

# How to Start a Vegetable Farming Business

By the [BizMove.com](http://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 advice 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.

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

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3. Describe who will use your products/services

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4. Why would someone buy your product/service?

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

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6. List your product/services suppliers.

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

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

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## **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?

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

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

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

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

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

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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.

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

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**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?

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6. What is the per capita income?

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

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

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

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10. Can you appeal to the entire market?

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

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## **F. Competition**

1. Who are your major competitors?

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2. What are the major strengths of each?

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3. What are the major weaknesses of each?

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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?

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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?

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## **G. Sales**

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

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

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3. Did you base your forecast on concrete data?

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

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

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

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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.)

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

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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 already classified 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.

<b>Name of Competitor and Location</b>	<b>% Share of Market</b>	<b>Estimated Sales</b>	<b>Sales Loss Because of You</b>
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.

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### **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?

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## **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:

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

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## **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.

	<b>Projected Statement of Sales and Expenses for One Year</b>												
	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 Vegetable Farming Business Plan Template**

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## 1.0 Executive Summary

Company: [Company Name]

Name: [Name]

Address: [Address]

Phone: XXX-XXX-XXXX

Fax: XXX-XXX-XXXX

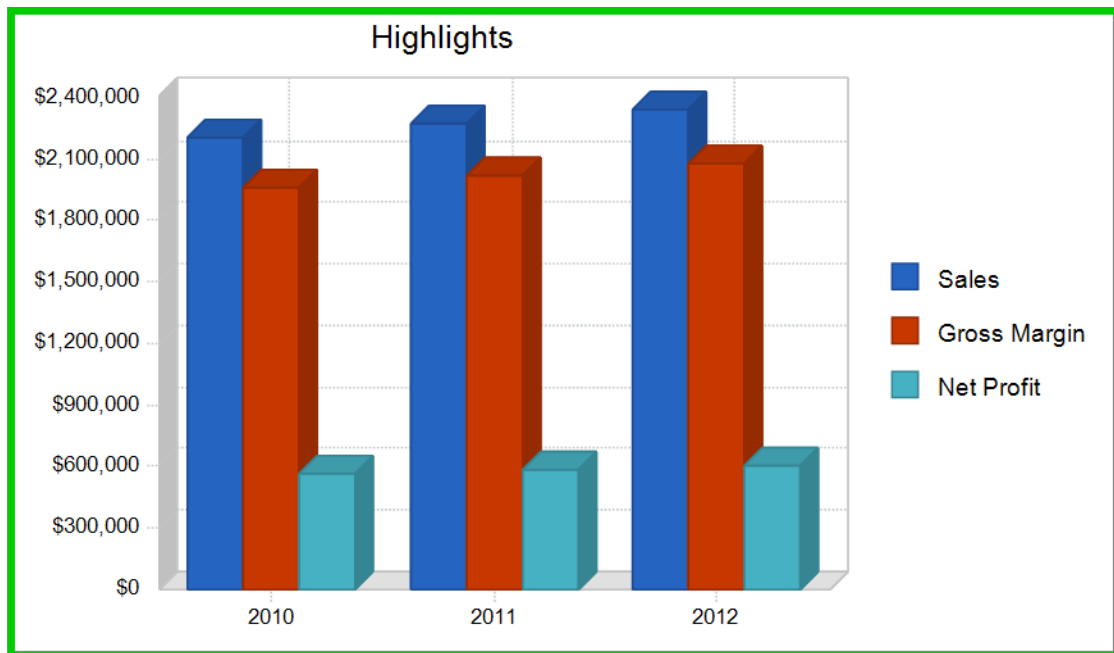
Email: [\[Email Address\]](#)

[Company Name] is led by owner [Name], who has considerable experience in running an effective business. [Name] has a strong farming background due to his family's farming tradition that dates back to the early 1900's. In 2007 [Name] Farms became [Company Name] after forming a general partnership. The Company is headquartered in Dexter, Missouri where it serves as a row crop business specializing in popcorn, cotton, rice, wheat, soybeans and purple hull peas.

The focus of this business plan is to put forth objectives to make our business stronger, implement new technologies to focus more in detail on financial exponents, to justify payroll for experience and become a role model family farming operation. [Company Name] is ready to elevate to the next step. The Company is seeking grant funding in the amount of \$560,000. The funding will be used to purchase trucks and trailers, purchase GPS equipment and purchase new tractors.

Based on the detailed financial projections, [Company Name] future sales for 2010, 2011 and 2012 are expected to be \$2,203,949, \$2,270,068 and \$2,338,170, respectively.

Chart: Highlights



### *1.1 Objectives*

[Company Name] has four main objectives:

- To make our business stronger
- To implement new technologies to focus more in detail on financial exponents
- To justify payroll for experience
- To become a role model family farming operation

### *1.2 Mission*

[Company Name]' mission is to become a strong and self-sustaining farming operation with an interest in educating and offering training and guidance to newer operations; therefore, allowing the Company to give back to the community.

### *1.3 Keys to Success*

[Company Name]' keys to success are:

- To have the ability to grow and strengthen the business to allow proper marketability
- To supply the farming operation with sufficient equipment to allow efficient farming, planting, maintaining and harvesting.

## **2.0 Company Summary**

[Company Name] is headquartered in Dexter, Missouri.

Company: [Company Name]

Name: [Name]

Address: [Address]

Phone: XXX-XXX-XXXX

Fax: XXX-XXX-XXXX

Email: [\[Email Address\]](#)

[Name] Farms was established in 1996 by its owner [Name]. [Name] has a strong farming background due to his family's farming tradition that dates back to the early 1900's. In 2007 [Name] Farms became [Company Name] after forming a general partnership. [Company Name] is a row crop business specializing in popcorn, cotton, rice, wheat, soybeans and purple hull peas. The farm headquarters is located in Dexter, Missouri, which is 25 miles west of the Mississippi River; therefore providing a fertile and well drained farmland.

[Company Name] main crop is cotton, which is very suitable for the area. The farm uses popcorn as a rotation crop because research shows that cotton/corn rotation produces the best yields. Additionally, the farm uses rice on the poorly drained soil and soybeans for that rotation to help on weed control. The wheat and peas are used as a double crop to maximize profit on the un-irrigated land.

## 2.1 Company Ownership

In 2007 [Name] Farms and [Company Name] formed a general partnership to increase profitability. The owner [Name] controls all interests of the partnership.

## 2.2 Company History

[Company Name]' sales for 2007, 2008, and 2009 were \$856,335, \$1,651,482 and \$1,472,218, respectively. Earnings for this period were (\$104,118), \$470,898 and (\$23,015), respectively.

2007 was the first year of the partnership, which allowed the Company to double its farmable acres. [Company Name] raised popcorn on all of the new acreage and had an unbelievable yield; therefore, the income in 2008 was the 2007 profit. However, the Company experienced some loss during 2008-2009 due to extreme winds damaging the popcorn crops.

Table: Past Performance

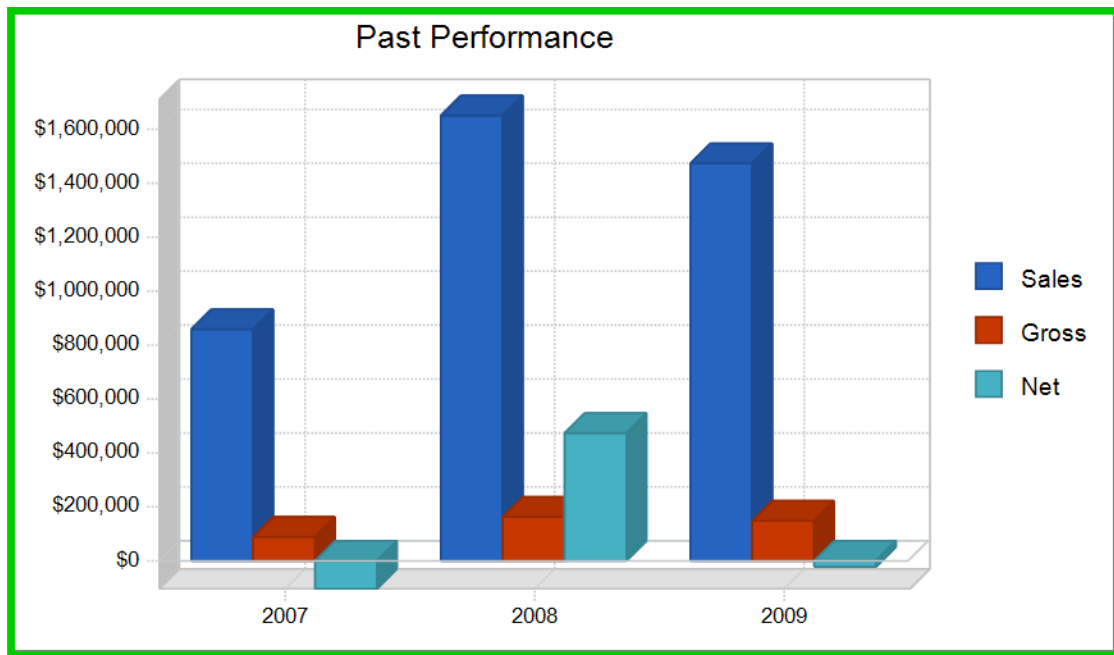
<i>Past Performance</i>			
	2007	2008	2009
<b>Sales</b>	\$856,335	\$1,651,482	<b>\$1,472,218</b>
<b>Gross Margin</b>	\$85,634	\$165,148	<b>\$147,222</b>
<b>Gross Margin %</b>	10.00%	10.00%	<b>10.00%</b>
<b>Operating Expenses</b>	\$1,095,069	\$1,184,187	<b>\$1,633,406</b>
<b>Collection Period (days)</b>	0	0	<b>0</b>
<b>Balance Sheet</b>			
	2007	2008	2009
<b>Current Assets</b>			
<b>Cash</b>	(\$153,345)	(\$136,670)	<b>(\$139,875)</b>

<b>Accounts Receivable</b>	\$12,668	\$40,522	<b>\$75,121</b>
<b>Other Current Assets</b>	\$685	\$685	<b>\$685</b>
<b>Total Current Assets</b>	<b>(\$139,992)</b>	<b>(\$95,463)</b>	<b>(\$64,069)</b>
<b>Long-term Assets</b>			
<b>Long-term Assets</b>	\$1,400	\$1,400	<b>\$1,400</b>
<b>Accumulated Depreciation</b>	\$0	\$0	<b>\$0</b>
<b>Total Long-term Assets</b>	\$1,400	\$1,400	<b>\$1,400</b>
<b>Total Assets</b>	<b>(\$138,592)</b>	<b>(\$94,063)</b>	<b>(\$62,669)</b>
<b>Current Liabilities</b>			
<b>Accounts Payable</b>	\$0	\$0	<b>\$0</b>
<b>Current Borrowing</b>	\$0	\$0	<b>\$0</b>
<b>Other Current Liabilities (interest free)</b>	\$34,474	\$460,842	<b>\$406,433</b>
<b>Total Current Liabilities</b>	\$34,474	\$460,842	<b>\$406,433</b>
<b>Long-term Liabilities</b>	\$0	\$0	<b>\$0</b>
<b>Total Liabilities</b>	\$34,474	\$460,842	<b>\$406,433</b>
<b>Paid-in Capital</b>	\$300	\$300	<b>\$300</b>
<b>Retained Earnings</b>	(\$69,248)	(\$1,026,103)	<b>(\$446,387)</b>
<b>Earnings</b>	(\$104,118)	\$470,898	<b>(\$23,015)</b>
<b>Total Capital</b>	<b>(\$173,066)</b>	<b>(\$554,905)</b>	<b>(\$469,102)</b>



<b>Total Capital and Liabilities</b>	<b>(\$138,592)</b>	<b>(\$94,063)</b>	<b>(\$62,669)</b>
<b>Other Inputs</b>			
<b>Payment Days</b>	<b>60</b>	<b>60</b>	<b>60</b>
<b>Sales on Credit</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Receivables Turnover</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Chart: Past Performance



### 3.0 Products

[Company Name] is a Dexter, Missouri farming service specializing in grain and fiber production. [Company Name] is a high quality row crop business that produces popcorn, cotton, rice, wheat, soybeans and purple hull pea's crops. [Company Name] offers superior products that are suitable for sale and exportation.

### 4.0 Market Analysis Summary

The US agricultural crop production industry includes more than 1 million farms with combined annual revenue of \$175 billion. Crop farming is the growing and harvesting of field crops such as grain, oilseeds, tobacco, dry beans, potatoes, vegetables and melons, fruits and nuts, and floriculture.

Major products within this industry are corn for grain, soybeans, fruits and nuts as well as hay. Other major crops include wheat, vegetables and melons, and cotton and potatoes. Of all farms, 15 percent are grain or oilseed. Grain and oilseed farmers mostly practice crop rotation, typically alternating between plantings of grain corn and soybeans. Planting these crops in succession improves weed control, lowers pest and disease risk and requires less fertilizer.

The overall market for grains and high fiber foods is immense. World whole grain and high fiber foods market is projected to reach about US \$21 billion by 2010. This industry has experienced strong growth, aided by healthy demand from livestock industries and an increase in the use of grains in ethanol production. The primary activities of companies in this industry are wheat farming and wheat seed production. Similar Industries include corn farming and grain farming.

[Company Name] business plan focuses solely on the grain and fiber market. [Company Name] has all the needed potential to flourish within this market. The Company has been a highly productive farm showing high yields each season.

#### *4.1 Market Segmentation*

[Company Name] is located in Dexter, Stoddard County, Missouri. The local market consists of the Dexter and Stoddard County population, while the expanded market consists of the national US population. Both populations are reached through the local elevators we sell to.

*The following information was obtained from Wikipedia.*

#### **City Of Dexter-Demographics**

As of the census of 2000, there were 7,356 people, 3,237 households, and 2,019 families residing in the city. The population density was 1,208.0 people per square mile (466.4/km<sup>2</sup>). There were 3,560 housing units at an average density of 584.6/sq mi (225.7/km<sup>2</sup>). The racial makeup of the city was 97.31% White, 0.15% African American, 0.46% Native American, 0.18% Asian, 0.50% from other races, and 1.40% from two or more races. Hispanic or Latino of any race were 1.20% of the population.

There were 3,237 households out of which 29.4% had children under the age of 18 living with them, 47.0% were married couples living together, 12.1% had a female householder with no husband present, and 37.6% were non-families. 33.8% of all households were made up of individuals and 17.7% had someone living alone who was 65 years of age or older. The average household size was 2.23 and the average family size was 2.83.

In the city the population was spread out with 23.7% under the age of 18, 9.2% from 18 to 24, 25.9% from 25 to 44, 20.9% from 45 to 64, and 20.3% who were 65 years of age or older. The median age was 39 years. For every 100 females there were 82.2 males. For every 100 females age 18 and over, there were 77.3 males.

The median income for a household in the city was \$23,116, and the median income for a family was \$32,175. Males had a median income of \$26,724 versus \$17,409 for females. The per capita income for the city was \$15,034. About 14.8% of families and 18.3% of the population were below the poverty line, including 23.5% of those under age 18 and 16.3% of those age 65 or over.

### **County of Stoddard-Demographic**

As of the census of 2000, there were 29,705 people, 12,064 households, and 8,480 families residing in the county. The population density was 36 people per square mile (14/km<sup>2</sup>). There were 13,221 housing units at an average density of 16 per square mile (6/km<sup>2</sup>). The racial makeup of the county was 97.34% White, 0.91% Black or African American, 0.40% Native American, 0.09% Asian, 0.01% Pacific Islander, 0.24% from other races, and 1.01% from two or more races. 0.78% of the population were Hispanic or Latino of any race. 38.4% were of American, 15.4% German, 12.4% Irish and 8.5% English ancestry according to Census 2000.

There were 12,064 households out of which 30.50% had children under the age of 18 living with them, 57.40% were married couples living together, 9.40% had a female householder with no husband present, and 29.70% were non-families. 26.60% of all households were made up of individuals and 13.70% had someone living alone who was 65 years of age or older. The average household size was 2.39 and the average family size was 2.88.

In the county the population was spread out with 23.90% under the age of 18, 8.50% from 18 to 24, 26.30% from 25 to 44, 24.10% from 45 to 64, and 17.20% who were 65

years of age or older. The median age was 39 years. For every 100 females there were 92.60 males. For every 100 females age 18 and over, there were 88.20 males.

The median income for a household in the county was \$33,120, and the median income for a family was \$41,072. Males had a median income of \$26,514 versus \$17,778 for females. The per capita income for the county was \$18,003. About 12.80% of families and 16.50% of the population were below the poverty line, including 20.20% of those under age 18 and 17.60% of those age 65 or over.

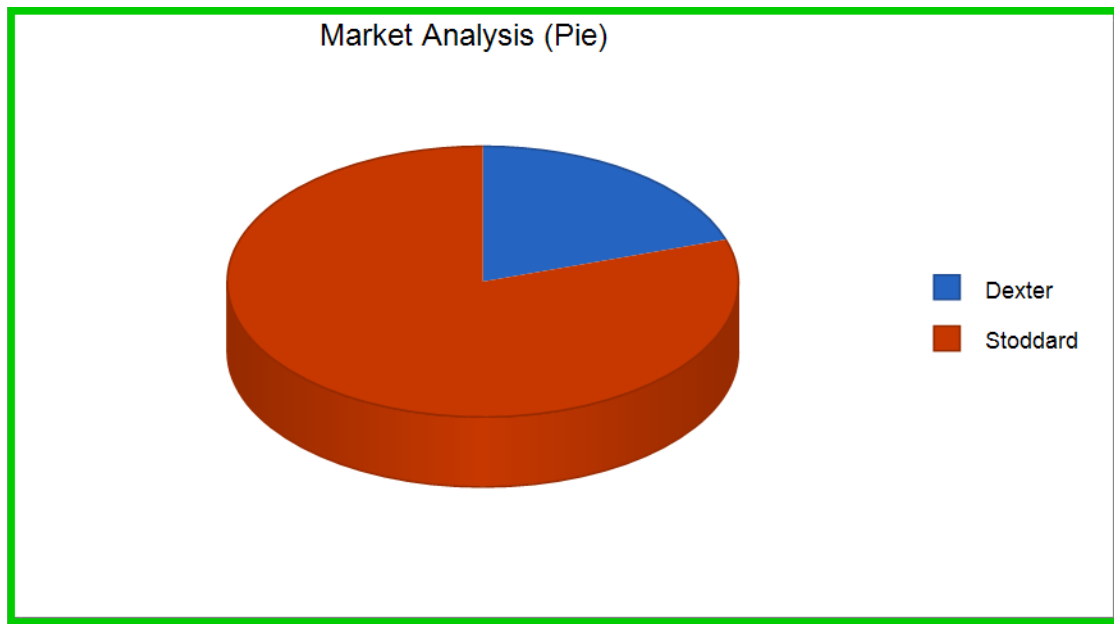
All of our customers exist due to our professional reputation as well as through the long-standing relationship we've developed. Our customers appreciate our homegrown crops. These customers have the option to do business with other farmers within the area, but they understand that working with [Company Name] is beneficial to them because we deliver the dedication and outstanding products that they desire.

[Company Name]' local market is reflected in the Market Analysis Table below.

Table: Market Analysis

Market Analysis							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						CAGR
Dexter	0%	7,356	7,356	7,356	7,356	7,356	0.00%
Stoddard	0%	29,537	29,537	29,537	29,537	29,537	0.00%
Total	0.00%	36,893	36,893	36,893	36,893	36,893	0.00%

Chart: Market Analysis (Pie)



#### *4.2 Target Market Segment Strategy*

[Company Name]' mission is to remain a strong and self-sustaining farming operation. The Company has an interest in obtaining more land, equipment and manpower to increase its competitive edge.

Currently, [Company Name]' serves the grain and fiber market segment. [Company Name]' choice of target markets is based on comprehensive experience within the crop farming industry coupled with an in-depth understanding of the customer's needs. [Company Name]' skills and capabilities have allowed the Company to effectively compete and establish a reputation within its area. However obtaining grant funding will improve the Company's productivity and profitability levels.

#### *4.3 Industry Analysis*

The agriculture industry plays a vital role in the U.S economy. It supplies the country with a wide variety of food products and non-food products and it remains one of the Nation's larger industries in terms of total employment. [Company Name] knows that its target customers are concerned with quality of product; thus the Company has built its reputation on providing customers with exceptional yield. Our commodity is available for the customer when they need it.

##### *4.3.1 Competition and Buying Patterns*

[Company Name] exist in a purely competitive market. The competition is endless and larger farms reap more benefits. Although, the Company's has experienced hardship due to its size and past crop failure, the Company's longevity and industry experience has enabled it to succeed in the grain and fiber industry. With proper funding, the

Company can become stronger and have more eating equity by obtaining more land and equipment to maximize production.

## 5.0 Strategy and Implementation Summary

[Company Name] have clearly defined the target market and have differentiated itself by offering a solid solution to fulfilling its customers' needs. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

### 5.1 SWOT Analysis

The SWOT analysis aids in displaying the internal strengths and weaknesses that [Company Name] must address. It allows us to examine the opportunities presented to [Company Name] as well as potential threats. The company's **strength** will help it to succeed. These strengths are: having an outstanding reputation, strong farming background and industry knowledge, excellent and stable staff that helps the business runs efficiently, perseverance and longevity. Strengths are valuable, but it is also important to realize the **weaknesses** [Company Name] must address. [Company Name]' main weakness is limited cash flow and resources, the inability to embrace technology and have dependable equipment, and lacking the means to transport to the market.

### 5.1.1 Strengths

[Company Name] has much notable strength. These strengths include:

- Outstanding Reputation
- Strong farming background and industry experience
- Excellent and stable staff that helps the business runs efficiently
- Perseverance and longevity

### 5.1.2 Weaknesses

[Company Name] has a few weaknesses. These weaknesses include:

- Limited cash flow and resources
- The inability to embrace technology and have dependable equipment
- Lacking the means to transport to the market

### 5.1.3 Opportunities

Opportunities for [Company Name] include using new and more productive, efficient farming practices, and raising new commodities. Ongoing education is an important opportunity for [Company Name] to stay up to date with the latest farming practices that would make our business more productive and efficient.

The opportunity for raising new commodities may introduce itself in the future, due to market demands.

### 5.1.4 Threats

Weather is our main threat, which can either work for us or against us. Too much moisture, not enough moisture, and hail storms are some examples of weather threats. National and global economic troubles do not threaten the need for our products, but do threaten profit potential. Weeds, insects and disease are also potential threats to the crop that we work on controlling throughout the farming season. Additional threats include competition from established farming businesses and outside investors with cash.

## 5.2 *Competitive Edge*

[Company Name]' competitive edge is our in-depth knowledge, seasoned staff and our longevity in the farming industry. By building a business based on long-standing relationships with satisfied clients, we simultaneously build defenses against

competition. The longer the relationship stands, the more we help our clients understand what we offer them and why they need it. Furthermore, [Company Name] focuses on making the business sustainable by making practical, educated decisions.



### *5.3 Marketing Strategy*

Currently, [Company Name] has an advantage because the owner, [Name] is a superior business man and a diligent worker that offers years of industry knowledge to the grain and fiber industry. [Name] has a strong farming background; in fact, his family has been in the farming industry since 1901. Furthermore, [Company Name] has made many strong relationships which have allowed the Company to build a reputation in the grain and fiber industry. The farming operation knows what its customers need and the quality that they desire; thus, it aims to satisfy them.

### *5.4 Sales Strategy*

The owner of [Company Name] has excellent work ethics and knows all the ins and outs of the grain and fiber industry. He effectively leads his team to maximize productivity and to ensure good yield results. These are the skills which have been useful in aiding the Company to achieve high sales goals. Additionally, keeping customers happy, we feel, is an implicit part of building a relationship that will encourage repeat business.

The sales forecast monthly summary is included in the appendix. The annual sales projections are included here in Table below.

#### *5.4.1 Sales Forecast*

[Company Name]' average monthly sales for rice are \$2083 during the months of March-November. The Company's annual total sales for rice are forecast to be \$18,750.

[Company Name]' average monthly sales for cotton are \$144,711 during the months of March-November. The Company's annual total sales for cotton are forecast to be \$1,302,399.

[Company Name]' average monthly sales for purple hull peas are \$25,000 during the months of March-November. The Company's annual total sales for purple hull peas are forecast to be \$225,000.

[Company Name]' average monthly sales for popcorn are \$54,000 during the months of March-November. The Company's annual total sales for popcorn are forecast to be \$486,000.

[Company Name]' average monthly sales for wheat are \$13,889 during the months of March-November. The Company's annual total sales for wheat are forecast to be \$125,000.

[Company Name]' average monthly sales for soybeans are \$5,200 during the months of March-November. The Company's annual total sales for cotton are forecast to be \$46,800.

The 2010 forecast for [Company Name]' total sales are \$2,203,949. During the years 2011 and 2012 the Company will see a 3% annual increase.

Table: Sales Forecast

<b>Sales Forecast</b>			
	2010	2011	2012
<b>Unit Sales</b>			
<b>Rice</b>	3,750	3,863	<b>3,978</b>
<b>Cotton</b>	2,034,999	2,096,049	<b>2,158,930</b>
<b>Purple Hull Peas</b>	12,500	12,875	<b>13,261</b>
<b>Popcorn</b>	3,240,000	3,337,200	<b>3,437,316</b>
<b>Wheat</b>	25,000	25,750	<b>26,523</b>
<b>Soybeans</b>	5,200	5,356	<b>5,517</b>
<b>Total Unit Sales</b>	5,321,449	5,481,092	<b>5,645,525</b>
<b>Unit Prices</b>	2010	2011	<b>2012</b>
<b>Rice</b>	\$5.00	\$5.00	<b>\$5.00</b>
<b>Cotton</b>	\$0.64	\$0.64	<b>\$0.64</b>
<b>Purple Hull Peas</b>	\$18.00	\$18.00	<b>\$18.00</b>
<b>Popcorn</b>	\$0.15	\$0.15	<b>\$0.15</b>
<b>Wheat</b>	\$5.00	\$5.00	<b>\$5.00</b>
<b>Soybeans</b>	\$9.00	\$9.00	<b>\$9.00</b>
<b>Sales</b>			
<b>Rice</b>	\$18,750	\$19,313	<b>\$19,892</b>
<b>Cotton</b>	\$1,302,399	\$1,341,471	<b>\$1,381,715</b>
<b>Purple Hull Peas</b>	\$225,000	\$231,750	<b>\$238,703</b>
<b>Popcorn</b>	\$486,000	\$500,580	<b>\$515,597</b>
<b>Wheat</b>	\$125,000	\$128,750	<b>\$132,613</b>

<b>Soybeans</b>	\$46,800	\$48,204	<b>\$49,650</b>
<b>Total Sales</b>	\$2,203,949	\$2,270,068	<b>\$2,338,170</b>
<b>Direct Unit Costs</b>	2010	2011	<b>2012</b>
<b>Rice</b>	\$0.50	\$0.50	<b>\$0.50</b>
<b>Cotton</b>	\$0.06	\$0.06	<b>\$0.06</b>
<b>Purple Hull Peas</b>	\$1.80	\$1.80	<b>\$1.80</b>
<b>Popcorn</b>	\$0.01	\$0.02	<b>\$0.02</b>
<b>Wheat</b>	\$0.50	\$0.50	<b>\$0.50</b>
<b>Soybeans</b>	\$0.90	\$0.90	<b>\$0.90</b>
<b>Direct Cost of Sales</b>			
<b>Rice</b>	\$1,875	\$1,931	<b>\$1,989</b>
<b>Cotton</b>	\$130,240	\$134,147	<b>\$138,172</b>
<b>Purple Hull Peas</b>	\$22,500	\$23,175	<b>\$23,870</b>
<b>Popcorn</b>	\$48,600	\$50,058	<b>\$51,560</b>
<b>Wheat</b>	\$12,500	\$12,875	<b>\$13,261</b>
<b>Soybeans</b>	\$4,680	\$4,820	<b>\$4,965</b>
<b>Subtotal Direct Cost of Sales</b>	<b>\$220,395</b>	<b>\$227,007</b>	<b>\$233,817</b>

Chart: Sales Monthly

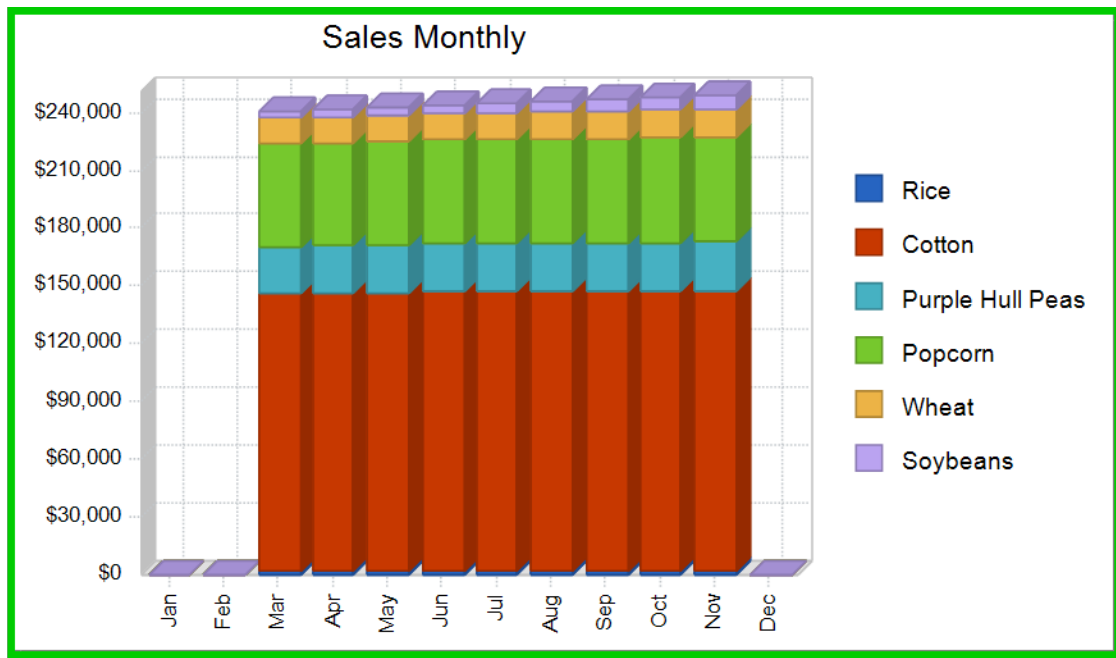
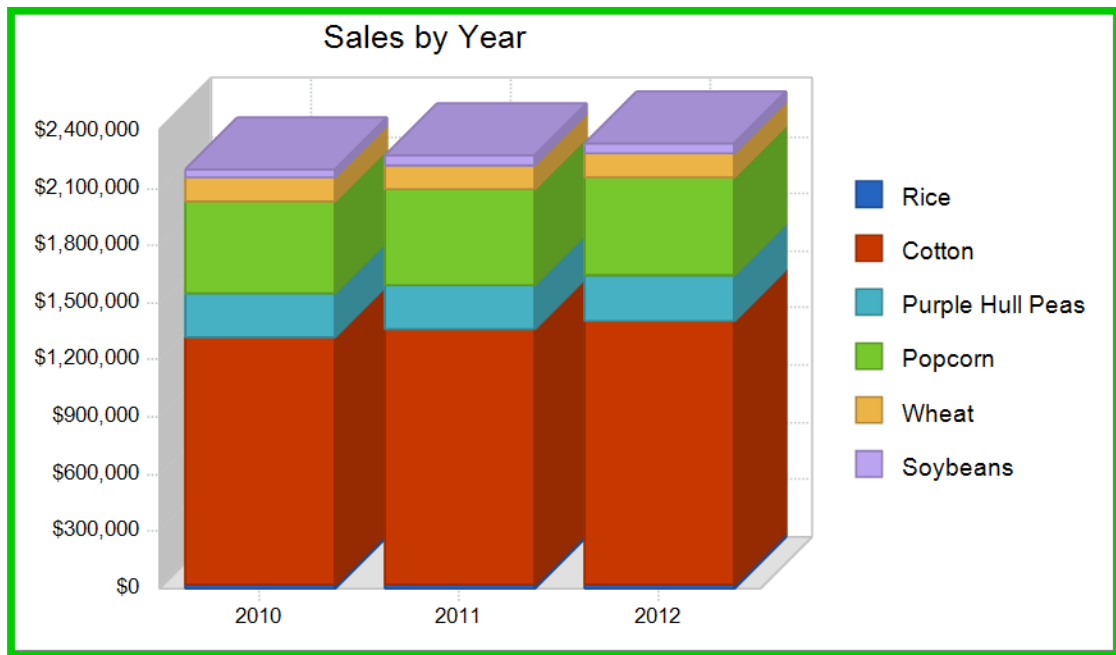


Chart: Sales by Year



## 5.5 Milestones

In order to achieve the growth and marketing goals that have been outline in this business plan, the Company has deadlines to meet and ideas to implement. Some of these are outlined below:

- Obtain grant funding to improve business.
- Purchase new trucks and trailers. Updating these will help [Company Name] become more energy efficient and limit breakdowns.
- Purchase GPS equipment. Use of this will help us to streamline and accurately input plant to harvest costs in greater detail and reduce fatigue of employees to reduce operation costs.
- Get new tractors. In order to utilize GPS technology, we have to update our machinery. The new tractors will also give employees incentive because the equipment will be more reliable.

Table: Milestones

<b>Milestones</b>				
<b>Milestone</b>	<b>Start Date</b>	<b>End Date</b>	<b>Budget</b>	<b>Manager</b>
<b>Purchase new truck and trailers</b>	7/5/2010	11/1/2010	\$70,000	<b>[Name]</b>
<b>Purchase GPS equipment</b>	7/5/2010	11/1/2010	\$80,000	<b>[Name]</b>
<b>Get tractors</b>	7/5/2010	11/1/2010	\$350,000	<b>[Name]</b>
<b>Totals</b>			<b>\$500,000</b>	

## 6.0 Management Summary

[Company Name] is owned and operated by [Name]. The company, being small in nature, requires a simple organizational structure. Implementation of this organizational form calls for the owner, Mr. Hampton, to make the major management decisions in addition to monitoring other business activities.

[Company Name]' office manager is Brian Crawford. Mr. Crawford has a Masters in Business Administration. The supervisor is Andy Keating, who has 40 years of

experience within the industry. The additional workforce includes three laborers; [Name], [Name] and [Name] .

The team's weakness in key management functions exist due to labor issues. If the laborers lack experience, they have to be trained thoroughly, which soaks up plenty of valuable time.

[Company Name] organizational structure

[Name]----->Brian Crawford---->Andy Keating----.>Laborers

## 6.1 Personnel Plan

The table below contains the details of our personnel plan. The detailed monthly personnel plan for the first year is included in the appendix.

[Name] is the owner and manager of [Company Name]. The Company is a seasonal business that only operates during the months of March-November.

[Company Name] has six employees. The Company consists of the owner, the office manager, the supervisor and three laborers.

The office manager receives an annual salary of \$11,232. The supervisor receives an annual salary of 15,444. Two experienced laborers receive an annual salary of 14,040, while the new laborer has an annual salary of \$11,934. The salary will increase in 2011 and 2012 by 3%

A future goal of the Company would be to hire a shop foreman to help with repairs and keep the Company productive.

Table: Personnel

<b>Personnel Plan</b>			
	2010	2011	2012
<b>Office Manager</b>	\$11,232	\$11,569	<b>\$11,916</b>
<b>Supervisor</b>	\$15,444	\$15,907	<b>\$16,385</b>
<b>[Name] -Laborer</b>	\$14,040	\$14,461	<b>\$14,895</b>
<b>[Name] -Laborer</b>	\$11,934	\$12,292	<b>\$12,661</b>
<b>[Name] -Laborer</b>	\$14,040	\$14,461	<b>\$14,895</b>
<b>Total People</b>	5	5	5
<b>Total Payroll</b>	<b>\$66,690</b>	<b>\$68,691</b>	<b>\$70,751</b>

## 7.0 Financial Plan

The current financial plan for [Company Name] is to obtain grant funding in the amount of \$560,000. The grant will be used to purchase trucks and trailers, GPS equipment and new tractors. The additional cash will go towards the Company's working capital.



The following sections of this plan will serve to describe [Company Name] financial plan in more detail:

- General Assumptions
- Break-even Analysis
- Profit and Loss
- Cash Flow
- Balance

### *7.1 Important Assumptions*

The table below presents the assumptions used in the financial calculations of this business plan.

[Company Name]' average per-unit revenue is estimated to be \$0.41. The average per-unit variable cost is estimated to be \$0.04. The estimated monthly fixed cost is \$96,311.

### *7.2 Break-even Analysis*

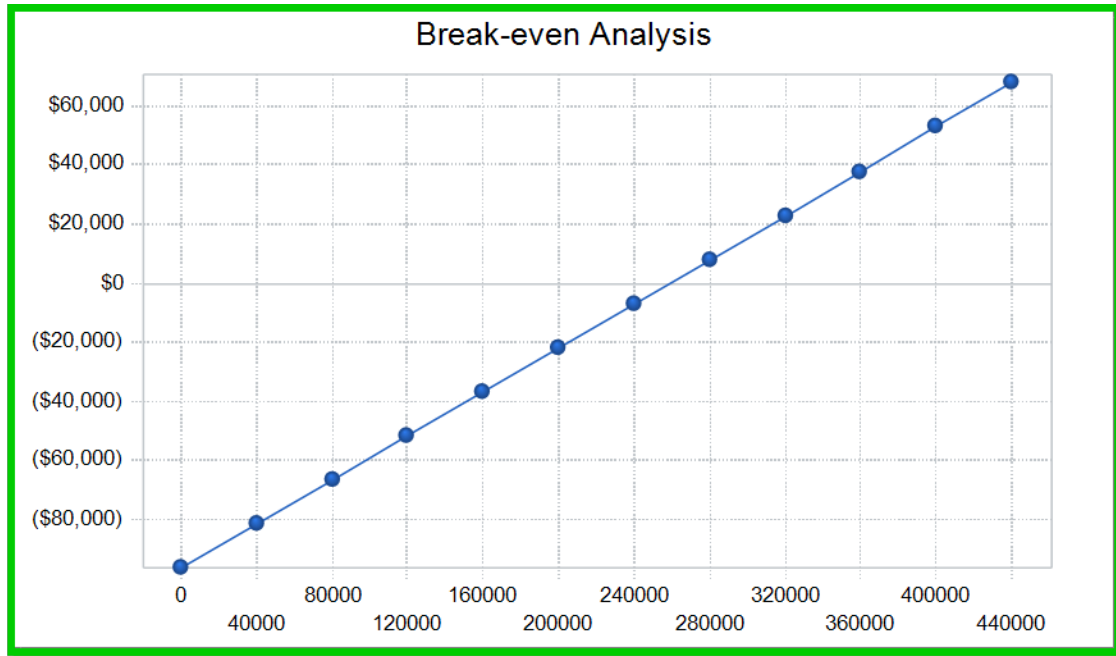
For the Company's break-even analysis, the monthly unit's break-even is projected to be 258,351. The monthly revenue break-even is projected to be \$107,012. The break-even analysis has been calculated on the "burn rate" of The Company. [Company Name] feels that this gives the investor a more accurate picture of the actual risk of the venture.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
<b>Monthly Units Break-even</b>	<b>258,381</b>
<b>Monthly Revenue Break-even</b>	<b>\$107,012</b>
<b>Assumptions:</b>	

<b>Average Per-Unit Revenue</b>	<b>\$0.41</b>
<b>Average Per-Unit Variable Cost</b>	<b>\$0.04</b>
<b>Estimated Monthly Fixed Cost</b>	<b>\$96,311</b>

Chart: Break-even Analysis



### 7.3 Projected Profit and Loss

[Company Name]' Pro Forma Profit and Loss statement was constructed from a conservative point-of-view, and is based in large part on past performance.

The sales for 2010, 2011 and 2012 are \$2,203,949, \$2,270,068 and \$2,338,170, respectively. The net profit for the same period is \$565,130, \$586,057 and \$607,641, respectively. The percentages of the net profit sales for this period were 25.64%, 25.82% and 25.99%, respectively.

Once the Company receives grant funding to add the new assets, the depreciation of the new fixed assets will be over a five year period and is depreciated by 20%. Since the truck and trailers, GPS and tractors totaled \$560,000, its then divided by five years and equals \$100,000 a year. The depreciation for 2011 and 2012 will be calculated using straight-line depreciation.

The aggregated amount of miscellaneous expenses is 30% of the total sales. The miscellaneous expenses consist of:

- Medical Expense
- Interest Expense
- Dues and Membership Fees
- Office Supplies
- Equipment Purchase
- Professional Fees
- Repairs and Maintenance
- Taxes

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	2010	2011	2012
<b>Sales</b>	\$2,203,949	\$2,270,068	<b>\$2,338,170</b>
<b>Direct Cost of Sales</b>	\$220,395	\$227,007	<b>\$233,817</b>
<b>Other Costs of Sales</b>	\$22,039	\$22,701	<b>\$23,382</b>
<b>Total Cost of Sales</b>	\$242,434	\$249,707	<b>\$257,199</b>

<b>Gross Margin</b>	\$1,961,515	\$2,020,360	<b>\$2,080,971</b>
<b>Gross Margin %</b>	89.00%	89.00%	<b>89.00%</b>
<b>Expenses</b>			
<b>Payroll</b>	\$66,690	\$68,691	<b>\$70,751</b>
<b>Marketing/Promotion</b>	\$0	\$0	<b>\$0</b>
<b>Depreciation</b>	\$99,996	\$100,000	<b>\$100,000</b>
<b>Rent</b>	\$238,536	\$245,692	<b>\$253,063</b>
<b>Utilities</b>	\$32,049	\$33,010	<b>\$34,001</b>
<b>Insurance</b>	\$47,268	\$48,686	<b>\$50,147</b>
<b>Payroll Taxes</b>	\$10,004	\$10,304	<b>\$10,613</b>
<b>Other</b>	<b>\$661,185</b>	<b>\$681,020</b>	<b>\$701,451</b>

Table: Profit and Loss (Continued)

<b>Total Operating Expenses</b>	<b>\$1,155,727</b>	<b>\$1,187,403</b>	<b>\$1,220,025</b>
<b>Profit Before Interest and Taxes</b>	<b>\$805,788</b>	<b>\$832,957</b>	<b>\$860,946</b>
<b>EBITDA</b>	<b>\$905,784</b>	<b>\$932,957</b>	<b>\$960,946</b>
<b>Interest Expense</b>	<b>(\$1,541)</b>	<b>(\$4,268)</b>	<b>(\$7,113)</b>
<b>Taxes Incurred</b>	<b>\$242,199</b>	<b>\$251,167</b>	<b>\$260,418</b>
<b>Net Profit</b>	<b>\$565,130</b>	<b>\$586,057</b>	<b>\$607,641</b>
<b>Net Profit/Sales</b>	<b>25.61%</b>	<b>25.82%</b>	<b>25.99%</b>

Chart: Profit Monthly

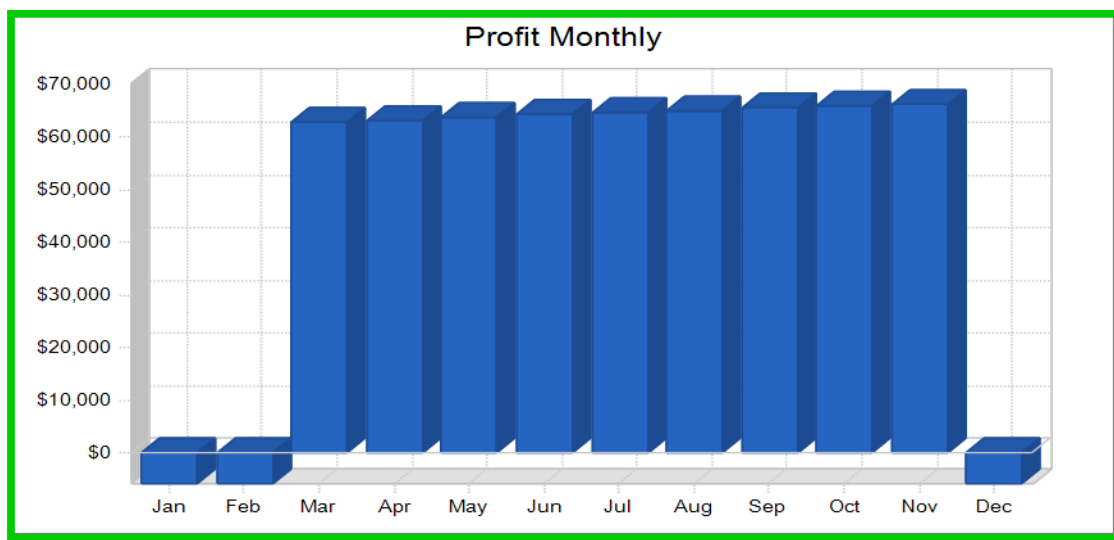


Chart: Profit Yearly

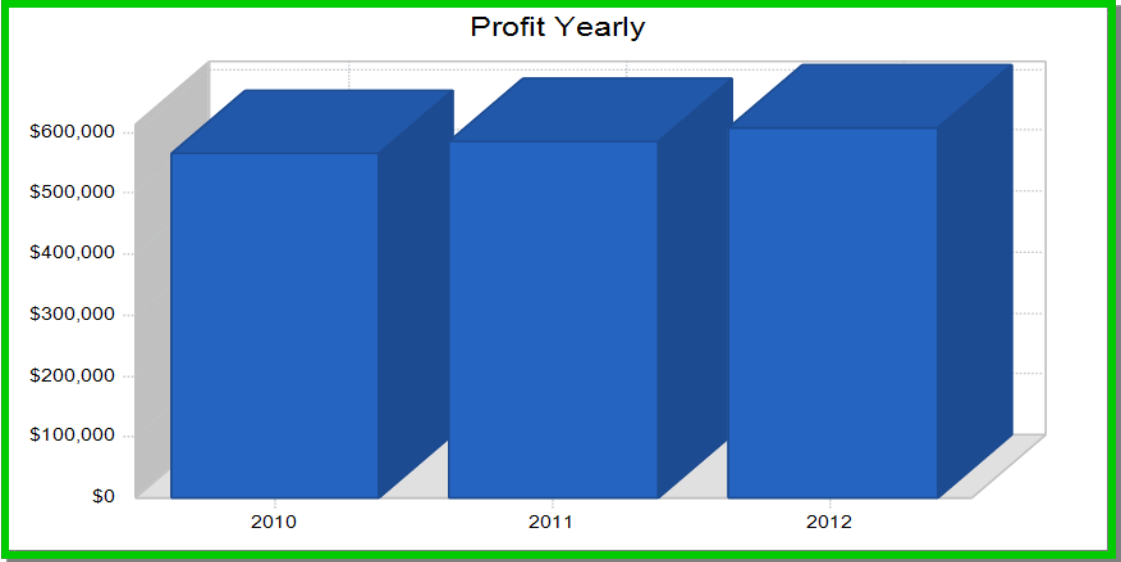


Chart: Gross Margin Monthly

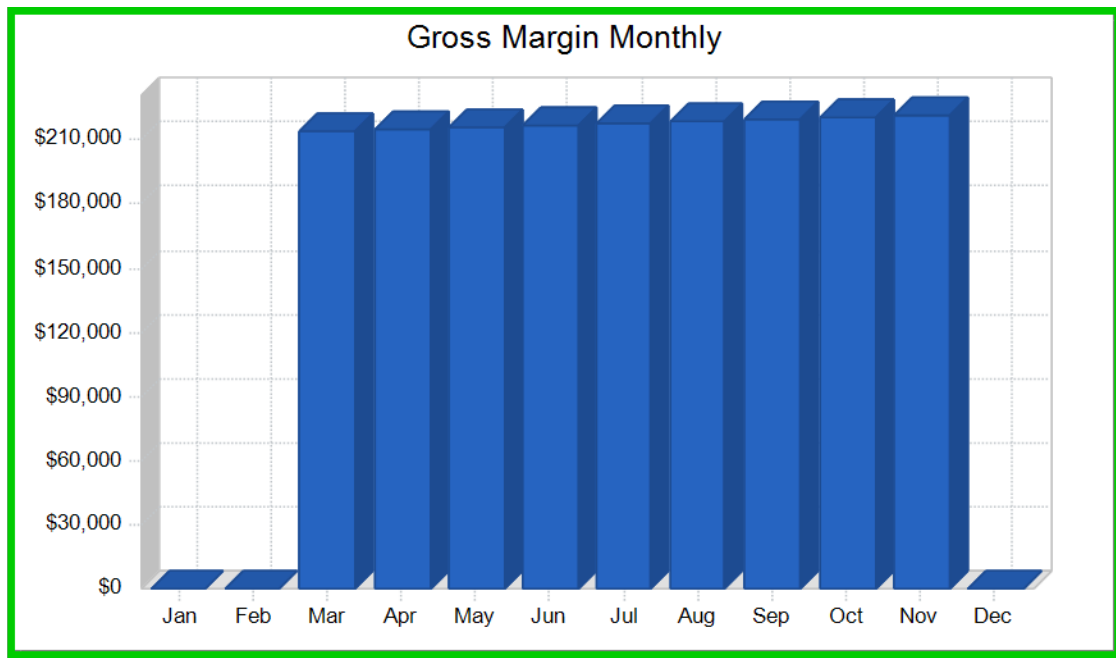
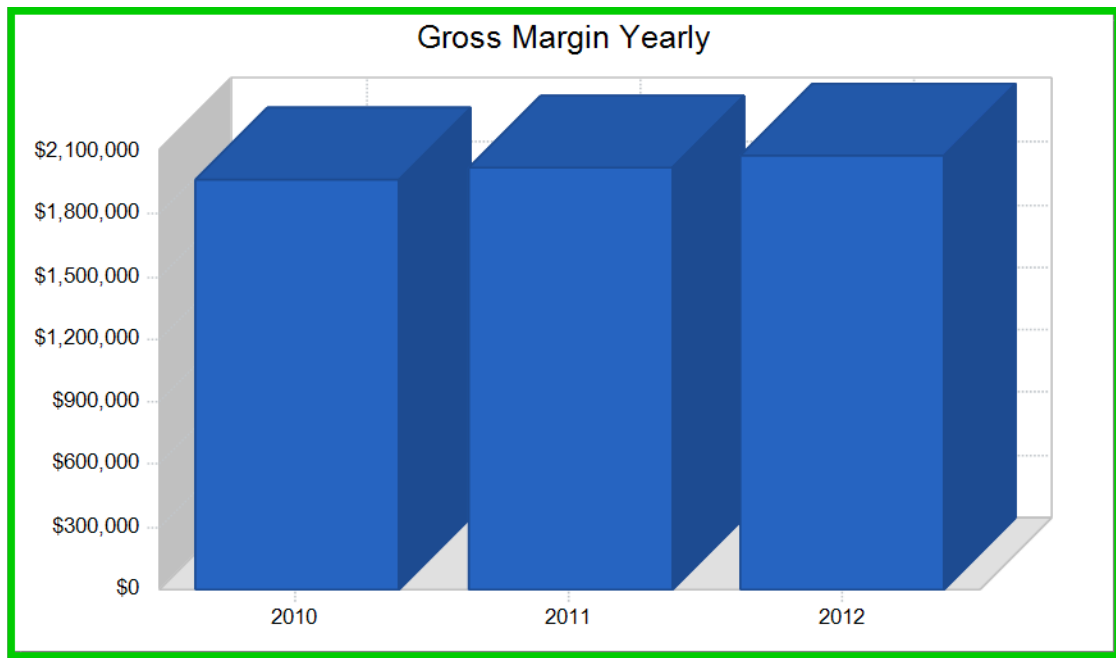


Chart: Gross Margin Yearly



#### 7.4 Projected Cash Flow

[Company Name] has applied for a grant of \$560,000. In 2010, the Company forecast that it will receive \$560,000 in the month of July. After receipt of the Grant Funding, it will use the grant to purchase trucks and trailers, GPS equipment and new tractors. These purchases are reflected in the purchase of long-term assets.

The Company had a negative cash balance in January and February; thus, it borrowed \$110,000 in January and paid \$40,000 back in February and \$70,000 in March.

The Company's liabilities are \$406,433. We've allocated \$3,387 to reduce principle.

The following table displays [Company Name]' cash flow and the chart illustrates monthly cash flow in the first year. Monthly cash flow projections are also included in the appendix.

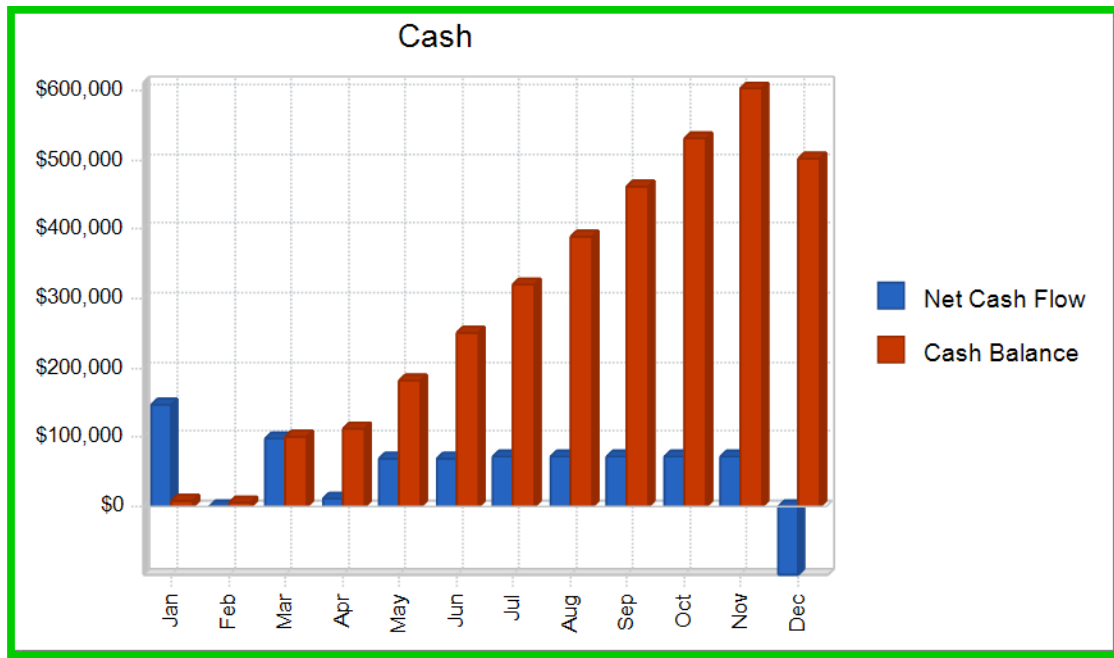
Table: Cash Flow

<i>Pro Forma Cash Flow</i>			
	2010	2011	2012
<b>Cash Received</b>			
<b>Cash from Operations</b>			
<b>Cash Sales</b>	\$1,652,962	\$1,702,551	<b>\$1,753,627</b>
<b>Cash from Receivables</b>	\$566,021	\$565,714	<b>\$582,686</b>
<b>Subtotal Cash from Operations</b>	\$2,218,983	\$2,268,265	<b>\$2,336,313</b>
<b>Additional Cash Received</b>			
<b>Sales Tax, VAT, HST/GST Received</b>	\$0	\$0	<b>\$0</b>
<b>New Current Borrowing</b>	\$110,000	\$0	<b>\$0</b>
<b>New Other Liabilities (interest-free)</b>	\$0	\$0	<b>\$0</b>
<b>New Long-term Liabilities</b>	\$0	\$0	<b>\$0</b>



<b>Sales of Other Current Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Sales of Long-term Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>New Investment Received</b>	<b>\$560,000</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Cash Received</b>	<b>\$2,828,983</b>	<b>\$2,268,265</b>	<b>\$2,336,313</b>
<b>Expenditures</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expenditures from Operations</b>			
<b>Cash Spending</b>	<b>\$66,690</b>	<b>\$68,691</b>	<b>\$70,751</b>
<b>Bill Payments</b>	<b>\$1,468,499</b>	<b>\$1,395,037</b>	<b>\$1,556,123</b>
<b>Subtotal Spent on Operations</b>	<b>\$1,535,189</b>	<b>\$1,463,728</b>	<b>\$1,626,875</b>
<b>Additional Cash Spent</b>			
<b>Sales Tax, VAT, HST/GST Paid Out</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Principal Repayment of Current Borrowing</b>	<b>\$110,000</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Liabilities Principal Repayment</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Long-term Liabilities Principal Repayment</b>	<b>\$40,644</b>	<b>\$40,644</b>	<b>\$40,644</b>
<b>Purchase Other Current Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Purchase Long-term Assets</b>	<b>\$560,000</b>	<b>\$0</b>	<b>\$0</b>
<b>Dividends</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotal Cash Spent</b>	<b>\$2,185,833</b>	<b>\$1,504,372</b>	<b>\$1,667,519</b>
<b>Net Cash Flow</b>	<b>\$643,150</b>	<b>\$763,893</b>	<b>\$668,794</b>
<b>Cash Balance</b>	<b>\$563,275</b>	<b>\$1,267,168</b>	<b>\$1,935,963</b>

Chart: Cash



### 7.5 Projected Balance Sheet

[Company Name] net worth is \$595,398, \$1,181,455 and \$1,789,096, for 2010, 2011, and 2012, respectively.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	2010	2011	2012
<b>Assets</b>			
<b>Current Assets</b>			
<b>Cash</b>	\$503,275	\$1,267,168	<b>\$1,935,963</b>
<b>Accounts Receivable</b>	\$60,087	\$61,890	<b>\$63,747</b>
<b>Other Current Assets</b>	\$685	\$685	<b>\$685</b>
<b>Total Current Assets</b>	\$564,047	\$1,329,743	<b>\$2,000,394</b>

<b>Long-term Assets</b>			
<b>Long-term Assets</b>	\$501,400	\$501,400	<b>\$501,400</b>
<b>Accumulated Depreciation</b>	\$99,996	\$199,996	<b>\$299,996</b>
<b>Total Long-term Assets</b>	\$401,404	\$301,404	<b>\$201,404</b>
<b>Total Assets</b>	<b>\$965,451</b>	<b>\$1,631,147</b>	<b>\$2,201,798</b>

Table: Balance Sheet (Continued)

Liabilities and Capital	2010	2011	2012
<b>Current Liabilities</b>			
<b>Accounts Payable</b>	\$4,264	\$124,547	<b>\$128,201</b>
<b>Current Borrowing</b>	\$0	\$0	<b>\$0</b>
<b>Other Current Liabilities</b>	\$406,433	\$406,433	<b>\$406,433</b>
<b>Subtotal Current Liabilities</b>	\$410,697	\$530,980	<b>\$534,634</b>
<b>Long-term Liabilities</b>	(\$40,644)	(\$81,288)	<b>(\$121,932)</b>
<b>Total Liabilities</b>	\$370,053	\$449,692	<b>\$412,702</b>
<b>Paid-in Capital</b>	\$500,300	\$500,300	<b>\$500,300</b>
<b>Retained Earnings</b>	(\$469,402)	\$95,098	<b>\$681,155</b>
<b>Earnings</b>	\$564,500	\$586,057	<b>\$607,641</b>
<b>Total Capital</b>	\$595,398	\$1,181,455	<b>\$1,789,096</b>
<b>Total Liabilities and Capital</b>	\$965,451	\$1,631,147	<b>\$2,201,798</b>
<b>Net Worth</b>	<b>\$595,398</b>	<b>\$1,181,455</b>	<b>\$1,789,096</b>

### 7.6 Business Ratios

The table below presents the projected business ratios from the grain farming markets as a reference.

Table: Ratios

<i>Ratio Analysis</i>	2010	2011	2012	Industry Profile
<b>Sales Growth</b>	49.70%	3.00%	3.00%	<b>11.78%</b>
<b>Percent of Total Assets</b>				
<b>Accounts Receivable</b>	6.22%	3.79%	2.89%	<b>4.53%</b>
<b>Other Current Assets</b>	0.07%	0.04%	0.03%	<b>30.39%</b>
<b>Total Current Assets</b>	58.48%	81.53%	90.86%	<b>42.98%</b>
<b>Long-term Assets</b>	41.52%	18.47%	9.14%	<b>57.02%</b>
<b>Total Assets</b>	100.00%	100.00%	100.00%	<b>100.00%</b>
<b>Current Liabilities</b>				
<b>Current Liabilities</b>	-41.54%	-17.27%	-12.63%	<b>17.05%</b>
<b>Long-term Liabilities</b>	-4.20%	-4.98%	-5.54%	<b>44.58%</b>
<b>Total Liabilities</b>	-45.74%	-22.26%	-18.17%	<b>61.63%</b>
<b>Net Worth</b>	145.74%	122.26%	118.17%	<b>38.37%</b>
<b>Percent of Sales</b>				
<b>Sales</b>	100.00%	100.00%	100.00%	<b>100.00%</b>
<b>Gross Margin</b>	89.00%	89.00%	89.00%	<b>69.14%</b>
<b>Selling, General &amp; Administrative Expenses</b>	63.36%	63.18%	63.01%	<b>12.86%</b>
<b>Advertising Expenses</b>	0.00%	0.00%	0.00%	<b>0.33%</b>
<b>Profit Before Interest and Taxes</b>	36.56%	36.69%	36.82%	<b>4.25%</b>
<b>Main Ratios</b>				

<b>Current</b>	-1.41	-4.72	-7.19	<b>1.47</b>
<b>Quick</b>	-1.41	-4.72	-7.19	<b>0.99</b>
<b>Total Debt to Total Assets</b>	-45.74%	-22.26%	-18.17%	<b>61.63%</b>
<b>Pre-tax Return on Net Worth</b>	57.30%	41.97%	33.35%	<b>9.43%</b>
<b>Pre-tax Return on Assets</b>	<b>83.51%</b>	<b>51.31%</b>	<b>39.41%</b>	<b>3.62%</b>

<b>Additional Ratios</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	
<b>Net Profit Margin</b>	25.64%	25.82%	25.99%	<b>n.a</b>
<b>Return on Equity</b>	40.11%	29.38%	23.35%	<b>n.a</b>
<b>Activity Ratios</b>				
<b>Accounts Receivable Turnover</b>	9.17	9.17	9.17	<b>n.a</b>
<b>Collection Days</b>	62	39	39	<b>n.a</b>
<b>Accounts Payable Turnover</b>	302.08	12.17	12.17	<b>n.a</b>
<b>Payment Days</b>	28	16	30	<b>n.a</b>
<b>Total Asset Turnover</b>	2.28	1.39	1.06	<b>n.a</b>
<b>Debt Ratios</b>				
<b>Debt to Net Worth</b>	-0.31	-0.18	-0.15	<b>n.a</b>
<b>Current Liab. to Liab.</b>	0.00	0.00	0.00	<b>n.a</b>
<b>Liquidity Ratios</b>				
<b>Net Working Capital</b>	\$966,846	\$1,612,259	\$2,279,256	<b>n.a</b>
<b>Interest Coverage</b>	0.00	0.00	0.00	<b>n.a</b>
<b>Additional Ratios</b>				
<b>Assets to Sales</b>	0.44	0.72	0.94	<b>n.a</b>
<b>Current Debt/Total Assets</b>	-42%	-17%	-13%	<b>n.a</b>
<b>Acid Test</b>	0.00	0.00	0.00	<b>n.a</b>
<b>Sales/Net Worth</b>	1.56	1.14	0.90	<b>n.a</b>
<b>Dividend Payout</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n.a</b>

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