



Canada-Newfoundland and Labrador
Agricultural Policy Framework
Implementation Agreement

A Guide For Developing Business Plans

An Essential Tool for Agribusinesses

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Government of Newfoundland
and Labrador
Department of Natural Resources



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Canada 

Business Plans

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 and external purposes.

Internally, the business plan 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.

Externally, your business plan will be required by financial institutions, business partners, investors, and other stakeholders.

The plan explains exactly what your objectives are and how you plan to achieve them. 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.

All business plans will differ, depending on the type, size and future plans of the farm business operation. The information presented should serve as a guideline for you to plan and complete a business plan for your farm operation. All items identified in the guide will not be applicable for each farm operation. It will assist you with generating ideas and stimulate essential information in developing a thorough business plan for your operation.

Why A Business Plan?

- ▶ Planning guide for marketing, production, finance, and human resources.
- ▶ Proof of management skills and credibility of operation and manager.
- ▶ Guide to the managing of the farm operation.
- ▶ Communications tool for owner, investors and farm employees.
- ▶ Complete cost calculation with hands-on information.
- ▶ Aid to estate planning.
- ▶ Assessment of strengths, weaknesses, opportunities and threats within the farm operation.
- ▶ A written business plan for presentation to financial institutions and government agencies when seeking financial assistance.

Elements of a Business Plan

- ▶ Business Overview
- ▶ Marketing Plan
- ▶ Human Resources Plan
- ▶ Production Plan
- ▶ Environmental Plan
- ▶ Financial Plan
- ▶ Goals
- ▶ Next Steps
- ▶ Supporting Documents

Business Overview

Title Page

Provide name of farm business/client, contact information, time period for business plan, preparation date and who prepared business plan.

Table of Contents

Identify major headings and subheadings in business plan and indicate page numbers for reader reference and convenience.

Executive Summary

Provide a one to two page summary of the most important points in the business plan. Include purpose of business, the market, unique advantages, financial highlights, management strengths, and purpose of plan. Executive summary should be prepared last, read first.

Business Description

Provide a history and major events on the development of the farming operation. Outline business strengths, weaknesses, opportunities and threats. Outline the business today and what it is doing (mission statement). Outline where you want the business to be five to ten years from now (vision) and provide the steps to get you there (strategies and goals). Provide information on the management team and their qualifications and information on professionals assisting the business.

Business Structure

Provide information on the farm's legal structure; ie. sole proprietorship, partnership, or corporation. Give a description of the management structure, names of principals, type and size of enterprise and physical resources available.

Marketing Plan

Industry and Market Analysis

Describe the agriculture industry; history, size of operation, commodity produced and major players you operate within. Describe long and short-term trends and seasonal factors affecting the industry. Outline the impact of economic, social, technological and political change and other significant factors having an influence on the business within the industry. Describe food safety, quality and traceability issues and related regulations. Identify customer needs not being met and potential sales. Identify critical success factors for the industry.

Product and Service

Describe the product and service being offered, its selling features, differentiating factors and consumer service policies and warranties.

Target Group

Provide information on the target group market including; consumer characteristics, consumer segmentation, factors affecting purchaser decisions, consumer demands and market geographic area.

Trends

Provide past and current industry trends, effects on business.

Pricing

Discuss and determine price of product or service, describe how price is established. Include, contribution margin, breakeven price, calculate costs, and profit margins. Discuss competitors pricing information.

Market Sales

Provide historical, current and projected volume of sales, annual sales. Discuss sale targets, new markets for product, anticipated growth in market share and sales.

Competition

Describe the competition, number of competitors, their strengths and weaknesses, potential competitor reaction to new market entry, the potential for substitutes and barriers to entry.

Promotion and Advertising

Outline the promotion and advertising strategy including advertising techniques and how awareness will be generated for the business. Include the advertising and promotion budget.

Distribution

Describe how the product will be distributed; ie. direct market, wholesale, website, sales representative. Provide information on packaging, labelling, storage, delivery guarantees and return policy.

Political/Legal Aspects of Marketing

Discuss trade and tariff regulations, political implications of international sales, and provincial or federal legislation, which affects marketing.

Production Plan

Land, Buildings and Facilities

Outline the production capacity of the farm operation. Include a description of land, buildings, and livestock owned or used by the farm operation. For value-added businesses describe plant and its capacity.

Equipment

Provide a description of equipment, vehicles, machinery used in farm operation.

Operational Activities

Outline how the daily activities will be managed including supplier and production contracts, inventories, quality control measures, production targets, distribution and the regulatory environment. Identify the people who are key for production activities.

Materials and Supplies

Provide information of materials, supplies used in farm production.

Production Strategies

Provide detailed information of your production procedures, what your farm operation produces, when production takes place and discuss when your product(s) is ready for market.

Construction/Production Schedule

If expanding or planning to diversify provide information on schedule of production and schedule for construction of new facilities.

Political and Legal Aspects of Production

Provide all necessary certifications pertaining to zoning, environmental policies, laws which regulate products and inspection requirements. Discuss quality control regulations.

Human Resource Plan

Organizational Chart

Provide a chart or diagram of the management /employee structure of operation.

Owners/Managers and Management Team

Describe the management team, their experience, qualifications and skills. Discuss how skill gaps will be filled. Discuss the goals of your management team.

Employee Plan

Indicate the number of employees required to operate the business. Outline the skills, and qualifications required of your employees. Provide information on your hiring procedures.

Compensation and Benefits

Describe the method of pay you use for your employees, amounts, benefits and incentives/bonuses.

Labour and Training Goals

Discuss specifics of any training programs needed or in place for your employees, managers and management team.

Job Description

Provide description of job duties and responsibilities.

Established Goals

Discuss the goals of the management team and the employees within the operation of the business.

Human Resource Challenges

Describe any human resource challenges facing the business and how they will be addressed.

Environmental Plan

Environmental Farm Scan

Provide a copy of your Environmental Farm Scan.

Environmental Action Items

Provide a list of the action items identified in the Environmental Farm Plan. Discuss how these action items will be addressed and at what costs; ie. financial, human resources etc.

Environmental Farm Plan Certificate

Provide copies of environmental approvals (certificates) required for the business.

Disaster Plans

Describe the strategies in place such as insurance and disaster plans to prevent environmental disaster.

Financial Plan

Income Statement

Provide most recent and projected statements (three to five years) of farm income and expenses. Income statement will include such items as quantities sold, price, cost of goods sold (cogs), operating expenses, salaries, interest rates, depreciation and income taxes.

Cash Flow

Provide historical and existing cash flows. Provide projected cash flow requirements for the next three to five years. Your cash flows can be presented as monthly, quarterly or yearly, whatever you deem appropriate for your farm business. Discuss breakeven analysis and an expenditure plan.

Balance Sheets

Provide most recent and projected balance sheets and/or net worth statements, including farm assets, liabilities, equity. May discuss ratio analysis; debt to equity, current debt.

Capital Sales, Purchases

Discuss capital sales, purchases of machinery, land and/or buildings which will be purchased or sold during the life of your business plan.

Loan Summary

Provide financing schedule including amounts of outstanding loans, mortgage amounts, rates of interest, payment schedules and terms and conditions of loan/mortgage agreements.

Financial Performance Indicators

Discuss and provide information on your liquidity, solvency, profitability, sensitivity and efficiency analysis.

Risk Assessment

Discuss the effects of market down turns, production setbacks, human resource issues, legal implications, environmental issues, impact of government policy and financial risks could have on the farm operation. Outline plans to manage these risks.

Contingent Liabilities

Discuss potential liabilities – guarantees of indebtedness of others, possible litigations, income tax implications.

Historical Prices

Provide charts or graphs of commodity and input prices over past number of years.

Goals

Short Term

Outline the goals for next two years of operation.

Long Term

Outline the goals for next three to ten years.

Constraints to Business Goals

Describe the hindrances to achievement of short and long term goals. What challenges will your employees, managers and business be faced with in trying to achieve the short and long term goals.

Family Goals

(If business is a family farm) Family goals - how will the family goals complement or conflict with business goals.

Next Steps

Key Dates

Outline key dates and who will be doing what to meet target dates.

Key Performances

Identify key performance targets and ensure a process for follow-up.

Construction

If any construction of new facilities or renovations of existing facilities is involved, outline critical dates and commissioning plans.

Accountability

Discuss who is accountable for plan monitoring and the timing of reports.

Supporting Documents

- Farm Maps** – farm property including layout of buildings.
- Property Certificates** – property appraisals, insurance documents.
- Pictures** – farm operation, buildings, major equipment.
- Historical Statements** – financial statements for past two - five years.
- Schedules** – supporting data/lists for financial statements.
- Environmental** – reports and permits
- Agreements** – contracts, leases
- Business Structure** – ownership arrangements, shareholders agreements
- Letters** – letters of intent, support
- Curriculum Vitae (C.V.) of Owners/Managers** – resumes of farm managers/owners and support staff, individual net worth, credit reports and references.

For additional information on farm business planning, you may contact your regional Farm Business Management Specialist.

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This Guide was adapted from information provided in "Farm Business Plans - An Outline for Farm Managers" sponsored by The Canadian Farm Business Management Council in collaboration with The Prince Edward Island Department of Agriculture, Fisheries and Forestry and information provided by the Canadian Farm Business Advisory Services.