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Civil engineering

Preparing an Agri-Business Plan

Planning for Profit

The Business Overview

Introduction

Why do you need a business plan?

A business plan allows you to create a business operation on paper and manipulate and evaluate scenarios without the risk of investing a lot of time and money. Dry run planning reduces the possibility of the venture failing, by identifying your proposals, strengths and weaknesses, and developing a plan of action to cope with them.

Financial institutions, business partners, and investors will all require that you have a proper business plan to prove your ideas are viable and that you have adequate knowledge of your chosen area of business.

Whether you are starting a new business, buying an existing one, or expanding your present operation, a business plan will help you prepare for the unexpected and help set the goals for your future business success. There is no replacement for a well thought out business plan. Be realistic in your projections, honest in your evaluations, and thorough in your research.

Why do you want to operate an agri-business?

An overwhelming fondness for plants, animals and nature is not a sufficient reason to want to own and operate an agri-business.

In business, your primary goal is to make your company a profit so it will be able to survive and prosper.

Getting started in an agri-business will require the following:

- ➔ General knowledge of the agriculture industry.
- ➔ Recognition of your business opportunity or advantage.
- ➔ A market for your product and a thorough understanding of that market.
- ➔ Technical knowledge of crop production practices and/or livestock production.
- ➔ Financial resources to develop your operation.
- ➔ The necessary business management skills.

Where do I get the information to prepare my business plan?

To prepare a plan, you need to research your proposed business. The following sources of information will be helpful in developing your plan:

- ➔ Interviews With Other Producers
- ➔ Extension Specialists
- ➔ Personal Work Experience
- ➔ Industry Consultants
- ➔ Library Research
- ➔ Trade Suppliers
- ➔ Trade Magazines and Journals
- ➔ Demographic Studies
- ➔ Industry Associations
- ➔ Newspaper Articles, etc.

Remember a plan is just a plan and must be continually adjusted to the changing conditions of your business. If something is not working, adapt it until it works.

Business Advisors (Informal Board of Directors):

These are people with specific areas of expertise useful to your business. All business managers can take advantage of the resources and expertise other specialists have to offer. The cost of this expert advice is moderate when compared to the cost to your business of making uninformed decisions. It has been well proven that a business will grow much faster with the help of an experienced group of advisors. *Search out all the expertise you require!*

Industry Overview

The foundation of your business plan is your research or ground work. Every idea or concept should be challenged to determine whether or not it has a reasonable chance of success.

An assessment of pertinent issues for the industry will enable you to develop a more credible plan.

Consider these questions as you challenge your idea:

1. (a) Are there global or international issues that will affect my business?
(b) Are there national or interprovincial issues that should be focused on?
2. Are there regulations or restrictions that can positively or negatively impact on my project?
3. Identify major trends affecting the industry.

Try to determine strengths, weaknesses, opportunities, and threats in the industry that will impact on your agri-business.

What is a Business Plan?

A business plan is an effective management tool that outlines how you intend to run your business. As a management tool, a business plan will help you determine the goals you need to achieve in order to operate your business successfully. Normally, a business plan is made up of the following sections:

- ✓ Business / Industry Overview
- ✓ Production Plan
- ✓ Market Plan
- ✓ Financial Plan
- ✓ Human Resources Plan

Each individual plan (section) contributes to the resulting overall business plan giving you a document to access the progress of your business.

Business Overview

Title Page

The title page immediately and clearly identifies the subject matter of the document for the reader. If the plan is being presented to a banker, accountant or other advisor, it will be less likely to be lost in the shuffle. The title page should specify the farm name, address, phone number, subject (Business Plan) and the date completed.

Table of Contents

The table of contents helps readers go directly to the information they wish to examine. It can be very frustrating to flip through large quantities of information which has no particular order. The table of contents helps provide structure and order to the business plan and helps to make sure that the plan is thorough.

Mission Statement ~ The Business Vision ~

"Mission involves a statement about the type of customer the organization wishes to serve, the specific needs of customers and the means or technology by which it will serve these needs."

Berkowitz, Kerlin, Rudellus and Crane, 1991

Goals then take the broad statement of mission and translate it into specific and measurable objectives (goals).

Business History

The business history quickly outlines the origins and development of the business. It helps identify where you are in the long term development of your business.

Business Profile and Summary

The business profile and summary is a condensed version of the business plan. It provides the reader with a quick overview of the highlights of the business plan making the business plan easier to read and follow. The next section covers the Business Profile and Summary in greater detail.

Business Organization

Who are the **investors** in your business plan? How is **management** divided among participants in the business? How are **profits** divided?

There are several possible forms of business organization or ownership. The most common in Nova Scotia are the proprietorship, partnership, limited company and co-operative. The major features of each are as follows:

Proprietorship

- ❖ a business operated and controlled by a single individual
- ❖ income of the business is treated as personal income for tax purposes
- ❖ legal or other liabilities arising from the operation of the business are the direct responsibility of the individual
- ❖ least expensive form of organization.

Partnership

- ❖ formed when two or more individuals carry on business together and agree to share profits and losses of the business jointly
- ❖ income for tax purposes is allocated to the individuals on the basis of their agreement
- ❖ partners are jointly responsible for debts and other liabilities
- ❖ highly advisable to have a written partnership agreement which establishes the details of the relationship, especially responsibilities, control, division of income (or losses), and procedures for amending or terminating the agreement.

Limited Company

- ❖ separate legal entity responsible for its own debts, assets, and obligations
- ❖ a legal procedure which requires filing a constitutional document The Articles of Incorporation, the selection of a board of directors and often the drafting of a Shareholders Agreement
- ❖ can be set up under either federal or provincial law with a typical cost in the range of \$800 to \$2,000
- ❖ an incorporated company can provide some financial advantages through share ownership and special rules for taxation which apply to corporations and small businesses
- ❖ may be a requirement for accessing certain federal government assistance programs.

Co-operative

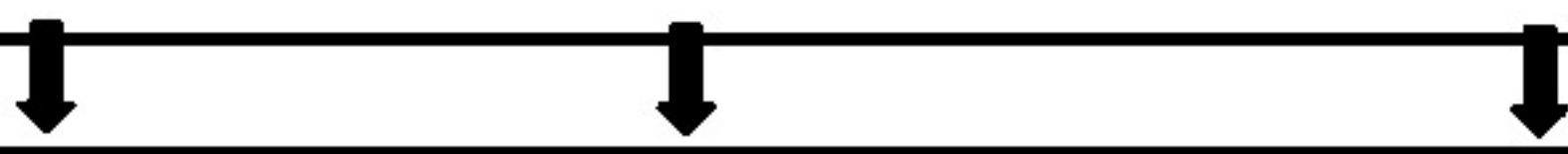
- ❖ an organization incorporated provincially under the Co-operatives Act
- ❖ can involve any type of business
- ❖ financed by the purchase of shares by members who receive a vote on the operation of the co-operative and a limited return on their shares
- ❖ profits are returned to members in proportion to the use the member makes of the co-operative (products or services sold or purchased).

There are also other forms of organization including limited partnerships, associations or societies. The suitability of each depends on your situation. Discuss your own particular needs with your professional advisors before making a decision.

Business Profile and Summary

The business profile and summary gives the reader an abstract view of the business plan and determines whether the document is worth further consideration. It is usually the first section read and the last prepared. It should be concise and to the point.

Purpose: Describe what business you are in, why you are in it, what size it will be, and how you will sell your product.



Example: This plan will outline our proposal to operate a 5,000 sq./ft. greenhouse operation and make a profit producing and selling bedding plants retail to the general public in Planttown, Nova Scotia.

Please Note:

The examples throughout the agri-business planning guide follow this greenhouse operation. The plan can be modified for every agricultural commodity.

Financing Requirements

Example: To establish and operate the proposed greenhouse operation, the following financing will be required. (Please note that the numbers used are for example purposes only and may not reflect true market values).

- ✓ \$100,000.00 in total to establish and operate the business.
- ✓ \$20,000.00 for land.
- ✓ \$50,000.00 for buildings and improvements.
- ✓ \$30,000.00 for operating capital.
- ✓ \$50,000.00 will be equity capital by owners.
- ✓ \$50,000.00 will be required as borrowed capital.

What investment is required to start this business operation?

Financial Guidelines: Debt repayment will be structured to minimize cash flow strain in the early years. A target of 60% equity is to be achieved within 4 years and maintained at 50% or greater throughout all future expansions. Finally, a target of zero operating credit requirements is set for the 5th year of operation with all short term credit requirements being supplied from the business operations.

Marketing

Who are your target customers and what is your potential market?

Example: To develop a reputation as a supplier of quality hanging baskets and bedding plants and to effectively penetrate the market in the 1st year of operation by offering products not supplied by other growers in the area. The goal is to expand the marketplace by expanding the variety of products available to the gardening public. Sales of bedding plants will extend within a market radius of 20 kilometers and populations of 20,000 with a total of 25,000 sq. ft. of greenhouse space supplying this market. A target of 20% of the business is expected to be sales to landscaping firms with the 80% balance as retail sales to private residents and local business.

Production

What are production targets and how will those targets be achieved?

Example: We will maintain maximum production and optimal yields of crop production through close monitoring of the greenhouse crops. Production schedules will be followed closely constantly striving for improvements in our production practices. Using the past 1 year experience in a well recognized greenhouse operation, continuing education courses in bedding plant production, as well as the specialized study of hanging baskets and bedding plants will allow us to produce the maximum output for the greenhouse space we have available. Double cropping where possible. Targeting 1,000 hanging baskets and 2,000 flats of bedding plants.

Labour

What labour requirements will your business have and how will you satisfy those needs?

Example: In the beginning, all labour will be supplied by the owner operator and family members. It is expected that by the 2nd year some staff will have to be hired. In anticipation of this, we have developed a company employment policy booklet as well as job descriptions for the various positions. We intend to maintain a safe working environment for our staff and to follow the Department of Labour guidelines. We will use flex time and innovative labour management ideas to best motivate our employees.

Conclusion

A business plan is the written guide to your business's success. You can have others prepare your business plan, but you really should be the one developing the plan using others only for assistance. The plan reflects your image and views of your business. The process of developing the plan may be much more valuable as a learning experience than the plan itself. When completed, you should have your plan reviewed by someone objective but knowledgeable in your business operations.

Business Overview is the first in a series of five sections that will help you prepare a business plan for your proposed agri-business operation.

✓	1.	Business Overview
	2.	Marketing Plan
	3.	Human Resources Plan
	4.	Production Plan
	5.	Financial Plan