



Growing Forward 2 In Newfoundland and Labrador

Business Plan Minimum Requirements
Version 1.0



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Minimum Requirements for 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 allowing 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 their 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.

Why do business plans?

- 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 and succession 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.

You may wish to include additional information in your specialized plan; however, the sections listed below must appear as a minimum.

Business overview

Cover page

- Provide the business/client name, address, telephone, and fax numbers.
- Explain the time period for business plan, and provide the preparation date.
- Provide a list of key contacts, including the consultant who prepared the plan.

Table of contents

- List chapter headings of the plan for reader reference and convenience.

Executive summary

- Provide a one-to-two page summary that describes the overall plan and highlights the action points.
- Include information on the purpose of the business, the market, unique advantages, financial highlights, management strengths, and purpose of the plan.

Purpose of plan

- Provide an outline of why the plan has been developed, (e.g., to obtain financing, attract equity capital, enter a new market, diversify the business, start a new business, expand an existing business, or assist in succession).

Business description

- List all aspects of the current and proposed state of the business, including business history and major events impacting business.
- Provide information on legal structure, type, and size of enterprise, as well as any physical resources available to the business.

Management description

- Describe the management team, their skills, and how skill gaps will be filled.
- Provide information on professionals assisting the business.

Strategic plan

- Identify the long-term view of the business.
- Outline business strengths, weaknesses, opportunities, and threats.
- Outline the business and what it is doing (mission).
- Outline where you want the business to be 5 to 10 years from now (vision).
- Outline the steps to get there (strategies and goals).
- Identify key performance indicators (objectives, their measurement, and follow-up).

Industry and market analysis

- Identify the characteristics of the industry and the markets.
- Describe the industry and its history, its size, and major players.
- Describe long- and short-term trends and seasonal factors affecting the industry.
- Outline the impact of economic, social, technological, and political change, and any other significant factors that could have 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.

Marketing

- Explain how you expect to market your production, considering the five P's: product, place, price, promotion, people.
- Provide information on the target market, including established and potential market opportunities or niche markets, customer characteristics and demographics, customer segmentation, market performance, growth trends, factors affecting purchaser decisions, and market geographic area.
- Describe the competition, including the number of competitors, their strengths and weaknesses, their costs and prices, potential competitor reaction to new market entry, the potential for substitutes, and barriers to entry.
- Describe the product/service being offered, its selling features, key product attributes, differentiating factors and quality, storage life, selling arrangements, contracts, potential alliances, service policies, and warranties.
- Describe how the product will be distributed (e.g., direct marketing, wholesaler, Web site, sales representative).
- Provide information on packaging, labeling, storage, controls, inventories, delivery guarantees, and return policy.
- Outline the advertising and promotion strategy to support the sales and profit objectives, cost/benefit of the strategy including product/service testing, advertising, how advertising will be generated for the business, and promotion budget.
- Describe how product/service price is established; warranties/ guarantees, discounts/incentives, contribution margin, and break-even price.
- Outline licensing and permit requirements.
- Explain your state of export readiness (if appropriate).

Operations

- Outline the production capacity of the business: for farms, include buildings, machinery, livestock, and land; for value-added businesses, describe plant and its capacity.
- Outline standardized quality-management systems, such as HACCP and ISO.
- Outline how the everyday activities will be managed, including supplier and production contracts, inventories, quality-control measures, production targets, distribution, and the regulatory environment.

Human resources

- Outline the people required to operate the business, their skills, their availability, and any training programs needed or in place.
- Describe any human-resource issues facing the business, and how they will be addressed.
- Summarize attraction, retention, and compensation strategies.

Financial

- Identify the financial requirements and projections to implement the plan.
- Outline business assumptions on which the financial plan is based, including quantities sold, price, cost of goods sold, operating expenses, salaries, interest rates, depreciation, income taxes, and regulatory costs.
- Provide past, present, and future (three- to five-year horizon) balance sheets, income statements, source and application of funds, and ratio analysis.
- Provide a cash-flow statement, a break-even analysis, and an expenditure plan, including start-up costs as appropriate.
- Provide a financing schedule, including source of capital (family or external), amount, timing, type, and terms.
- Provide an exit strategy for equity capital.
- Provide a most likely scenario and a sensitivity analysis.

Environmental

- Outline environmental concerns, how they will be addressed, and at what cost.
- Outline the environmental approvals that are required for the business, and when they will be obtained.
- Describe the strategies in place, such as insurance and disaster plans, to prevent environmental disaster.
- Describe consultation and community support for business and business-site selection.

Risk management

- Identify the risks inherent in the business, and outline plans to manage these risks.
- Describe all risk factors (e.g., regulatory, legal, environmental, political), and how these risks will be mitigated.
- Prepare a risk assessment, including insurance considerations.
- Address production, marketing, export, vendor, legal, environmental, human-resource (death/disability), and financial risks, as well as the possible impact of government policy.
- Describe management's tolerance/aversion to risk.
- Outline contingency and disaster plans, where needed.