

Farm Business Planning

Why Plan

A well designed farm business plan will help identify your business goals and objectives and develop a strategy to achieve them. The business planning process allows you to create a farming operation on paper without running the risk of financial failure. The only time and money you are risking is the hours spent planning and the relatively small costs of compiling the plan. You will be able to evaluate alternative scenarios and make appropriate adjustments without the risk of business failure.

A business plan is an essential tool whether you are expanding your existing farm or considering a new venture. Business plans are developed for internal purposes as well as for external use. Internally, the business plan is used as a business development map. It provides details on how you plan to reach your goals and objectives. The plan exposes opportunities and risks involved and allows you to clearly evaluate your operation over the next few years. Without it, you would be depending on luck and good fortune instead of business management skills and common sense to achieve your plans.

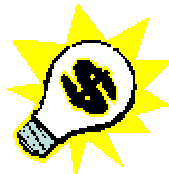
Externally, your business plan will be required by financial institutions, business partners, investors and anybody else interested in your business affairs. The plan explains to outsiders exactly what your objectives are, how you plan to achieve them and how their interests will be met. There is no substitute for a thorough, well designed business planning document and all farm business managers should invest the time to develop and regularly update a business plan.

What Makes Up a Farm Business Plan

A business plan is a written document that outlines how you plan to run your farm business over the next 3-5 years. Many people think you only need to develop a business plan if you are planning for some kind of expansion or entry into a separate farming enterprise. This isn't so. If some expansion activity is being considered, a plan is obviously required, however, even if no new venture is being considered, a 3-5 year written document detailing your business activities is any excellent management tool. Most successful farmers and business people do this on a regular basis.

A business plan is usually made up of the following section:

- Business Overview
- Marketing Plan
- Human Resource Plan
- Production Plan
- Financial Plan
- Goals and Objectives



These separate sections are closely inter-related and depend on each other to make the business plan complete. A brief description of each section follows:

Business Overview

This introductory section contains the Mission Statement and examines the goals, background, and structure of the business. The management team would be introduced and discussed here as well.

Marketing Plan

This section provides a detailed description of the product, a summary of market research, and an outline of proposed marketing activities.

Human Resource Plan

Here the plan would provide information on the organizational structure, hiring and training policy and job descriptions.

Production Plan

This section provides details on the production process, production facilities, land development, risk management, and environmental issues.

Financial Plan

This very important section brings all the other sections together. It is often the first section looked at by people interested in your business. It may include an income statement, balance sheet, loan summary, cash flow and financial indicators

Goals and Objectives

This section elaborates on business and personal goals and objectives. Goals should be specific, reasonable and attainable given the scope of the farm business plan. This section may be included in the Business Overview.

How to Develop a Farm Business Plan

Many farmers have the elements of a business plan in their minds but need to get it down on paper and flesh out the details. This is often the most difficult part, putting it all on paper. It is important to first have a good understanding of what you want to accomplish and then to employ sound writing skills to get your plan in an acceptable format. Remember, the benefit you receive from your plan will only be as good as the effort you put into it.

The Farm Business and Evaluation Division has plenty of useful material available to help you with your business plan. We also offer 1-2 day business planning courses on request in any area of the province.

Of particular interest is a CD Rom product offered by the Canadian Farm Business Management Council called the "Rural Business Planner". This product has been developed to guide you through the business planning process by providing step-by-step instructions that allows you to create an organized, professional and attractive business plan that meets the needs of your specific rural business.

Summary

For more information about Farm Business Planning, contact your regional Farm Management Specialist:

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