

# How to Start an Agriculture 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 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.

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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. \_\_\_\_\_

\_\_\_\_\_

### **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	759,016	100.00
Cost of goods sold	589,392	77.65
Gross profit on sales	169,624	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	125,204	16.50
Operating profit	44,220	5.85
Extraordinary expenses	1,200	0.16
Net profit before taxes	43,220	5.69
taxes	19,542	2.57
Net profit after taxes	23,678	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?

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## **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)

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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.

<b>Product(s)</b>	<b>Product No. 1</b>	<b>Product No. 2</b>
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.

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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.

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### **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.

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### **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?

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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 Agriculture Business Plan Template

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## 1.0 Executive Summary

**COMPANY NAME** is headquartered in Portland, Texas.

**COMPANY NAME**

**OWNER'S NAME**

[INSERT ADDRESS AND CONTACT INFO]

**COMPANY NAME** was established in 1976 originally by its owner, **OWNER'S NAME** and her late husband. **OWNER'S NAME** single-handedly and successfully continued the operation. **COMPANY NAME** resides on a 1900 acre property that is used for growing cotton and grain crops. Other sections of the property are rented out to other parties for additional revenue.

### 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 acquire additional farmland to further expand the operation.

### *1.2 Mission*

**COMPANY NAME** mission is to become a strong and self-sustaining female owned farming operation with an interest in educating and offering training and guidance to other women; 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 for more employees, efficient farming, planting, maintaining and harvesting.

## *2.0 Company Summary*

**COMPANY NAME** is headquartered in Portland, Texas.

**COMPANY NAME**  
[INSERT ADDRESS AND CONTACT INFO]

**COMPANY NAME** was established in 1976 originally by its owner **OWNER'S NAME** and her late husband. **OWNER'S NAME** single-handedly and successfully continued the operation. **COMPANY NAME** resides on a 1900 acre property that is used for growing cotton and grain crops. Other sections of the property are rented out to other parties for additional revenue.

### *2.1 Company Ownership*

**COMPANY NAME** is a partnership Corporation; however the single owner of the company is **OWNER'S NAME**.

### *2.2 Company History*

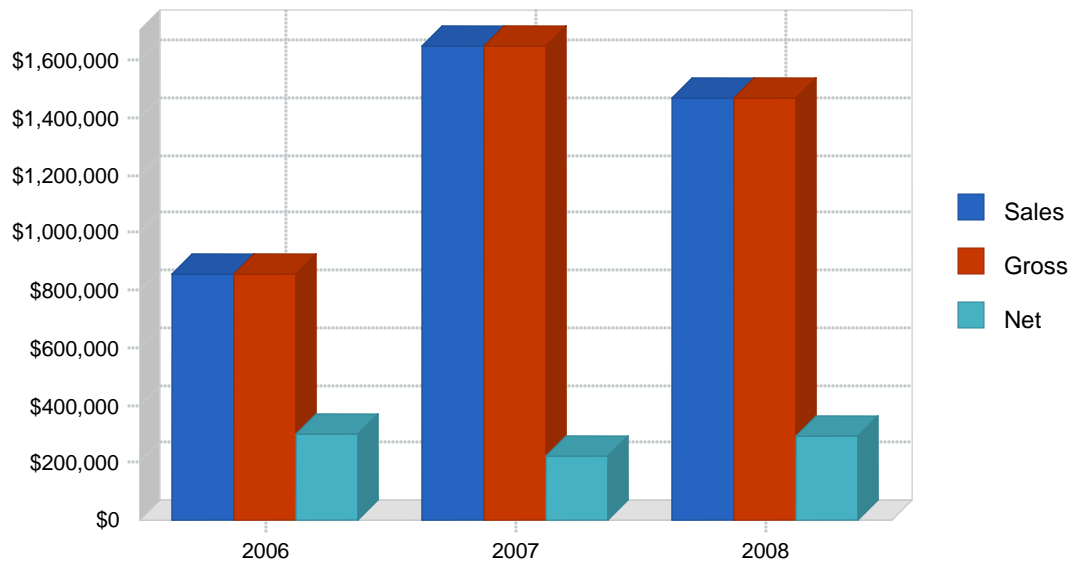
**COMPANY NAME** sales for 2006, 2007, and 2008 were \$856,335, \$1,651,482 and \$1,472,218, respectively. An extension was filed for the company's tax return for 2009.

Table: Past Performance

<i>Past Performance</i>			
	2006	2007	2008
Sales	\$856,335	\$1,651,482	\$1,472,218
Gross Margin	\$856,335	\$1,651,482	\$1,472,218
Gross Margin %	100.00%	100.00%	100.00%
Operating Expenses	\$442,066	\$400,742	\$403,582
 Balance Sheet			
	2006	2007	2008
 Current Assets			
Cash	\$134,022	\$111,456	\$68,225
Other Current Assets	\$26,584	\$16,628	\$9,956
Total Current Assets	\$160,606	\$128,084	\$78,181
 Long-term Assets			
Long-term Assets	\$106,318	\$110,318	\$116,060
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$106,318	\$110,318	\$116,060
 Total Assets	\$266,924	\$238,402	\$194,241
 Current Liabilities			
Accounts Payable	\$0	\$0	\$0

Current Borrowing	\$152,411	\$100,001	\$88,300
Other Current Liabilities (interest free)	\$0	\$0	\$0
Total Current Liabilities	\$152,411	\$100,001	\$88,300
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$152,411	\$100,001	\$88,300
Paid-in Capital	\$283,000	\$306,454	\$56,682
Retained Earnings	(\$467,303)	(\$392,095)	(\$241,923)
Earnings	\$298,816	\$224,042	\$291,182
Total Capital	\$114,513	\$138,401	\$105,941
Total Capital and Liabilities	\$266,924	\$238,402	\$194,241
Other Inputs			
Payment Days	7	7	7

### Past Performance



### 3.0 Products

**COMPANY NAME** is a Portland, Texas farming service specializing in grain and cotton production. **COMPANY NAME** is a high quality row crop business that 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 cotton market. **COMPANY NAME** has all the needed potential to flourish within this market. The Company can compete effectively by providing delicious, top-of-the line, quality products for affordable prices.

#### *4.1 Market Segmentation*

**COMPANY NAME** is located in Portland, Texas. The expanded market consists of the local population in Nueces and San Patricio Counties. However, the immediate local market is the population within the city of Portland.

#### **Portland, Texas -Demographics**

Portland is a city in Nueces and San Patricio Counties in the U.S. state of Texas. According to the United States Census Bureau, the city has a total area of 9.6 mi<sup>2</sup> (24.9 km<sup>2</sup>). 7.0 mi<sup>2</sup> (18.1 km<sup>2</sup>) of it is land and 2.6 mi<sup>2</sup> (6.8 km<sup>2</sup>) of it (27.44%) is water.

As of the census of 2000, there were 14,827 people, 5,021 households, and 4,051 families residing in the city. The population density was 2,125.5 people per square mile (820.2/km<sup>2</sup>). There were 5,351 housing units at an average density of 767.1/sq mi (296.0/km<sup>2</sup>). The racial makeup of the city was 83.79% White, 4.11% African American, 0.57% Native American, 1.05% Asian, 0.20% Pacific Islander, 7.43% from other races, and 2.84% from two or more races. Hispanic or Latino of any race was 26.10% of the population.

There were 5,021 households out of which 47.5% had children under the age of 18 living with them, 68.6% were married couples living together, 9.2% had a female householder with no husband present, and 19.3% were non-families. 16.1% of all households were made up of individuals and 6.1% had someone living alone who was 65 years of age or older. The average household size was 2.94 and the average family size was 3.30.

In the city the population was spread out with 32.6% under the age of 18, 8.2% from 18 to 24, 31.2% from 25 to 44, 20.0% from 45 to 64, and 7.9% who were 65 years of age or older. The median age was 32 years. For every 100 females there were 98.1 males. For every 100 females age 18 and over, there were 93.1 males. The median income for a household in the city was \$48,574, and the median income for a family was \$52,220. Males had a median income of \$37,316 versus \$25,722 for females. The per capita income for the city was \$19,871. About 5.8% of families and 7.4% of the population



were below the poverty line, including 9.3% of those under age 18 and 10.2% of that age 65 or over.

Table: Market Analysis

<i>Market Analysis</i>		2010	2011	2012	2013	2014	
Potential Customers	Growth						CAGR
Crop Farming	5%	7,356	7,724	8,110	8,516	8,942	5.00%
Livestock Sales	5%	29,537	31,014	32,565	34,193	35,903	5.00%
Total	5.00%	36,893	38,738	40,675	42,709	44,845	5.00%

#### 4.2 Target Market Segment Strategy

**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 owned by women; therefore, allowing the Company to give back to the community.

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 and strengthening its marketing strategy will improve the Company's profitability levels and build on to its customer base.

#### *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. **COMPANY NAME** commodity is available for the customer when they need it.

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

**COMPANY NAME** exists in a purely competitive market. The competition is endless and larger farms reap more benefits. With proper funding, the Company can become larger, 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 Competitive Edge*

**COMPANY NAME** competitive edge relies in the ability to position ourselves as strategic ally with customers. By building a business based on long-standing relationships with satisfied clients, **COMPANY NAME** simultaneously build defenses against competition. The longer the relationship stands, the more the company helps clients understand what **COMPANY NAME** has offer them and why they need it. Furthermore, **COMPANY NAME** focuses on making the business sustainable and the company products dependable by making practical, educated decisions.

##### *5.2 Marketing Strategy*

**COMPANY NAME** goal is to provide its customers with exceptional products. The company knows what customers need and the quality that they desire; thus, **COMPANY NAME** aim to satisfy them.

Currently, **COMPANY NAME** has an advantage because the owner, **OWNER'S NAME**, is a superior business woman that has excellent work ethics and offers years of industry knowledge to the grain and fiber industry. **OWNER'S NAME** has a strong farming background; in fact, she has run **COMPANY NAME** for 24 years. She has run the farm single-handedly for the last 6 years in the absence of her late husband.

### 5.3 Sales Strategy

The owner of **COMPANY NAME** is hardworking and has excellent work ethics; these are the skills which have been useful in gaining and maintaining customers. Keeping customers happy, the owner feels, 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.

#### 5.3.1 Sales Forecast

**COMPANY NAME** average monthly sales are \$X during the months of March-November.

The 2010 forecast for **COMPANY NAME** total sales are \$X. During the years 2011 and 2012 the Company will see a 3% annual increase.

Table: Sales Forecast

<i>Sales Forecast</i>	2010	2011	2012
Sales			
Crop Farming	\$381,277	\$392,715	\$404,497
Livestock Sales	\$1,064,486	\$1,096,421	\$1,129,313
Land Rentals	\$73,608	\$75,816	\$78,091
Total Sales	\$1,519,371	\$1,564,952	\$1,611,901
Direct Cost of Sales	2010	2011	2012
Office Operations	\$87,267	\$89,885	\$92,582
Farm Operations	\$237,101	\$244,214	\$251,540
Subtotal Direct	\$324,368	\$334,099	\$344,122

Cost of Sales	
---------------	--

#### 5.4 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 a GPS. 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

<i>Milestones</i>					
Milestone	Start Date	End Date	Budget	Manager	Department
Building Expense	8/1/2010	12/31/2010	\$500,000		Owner
Equipment	8/1/2010	10/31/2010	\$1,000,000		Owner
Utilities	8/1/2010	12/31/2010	\$10,000		Owner
Insurance	8/1/2010	9/1/2010	\$50,000		Owner
Rent	8/1/2010	12/31/2010	\$20,000		Owner
Office Equipment	8/1/2010	10/1/2010	\$40,000		Owner
Repairs and Maintenance	8/1/2010	10/31/2010	\$100,000		Owner
Travel	8/1/2010	12/31/2010	\$30,000		Owner
Auto/Truck Expense	8/1/2010	11/15/2010	\$60,000		Owner
Land Rent	8/1/2010	10/1/2010	\$50,000		Owner

Land Purchase	8/1/2010	11/1/2010	\$1,500,000	Owner
Inventory	8/1/2010	9/1/2010	\$500,000	Owner
Office Supplies	8/1/2010	10/1/2010	\$10,000	Owner
Legal	8/1/2010	11/1/2010	\$60,000	Owner
Phone/Fax	8/1/2010	10/1/2010	\$10,000	Owner
Totals			\$3,940,000	

## 6.0 Management Summary

**COMPANY NAME** is owned and operated by **OWNER'S NAME**. The company, being small in nature, requires a simple organizational structure. Implementation of this organizational form calls for the owner, **OWNER'S NAME**, to make the major management decisions in addition to monitoring other business activities.

### 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.

**COMPANY NAME** has two employees. The company currently has two laborers and in the near future would like to hire more employees as **COMPANY NAME** needs change.

The owner and office manager receives currently no annual salary. One laborer is paid \$10/hour, while the other one is paid \$7.50/hour with housing on site provided at no further cost. Their salaries will increase in 2011 and 2012 by 3%

Table: Personnel

<i>Personnel Plan</i>	2010	2011	2012
Owner/Office Manager	\$0	\$0	\$0
Laborers	\$44,896	\$46,243	\$47,630
Total People	4	5	6
Total Payroll	\$44,896	\$46,243	\$47,630

## 7.0 Financial Plan

The current financial plan for **COMPANY NAME** is to obtain grant funding in the amount of \$500,000. The grant will be used to purchase trucks and trailers, a GPS and new tractors.

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 for **COMPANY NAME**.

### 7.2 Break-even Analysis



For the Company's break-even analysis, the monthly unit's break-even is projected to be X. The monthly revenue break-even is projected to be \$X. The break-even analysis has been calculated on the "burn rate" of The Company. COMPANY NAME feels that this gives the provider of the grant funding a more accurate picture of the actual risk of the venture.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$97,452
Assumptions:	
Average Percent Variable Cost	21%
Estimated Monthly Fixed Cost	\$76,648

### 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.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	2010	2011	2012
Sales	\$1,519,371	\$1,564,952	\$1,611,901
Direct Cost of Sales	\$324,368	\$334,099	\$344,122
Other Costs of Sales	\$27,482	\$28,306	\$29,156
Total Cost of Sales	\$351,850	\$362,405	\$373,278
Gross Margin	\$1,167,521	\$1,202,547	\$1,238,623
Gross Margin %	76.84%	76.84%	76.84%
Expenses			
Payroll	\$44,896	\$46,243	\$47,630
Marketing/Promotion	\$0	\$0	\$0
Depreciation	\$99,996	\$100,000	\$100,000
Rent	\$238,536	\$245,692	\$253,063
Utilities	\$32,049	\$33,010	\$34,001
Insurance	\$47,268	\$48,686	\$50,147
Payroll Taxes	\$6,734	\$6,936	\$7,145
Other	\$450,291	\$463,799	\$477,713

Total Operating Expenses	\$919,770	\$944,367	\$969,698
Profit Before Interest and Taxes	\$247,751	\$258,179	\$268,925
EBITDA	\$347,747	\$358,179	\$368,925
Interest Expense	\$8,128	\$2,733	(\$1,331)
Taxes Incurred	\$71,887	\$76,634	\$81,077
Net Profit	\$167,736	\$178,812	\$189,179
Net Profit/Sales	11.04%	11.43%	11.74%





#### 7.4 Projected Cash Flow

**COMPANY NAME** has applied for a grant of \$4,000,000. In 2010, the Company forecast that it will receive \$4,000,000 in the month of August. After receipt of the Grant Funding, it will use the grant to purchase trucks and trailers, additional farmland and updated farm equipment. These purchases are reflected in the purchase of long-term assets.

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
Cash Received			
Cash from Operations			
Cash Sales	\$1,519,371	\$1,564,952	\$1,611,901
Subtotal Cash from Operations	\$1,519,371	\$1,564,952	\$1,611,901
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$110,000	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0

New Investment Received	\$500,000	\$0	\$0
Subtotal Cash Received	\$2,129,371	\$1,564,952	\$1,611,901
Expenditures	2010	2011	2012
Expenditures from Operations			
Cash Spending	\$44,896	\$46,243	\$47,630
Bill Payments	\$1,193,953	\$1,150,778	\$1,272,199
Subtotal Spent on Operations	\$1,238,849	\$1,197,021	\$1,319,829
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$110,000	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$40,644	\$40,644	\$40,644
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$500,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$1,889,493	\$1,237,665	\$1,360,473
Net Cash Flow	\$239,878	\$327,287	\$251,428
Cash Balance	\$308,103	\$635,390	\$886,818

### *7.5 Projected Balance Sheet*

**COMPANY NAME** net worth is \$773,677, \$952,489, and \$1,141,668, for 2010, 2011, and 2012, respectively.



Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	2010	2011	2012
Assets			
Current Assets			
Cash	\$308,103	\$635,390	\$886,818
Other Current Assets	\$9,956	\$9,956	\$9,956
Total Current Assets	\$318,059	\$645,346	\$896,774
Long-term Assets			
Long-term Assets	\$616,060	\$616,060	\$616,060
Accumulated Depreciation	\$99,996	\$199,996	\$299,996
Total Long-term Assets	\$516,064	\$416,064	\$316,064
Total Assets	\$834,123	\$1,061,410	\$1,212,838
Liabilities and Capital	2010	2011	2012
Current Liabilities			
Accounts Payable	\$12,790	\$101,909	\$104,802
Current Borrowing	\$88,300	\$88,300	\$88,300
Other Current Liabilities	\$0	\$0	\$0

Subtotal Current Liabilities	\$101,090	\$190,209	\$193,102
Long-term Liabilities	(\$40,644)	(\$81,288)	(\$121,932)
Total Liabilities	\$60,446	\$108,921	\$71,170
Paid-in Capital	\$556,682	\$556,682	\$556,682
Retained Earnings	\$49,259	\$216,995	\$395,807
Earnings	\$167,736	\$178,812	\$189,179
Total Capital	\$773,677	\$952,489	\$1,141,668
Total Liabilities and Capital	\$834,123	\$1,061,410	\$1,212,838
Net Worth	\$773,677	\$952,489	\$1,141,668

### 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
Sales Growth	3.20%	3.00%	3.00%	2.55%
Percent of Total Assets				
Other Current Assets	1.19%	0.94%	0.82%	25.62%
Total Current Assets	38.13%	60.80%	73.94%	40.67%
Long-term Assets	61.87%	39.20%	26.06%	59.33%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities				
Current Liabilities	12.12%	17.92%	15.92%	19.28%
Long-term Liabilities	-4.87%	-7.66%	-10.05%	20.87%
Total Liabilities	7.25%	10.26%	5.87%	40.15%
Net Worth	92.75%	89.74%	94.13%	59.85%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	76.84%	76.84%	76.84%	46.76%
Selling, General & Administrative Expenses	65.80%	65.42%	65.11%	26.02%
Advertising Expenses	0.00%	0.00%	0.00%	0.32%
Profit Before Interest and Taxes	16.31%	16.50%	16.68%	1.74%
Main Ratios				

Current	3.15	3.39	4.64	1.32
Quick	3.15	3.39	4.64	0.65
Total Debt to Total Assets	7.25%	10.26%	5.87%	52.68%
Pre-tax Return on Net Worth	30.97%	26.82%	23.67%	3.25%
Pre-tax Return on Assets	28.73%	24.07%	22.28%	1.54%
Additional Ratios	2010	2011	2012	
Net Profit Margin	11.04%	11.43%	11.74%	n.a
Return on Equity	21.68%	18.77%	16.57%	n.a
Activity Ratios				
Accounts Payable Turnover	94.35	12.17	12.17	n.a
Payment Days	27	17	30	n.a
Total Asset Turnover	1.82	1.47	1.33	n.a
Debt Ratios				
Debt to Net Worth	0.08	0.11	0.06	n.a
Current Liab. to Liab.	1.67	1.75	2.71	n.a
Liquidity Ratios				
Net Working Capital	\$216,969	\$455,137	\$703,672	n.a
Interest Coverage	30.48	94.45	0.00	n.a
Additional Ratios				
Assets to Sales	0.55	0.68	0.75	n.a
Current Debt/Total Assets	12%	18%	16%	n.a
Acid Test	3.15	3.39	4.64	n.a

Sales/Net Worth	1.96	1.64	1.41	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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