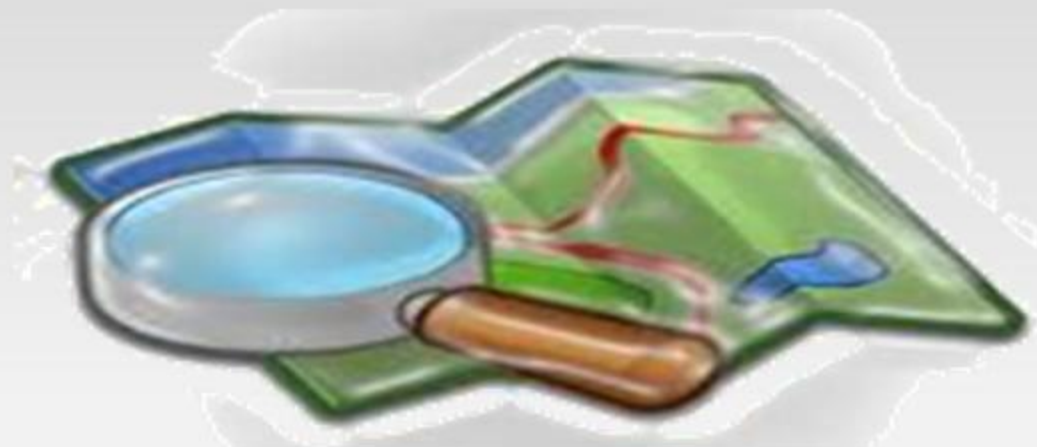
BUSINESS PLAN

- If you are thinking of starting a farm as a business, chances are that you are concentrating on choosing crops or animals for your farm
- But, just as important as those skills, is the ability to create a business that will allow you to reach your financial and production goals
- This module will provide important guidelines to make your own business plan and start your business in the right track
- After a couple of years in farming, most farmers agree that having a business plan is a critical part of their success and that it is an excellent tool to evaluate the progress and success of your farm

Enjoy the process of planning your farm
and watch your farm bloom!

Overview

- **Help participants to understand the importance of creating a business plan**
- **Define and describe the components of a business plan**
- **Provide access to resources that can help to develop a business plan**



Objectives

1. **Understand what is a business plan**
2. **Understand why preparing a business plan is important**
3. **Understand the purpose of a business plan**
4. **Know the components of a business plan**
5. **Be able to prepare a draft business plan**

What is a Business Plan?

- **A business plan is a written outline that describes and evaluates all aspects of the economic viability of your business**
- **In other words, it is the roadmap that helps you improve the management of your business**



What is a Business Plan?

According to the U.S Small Business Administration (SBA) 2009, a clear business plan must include a statement about:

- Who you are
- Why you are in business
- What you do
- How you do it
- Where you operate
- How do you generate profits
- Who your customers are
- Why your business is important



Purpose of a Business Plan

According to McCorkel and Bevers a business plan has two purposes:

1. Help the business management team make decisions to meet specified objectives and goals
 - It will define and focus your objectives using appropriate information and analysis
 - It uncovers omissions and/or weaknesses in your planning process
2. Help sell the feasibility of the business to bankers and investors
 - It demonstrates the business has a plan and is well-managed
 - It is a selling tool

Why Prepare a Business Plan?

- **A business plan is useful in many ways:**
 - It will define and focus your objective using appropriate information and analysis
 - It uncovers omissions and/or weaknesses in your planning process
 - It demonstrates the business has a plan and is well managed
 - It is a selling tool when dealing with important relationships including your banks, lenders, and investors

Tip: Write down the names, addresses, and phone numbers of key people that might review your business plan. For instance, family members, banker, lawyer, potential customers, investors, etc.

What to Avoid in a Business Plan

Try This

1. Stick with short-term objectives and modify the plan as your business progresses.
2. Be extremely conservative in predicting timelines, capital requirements, sales and profit.
3. Write down your strategies in the event of business adversities.
4. Make it easy to read and understand. Use simple language in explaining the issues.

Avoid

1. Not placing some reasonable limits on long-term future projection. (Long-term means over one-year.)
2. Few business plans correctly anticipate how much money and time will be required.
3. Over optimism. Over confidence.
4. Use of sophisticated and complicated language.

Before You Start Writing

- According to the S.B.A.(2009), you should answer the following questions before writing a business plan:
 - What services or products does your business provide?
 - What needs does it fill?
 - Who are the potential customers of your service or product?
 - Why they should buy from you?
 - How will you reach your potential customers?
 - Where will you get the financial resources to start or run your business?

Components of a Business Plan

- **A business plan can be tailored to fit your needs, but some suggested sections for the business plan include:**
 1. Table of Contents
 2. Executive Summary
 3. Business Description
 4. Operation
 5. Definition of the Market
 6. Organization and Management
 7. Financial Management

- **Your plan does not need to have each one of this sections, but should include each section necessary to give a full picture of the goals and objectives of the business**

Components of a Business Plan

1. **Table of Contents**
2. **Executive Summary**
3. **Business Description**
4. **Operations**
5. **Definition of the Market**
6. **Organization and Management**
7. **Financial Management**

Components of a Business Plan

1. **Table of Contents**
2. **Executive Summary**
 - 1. Summary of Sections
 - 2. Mission Statement
 - 3. Vision Statement
3. **Business Description**
4. **Operations**
5. **Definition of the Market**
6. **Organization and Management**
7. **Financial Management**



2. Executive Summary

- The Executive Summary is a summary of all the information that you will present in detail in the rest of the document

Even though it is the first page in your plan,
you will write this last!

- Once you finish with the rest of the document then you can copy and paste from the rest of the document

Example of Executive summary

Executive Summary

Introduction

Farmers Group is being formed from the acquisition of two successful vegetable farms, Green Acres Vegetable Farm and Mobile Farmers Vegetable Farm. The latter has long-researched horticultural and agronomic techniques, as well as compost and soil blending technology now being promoted by the DEO, the USDA, the EPA, and other government agencies.

The company is a combination of cutting edge, highest quality, and efficient food technology and production. It is committed to the improvement of food taste and nutritional quality. It is being founded to build upon an extensive array of biological and horticultural education, experience, and the research of its founders.

The Company

Farmers Group is an Alabama-based company, located in Calhoun county, whose mission is to provide high quality, nutritional, and flavorful vegetables and strawberries for consumption in both near and remote regions of the United States. Additionally the company will provide high quality planting materials for use nationwide.

Farmers Group is the buyout and merger of two successful vegetable farms. The idea behind the business is to provide healthy and delicious vegetables and fruit to the public. In addition to vegetables and fruits, the company plans to produce and market manure compost garden amendment products.

Farmers Group's management team is led by Mr. James Jackson as Business Manager, who has extensive knowledge of the industry.

Products

Farmers Group's plans to concentrate on vegetables as its primary product. This includes growing carrots, romaine lettuce, leeks, red onions, summer squash, spinach, pumpkins, winter squash, globe beets, and winter greens. The company's farm, will have a capacity sufficient to produce in excess of 200,000 lbs. of vegetables per year.

This strategy will allow Farmers Group to produce crops during most of the year and will allow double cultivation of the greenhouses with almost no additional heating necessary in the winter months.

The Market

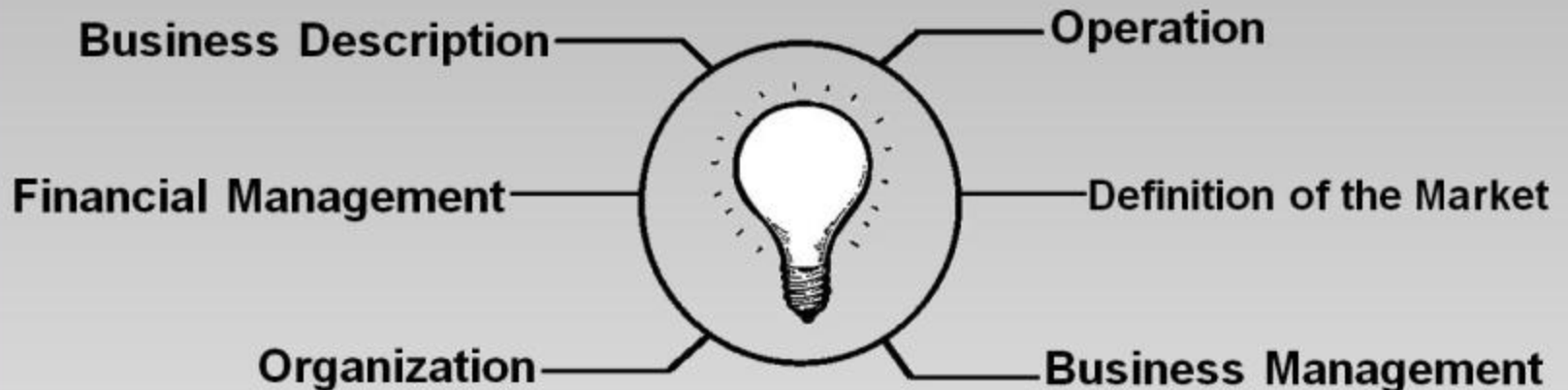
Over the past decade the market for organic food has grown by 15% to 20% and every year 40% of U.S. consumers occasionally reach for something labeled organic. Sales for organic foods are expected to top \$11 billion this year. Sales by farmers' markets have increased by 79% since 1994, to 3,137 markets in all 50 states, and the number of farmers who sell at them has more than tripled to 67,000. This makes for an excellent environment for a industry participant such as Farmers Group that is willing to compete in a niche market and be first to the market with new products.

Financial Considerations

The company is seeking \$830,000 in both short-term and long-term loans to finance the purchase of Farmers Group's new farm, upgrade the facilities, and cover start-up expenses and first year losses. It is estimated that the company will begin to make a profit in Year 2 of operations. The company does not expect to have any cash flow problems during the first four years of operations.

Summary of Sections

- Will include summaries of your:




- Remember this may be the only part of your business plan that a bank or investor reads. You will want to summarize each section in a way that captures the reader's attention


Mission Statement

- **Will also contain your business's mission statement and vision statement**
 - Both help to define your business's fundamental purpose, what the business does, and why the business does it.
- **Mission Statement:**
 - The *Mission Statement* should be as direct and focused as possible, and it should leave the reader with a clear picture of what your business is all about

Mission Statement

Examples of famous statement

- **Walmart** 
 - “To help people save money so they can live better”

- 
 - “Our mission is to produce and market trusted quality food products that fit today’s changing lifestyles and to attract, reward and retain the best people in the food industry”

Examples of Mission statement

Farm 1

- To sell the best eggs in the area
 - Just sunshine, fresh air, plenty of grass, lots of bugs and all natural, non-medicated feed

Farm 2

- To present a fresh, wholesome alternative to the average supermarket fare

Farm 3

- To produce great tasting grass fed chicken: Better nutrition, better taste



Vision Statement

- Vision Statement is the long-term view of the business, where do you want to be 5 years into the future?
 - Even though nobody has a crystal ball to predict the future, it is important to have a clear idea of where you want to get
 - Needs to:
 - Be specific and realizable
 - Involve change
 - Be future looking
 - Identify a market space



Visioning matrix

	Now (vision statement)	Future (vision statement)
What business are we in: what products/services do we provide		
Primary production practices (standard or unique)		
What do I see as the appropriate size or scope (enterprise mix) of the business		
Marketing practices (standard or unique)		
How is the business to be managed, owned and organized		
Social-environmental concerns/responsibilities		
Human resource structure and philosophy		
Expected financial performance and how it is distributed		
Other "family and personal values" expectations from the business		

Vision Statement

Examples:



- “To become the world’s leading consumer company for automotive products and services.”



- “Our vision is to be the world's first choice for protein solutions while maximizing shareholder value, living our Core Values and fostering a fun place to work.”



- “Quality goods at low prices, responsible manufacturing, and opportunities for growth. We’re dedicated to excellence in every part of our business.”

Vision Statement

Farm 1

- We are dedicated to grow and sell the “Perfect Roaster” for your family dinner

Farm 2

- We are dedicated to using organic growing methods and practices to grow herbs and vegetables, that have no negative impact on the soil

Farm 3

- Our main focus is on wool producing sheep. We are more interested in offering beautiful handspinner’s fleeces than pedigree



Starting Tip

A good way to start writing the mission and vision statements is to brainstorm

- List 5-10 words or phrases that describe your business
- List 3-5 words or phrases that describe the company's ideal image from a customer's point-of-view
- List 3-5 words or phrases that describe the company's ideal image from a manager, owner and employee point-of-view



Components of a Business Plan

1. **Table of Contents**
2. **Executive Summary**
3. **Business Description**
 - 1. Overview
 - 2. Goals & Objectives
 - 3. Location
 - 4. Facilities
 - 5. History
 - 6. Organization Structure
4. **Operations**
5. **Definition of the Market**
6. **Organization and Management**
7. **Financial Management**



Business Overview

- Give an overview of your business
 - What products do you produce or what crops do you grow?
 - How do you market what you produce?
 - How big is the business? (How much land do you own/rent and how many employees do you have)
- The idea is to give the reader a general understanding of what your business produces and how you market the products



Business Goals and Objectives

- **Business goals should describe what you want from your business**
 - **Objectives are usually long term and reflect what you hope to accomplish over the long run (usually 1-10 years)**

Example:

- Increase gross income per acre by 3% by Jan. 1, 2014
 - Transfer the family business to the next generation
 - To grow 10,000 free range chickens per year
- **Goals are usually specific and clear statements and contain timetables (usually 6-12 months) - *TACTICS***

Example:

- Increase average wheat yield to 42 bushels per acre next year
- Build an insulated room for brooding the chickens
- Schedule succession planning family meetings by Dec. 31, 2011

Business Goals and Objectives

● For objectives:

- Remember the SMART method to develop objectives
- Objectives should be Simple, Measurable, Attainable, Relevant, and Timed

Example:

- Your business sets the objective to grow annual profits by 5% by the end of the 2012 calendar year

Simple	Want to raise annual profits by 5%
Measurable	Can measure a 5% increase in annual profits
Attainable	This is something the business can attain by making certain choices
Relevant	Objective is relevant to the business
Timed	Business has given itself a deadline of end of 2012 calendar year to achieve.

Business Goals and Objectives

- For Goals (*TACTICS*)

- Goals are the ways we will meet our objectives

Example:

- To meet the objective of growing annual profits by 5% by the end of the 2012 calendar year, the companies focuses on reducing production costs within 6 months and increasing new customers by 3% over the next year.
- Again focus on developing goals that are SMART

Business Goals and Objectives

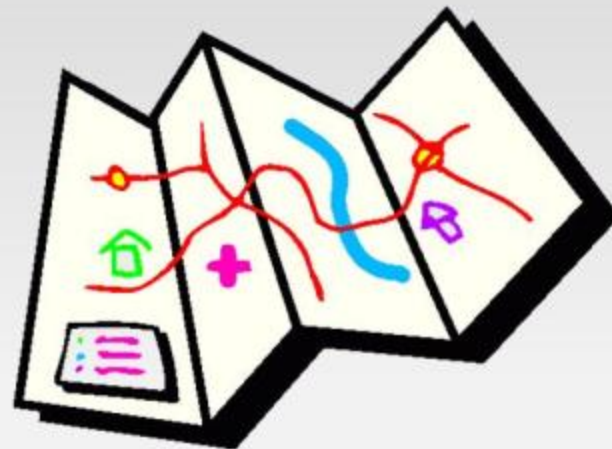
- **What to consider when developing your objectives and goals:**
 - Keep the SMART method in mind when developing your objectives and goals
 - Consider the primary resource requirements (money, labor, hours, etc.) for each goal and who in the company is responsible for each goals accomplishment
 - Consider how each goal matches up with other goals and your long-term objectives

Location

- Give the locations of your business and include all the locations of land that you use (whether you own or lease it)

Example:

- “Greenway Farms is based in X County but has farmland in X, Y, and Z Counties.”



Facilities and Equipment

- Describe the type, size, and quality of facilities and equipment that your business currently has
 - Do you have livestock facilities to help with your operation?
 - What size of tractor, tillage equipment, and storage facilities do you have for your cropping operation?
 - Do you own any processing equipment or facilities?

Example:

- “Greenway Farms currently utilizes a 260hp tractor with 1600 gallon sprayer for no-tilling the crops it produces. Greenway also has 10,000 bu in storage, 2 combines and 1 semi with 1000 bu grain trailer to use in harvesting crops.”



Add pictures to give your reader a better idea of your place and resources

Business History

- Describe the history of your business
- When and how did the business start?
- Any important changes that have happened throughout the life of the business?
 - Did you switch from conventional tillage to no-till in crop operations?
 - Did you begin processing and selling your own beef as a value-added business?
- How has your business grown in size, both in terms of facilities, equipment, and sales, over the years?
- Have you eliminated any products?

Ownership Structure

- Ownership structure or business entity is a way of organizing your business to limit your own personal liability from claims that might arise from the business and make investment in the business easier

Example:

- Your employee is out making deliveries and hits X's car. X sues the business for the injuries arising out of the accident. By properly using certain business structures you could limit the reach to only business assets and protect your personal assets, such as your home

Example:

- You know of someone who is willing to invest \$10,000 in your business. You want to be using a business form that allows the investment to be 'easy' and also provides liability protection to the investor
- Use of a business entity can have implications on taxes owed, both for the owners and the business

Ownership Structure

● Sole Proprietorship:

- Majority of all businesses use this structure
- Simplest business structure and requires nothing to be filed with the state to start
- It is a business that is owned and run by one (and only one) individual, and generally there is no legal distinction between the owner and the business
- Offers no protections to limit your own personal liability, you and business are not distinguishable in the eyes of the law
- Does not allow for outside investment besides loans



Ownership Structure

● General Partnership:

- This is a sole proprietorship with two or more individuals as owners
- Nothing is required to be filed with the state to create
- Similar to sole proprietorship, offers no protections to limit personal liability. Each partner is also liable for the actions of the other partners.
- Does allow for investment but investor would be viewed as partner in business and could lose more than initial investment

Example:

- You investment \$1,000 in my partnership, and we eventually file bankruptcy and owe in excess of \$100,000. You have not only lost your initial \$1,000 investment but could be forced to pay in excess of \$100,000 owed by the partnership
- Each partner is taxed on the money they receive from the business
- Not a popular business form

Ownership Structure

• Limited Partnership (LP):

- LP requires paperwork to be filed with the state in order to produce
- Have one general partner who runs the business and is personally liable for the actions of the business. The other partners are limited partners and are only liable up to their investment into the LP. Limited partners have limited control over the business

Example:

- Again you invest \$1,000 in my LP as a Limited Partner and the LP files bankruptcy owing at least \$100,000 in debts. You would only lose your \$1,000 investment and could not be required to pay back any of the \$100,000 owed by the LP

Ownership Structure

● Corporation:

- Requires paperwork to be filed with the state to create
- Liability is limited to the investment made by each member, similar to LP
- Each investor can only lose what they invested into the business, I invest \$1,000, I can only lose up to the \$1,000 I invested
- Corporations are subject to taxes on all income generated by the corporation and then is taxed on all dividends, or a share of profits returned to investors based on ownership of the corporation, this is known as “double taxation”

Ownership Structure

- **Limited Liability Company (LLC):**
 - File paperwork with the state to create
 - Offers the limited liability protections of a corporation, most an investor/member can lose is their initial investment
 - Offers tax benefits of a general partnership, business no longer double taxed and individual members pay taxes on amount received from the LLC
- Remember in finding the right business entity to use for your business, talk to a licensed attorney in your area about your personal situation and needs in order to use the business entity that meets all your needs.

Components of a Business Plan

1. Table of Contents
2. Executive Summary
3. Business Description
4. Operations
 - 1. Products
 - 2. Services
 - 3. Production Systems
 - 4. Regulations/Legal Issues
 - 5. Inventory Management/Quality Control
 - 6. Risk Management
 - 7. Customer Service
 - 8. Implementation Timeline
5. Definition of the Market
6. Organization and Management
7. Financial Management



Products

- **List out and describe all the products your business sells**

Example:

- **If you are a farm that specializes in producing beef, tomatoes, and beets, then you would list your products as Beef, Tomatoes, and Beets and describe the products in detail**



- **Add pictures of your product**
- **You could also include some comments from your current clients**

- **Perfect healthy and organic summer treat!
Amanda Green (mom)**
- **Best tomatoes ever!!
Mickey Rogers (age 13)**

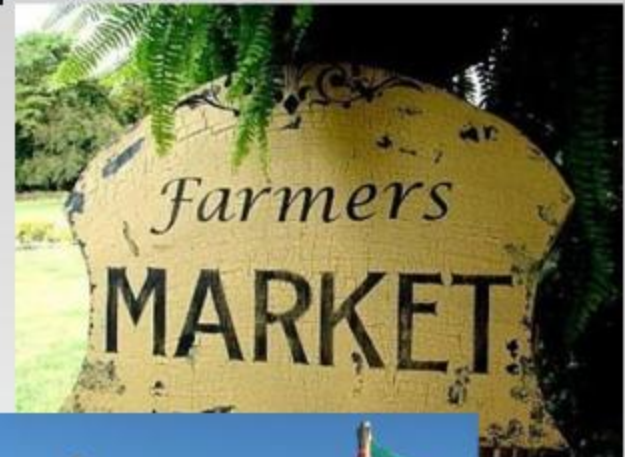
Services

- Describe the services your business provides
- Do you provide any agritourism opportunities or leased hunting with your business?
- Do you provide any custom farm work, such as spraying or harvesting?
- Do you provide custom hauling services?



Production Systems

- This is where you describe how your business produces what it produces.
- Discuss how crops are grown and livestock raised
- If you process your own products discuss how that is done
- Discuss how services are delivered



Production system example: Organic agriculture

- Many new farmers try to grow organic crops and animal products, however it is important to understand that organic is actually a legal term and because of that, all products marketed as organic need to follow the standards from the NOSB:
- According to the National Organic Standards Board (NOSB) of the USDA, organic agriculture is defined as:
 - An ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity
 - It is based on minimal use of off-farm inputs and on management practices that restore, maintain or enhance ecological harmony
 - The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people.



Production system example: Organic agriculture

- Organic agriculture seeks to use research and advances that consistently yield benefits, such as crops that are suited to each location, precision agriculture technologies and more efficient machinery, while discarding those methods that can lead to negative impacts on society and the environment
- Instead of using synthetic fertilizers, organic farmers use crop rotations, cover crops and compost to maintain and enhance soil fertility
- Also, instead of using synthetic pesticides, organic farmers use biological, cultural and physical methods to limit pest expansion and increase populations of beneficial insects

There is a lot of planning and learning the different practices that go into an organic farm, it is not just not using synthetic inputs, but how to make the farm work and be sustainable without them



Production system example: Organic agriculture

- Because this is a very specific production system, all farmers that are interested in starting an organic farm or transitioning a working farm into organic production need to have a very clear plan of work
 - All farmers that sell organic products must be certified by the USDA before they can use this claim in their products (unless you make less than \$5,000/ year)

It is important for organic farmers to provide information about your specific production practices

- Discuss how you raise your animals or crops
 - Explain to them why you chose this production system
 - Tell them about the organic standards and what you do to follow them
 - Invite your customers to tour the farm or see pictures of your farm to become familiar with your production system and your products
-
- Since organic agriculture involves so many standards, some farmers market their products as “natural” or “sustainable”. If you do this, you should tell your consumers why it is similar and what is different
 - If you don’t completely fulfill the standards of the NOSB, you could be fined by USDA for “untruthful marketing”

Regulations/Legal Issues

- Discuss any regulations or laws with which your business may be required to comply
- Is your business required to get any permits in order to operate? Discuss those here too
- Remember to pay attention to any specific environmental laws and regulations your business may fall under



Inventory Management/Quality Control

- Discuss how you store the products your business produces and how you maintain the necessary supply of inputs need to produce products
- For quality control, discuss how you ensure delivery of a quality product every time and the training that your employees receive to ensure that quality



Risk Management

- Here discuss all the ways your business tries to minimize risk
- Look at the types of insurance policies the business is currently carrying, for example:
 - If crops are being produced and the crops are insurable, does the business have crop insurance policies covering them?
 - If the crops are non-insurable, has the business paid their Noninsured Disaster Assistance Program (NAP) fee to the Farm Service Agency?
 - If an agritourism service is provided, does the business have separate liability insurance coverage for the service?
- Price Risk Protections
 - Does the business hedge crops with futures contracts when possible?
 - Does the business forward contract any crops or livestock?
 - Does the business contract for the delivery of inputs when possible?

Customer Service

- Discuss how you provide good customer service to those buying your products
- How do you handle customer feedback and complaints to provide better products and services
- Do you answer all complaints personally or do you have a system in place to ensure that all customers complaints and suggestions are fully considered to make your products and services more consumer friendly



Implementation Timeline

- How will you implement your strategy to improve the company?
- Discuss the timeline for how you envision the company growing based on the strategies you wish to implement
- Setting timelines for implementation will insure that you meet all goals and strategies to grow the company



2007
2008
2009
2010
2011
2012
2013
2014

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1. Market Trends
2. Customers
3. Marketing Contracts
4. Strategic Partners
5. Pricing
6. Promotion
7. Distribution
8. Market Segments
9. Target Market
10. Competitive Advantage



Market trends

- **Are there any marketing trends that could impact your business and how will they impact your business**

Example

- You are in an area experiencing a large increase in demand for locally grown poultry and your business specializes in producing locally grown poultry for sell at area farmers' markets and specialty grocery stores. Your business may be in a prime position to take advantage of this new market trend



Customers

- **Who are your customers?**
 - Do you sell primarily to restaurants or retailers?
 - Or, do you process your commodity to sell as value-added products to customers?
- **Understanding who your customers are will better help your business develop marketing strategies to reach your customers**



Marketing Contracts

- Does your business currently use contracts to supply your products to customers or dealers
 - How much of your production is under contract?

Example:

- You are currently growing tomatoes and have half the crop under contract with a local grocery store.
- Look at the terms of the contract and understand them
 - How long is the contract for?
 - How much will you be getting paid?



Strategic Partners

- A strategic partner is an alliance between two companies that share resources to achieve a common goal
- Do you currently have any with your business or are you looking at entering into any strategic partnerships?

Example:

- You partner with a local butcher to provide your locally grown beef in his shop. This provides you a market for your beef and someone with the equipment to process beef. It also provides the butcher with a locally grown product to market towards customers in the area

Pricing

- List how much you charge for each product your business produces
 - Two factors in setting price
 - What is your cost of production?
 - Market price for comparable products

1. How do these prices compare to other company's pricing for similar products?
2. Do any of your contracts lock in your price?
3. Does your business offer any pricing discounts if buyer buys in volume?
4. Do you offer any coupons?



Promotion

● How do you promote your products?

- Is your business established and do you have an established plan to promote your product?
- If you are new, do you have a plan to promote your new products and establish them?

● With advertising, what form do you use?

Types of media you can use to advertise:

- TV
- Radio
- Newspapers and magazines
- Direct Mailings
- Point of Purchase



Market Segments

- **Market segmenting is looking at your customers as various groups and marketing the product to the various groups using methods that each group will react to you**
- **As your business grows, you will want to consider breaking your customers up by age, rural or urban, income level, gender, and occupation to name a few and developing marketing strategies that work to target your products to each segment**

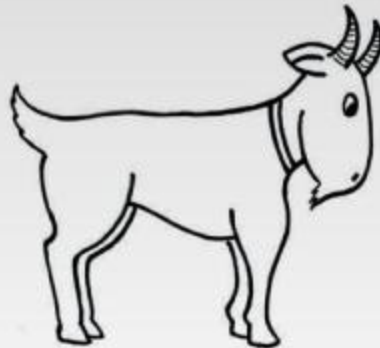


Target Markets

- If you do use market segmenting to target customers, do you have one market segment that could be considered your primary market, or your main market segment you are trying to reach

Example:

- You raise goats and market directly to consumers. The area you live in has a large Hispanic community. You could look at targeting ads to Hispanic customers by using Spanish language radio and newspaper ads.



Distribution

- Distribution looks at how the business gets its products to the customers.
- Do you distribute through wholesale markets or retail markets?
- Do you use direct marketing, such as a farmers market or roadside stand, to get your product out there
- To what areas do you distribute your products?
 - Are your products only available locally? One state? or multiple states?



Competitive Advantage

- **Competitive advantage is looking at how your products and services set you apart from your competitors**
- **Consider how you compete with them, the differences among your products and what sets your product apart from their products?**

Example:

- Your free range chicken business only raises heritage and American breeds. Your competitors sell conventional breeds. This could be one area that sets your products apart from your competitors if your consumers care about that



Barred Plymouth Rock

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- 1. Management Team
- 2. Personnel Plan
- 3. Professional Services

Management Team

- **The management team is made of the individuals in the business who are responsible for the day-to-day operations**

Example:

- You own and operate a chicken farm and have three employees who assist in doing the field work. If you make all the day-to-day decisions then you would be the management team. If you have a person that makes all the decisions related to sales, that person is the sales manager.



Management Team

- List each of the members of your management team, their qualifications and their management role

Example:

- If the business is just you in the management role, list out your qualifications and role.



•“Fred Wool has a lifetime of experience in the sheep industry. He grew up working on his parent’s sheep farm in Iowa. He received a bachelor’s degree in Agribusiness at the University of Iowa and immediately started Fred’s Lambs near Ames, Iowa. He currently manages 7 employees in various field activities, markets meat and wool products, and currently keeps the financial records for the company.”

Personnel Plan

- Here you will list all major jobs done in the business, such as financial planning, marketing, and daily operations, and discuss which employee is responsible for completing each job
- Personnel plans describe each employee's job and discuss compensation plans and incentive plans used to recruit and retain employees
- One thing to consider... if the business is looking at expanding how will this change the personnel plan and will new employees need to be added to the business

Description of farm business positions and duties				
Position/name	Responsibilities	Skills/talents	Salary/wages	Work schedule
John Green Owner/manager	Day to day production duties	Production, soils, varieties	Profit-sharing	Part-time, year round
Mary Green Owner/manager	Day to day business activities	Computers, banks, taxes and insurance	Profit-sharing	Part-time, year round Deliveries in summertime
Julie Green Employee	Assist in production, labor and marketing	Web design, software, nutrient management	Profit-sharing, 30% of profits	Part-time, bookkeeping
Seasonal	Sell at farmers' market, help with production	Personable and trustworthy	\$8.50 an hour	Part time and seasonal

Professional Services

- **Professional services are those hired outside the business to help with certain aspects of the business**

Examples:

- Accountants to help with tax preparation and keeping financial statements current.
- Attorneys
- Veterinarians
- Crop consultants



Professional Services

- Discuss each professional service the business is currently using and the type of service that is providing
- You may also want to discuss the types of professional services that maybe necessary in the future if certain goals are met

Example:

- If the business were to expand to a certain size it may become necessary to hire an accountant to help with the upkeep of financial records and tax preparation



Components of a Business Plan

1. Table of Contents
2. Executive Summary
3. Business Description
4. Operations
5. Definition of the Market
6. Organization and Management
7. Financial Management
 - 1. Financial Position
 - 2. Historical Performance
 - 3. Financial Projections
 - 4. Capital Requests



Financial Position

- Financial position is based on terms of the business being solvent (able to pay ones debts) or insolvent (unable to pay ones debts)

The *balance sheet*, or a financial statement showing the assets owned by the business and the debts owed by the business, is a good tool for showing the financial position of the business through the use of financial ratios. (This will be discussed in more detail in the balance sheet presentation)

Historical Performance

- This looks at the profitability of your business over the course of many years
- The use of an *Income Statement* is useful in looking at historical performance of the business

Income Statement, a statement showing incomes and costs for the business over a period of time

- There is a need to know if the business has been able to increase profits historically or have profits actually decreased over time
- If you have not done Income Statements in the past then your Schedule F from your tax records will also work

Financial Projections

- Financial projections are putting together projected Income Statements and *Statement of Cash Flows*, a projection of when money will be earned and spent during a specified period
- These projections allow investors or your bank to see how you plan to operate the business over the coming periods to show if future plans are feasible



Capital Requests

- A capital request is going to banks or potential investors and asking for the cash necessary to fund future plans for the business
- This gives a breakdown of all the costs associated with future expansion plans
- By showing details on what the expansion plans will cost it will give the bank or investors details on why the investment/loan is necessary



Exit Strategy

- One more important strategy that you must always include in your planning is your EXIT strategy
- How are you going to get out of the business in case of any unexpected (but plausible) adverse situations?
 - Death of the farm or land owner or any of the partners
 - Disease/Disability
 - Divorce
 - Disagreement
 - Disaster
- **ALWAYS PUT THIS IN WRITING!!!**



Example:

Exit strategy

- We would like to retire in 15 years and turn the farm over to our daughter Julie.
- We have decided not to put more than \$60,000 of our cash reserves at risk at any time in the farm business.
- We plan to invest in the farm business and hope to have positive cash flow in 5 years. If we do not make a profit, we will reevaluate our business practice, market and product. At that time we will decide to keep the farm in production or not.
- If for any reason we decide, as a family, to close the business, the property and all assets will be sold and after any debt is paid, the rest will be divided in equal parts among John, Mary and Julie.

- **Your exit strategy should never be to continue until you drop dead or the bank comes chasing after you**
- **Set a date, an amount, an event or something that will tell you if it is time to quit**
 - **Put it in writing!!**
- **Always include a timeline to review the business and redirect efforts and strategies. Many opportunities and surprises will come knocking at your door and you must have a way to deal/ respond to them**

Conclusion

- A business plan is an important part of your business that provides a roadmap of where your business has been, where it is currently, where you plan to take the business into the future
- Business plans are in depth documents that require a lot of time and work to prepare. Once prepared, the business plan gives you a way to present your business to banks and potential investors for expansion and to meet future goals
- The business plan is a living document that must be continually updated to portray the most accurate and update-to-date business information possible



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Additional Resources

- **North Carolina State University**

- Basic elements of a business plan
- <http://transylvania.ces.ncsu.edu/content/busplanbasics&source=transylvania>

- **US. Small Business Administration (2009)**

- <http://www.sba.gov/smallbusinessplanner/index.html>

- **How to write a business plan**

- <http://app1.sba.gov/training/sbabp/index.htm>

- **How to write a business online course**

- http://www.myownbusiness.org/certcourse/downloads_non.html

- **University of Arkansas. How to start a business**

- <http://www.uark.edu/ua/mngrisk/Fact%20Sheets/English/How%20to%20start%20a%20business.pdf>

Additional Resources

- **Purdue Extension. *Industry Analysis: The Five Forces*. Publication No. EC-722 (Sept. 2004)**
 - <http://ces.purdue.edu/extmedia/EC/EC-722.pdf>
- **University of Arkansas. Net worth statement**
 - <http://www.uark.edu/ua/mngrisk/Finance/Net%20Worth%20Statement.pdf>
- **Manage your Risk**
 - www.manageyourrisk.net
- **FinPack Business Plan**
 - <http://www.cffm.umn.edu/Software/BusinessPlan/index.aspx>
- **Samples of business plans**
 - <http://www.bplans.com/samples/sba.cfm>
- **The Agriculture, Fisheries and Small Business Website (AgPlan) Free Software**
 - <http://www.cffm.umn.edu/Software/BusinessPlan/index.aspx>

Additional Resources

- **Counselor's to America's Small Business**
 - <http://www.score.org/index.html>
- **Small Business Administration**
 - http://www.sba.gov/aboutsba/sbaprograms/sbdc/sbdclocator/SBDC_LOCATOR.html
- **Women's Business Center**
 - <http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html>
- **Ohio State University. Developing a Useful Mission Statement for Your Agricultural Business.**
 - <http://ohioline.osu.edu/bst-fact/pdf/3609.pdf>
- **Small business development training network**
 - <http://www.sba.gov/services/training/onlinecourses/index.html>
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