

# PLANNING YOUR VALUE-ADDED BUSINESS

Geoff Benson, PhD  
Extension Economist  
North Carolina State University

- 1) PURPOSE AND EXPECTATIONS
  - A) Mission or vision statement
  - B) Long-run Objectives (say, for 10 years from now)
  - C) Short run goals for financial performance, to be achieved within 12 months, 12 to 24 months, etc.
  
- 2) EXPLORING VALUE ADDED OPPORTUNITIES
  - A) Collect ideas
  - B) Screen with the FAS test (Feasibility, Acceptability, Suitability)
  - C) Gather additional information on the best opportunities
  
- 3) INDUSTRY AND BUSINESS OVERVIEW AND MARKET RESEARCH
  - A) Assessment of industry and opportunities:
    - i) Industry overview and trends
    - ii) Customer base and demographics
    - iii) Competing products and suppliers
  
- 4) Existing resources, current financial status and past business performance:
  - A) General description of human capital, including education and experience of principal operator,
  - B) Farm and financial resources: land, facilities, livestock, equipment, and financial assets and liabilities
  - C) Farm and financial performance
    - i) Net Worth Statement (balance sheet) based on assets valued at fair market value
    - ii) Cash flow summary including existing business inflows and outflows, if any, and non-farm income and family living expenses.
  - D) Profitability of existing business, if any.
  - E) Sweet 16 measures of existing business (financial ratios and other measures of financial efficiency), if any.
  - F) Enterprise profitability, if any.
  - G) Farm performance -- physical measures of performance and measures of resource productivity, if any.
  
- 5) PRODUCTION, MARKETING AND RISK MANAGEMENT PLAN
  - A) Farm Production
    - i) New investments in land, plant and equipment
    - ii) Materials & supplies
    - iii) Operations
  - B) Processing
    - i) New investments in land, plant and equipment

- ii) Materials & supplies
    - iii) Operations
  - C) Distribution
    - i) Investments in equipment and facilities
    - ii) Operations
  - D) Marketing
  - E) Risk management
  - F) Legal, regulatory and business organization issues
  - G) Human resources
    - i) Management
    - ii) Staffing
  - H) Reality Check
    - i) Plan flexibility and exit strategy
    - ii) Is the plan consistent with the stated purpose and expectations
  
- 6) PROJECTED FINANCIAL PERFORMANCE
  - A) Annual profit projections
    - i) Farm enterprise budgets
    - ii) Profit center budgets for value added processing
    - iii) Whole farm budget
  - B) Cash flow projections
    - i) Operating income and expense
    - ii) Investment transactions
    - iii) Financing (debt) transactions
    - iv) Non-farm income and expense.
  - C) Projected change in assets, debts and net worth
  - D) Sensitivity analysis
  
- 7) KEY PERFORMANCE TARGETS AND MONITORING PROCEDURES
  - A) Profitability
  - B) Cash flow
  - C) Solvency
  - D) Financial efficiency
  - E) Enterprise costs and returns
  - F) Farm performance (efficiency)
  - G) Processing and distribution performance (efficiency)
  
- 8) Write a business Plan
  - A) Executive Summary
  - B) Statement of Purpose and Goals
  - C) Industry Analysis
  - D) Business Description
    - i) Existing resources & past performance
    - ii) Production and Marketing Operations
    - iii) Business Organization & Management
    - iv) Additional resources required
  - E) Financial Plan
  - F) Supporting documentation

## **Resources**

US Small Business Administration

<http://www.sba.gov/index.html>

NC Small Business and Technology Center

<http://www.sbtcdc.org/>

North Carolina Department of Agriculture and Consumer Services

<http://www.agr.state.nc.us/>

And NCDA&CS Marketing Division

<http://www.agr.state.nc.us/markets/index.htm>

USDA: Rural Business-Cooperative Service: Value-Added Producer Grants

<http://www.rurdev.usda.gov/rbs/coops/vadg.htm>

North Carolina Cooperative Extension Service

<http://www.ces.ncsu.edu/>

North Carolina Community College System

<http://www.ncccs.cc.nc.us/>

Service Corps of Retired Executives (SCORE)

<http://www.score.org>

Center for Entrepreneurial Development

<http://www.cednc.org/>

North Carolina Institute for Minority Economic Development (NCIMED)

<http://www.ncimed.com>

University of Wisconsin

<http://www.uwex.edu/ces/agmarkets/starting.html>

The Ohio State University

<http://newfarm.osu.edu/management/value.html>

ATTRA

<http://attra.ncat.org>

Minnesota Institute for Sustainable Agriculture

<http://www.misa.umn.edu/publications/bizplan.html>

Iowa State University

<http://www.ciras.iastate.edu/beefmanual>

<http://www.ciras.iastate.edu/porkmanual>

AgriSurf

<http://www.agrisurf.com/agrisurfscripsts/agrisurf.asp?index= 25>