

## APPENDIX C

### How to Prepare a Business Plan

*Business plans help you run your business*

A good business plan guides you through each stage of starting and managing your business. You'll use your business plan as a roadmap for how to structure, run, and grow your new business. It's a way to think through the key elements of your business.

Business plans can help you get funding or bring on new business partners. Investors want to feel confident they'll see a return on their investment. Your business plan is the tool you'll use to convince people that working with you — or investing in your company — is a smart choice.

In this proposal, you will need a traditional business plan. Traditional business plans are more common, use a standard structure, and encourage you to go into detail in each section. They tend to require more work upfront and can be dozens of pages long. This type of plan is very detailed, takes more time to write, and is comprehensive.

When you write your business plan, please use the prescribed sections requested in the application, and if you so choose, expand on the required sections.

#### **I. Executive Summary**

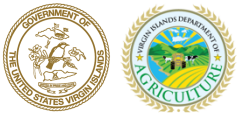
- a. Briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location. You should also include financial information and high-level growth plans if you plan to ask for financing.

#### **II. Company Description**

- a. Use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve.
- b. Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store? Your company description is the place to boast about your strengths.

#### **III. Business/Leadership Organization**

- a. Tell your reader how your company will be structured and who will run it.
- b. Describe the legal structure of your business. State whether you have or intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or LLC.



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- c. You can use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Consider including resumes and CVs of key members of your team.

### IV. Mission/Vision Statement

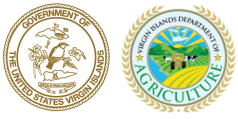
- a. Every operation has a reason for taking on the risks associated with agricultural production. The purpose of the mission statement is to precisely and emphatically state why your operation exists. It should focus each person involved in the operation each day. Anyone working within the operation should, upon reading the mission statement, know how his or her daily tasks, once completed, have helped to fulfill the operations mission. The mission statement should answer three key questions:
  - i. What are the opportunities or needs that we exist to address? (The purpose of the organization)
  - ii. What are we doing to address these needs? (The business of the organization)
  - iii. What principles or beliefs guide our work? (The values of the organization).

### V. Business/Farming History

- a. If you are new to farming, you might not have a Business History, which can be omitted. However, if you have farmed, then you will benefit from writing it. In this component, you should briefly describe how the operation came to be and how you came to be its owner and/or manager. This would include when and how was the operation started, the location of the operation, the source of the land, equipment and other resources, and was it inherited or purchased or is it rented. How was and is the operation financed? What management changes have occurred over its history? What were the defining moments or events that caused you to control the operation?

### VI. SWOT Analysis

- a. A SWOT analysis is a term used to describe a tool that is effective in identifying your Strengths and Weaknesses, and for examining the Opportunities and Threats you face. While it is a basic, straightforward model, it has been a popular business practice for many years because it helps provide direction and serves as a basis for the development of business plans. It accomplishes this by examining the strengths (what an operation does well) and weaknesses (what an operation does not do well) in addition to opportunities (potentially favorable conditions for an operation) and threats (potentially unfavorable conditions for an operation). Once completed, the SWOT analysis can help determine if the information indicates something that will assist the operation in achieving its objectives (a strength or opportunity), or if it indicates an obstacle that must be overcome or minimized to achieve desired results (weakness or threat).



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### VII. Resource Inventory

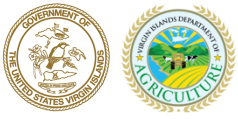
- a. Agricultural producers use resources such as land, labor, machinery, breeding stock, management and financial capital to produce commodities for sale. An accurate inventory of these resources is important for the evaluation of the current health of the operation and planning as well as a preliminary method for evaluating new enterprises. The use of an up-to-date resource inventory can help to:
  - i. Provide a current overview of the operation
  - ii. Complete a balance sheet
  - iii. Provide a summary of collateral that can be used for a loan
  - iv. Identify the status and condition of your assets and liabilities
  - v. Evaluate options for growth and diversification

### VIII. 2-Year Production Plan

- a. The production plan conveys the type and quantity of commodities to be produced. The production plan pairs information from the resource inventory and financial records to serve as a realistic estimate of current activities and their anticipated financial results. A thorough production plan should detail all enterprises on an operation (crop, livestock, and other) so that scheduling of labor and financial resources can be easily examined.
- b. The production plan should provide a basis for projecting future operational activities and alternative enterprises. While changes will occur, the production plan serves to document historical performance and project the future direction of the business.
  - i. Crop production plans should include the estimated acreage and yield for each crop. Estimated production levels can then be combined with anticipated prices to generate some of the figures needed for the financial component.
  - ii. The livestock production plan must clearly identify all related production information, including the size of the herd, cull rates, weaning rates, weaning weights, rates of gain, purchase price, sales prices, etc. In addition, details regarding the replacement herd and breeding herd should be described.

### IX. Financial Plan

- a. Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.



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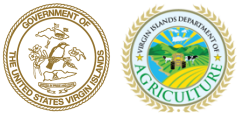
- b. If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now.
- c. Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections, and match them to your funding requests.
- d. This is a great place to use graphs and charts to tell the financial story of your business.

### X. Marketing Plan & Sales Strategy

- a. There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs.
- b. Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll refer to this section later when you make financial projections, so make sure to thoroughly describe your complete marketing and sales strategies.

### XI. 5-Year Company Goal-Setting and Expansion Plan

- a. One of the most important aspects of business planning is the setting of goals. Properly defined goals can assist the operation's management team in determining whether the operation is moving forward. Goals can be either short term or long term, however, each short term goal should correspond to a long term goal, and each of these should move the operation towards fulfilling its mission statement. Goals should be incorporated into each of the financial, production and marketing components. One common theme found in most business planning publications regarding goals is the concept of **SMART** goals. This concept suggests that goals must be **Specific, Measurable, Attainable, Relevant** and there should be a **Time-frame** specified for reaching each goal.
- b. Describe your company's plans over the next five years, how will you have grown? Will you require funding sources? What will those look like? Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for.
- c. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategic financial plans, like paying off debt or selling your business.



### **XII. Legal & Liability Issues**

- a. Contemplating the prospects of legal action against your farming or ranching operation can be unnerving. The assorted unknown variables can make the planning process frustrating, while the threat of enormous adverse judgments generates an emotional response. Planning for the loss or withdrawal of a key member of your management team can also be unpleasant. The business planning process will help identify risks and assign resources to manage these risks. A large number of potential legal and liability issues will be identified with a thorough SWOT analysis. Similarly, a resource inventory will help identify the individuals and tools necessary to manage these risks. It will be impossible to list all potential liability risks as well as to completely eliminate all of the legal and liability risk from an activity as inherently risky and uncertain as agriculture. The completed business plan will address specific action plans for dealing with identified risks, as well as outline contingencies for the unforeseen risks.

### **XIII. Design Plan**

- a. Designing your future farm is an important part of visualizing and conceptualizing your vision. Taking some time to sit and sketch ideas is a great way to help you plan for the year ahead. Make sure your designs are to scale so that your designs will be accurate and easy to work with! Please take some time and sit down and design your farm for the upcoming season. Think about your new animals, plants, projects, buildings.... And then draw them all out on a page.
- b. For more information on Design Planning, please visit the FAO website <https://bit.ly/3yB3izr> and begin reading on page 7, watch the YouTube video "Drawing Your Farm Design (To Scale)" at <https://bit.ly/3hRvLLj>, and/or read this article over at <https://bit.ly/3vosuqQ>.  
*(Please note, links are CaSe SeNsItIvE.)*

The information shared on this application were retrieved in May 2021 from the US Small Business Administration from [their website](#) and Texas A&M AgriLife Extension from [their website](#).

For technical assistance for planning your business, please visit the USDA New Farmers site at <https://bit.ly/3hSsWth>. *(Please note, links are CaSe SeNsItIvE.)*

For an example of a business plan please visit <https://bit.ly/3fP1VEE>, and for an example agribusiness plan, please visit <https://bit.ly/3hWaj7K>. *(Please note, links are CaSe SeNsItIvE.)*