

How to Start a Goat Farming Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if you can really know what you are getting into. You can use it to

evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firm. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful to you in evaluating a business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

Preliminary Analysis

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves first a preliminary assessment of both personal and project considerations.

General Personal Considerations

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy business ownership/management?

1. Do you like to make your own decisions?
2. Do you enjoy competition?
3. Do you have will power and self-discipline?
4. Do you plan ahead?
5. Do you get things done on time?
6. Can you take advise from others?
7. Are you adaptable to changing conditions?

The next series of questions stress the physical, emotional, and financial strains of a new business.

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?
9. Do you have the physical stamina to handle a business?

10. Do you have the emotional strength to withstand the strain?
11. Are you prepared to lower your standard of living for several months or years?
12. Are you prepared to loose your savings?

Specific Personal Considerations

1. Do you know which skills and areas of expertise are critical to the success of your project?
2. Do you have these skills?
3. Does your idea effectively utilize your own skills and abilities?
4. Can you find personnel that have the expertise you lack?
5. Do you know why you are considering this project?
6. Will your project effectively meet your career aspirations

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

7. Do you have the ability to perform the feasibility study?
8. Do you have the time to perform the feasibility study?
9. Do you have the money to pay for the feasibility study done?

General Project Description

1. Briefly describe the business you want to enter.

2. List the products and/or services you want to sell

3. Describe who will use your products/services

4. Why would someone buy your product/service?

5. What kind of location do you need in terms of type of neighborhood, traffic count, nearby firms, etc.?

6. List your product/services suppliers.

7. List your major competitors - those who sell or provide like products/services.

8. List the labor and staff you require to provide your products/services.

B. Requirements For Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

1. Does the product/service/business serve a presently unserved need?
2. Does the product/service/business serve an existing market in which demand exceeds supply?
3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scarce skills, energy, material, equipment, processes, technology, or personnel)?
2. Are capital requirements for entry or continuing operations excessive?
3. Is adequate financing hard to obtain?
4. Are there potential detrimental environmental effects?
5. Are there factors that prevent effective marketing?

C. Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?

2. Are you prepared to earn less income in the first 1-3 years?

3. What minimum income do you require?

4. What financial investment will be required for your business?

5. How much could you earn by investing this money?

6. How much could you earn by working for someone else?

7. Add the amounts in 5 and 6. If this income is greater than what you can realistically expect from your business, are you prepared to forego this additional income just to be your own boss with the only prospects of more substantial profit/income in future years?

8. What is the average return on investment for a business of your type?

D. Preliminary Income Statement

Besides return on investment, you need to know the income and expenses for your business. You show profit or loss and derive operating ratios on the income statement. Dollars are the (actual, estimated, or industry average) amounts for income and expense categories. Operating ratios are expressed as percentages of net sales and show relationships of expenses and net sales.

For instance 50,000 in net sales equals 100% of sales income (revenue). Net profit after taxes equals 3.14% of net sales. The hypothetical "X" industry average after tax net profit might be 5% in a given year for firms with 50,000 in net sales. First you estimate or forecast income (revenue) and expense dollars and ratios for your business. Then compare your estimated or actual performance with your industry average. Analyze

differences to see why you are doing better or worse than the competition or why your venture does or doesn't look like it will float.

These basic financial statistics are generally available for most businesses from trade and industry associations, government agencies, universities and private companies and banks

Forecast your own income statement. Do not be influenced by industry figures. Your estimates must be as accurate as possible or else you will have a false impression.

1. What is the normal markup in this line of business. i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?

2. What is the average cost of goods sold percentage of sales?

3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?

4. What is the average gross profit as a percentage of sales?

5. What are the average expenses as a percentage of sales?

6. What is the average net profit as a percent of sales?

7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.

8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

ANY BUSINESS, INC.

Condensed Hypothetical Income Statement
For year ending December 31

Item	Amount	Percent
Gross sales	773,888	
Less returns, allowances, and cash discounts	14,872	
Net sales	<hr/> 759,016	100.00
Cost of goods sold	589,392	77.65
Gross profit on sales	<hr/> 169,624	<hr/> 22.35
Selling expenses	41,916	5.52
Administrative expenses	28,010	3.69
General expenses	50,030	6.59
Financial expenses	5,248	0.69
Total expenses	<hr/> 125,204	<hr/> 16.50
Operating profit	44,220	5.85
Extraordinary expenses	1,200	0.16
Net profit before taxes	<hr/> 43,220	<hr/> 5.69
taxes	19,542	2.57
Net profit after taxes	<hr/> 23,678	<hr/> 3.12

E. Market Analysis

The primary objective of a market analysis is to arrive at a realistic projection of sales. after answering the following questions you will be in a better positions to answer question eight immediately above.

Population

1. Define the geographical areas from which you can realistically expect to draw customers.

2. What is the population of these areas?

3. What do you know about the population growth trend in these areas?

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

7. What are the consumers' attitudes toward business like yours?

8. What do you know about consumer shopping and spending patterns relative to your type of business?

9. Is the price of your product/service especially important to your target market?

10. Can you appeal to the entire market?

11. If you appeal to only a market segment, is it large enough to be profitable?

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

4. Are you familiar with the following factors concerning your competitors:

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

6. Do you know of any competitor's plans for expansion?

7. Have any firms of your type gone out of business lately?

8. If so, why?

9. Do you know the sales and market share of each competitor?

10. Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?

11. Do you know the profit levels of each competitor?

12. Are your competitors' profits increasing, decreasing, or stable?

13. Can you compete with your competition?

G. Sales

1. Determine the total sales volume in your market area.

2. How accurate do you think your forecast of total sales is?

3. Did you base your forecast on concrete data?

4. Is the estimated sales figure "normal" for your market area?

5. Is the sales per square foot for your competitors above the normal average?

6. Are there conditions, or trends, that could change your forecast of total sales?

7. Do you expect to carry items in inventory from season to season, or do you plan to mark down products occasionally to eliminate inventories? If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Your gross profits margin may be too low.)

8. How do you plan to advertise and promote your product/service/business?

9. Forecast the share of the total market that you can realistically expect - as a dollar amount and as a percentage of your market.

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?

11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income?

12. Have you been optimistic or pessimistic in your forecast of sales?

13. Do you need to hire an expert to refine the sales forecast?

14. Are you willing to hire an expert to refine the sales forecast?

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?
2. Do you know the quantity, quality, technical specifications, and price ranges desired?
3. Do you know the name and location of each potential source of supply?
4. Do you know the price ranges available for each product from each supplier?
5. Do you know about the delivery schedules for each supplier?
6. Do you know the sales terms of each supplier?
7. Do you know the credit terms of each supplier?
8. Do you know the financial condition of each supplier?
9. Is there a risk of shortage for any critical materials or merchandise?
10. Are you aware of which supplies have an advantage relative to transportation costs?
11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?
2. Do you need to know which expenses are Direct, Indirect, or Fixed?
3. Do you know how much your overhead will be?
4. Do you know how much your selling expenses will be?

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?
2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

1. Are there any major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data?
3. Do the above questions arise because of a lack of management skills?
4. Do the above questions arise because of a "fatal flaw" in your idea?
5. Can you obtain the additional data needed?

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2. Starting Your Business Step by Step

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful business. To profit in a manufacturing based business, you need to consider the following questions: What business am I in? What goods do I sell? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my company? How will I get the work done? What management controls are needed? How can they be carried out?

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this Guide are a combination of text and workspaces so you can write in the information you gather in developing your business plan - a logical progression from a commonsense starting point to a commonsense ending point.

It takes time and energy and patience to draw up a satisfactory business plan. Use this Guide to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it unexpectedly crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind, too, that your final goal is to put your plan into action. More will be said about this step near the end of this Guide.

What's in This for Me?

Time was when an individual could start a business and prosper provided you were strong enough to work long hours and had the knack for selling for more than the raw materials or product cost. Small store, grist mills, livery stables, and blacksmith shops sprang up in many crossroad communities as Americans applied their energy and native intelligence to settling the continent.

Today this native intelligence is still important. But by itself the common sense for which Americans are famous will not insure success in a business. Technology, the marketplace, and even people themselves have become more complicated than they were 100, or even 25, years ago.

Common sense must be combined with new techniques in order to succeed in the space age. Just as one would not think of launching a manned space capsule without a flight plan, so one should not think of launching a new manufacturing business without a business plan.

A business plan is an exciting tool that you can use to plot a "course" for your company. Such a plan is a logical progression from a commonsense starting point to a commonsense ending point.

To build a business plan for your company, an owner-manager needs only to think and react as a manager to questions such as: What product is to be manufactured? How can it best be made? What will it cost me? Who will buy the product? What profit can I make?

Why Am I in Business

If you're like most business people, you're in business to make money and be your own boss. But, few business people would be able to say that those are the only reasons. The money that you will make from your business will seldom seem like enough for all the long hours, hard work, and responsibility that go along with being the boss.

Then, why do so many stay in business?

This is hardly the time for philosophy. If you're starting or expanding a business, you have enough to think about. But, whether or not you even think about it, the way you operate your business will reflect your "business philosophy."

Consider this. An owner-manager inspects a production run and finds a minor defect. Even though in nine out of ten cases the user of the product would not notice the defect, the owner decides to scrap the entire run.

What does this tell you? It shows that he (or she) gets an important reward from doing what is the right thing - in this case, providing a quality product.

The purpose of this section is not to play down the importance of making a profit. Profits are important. They will keep your business going and attract additional capital into your business. But you should be aware that there are other rewards and responsibilities associated with having your own business.

In your planning, you might give some thought to your responsibilities to employees, community, stockholders, customers, product, and profit. Jot these down. Later when you've lined-up your management team, discuss this subject with them. This type of group thinking will help everyone, including yourself, understand the basic purposes for each day's work.

Even though you won't advertise it throughout your market, the way you operate your business will reflect your business philosophy.

What Business Am I in?

In making your business plan, the next question to consider is: What business am I really in? At first reading, this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." But hold on. Some owner-managers go broke and others waste their savings because they are confused about the business they are really in.

The experience of an old line manufacturing company provides an example of dealing with the question: What business am I really in? In the early years of this century, the founder of the company had no trouble answering the question. As he put it, "I make and sell metal trash cans." This answer held true for his son until the mid-1950's when sales began to drop off. After much thought, the son decided he was in the container business.

Based on this answer, the company dropped several of its lines of metal trash cans, modified other lines, and introduced new products, such as shipping cartons used by other manufacturers and Government agencies.

What business am I in? (Write your answer here)

Asking questions like: What does my product do for my customer? Why? Where? How? What doesn't it do? What should it do later but doesn't do now? can lead to the ultimate conclusion of what business you're in and possibly direct you to new lines of products or enterprises.

B. How to Plan Your Marketing

When you have decided what business you're really in, you have just made your first marketing decision. Now you must face other marketing consideration.

Successful marketing starts with you, the owner-manager. You have to know your product, your market, your customers, and your competition.

Before you plan production, you have to decide who your market is, where it is, why they will buy your product, whether it is a growth or static market, if there are any seasonal aspects of the market, and what percentage of the market you will shoot for in the first, second, and third year of operation. Your production goals and plans must be based on and be responsive to this kind of fact finding (market feasibility and research).

The narrative and work blocks that follow are designed to help you work out a marketing plan. Your objective is to determine what needs to be done to bring in sales dollars.

In some directories, marketing information is listed according to the Standard Industrial Classification (SIC) of the product and industry. The SIC classifies firms by the type of activity they're engaged in, and it is used to promote the uniformity and comparability of statistical data relating to market research. When you begin your market research, you may find it useful to have ahead / lassified your products according to this code. (The Standard Industrial Classification Manual may be available at your library.)

Product / Sic No.

- 1. _____ / _____
- 2. _____ / _____

Market Area

Where and to whom are you going to sell your product? Describe the market area you will serve in terms of geography and customer profile:

Who Are Your Competitors?

List your principal competitors selling in your market area, estimate their percentage of market penetration and dollar sales in that market, and estimate their potential loss of sales as a result of your entry into the market.

Name of Competitor and Location	% Share of Market	Estimated Sales	Sales Loss Because of You
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____

How Do You Rate Your Competition?

Try to find out the strengths and weaknesses of each competitor. Then write your opinion of each of your principal competitors, their principal products, facilities, marketing characteristics, and new product development or adaptability to changing market conditions.

Have any of your competitors recently closed operations or have they withdrawn from your market area? (State reasons if you know them):

Advantages Over Competitors

On what basis will you be able to capture your projected share of the market? Below is a list of characteristics which may indicate the advantages your product(s) enjoy over those offered by competitors. Indicate those advantages by placing a check in the proper space. If there is more than one competitor, you may want to make more than one checklist. Attach these to the worksheet.

Analyze each characteristic. For example, a higher price may not be a disadvantage if the product is of higher quality than your competitor's. You may want to make a wish to spell out the specifics of each characteristic and explain where your product is disadvantaged and how this will be overcome, attach it to this worksheet. Also, the unique characteristics of your product can be the basis for advertising and sales promotion.

Remember, the more extensive your planning, the more your business plan will help you.

Product(s)	Product No. 1	Product No. 2
Price	_____	_____
Performance	_____	_____
Durability	_____	_____
Versatility	_____	_____
Speed or accuracy	_____	_____
Ease of operation or use	_____	_____
Ease of maintenance or repair	_____	_____
Ease or cost of installation	_____	_____
Size or weight	_____	_____
Styling or appearance	_____	_____
Other characteristics not listed:		
_____	_____	_____
_____	_____	_____

What, if anything, is unique about your product?

Distribution

How will you get your product to the ultimate consumer? Will you sell it directly through your own sales organization or indirectly through manufacturer's agents, brokers, wholesalers, and so on. (Use the blank to write a brief statement of your method of distribution and manner of sales):

What will this method of distribution cost you?

Do you plan to use special marketing, sales or merchandising techniques? Describe them here:

List your customers by name, the total amount they buy from you, and the amount they spend for each of your products.

Market Trends

What has been the sales trend in your market area for your principal product(s) over the last 5 years? What do you expect it to be 5 years from now? You should indicate the source of your data and the basis of your projections. (This is a marketing research problem. It will require you to do some digging in order to come up with a market projection. Trade Associations will probably be your most helpful source of information. The Bureau of Census publishes a great deal of useful statistics). Industry and product statistics are usually indicated in dollars, Units, such as numbers of customers, numbers of items sold, etc., may be used, but also relate your sales to dollars.

List the name and address of trade associations which serve your industry and indicate whether or not you are a member.

_____ the name and address of other organizations, governmental agencies, industry and indicate whether or not you are a member.

Share of the Market

What percentage of total sales in your market area do you expect to obtain for your products after your facility is in full operation?

Sales Volume

What sales volume do you expect to reach with your products?

Production

Production is the work that goes on in a factory that results in a product. In making your business plan, you have to consider all the activities that are involved in turning raw materials into finished products. The work blocks which follow are designed to help you determine what production facilities and equipment you need.

Manufacturing Operation

List the basic operations for example, cut and sew, machine and assemble, etc., which are needed in order to make your product.

Raw Materials

What raw materials or components will you need, and where will you get them?

What amount of raw material and/or components will you need to stock?

Are there any special considerations concerning the storage requirements of your raw material? For example, will you use chemicals which can only be stored for a short time before they lose their potency?

Equipment

List the equipment needed to perform the manufacturing operations. Indicate whether you will rent or buy the equipment and the cost to you.

Your equipment facilities, and method of operation must comply with the Occupational Safety and Health Act. You may obtain a copy of Standards for General Industry from a field office of the Occupational Safety and Health Administration.

Labor Skills

List the labor skills needed to run the equipment:

List the indirect labor, for example: material handlers, stockmen, janitors, and so on, that is needed to keep the plant operating:

If persons with these skills are not already on your payroll, where will you get them?

Space

How much space will you need to make the product? Include restrooms, storage for raw material and for finished products, and employee parking facilities if appropriate. Are there any local ordinances you must comply with?

Do you own this space? Yes _____ No _____

Will you buy this space? Yes _____ No _____

Will you lease this space? Yes _____ No _____

How much will it cost you? Yes _____ No _____

Overhead

List the overhead items which will be needed in addition to indirect labor and include their cost. Examples are: tools, supplies, utilities, office help, telephone, payroll taxes, holidays, vacations, and salaries for your key people (sales manager, plant manager, and foreman).

C. How Much Money Will You Need?

Money is a tool you can use to make your plan work. Money is also a measuring device. You will measure your plan in terms of dollars; and outsiders, such as bankers and other lenders, will do the same.

When you determine how much money is needed to start (or expand) your business, you can decide whether or not to move ahead. If the cost is greater than the profits which the business can make, there are two things to consider. Many businesses do not show a profit until the second or third year of operation. If this looks like the case with your business, you will need the plans and financial reserves to carry you through this period. On the other hand, maybe you would be better off putting your money into stocks, bonds or other reliable investments rather than taking on the time consuming job of managing a business.

Like most businesses, your new business or expansion will require a loan. The burden of proof in borrowing money is upon the borrower. You have to show the banker or

other lender how the borrowed money will be spent. Even more important, the lender needs to know how and when you will repay the loan.

To determine whether or not your plan is economically feasible, you need to pull together three sets of figures:

- (1) Expected sales and expense figures for 12 months.
- (2) Cash flow figures for 12 months.
- (3) Current balance sheet figures.

Then visit your banker. Remember, your banker or lender is your friend not your enemy. So, meet regularly. Share all the information and data you possess. If the lender is ready to help, he (or she) needs to know not only your strengths but also your weaknesses.

Expected Sales and Expenses Figures

To determine whether or not your business can make its way in the market place, you should estimate your sales and expenses for 12 months.

	Projected Statement of Sales and Expenses for One Year												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A. Net Sales	—	—	—	—	—	—	—	—	—	—	—	—	—
B. Cost of Goods Sold	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Raw Materials	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Direct Labor	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Manufacturing Overhead	—	—	—	—	—	—	—	—	—	—	—	—	—
Indirect Labor	—	—	—	—	—	—	—	—	—	—	—	—	—
Factory Heat & Power	—	—	—	—	—	—	—	—	—	—	—	—	—
Insurance and Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—	—	—	—
C. Gross Margin (Subtract B from A)	—	—	—	—	—	—	—	—	—	—	—	—	—
D. Selling and Administrative Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Salaries and Commissions	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Advertising Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Miscellaneous Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
E. Net Operating Profit (Subtract D from C)	—	—	—	—	—	—	—	—	—	—	—	—	—
F. Interest Expense	—	—	—	—	—	—	—	—	—	—	—	—	—
G. Net Profit before Taxes (Subtract F from E)	—	—	—	—	—	—	—	—	—	—	—	—	—
H. Estimated Income Tax	—	—	—	—	—	—	—	—	—	—	—	—	—
I. Net Profit after Income Tax (Subtract H from G)	—	—	—	—	—	—	—	—	—	—	—	—	—

Cash Flow Figures - Manufacturing Business Plan How To

Estimates of future sales will not pay an owner-manager's bills. Cash must flow into the business at the proper times if bills are to be paid and a profit realized at the end of the year. To determine whether your projected sales and expense figures are realistic, you should prepare a cash flow forecast for the 12 months covered by your estimates of sales and expenses.

Estimated Cash Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(1) Cash in Bank (Start of Month)	---	---	---	---	---	---	---	---	---	---	---	---
(2) Petty Cash (Start of Month)	---	---	---	---	---	---	---	---	---	---	---	---
(3) Total Cash (add (1) and (2))	---	---	---	---	---	---	---	---	---	---	---	---
(4) Expected Accounts Receivable	---	---	---	---	---	---	---	---	---	---	---	---
(5) Other Money Expected	---	---	---	---	---	---	---	---	---	---	---	---
(6) Total Receipts (add (4) and (5))	---	---	---	---	---	---	---	---	---	---	---	---
(7) Total Cash and Receipts (add (3) and (6))	---	---	---	---	---	---	---	---	---	---	---	---
(8) All Disbursements (for month)	---	---	---	---	---	---	---	---	---	---	---	---
(9) Cash Balance at end of Month in Bank Account and Petty Cash (subtract (8) from (7))*	---	---	---	---	---	---	---	---	---	---	---	---

*This balance is your starting figure for the next month

Current Balance Sheet Figures

A balance sheet shows the financial conditions of a business as of a certain date. It lists what a business has, what it owes, and the investment of the owner. A balance sheet enable you to see at a glance your assets and liabilities.

Getting the Work Done

Your manufacturing business is only part way home when you have planned your marketing and production. Organization is needed if your plant is to produce what you expect it to produce.

Organization is essential because you as the owner-manager probably cannot do all the work.

You'll have to delegate work, responsibility, and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business. However, no matter how your operation is organized, keep control of the financial management.

In the beginning, the president of the small manufacturing company probably does everything.

It is important that you recognize your weaknesses early in the game and plan to get assistance wherever you need it. This may be done using consultants on an as-needed basis, by hiring the needed personnel, or by retaining a lawyer and accountant.

The workblock below lists some of the areas you may want to consider. Adapt it to your needs and indicate who will take care of the various functions. (one name may appear more than once.)

Manufacturing _____

Marketing _____

Research and Technical Backup

Accounting _____

Legal _____

Insurance _____

Other:

Making Your Plan Work

To make your plan work you will need feedback. For example, the year end profit and loss (income) statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the P and L may be more of a loss than a profit statement if you rely only on it. In addition, your cash flow projection must be continuously updated and revised as necessary. You must set up management controls which will help you insure that the right things are being done from day to day and from week to week.

The management control system which you set up should give you precise information on: inventory, production, quality, sales, collection of accounts receivable, and disbursement. The simpler the system, the better. Its purpose is to give you and your

key people current information in time to correct deviations from approved policies, procedures, or practices. You are after facts with emphasis on trouble spots.

Inventory Control

The purpose of controlling inventory is to provide maximum service to your customers. Your aim should be to achieve a rapid turnover on your inventory, the fewer dollars you tie up in raw materials inventory and in finished goods inventory, the better. Or, saying it in reverse, the faster you get back your investment in raw materials and finished goods inventory, the faster you can reinvest your capital to meet additional consumer needs.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. There are inventory costs, such as the cost of purchasing, the cost of keeping inventory records, and the cost of receiving and storing raw materials.

Production

In preparing this business plan, you have estimated the cost figures for your manufacturing operation. Use these figures as the basis for standards against which you can measure your day-to-day operations to make sure that the clock does not nibble away at profits. These standards will help you to keep machine time, labor man-hours, process time, delay time, and down time within your projected cost figures. Periodic production reports will allow you to keep your finger on potential drains on your profits and should also provide feedback on your overhead expense.

Quality Control

Poorly made products cause a company to lose customers. In addition, when a product fails to perform satisfactorily, shipments are held up, inventory is increased, and a severe financial strain can result. Moreover, when quality is poor, it's a good bet that waste and spoilage on the production line are greater than they should be. The details - checkpoints, reports and so on - of your quality control system will depend on your type of production system. In working out these details, keep in mind that their purpose is to answer one question: What needs to be done to see that the work is right the first time? Will you have to do extensive quality control on raw materials? This is an added expense you must consider.

Sales

To keep on top of sales, you will need answers to questions, such as: How many sales were made? What was the dollar amount? What products were sold? At what price? What delivery dates were promised? What credit terms were given to customers?

It is also important that you set up an effective collection system for "accounts receivable," so that you don't tie up your capital in aging accounts.

Disbursement

Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-wise and

pound-foolish. You need to know that major items, such as paying bills on time get the supplier's discount, are being handled according to your policies. Your review system should also give you the opportunity to make judgments on the use of funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax moneys, such as payroll income tax deductions, are set aside and paid out at the proper time.

D. Break-Even Analysis

Break-even analysis is a management control device because the break-even point shows about how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

In preparing to start or expand a manufacturing business you should determine at what approximate level of sales a new product will pay for itself and begin to bring in a profit.

Profit depends on sales volume, selling price, and costs. So, to figure your break-even point, first separate your fixed costs, such as rent or depreciation allowance, from your variable costs per unit, such as direct labor and materials.

The formula is:

$$\text{break-even volume} = \frac{\text{total fixed costs}}{\text{selling price} - \text{variable cost per unit}}$$

For example, Ajax Plastics has determined its fixed costs to be \$100,000 and variable costs to be \$50 per unit. If the selling price per unit is \$100, then Ajax's break-even volume is

$$\text{break-even volume} = \frac{\$100,000}{\$100 - \$50} = 2000 \text{ units}$$

Earlier you estimated your expected sales for each product and total sales. Compute the break-even point for each.

Product 1: _____ Product 2: _____ Total Sales: _____

Keeping Your Plan Up to Date

The best made business plan gets out of date because conditions change. Sometimes the change is within your company, for example, several of your skilled operators quit their jobs. Sometimes the change is with customers. Their desires and tastes shift. For

example, a new idea can sweep the county in 6 months and die overnight. Sometimes the change is technological as when new raw materials and components are put on the market.

In order to adjust a business plan to account for such changes, an owner-manager must:

- (1) Be alert to the changes that come about in your company, in your industry, in your market, and in your community.
- (2) Check your plan against these changes.
- (3) Determine what revisions, if any, are needed in your plan.

You may be able to delegate parts of this work. For example, you might assign your shop foreman the task of watching for technical changes as reported in trade journals for your industry. Or you might expect your sales manager to keep you abreast of significant changes that occur in your markets.

But you cannot delegate the hardest part of this work. You cannot delegate the decisions as to what revision will be made in your plan. As owner-manager you have to make those judgments on an on-going basis.

When judgments are wrong, cut your losses as soon as possible and learn from the experience. The mental anguish caused by wrong judgments is part of the price you pay for being your own boss. You get your rewards from the satisfaction and profits that result from correct judgments.

Sometimes, serious problems can be anticipated and a course of action planned. For example, what if sales are 25 percent lower than you anticipated, or costs are 10 percent higher? You have prepared what you consider a reasonable budget. It might be a good idea to prepare a "problem budget," based on either lower sales, higher costs, or a combination of the two.

You will also have to exercise caution if your sales are higher than you anticipated. The growth in sales may only be temporary. Plan your expansion. New equipment and additional personnel could prove to be crippling if sales return to a previous lower level.

Keep in mind that few owner-managers are right 100 percent of the time. They can improve their batting average by operating with a business plan and by keeping that plan up to date.

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3. Complete Goat Farming Business Plan Template

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III. INTRODUCTION

A. Executive Summary

[OWNER'S NAME] will own and operate *[BUSINESS' NAME]* as a sole proprietorship. Mr. [OWNER'S LAST' NAME] and *[BUSINESS' NAME]* will purchase 20-30 pound kid goats and lambs from individuals and auctions in Indiana and Kentucky and feed them until they are 65-70 pounds. The target market will be the Hispanic and Middle Eastern population of northwest Indiana and the Chicagoland area. The goats and lambs will be sold through auctions and direct from the farm to packing plants who will sell the meat to ethnic markets in northwest Indiana and the Chicagoland area. Mr. [OWNER'S LAST' NAME] will be assisted by his wife and sons and will be solely responsible for all decisions made for the business. Mr. [OWNER'S LAST' NAME] and *[BUSINESS' NAME]* will purchase for delivery approximately 125 goats and lambs per month, feed them for 4 months, and then sold. The goats and lambs will be delivered to the farm and will be picked up at the farm after they are sold. The goats and lambs will be separated into groups of 50-60 per group for the time they are on the farm. They will have access to pasture and will be fed and watered as a group inside a remodeled tool shed near Mr. [OWNER'S LAST' NAME]'s residence.

B. Purpose of the Business Plan

The purpose of the business plan for [OWNER'S NAME] and *[BUSINESS' NAME]* is to obtain startup funding for animals and equipment in order for him to be able to provide a sustainable income for his family.

C. Statement of Goals and Objectives

It is the goal of [OWNER'S NAME] and [BUSINESS' NAME]:

1. To finish for market 975 goats and lambs the first year
2. To finish and market 1350 head the second year.
3. To sustain marketing 1350 head each year after that.
4. To obtain a truck and trailer in order to haul his own goats and lambs which will increase the number of markets that are accessed
5. To upgrade the feeding system to reduce the labor required.

IV. OPERATING PLAN

A. Ownership and Management

[OWNER'S NAME] will own and operate [BUSINESS' NAME] as a sole proprietorship. Mr. [OWNER'S LAST' NAME] will make the day-to-day decisions regarding purchase and sales of goats and lambs, feed purchases and rations fed, and equipment and building usage.

Mr. [OWNER'S LAST' NAME] lost his father when he was 12 years old. Since that time he has been working in various capacities. In high school, he raised and sold feeder pigs from 30 sows which were farrowed two times per year. He has raised 4-H goats for 10 years, operated a small greenhouse for 9 years, and raised and sold produce on 15 acres. His work experience includes:

- xxxxxxxxxxxxxxxxxxxxxxxxx
- xxxxxxxxxxxxxxxxxxxxxxxxx
- Cattle farms
- Grain farms
- Feed mills
- Fertilizer plants
- Grain elevator

Mrs. Natalie [OWNER'S LAST' NAME], his wife, was employed as a registered nurse until she suffered a traumatic brain injury due to a horse riding accident.

B. Other Staffing

[OWNER'S NAME] and [BUSINESS' NAME] will need only temporary labor when receiving, processing, and selling animals. This labor will be provided by Mrs. [OWNER'S LAST' NAME] and their two sons, Keil and Derek. Their responsibilities will be to assist moving the animals out of the delivery trailer, holding the animals while Mr. [OWNER'S LAST' NAME] treats each animal with antibiotics and wormers, and to load the finished animals into the trailer for delivery to the market.

C. Location

[OWNER'S NAME] and [BUSINESS' NAME] will operate at Mr. [OWNER'S LAST' NAME]'s residence at 3189 North 400 West, [OWNER'S LAST' NAME]hard, Indiana. The feeding facilities are located behind the residence on approximately 5 acres of pasture and buildings specifically modified to feed goats and lambs for market.

D. Operating Schedule

[OWNER'S NAME] and [BUSINESS' NAME] will operate on a non-specific schedule. Goats and lambs will be obtained from a variety of markets in Indiana and Kentucky. Each market has a specific day when animals are offered for sale.

The goats and lambs will be fed and observed every morning and evening – 7 days a week. They will be observed for abnormal behavior, disease, and growth. Between feeding and observation Mr. [OWNER'S LAST' NAME] will treat any diseased animals and perform any maintenance required on the facilities.

E. Operating Procedures

The operating procedures for [OWNER'S NAME] and [BUSINESS' NAME] are attached in Appendix A as a task analysis which was conducted to determine the ability of Mr. [OWNER'S LAST' NAME] to perform the duties required for the business.

F. Tools and Equipment

[OWNER'S NAME] and [BUSINESS' NAME] will need the following tools and equipment to operate the business:

5 acres	Pasture for animals
Tool shed	Shelter for animals
Receiving Barn	Specialized area for receiving new animals
Agricultural lime	For solid surface in shed and disease control
Woven Wire Fence	To control animals and separate groups
Steel Fence posts	To hold fence upright
Water lines	To provide water to waterers for animals
Automatic water fountains	To constantly provide fresh water to animals

Lumber, wooden posts	Dividers between pens in tool shed
Tractor	To pull wagons for feed and manure spreader
Manure spreader	To transport and spread fecal waste to fields
Wagons	To store feed for animals between deliveries
Electrical installation	Lights and heaters in water fountains
Computer, printer	Financial and inventory records, inventory
Syringes, vaccine, vitamins	Preventative and treatment of disease
Grain and supplement	Feed for animals
Hay	Feed for animals
Straw	Bedding for animals

G. Raw Materials/Product Inventory Needs and Suppliers

[OWNER'S NAME] and [BUSINESS' NAME] will purchase 25-30 pound kid goats and lambs from several sources in Indiana and Kentucky. They will be purchased direct from the farm, if possible. If not direct from the farm, they will be purchased at auctions. The auctions are conducted on a regular schedule at various locations. Mr. [OWNER'S LAST' NAME] will commission buyers to acquire and deliver animals to him. The buyers work on a commission basis or a percentage of the purchase price and then a delivery charge is added to the purchase price.

Mr. [OWNER'S LAST' NAME] has purchased animals through commission buyers in the past through local auctions. The commission buyers will be selected according to commission charged, number of animals they can secure for the business, and the quality of the animals secured. The number of commission buyers is limited which is why one of the goals of the business is to obtain a truck and trailer so that Mr. [OWNER'S LAST' NAME] can purchase and transport the animals himself. This would eliminate commissions as an expense and reduce transportation costs. Mr. [OWNER'S LAST' NAME] would also be able to control quality of the animals he purchases.

H. Purchased and Contracted Services

[OWNER'S NAME] and [BUSINESS' NAME] will utilize his sons as hired labor, commission buyers and sellers, and tax preparation professionals. Mr. [OWNER'S LAST' NAME] will do the bookkeeping himself. He will utilize a local veterinarian for health care services for the animals.

The commission buyers are:

Tax services will be provided by:

Veterinarian services will be provided by:

Mr. [OWNER'S NAME] will utilize the following auctions to purchase and sell goats and lambs:

I. Family, Community, and Professional Supports

[OWNER'S NAME] and [BUSINESS' NAME] will be supported by his wife and sons. The support of his wife will be on a voluntary basis and his sons will be paid for their services.

J. Inventory Control

[OWNER'S NAME] and [BUSINESS' NAME] will utilize an Excel spreadsheet to track number of animals purchased, animals sold, animals that died, feed purchases, days on feed, and other costs associated with the business.

IV. MARKETING PLAN

A. Target Market and Demand

The target market for [OWNER'S NAME] and [BUSINESS' NAME] will be the ethnic market in Chicago and the growing ethnic population in Northwest Indiana. According to the latest U.S. Census, there are 81,315 Latino or Hispanics in the Northwest Indiana Economic Development Region and 753,644 in the City of Chicago (see Appendix B). The other target population within Northwest Indiana and the City of Chicago is the religious communities – Muslim, Jewish, Hindu, and others especially around holidays.

According to the Ag Marketing Resource Center at Iowa State University in its December 2005 update, there were a total of 1.97 million meat goats in the United States. Of that total, 1.6 million were for breeding and 351,000 were for market. According to Langston University Goat and Research Extension, the United States is importing the equivalent of more than 700,000 goats per year (see Appendix C).

[OWNER'S NAME] and [BUSINESS' NAME], located at 3189 North 400 West, [OWNER'S LAST' NAME]hard, Indiana, is on the southern border of the Northwest Indiana Economic Development Region and less than one-hour drive to at least two livestock auctions. There are two slaughter houses identified for goat slaughter: Ruwaldt Packing Company, US Highway 6, Hobart, Indiana and Sears Packing at Russiaville, Indiana. Both facilities are close to the proposed target markets. There are also livestock brokers who are available to sell and purchase goats in Mr. [OWNER'S LAST' NAME]'s area.

[OWNER'S NAME] and [BUSINESS' NAME] will purchase kid goats through two primary sources. The first is through the local livestock broker and the second is through auctions and contacts in Kentucky. According to the National Agricultural Statistics Service in the United States Department of Agriculture 2002 Miscellaneous Livestock and Animal Specialties Inventory and Numbers Sold, Indiana sold 8,707 goats; Illinois sold 5,651; Michigan sold 4,691; and Kentucky sold 42,923 (see Appendix

D). According to Wade Buntin, a goat broker in Kentucky, he is able to provide groups of 100-150 goats per month and to provide packer/buyers who will purchase the finished goats at the farm.

The demand for goat meat is year-around but increases during religious holidays. In *Growing Goat Markets* by Robin Roenker (see Appendix E), Mr. Roenker states that “meat goat producers in the state do not have to bother with marketing slogans or advertising to sell their animals. Every goat that’s born in Kentucky has a market waiting for it says Ray Bowman of Frankfort, past president of the Kentucky Goat Producers Association.” He states, “Our biggest issue right now as far as marketing is finding enough goats to meet the demand.”

B. Assessment of the Competition

The competition in goat meat production is in finding enough slaughter goats to meet demand and other meats. The population of meat goats has risen from 1997 to 2002. In Indiana in 1997 there were 414 farms selling 3,811 goats. In 2002 there were 704 farms selling 8,707 goats. In Kentucky, the number of farms has increased from 516 in 1997 to 1,407 in 2002. The number of goats marketed rose from 5,260 in 1997 to 42,923 in 2002 and, as stated in the article in Appendix E, the demand exceeds the availability (no need to advertise sales).

From the above numbers, goat production is used by the majority of producers as part of the farming operation. The average farm in Indiana is selling 12 goats per year and in Kentucky 31 goats per year. These are not numbers to sustain a farm as the sole source of income.

C. Identify the Market Niche that the Business will Occupy

[OWNER'S NAME] and [BUSINESS' NAME] will fill the niche market of goat producers who are producing goats and do not have the facilities, time, or feed to finish their own goats for market. Another niche will be that a packing plant or slaughter plant can obtain larger numbers of finished animals from one location and reduce the expense of locating the desired number of slaughter animals and reduce transportation costs of multiple stops for animals. This could also result in premium prices for Mr. [OWNER'S LAST' NAME].

D. Product/Service Pricing

The price of kids and finished goats will be determined by supply and demand in the marketplace. Markets are monitored by the USDA and the slaughter plants must be state inspected to sell meat within the State of Indiana and federally inspected to sell meat across state lines (such as slaughtered in Indiana and meat sold in Chicago).

E. Advertising Strategies

[OWNER'S NAME] and [BUSINESS' NAME] will not need to advertise as long as the number of goats available is sufficient.

F. Distribution/Delivery Methods

[OWNER'S NAME] and [BUSINESS' NAME] will purchase the kids through livestock brokers in Indiana and Kentucky who will deliver the purchased animals to Mr. [OWNER'S LAST' NAME]'s farm. The finished goats will be purchased by livestock buyers and brokers who will arrange for the animals to be loaded at the farm and taken to the proper slaughter plant.

LEGAL ISSUES

[OWNER'S NAME] and [BUSINESS' NAME] will operate as a sole proprietor and the property is zoned agricultural by Benton County. The volume of animals that will be on the premises at any one time does not require a permit for a confined feeding facility according to the Indiana Department of Environmental Management.

COST PROJECTIONS

A. For Establishment of the Business Enterprise

See attached Start-up Cost spreadsheet in Appendix F.

B. Projected Revenues, Expense, and Net Income Statements for the First Two Years of Continuing Business Operations

Appendix F contains the projected cash flow, revenues, expenses and income statements for [BUSINESS' NAME].

IX. MONITORING PLAN

[OWNER'S NAME] and [BUSINESS' NAME] will be monitored by Vocational Rehabilitation Services through monthly meetings and financial statements when requested.

X. APPENDICES: SUPPORTING DOCUMENTATION

Appendix A: Task Analysis

Appendix B: Demographics of Target Market

Appendix C: Langston University Goat and Research Extension-Goat Imports

Appendix D: Goat Inventories

Appendix E: Demand for Goat Meat: *Growing Goat Markets*

Appendix F: Projected cash flow, revenues, expenses and income statements

Appendix G: Equipment Bids

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