

# Business Planning

Mykel Taylor

Department of Ag Economics

[mtaylor@ksu.edu](mailto:mtaylor@ksu.edu)

785-532-6925

[www.agmanager.info](http://www.agmanager.info)



# Outline

- Why plan?
- Elements of a business plan
- What are your values?
- Resources for your planning



# **WHY WRITE A BUSINESS PLAN?**



# Why Plan?

- Why are you here today?
  - Change your management behavior
  - Hear new ideas you could use on your operation
  - Prepare to start a new enterprise
- Decisions are rarely made “holding all else constant”
  - How does a management decision you make today fit with the overall scope of your operation?



# Why Plan?

- Small business survival rates (2008)
  - Seven out of 10 new employer firms survive at least two years
  - About half survive five years
- Findings do not differ greatly across industry sectors
  - Agriculture isn't *special*

**Sources:**

U.S. Small Business Administration, Office of Advocacy, September 2009.

Survival and Longevity in the Business Employment Dynamics Database,  
Monthly Labor Review, May 2005.

Redefining Business Success: Distinguishing Between Closure and Failure,  
Small Business Economics, August 2003



# Why Plan?

- Business failures are most often due to
  - Inadequate planning
  - Under capitalized (i.e. the money runs out)
  - Do not have the needed **management skills**
- Planning doesn't eliminate all uncertainties
  - Helps prepare for obvious ones and minimize disturbing impacts of not-so obvious ones



# Why Plan?

- **Who is the audience?**
  - Management (that's you)
  - Lenders
  - Potential investors or business partners
- **What is the objective?**
  - To enhance your net income
  - To improve communications within management
  - To facilitate a transition plan for your family business



# **ELEMENTS OF A BUSINESS PLAN**



# Business Plan Elements

- Something for everyone
  - Fluff and numbers!
- Executive summary
  - Business Description
  - Mission Statement
  - Goals
  - Plan Summary
  - Capital Request



# Business Plan Elements

- **Business Description**
  - Business overview
  - Location, facilities
  - Ownership structure
- **Operations**
  - Products and services
  - Production system
  - Licenses, permits & regulations
  - Production risk management



# Business Plan Elements

- **Marketing Plan**
  - Marketing strategy and contracts
  - Risk management strategy
- **Management & Organization**
  - Management team/board of directors
  - Personnel plan
  - Professional services



# Business Plan Elements

- Financial Plan
  - Current financial position
  - Projections for new enterprise/partnership
  - Benchmarks (your own and others)
  - Asset management strategy
- Finances: more detail is better
  - Hardest section to put together
  - ‘Rough’ estimates may not be sufficient
  - Tools in MAST are useful for building your financial plan



# **THE VALUE OF VALUES**



# Identify Your Values

- What do I mean by “values”?
- Values are a person’s core beliefs, principles or standards of behavior
- Values are one's judgment of what is most important in life



# Identify Your Values

- When taken together, values provide a system of viewing, interpreting, and making sense of the world
- Everyone has a set of values even if one has never explicitly articulated them
- Values are the foundation of an effective strategy, so it is critical to express them clearly



# Identify Your Values

- Values worksheet
  - Exercise to help you start thinking about your values
- Do farmers have common values?



# Identify Your Values

- **Economic**
  - Profit maximization, business expansion
- **Social**
  - Prestige of farming, continuing farming traditions
- **Expressive**
  - Pride of ownership, challenge of work
- **Intrinsic**
  - Enjoyment of work, independence

Economic

Job Satisfaction



# Identify Your Values

- Farmers' objectives
  - Highest rated: sufficient profit
  - Second highest rated: being good at what you do
- Why are you in farming?
  - Job satisfaction
- What characterizes a successful farmer?
  - Most answered with economic outcomes

**Source:**

Willcock, J., I. Deary, M. McGregor, A. Sutherland, G Edwards-Jones, and O. Morgan.  
1999. Farmers' Attitudes, Objectives, Behaviors, and Personality Traits: The  
Edinburgh Study of Decision Making on Farms. *Journal of Vocational Behavior*.



# Identify Your Values

- Value judgments
  - Economists don't like them
- Normative vs. positive economics
  - Your decisions will be influenced by what you think you “should” do as well as what the numbers tell you



# Identify Your Values

- One way to bring your values to the surface is to ask yourself (and your management team) what it means to be *successful*
  - Paying down our debts
  - Saving for the future or down times
  - Farming full time (or some other %)
  - Taking time to rest and vacation
  - Working together with your family
  - Being your own boss



# Identify Your Values

- **Personal**
  - What type of lifestyle do I want to lead?
- **Economic**
  - What is financially important to me?
- **Community**
  - How do I define community and why is it important?



# Identify Common Values

- After you have identified your values
  - Compare to the values of the rest of your management team and/or family
  - Which ones do you share? Which are different?
- What can this exercise accomplish?
  - Improve the understanding and communication of your management team
  - Set goals that reflect your personal and business goals
  - Enable you to draft a business plan that keeps these values a priority



# **RESOURCES FOR FUTURE WORK**



# Business Plan Resources

- AgPlan small business planning website
  - Register your farm to get an account (it's free)
  - Read sample business plans for ideas
  - Share your plan with others to get feedback

<https://www.agplan.umn.edu>



# Business Plan Resources



The Agriculture, Fisheries and Small Business Planning Website



## What is AgPlan?

AgPlan helps rural business owners develop a business plan. Everyone can use AgPlan—for FREE.

- **Develop** your own business plan
- **Learn** what you need to include in your plan with **Tips & Resources**
- **View** Sample business plans for ideas
- **Share** your plan—print, download and work with your own Reviewers

Login

[Register](#)



"How do I get started using AgPlan?"

Getting Started

We are committed to safeguarding your info

Private Security Statement

### AgPlan's User-oriented Features



#### Choose your business type

AgPlan is designed to provide customized assistance to different types of businesses.

- Ag - Commodity
- Ag - Value-Added
- Rural Small Business
- Commercial Fishing



#### Editor

Our feature-rich type editor acts just like your computer's word processor. For each section of your business plan write a concise statement that will let readers quickly understand the key points you want to communicate.



#### Tips, Resources & Samples

In each section of AgPlan you will find specific Tips, Resources & Samples to help you create the best business plan possible!



#### Reviewers

AgPlan allows you to share your business plan and interact with your business advisors, educators, or consultants.

# Business Plan Resources

- Public Resources
  - K-State  
[www.agmanager.info/agribus/busdev/assess](http://www.agmanager.info/agribus/busdev/assess)
  - Iowa State & USDA  
[www.agmrc.org/business\\_development/starting\\_a\\_business](http://www.agmrc.org/business_development/starting_a_business)
  - Small Business Administration  
[www.sba.gov](http://www.sba.gov)
- Agricultural lenders
  - Frontier Farm Credit  
[www.frontierfarmcredit.com/products/1/business-estate](http://www.frontierfarmcredit.com/products/1/business-estate)



# Business Planning

- Business plans are only as good as you want to make them
  - The more effort you put into the process, the more issues you will be able to address with your plan
  - More effort doesn't mean more pages (get to the point)
- They have a life expectancy
  - Update your plan with new goals, assets, family members, enterprises, or motivations
  - Sort your goals and actions into long and short term categories



# Questions?

**Mykel Taylor**

Department of Ag Economics

[mtaylor@ksu.edu](mailto:mtaylor@ksu.edu)

785-532-6925

[www.agmanager.info](http://www.agmanager.info)

