



# Virginia Cooperative Extension

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## Business Planning Basics for Agribusiness

Featuring and referencing AgPlan™ developed by the Center for Farm Financial Management, University of Minnesota (copyright 2012).

Basic components of business plan:

### I. Executive Summary

- Do this last. It should be kept short, and summarize the most important points in the rest of the plan.
- Include a mission statement and/or summary of values. Start with this question, “why are you doing this?”
- Also, what are your goals? What do you want to accomplish in the next 5 years?

### II. Business Description

- What products, crops or livestock will be produced?
- What is the size of your business? If plans are to expand, what are you expanding (ie flock size, marketable products, product lines, etc)?
- Describe who is the manager, and level of employment? Seasonal? Temporary? Full-time? What are employee job duties?
  - What is the business ownership structure? How is the business set up legally?
  - What is the management structure, and who are the professional advisors to the business?
- Where is the business/farm located?
  - Is leasing land part of the business?
  - Why is this location important to you?
  - Does the location provide specific advantages and disadvantages for what you are trying to accomplish?
- Describe current facilities, and what you may want to add and why. A good way to break facilities down is:
  - Real estate
  - Structures attached to real estate (ie buildings, barns, fences, watering systems)
  - Production equipment (tractors, implements, animal handling equipment)
- History of business such as when you started, how long have you owned/managed the operation, and what are important changes made since you have been involved?

### III. Operations

Describe how the business is run.

- What are you selling specifically? Specificity is essential here!
  - Do you sell services? If so, what are they?
- How do you produce what you sell? What is your production process(es), and what advantages or disadvantages do they afford (ie rotational grazing, irrigated cropping)?
- Describe proposed changes to your production system.
- If you have a customer service focus, describe that under operations. How do you deal with customer service issues?
- Are permits required, or regulations under which you would have to operate? Focus on those which directly and significantly impact your business.
- What tools and methods do you use to management risk? (ie insurance, liability, food safety, etc.) This is especially important to consider if selling direct to consumer.
- How do you address environmental issues such as does your operation include conservation programs, how do you deal with livestock manure, fertilizer, and/or pesticides?
- Here is a good place to include realistic timelines to your business goals. When do you want to have certain things accomplished related to the business?

#### IV. Marketing

How are you going to market your products/services?

- Who are the customers (current and future), and where are they located?
- Are you working with partners outside of your business to market products/services and reach consumers? If so, who are they? How dependent on them are you?
- What is your pricing strategy? How do you determine fair pricing?
- Do you have a promotion plan? Most commodity farm operations leave this to those down the value chain. The closer you are to the consumer, the more you have to consider this.
- How do you get products to consumers?
- What makes you unique or competitive in the marketplace? What may be your disadvantages/weaknesses in the marketplace?
- Are there market trends that may present you with opportunities or challenges going forward?

#### V. Financial Plan

Use enterprise budget (Virginia Tech or other) with the operation's own actual financial data to highlight financial performance. Historical Schedule F should work for an income statement. Should also include a basic, current balance sheet, and cash flow projection for next 5 years.