

DEVELOPING YOUR BUSINESS PLAN

There are two basic reasons for preparing a business plan: 1) to thoroughly investigate the factors that will determine success of the business, and 2) to secure financing. The summary business plan outlined below contains all elements necessary for these purposes.

The elements of a summary plan are:

Title Page: Contains name, address, phone number, month and year issued, serial number to track copies, and a simple disclaimer explaining that this is factual and up-to date to the best of your knowledge.

Table of Contents: Although most plans are short, a table of contents is greatly appreciated by those who will read only selected sections.

Executive Summary or Abstract: This section is extremely important since it summarizes all the parts of the plan and makes a strong first impression, and may be the only section the prospective investor reads. Summarize the important facts about your farm's history, products, marketplace, financial position and performance (both current and projected). Include your knowledge of the industry and how you will manage the farm and pay back investors. Usually, it is prepared last.

Mission Statement: Your mission statement says who you are and what you do. Every decision you make should operate within this vision for your farm. Try to answer these questions:

1. Who are you and who will be your customers?
2. What are your major products and/or services?
3. In what market do you compete?
4. What are your farm's economic objectives?
5. What is your basic philosophy?
6. What are your farm's strengths and weaknesses?
7. How does your farm appear to the community at-large?
8. What is your attitude toward employees?

Farm Business Overview: This section is fairly technical and includes:

1. The legal description of your farm business.
2. Members of the management team, their contributions, and the chain of command.
3. Any alliances you are a part of and how they will help you accomplish your goals.
4. Description of any pertinent government regulations, licenses or permits required.
5. The owner of the farm business and his or her key responsibilities.
6. Outside support for the farm business, such as legal counsel, accountants, consultants.

7. Short management team resumes.

Product/Service Strategy: Completely describe your products or services so that anyone can understand. What are its useful features or benefits, and who will want it. Describe what sets your farm or products apart from others and how you will market this. List what market research and product development you have completed and how you will produce and deliver the product.

Market Analysis: The market analysis is composed of four parts:

Market Definition: The size, growth, and structure of the industry from your perspective and what you can provide that is better than your competitors. What opportunities you have identified and how you will attempt to utilize them.

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Customer Profile: Who is your average customer, their age, income level, education, sex, and how much did they spend on related products/services in the last few years.

Competition: How do your competitors' products/services compare to yours? Evaluate your competitors' ability to adjust to changes in the market and yours.

Risk: Identify as many potential risks as possible and what you will do to lessen these risks. These risks include cost structure, competition, liability, profit margin, seasonally, reliance on complementary industries, product substitution, suppliers, customers, personnel/management, economic conditions, weather and government regulations.

Marketing Plan: This plan should include your marketing and sales strategy, distribution channels, advertising and promotion methods, and other public relations work.

Marketing strategy: State how you plan to carry out your overall marketing plan.

Sales strategy: Where will you position your farm? Are you trying to identify your farm as a high-quality, high-service, environmentally conscious? This is called "positioning" and will have a lot of influence in where and how you'll advertise and promote your farm. What will you charge for your product and services? How do you determine a price schedule?

Financial Plan: The financial portion of your business plan is a narrative that presents summaries of your farm's financial history (if applicable), your financial projections and the assumptions you based them on, your projected capital needs and how that capital will be used, and your plans to repay loans and investors.

For established businesses, balance sheet and income statement, tax returns for the past three years,

and financial reports for the last three years are needed.

For a business start-up, you need an enterprise budget and projected cash flow analysis based on the best available figures. Personal tax returns and personal financial statements of owners and principals for the past three years should be included.

Miscellaneous Support Documents: Any or all of these documents could be included in your business plan:

1. Organizational charts and job responsibilities.
2. Resumes of key people.
3. Product and service specifications.
4. Patent information.
5. Price schedules for product/service.
6. Useful inventories.
7. Market analysis data and outside market reports.
8. Samples of advertising and promotional material.
9. Tax returns and credit reports on principals.
10. Copies of contractual agreements.
11. Commitment letter from suppliers, lender, and buyers.
12. References.

Your business plan is a highly personalized document that works to point out the strong points of your intended venture. Not all of the above elements are necessary in every plan, but it is important to complete the plan as thoroughly and accurately as possible so that anyone who reads it will understand without further explanation.

*Adapted from "Elements of a Successful Business Plan,"
by Steve Bogash, Commercial Horticulture Agent,
Penn State Cooperative Extension*