



MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS

## Preparing Business Plans

### Table of Contents

- [What Is A Business Plan?](#)
- [Why Plan?](#)
- [Getting Started: Assess Your Business Idea](#)
- [Components Of A Business Plan](#)
- [Supporting Documents](#)
- [Giving Your Plan The Right Look](#)
- [Conclusion](#)
- [Agricultural Sources Of Information](#)
- [Rural Business Sources Of Information](#)

### What Is A Business Plan?

A business plan is a critical management tool for the creation or expansion of any business. It is a game plan - a concise, written record of objectives and how to obtain them. It describes, at a minimum, a product or service, customers, competition, management and financial arrangements. It should also outline production and marketing plans.

### Why Plan?

Planning is essential. It:

- helps define goals
- outlines roles and responsibilities
- sets a benchmark to record and compare progress
- provides essential documentation usually required by financial institutions and government assistance programs.

A good plan can take up to six months to complete. Recognize this and set aside the time required. Remember, while you may use outside professionals such as lawyers and accountants to help, the plan needs to be your own. You are the one who will have to present, summarize and answer questions about it.

### Getting Started: Assess Your Business Idea

As you begin, examine every aspect of your business carefully and honestly. Be realistic in assessing what you are capable of and the opportunities that exist for your success. Consider the following questions.

- What is the purpose of my business? (Be able to express it in a couple of short sentences.)
- What is the specific market I want to fill? Are customers willing and able to purchase my product or service?
- What are my personal and business goals? Are they SMART (specific, measurable, attainable, realistic and timely)?

- Do I have the necessary skills, ability and resources?
- How much money do I need at start-up and beyond? Do I have the resources? If not, where could the funds come from?
- Am I willing to take the time to plan my success?

Your answers will help determine the feasibility of your ideas. Some require personal assessment, others external research. Contact your local Business Enterprise/Self Help Centre for more information.

## **Components Of A Business Plan**

A business plan is comprised of several components. These include a title page, table of contents, an executive summary and business profile, and sections outlining the marketing, production (operations), human resources management, and financial plans. No two businesses are alike and the nature of your operation will govern the emphasis you give each component. But to present to lenders your plan should contain at least some information in every section.

### **Title Page and Table of Contents**

The title page includes your business name, the time period the plan covers, the date as well as a contact person, phone number and address. Make it professional - it is the first page your readers see and first impressions are important.

The table of contents lists the topics covered by the plan. As a road map it allows the reader to jump immediately to those sections of most interest.

### **Executive Summary and Business Profile**

A summary is critical to capturing your reader's instant attention. It should, at a high level, outline your:

- purpose and business concept (or why you believe the marketplace needs your product or service)
- target (projections in terms of units and dollar volumes during the time period that the plan covers) and how you plan to attain them
- required financing and sources, how the funds will be used and repaid.

Also include a brief description of your company organization and ownership (for example sole proprietorship, partnership or corporation). If your corporate structure has not yet been decided, consult an accountant and lawyer or local Business Enterprise/Self Help office.

Other useful information includes company management, previous financing (by whom), proposed start-up date of operations, important details of the company's current market area, customers and trends the proposed business can build upon.

### **The Marketing Plan**

In this section describe, in general terms:

- the industry in which you operate
- your strategy to penetrate or develop the target market
- how much you plan to sell
- who your customers are
- how your products will be priced
- how you will promote your product.

A full marketing plan and strategy need not be included here, but make sure to consider and evaluate different alternatives in the planning process before finalizing your marketing plan.

Sales are frequently the only revenue of a business, so investors will want to see the following information:

- The plan should show you are aware of market conditions (size and structure), the general economy and the competition.
- The implications of change (or trends), new technologies, new products, different lifestyles, ability of customers to afford the product or service.
- The implications of legal or political constraints on how your products are produced and delivered.
- The competitive advantage of your product or if it fills a particular niche in the marketplace.
- The basis for pricing your product and service based on costs, the competition, or what the market will bear.
- The geographic location where you will concentrate your promotions.
- The best way to distribute your product or service to your customers (be guided by your competitors unless you know of a better way).

Make sure to address these four "P's" of marketing: product, price, promotion and place (distribution). The plan should also strategically identify where you are now, where you want to go and how you are going to get there.

Sales projection is critical. If required to make forecasts, provide at least three scenarios: "optimistic", "pessimistic" and "most likely".

### **The Production Plan**

This is sometimes called the operating or manufacturing plan. Prepare a brief outline of your business's basic operation. Remember, what is obvious to you may not necessarily be to your readers. Consider including:

- how the product is manufactured or how the service is to be provided
- where the supplies and material will be purchased and how your product is packaged, warehoused and shipped
- what after-sales service is required (repairs, warranties, etc.)
- what land, buildings, facilities and equipment are required, including costs and financing (lease or own), renovations, local taxes and utility costs
- what employee and management plans are required, including how you intend to access skilled labour if required
- your business location and why it serves your needs, proximity to customers, suppliers, transportation costs and location of competitors
- the production capacity, turnover rates or services that can be realistically achieved with the existing or proposed plan and staff.

### **The Human Resources Plan**

Management is critically important to the success of a business. Investors or lenders are looking for a balanced team of people to cover the important areas of management, marketing, accounting, and the technical skills to deliver on your business plan.

Human resource management requires thinking about how you will recruit, screen, motivate, train and discipline the staff you work with.

- Name the key people operating your business and outline the education or experience each (have resumes available in case they are requested).
- Explain how key areas will be handled and by whom. An organizational chart may be useful. Indicate contingency plans if a key person cannot work for an extended period of time.
- Indicate any weaknesses in your management team and your strategy to overcome them and in what time frame. Training existing staff, recruiting new employees or hiring outside advisors (name them) are possibilities.

- Indicate whether salary and compensation of managers and employees are competitive with the industry and whether you are offering incentives such as commissions, bonuses or profit sharing.
- Name your board of directors or professional advisors and indicate how management will use their experience and guidance. Indicate the timing and frequency of board meetings.

Recognizing the contribution of employees to an organization is one key to the growth and success of a business. Outline how you intend to identify, recruit or promote key people and maintain a strong sense of collective achievement with all employees.

## **The Financial Plan**

As the process of creating financial projections for business revenue and expenses, cash flow and financial position requires the examination of all other key components, the financial plan is the backbone of your business plan. In doing this work you will be able to describe your plan in dollars and detect any discrepancies, gaps or unrealistic assumptions made earlier. The financial plan is valuable for creditors or government agencies when evaluating your company's needs and uses of funds. OMAFRA provides a wide range of factsheets and worksheets. See the "Sources of Information Section" at the end of this publication.

### **1. Income Statement**

The income statement discloses annual revenues and expenses of a business over the time period covered by the plan. For an existing business, include information for at least the last one or two years.

### **2. Cashflow Summary**

The cashflow projection may be the most difficult to prepare. Basically, it is an educated guess about when and how much money will come into and out of your business. Your cashflow forecast will enable you to decide what you can afford, when you can afford it and how you will keep your business operating on a month-to-month basis. This information is useful to indicate the projected increases or decreases of a bank loan that may be required during the year. Quarterly summaries are often adequate but occasionally monthly summaries are required for the first year of operation.

### **3. The Balance Sheet**

The balance sheet describes the assets, liabilities, and equity of your business at a particular point in time. It is a widely used accounting statement that indicates the economic resources of your organization and the claim on those resources by creditors. This information will allow you and your creditors to compare your estimates, as well as your past performance, against industry averages.

### **4. Capital Sales and Purchases**

Investors and lenders will require detailed information on the capital purchases anticipated during the planning period as well as information on how these assets are to be financed and their expected useful life. Capital assets include land, buildings and equipment.

### **5. Financing Schedule**

The financing schedule or loan summary provides a snapshot view of existing and new loans that will be held by your business. Outline the interest rate being paid, frequency of payments, security given, type of loan (amortized versus non-amortized) and the expected term of the loan. For existing loans state the name of the financial institution.

No one expects you to make a profit in the first month, quarter or in some cases year. There should be light, however, at the end of the tunnel. Interest on loans is repayable from your first day of operation, and you must have a return on your investment, both time and money, within a realistic time frame if your business is viable.

## **Supporting Documents**

Supporting documents could include:

- résumés, which include training, experience, role in the business, credit background and a personal statement of net worth
- credit reports, letters of reference (personal and financial)
- names of professional advisors (technical, legal, and accounting)
- copies of any contracts, leases, or patents.

### **Giving Your Plan The Right Look**

Compile your plan into a formal, well-organized and professional document. Your plan should:

- be 10 to 30 pages in length, typed and double spaced, with adequate margins for adding notes and questions
- place the most essential information at the front
- ensure the main components can be read in five minutes or less
- avoid jargon
- use figures, charts, tables, photographs or sketches to make your report stand out
- include headings and subheadings to improve organization, along with a detailed table of contents
- place supplemental information such as technical reports, studies, catalogues in the appendices.

Ask an outsider you respect to read your final draft and provide constructive criticism.

### **Conclusion**

Preparing a professional business plan is work. Is it worth the time and effort? Successful businesses advocate it. Bankers and government officials demand it. Venture capitalists require it. But you are the one who will benefit the most.

### **Agricultural Sources Of Information**

Publication 37, Farm Financial Analysis and Planning Workbook, Ontario Ministry of Agriculture, Food and Rural Affairs, [www.ontario.ca/omafra](http://www.ontario.ca/omafra) <<http://www.ontario.ca/omafra>>.

Farm Accounting Standardization Manual: A Manual of Farm Accounting Terminology, Reporting Policies, and Ratios, Farm Accounting Standardization Review Committee, Farm Credit Corporation.

AgriBusinessCampus, a web-based centre of farm management information, [www.agribusinesscampus.com](http://www.agribusinesscampus.com)

Your Guide to Food Processing, [www.ontario.ca/omafra](http://www.ontario.ca/omafra) <<http://www.ontario.ca/omafra>>

### **Rural Business Sources Of Information**

Industry Canada's business website. A world of information for business: [www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca) <<http://www.strategis.ic.gc.ca>>

Business Start-up Assistant, Canada-Ontario Business Service Centre, [www.canadabusiness.ca](http://www.canadabusiness.ca) <<http://www.canadabusiness.ca>>

Rural Business Planner CD ROM

For more information:

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