

# Developing a Business Plan

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A business plan is a strategic management tool; it enables the business to plan fiscal growth and anticipate market changes through an organized process. Many business owners and managers argue that it is pointless to write a business plan because the marketplace changes so rapidly that any plan is quickly outdated. While change is a part of everyday business, the process of preparing a business plan is as important as the plan itself as it commits the entire management team to a common vision and set of goals. A business plan can be an important internal document for companies with multiple locations and operations. Top management can monitor a business plan not only to be certain that formal planning is occurring, but also to determine whether the planning is consistent with long-term financial and market goals.

Dairy Enterprise Services provides leadership to the process of developing the business plan and the client is ultimately responsible for its content. In order to ensure a positive outcome, the owners and managers of a business must understand it completely and take ownership of its execution. Our services will provide a framework and guidance through the various steps involved in the plan's development which include:

- Establish the corporate mission and vision
- Conduct a management/leadership audit
- Analyze the marketplace
- Determine the market-based product/services offering
- Develop the sales and marketing plan
- Prepare historical and projected financial reports

The process involves a series of on/off-site work sessions where tasks are assigned and progress is reported. Following a previously agreed upon outline, the various plan elements are progressively and concurrently developed. Once the content of the plan is completed, DairyES will develop the narrative and format the document in a professional presentation.

## Business Plan Elements

**Executive Summary** This is the most concise part of the business plan but covers all of its key points. External users typically review the executive summary first to determine their initial impressions and whether to read further. Since this section is basically a summary of the overall plan, it should be prepared last.

**Company Description** This first full section of the business plan covers the company's mission, history, present situation, strategies, long-term vision and plans for the future. Examples in this section might include:

- Identification of all legal entities and their function
- Listing of significant changes of management, growth and gains (productivity, efficiency, herd size, profitability)
- Present production levels and other key management indicators
- Intergenerational transfer/business succession plans
- Long-term goals and current objectives (both personal and professional)

**Management and Organization** Many business professionals consider the management team to be the most important predictor of business success. This section should describe members of the management team (both internal and external), their backgrounds and experience – what are

their positive attributes that make a difference in your business? The plan should discuss personal development processes the farm utilizes to help attract and retain the best staff available and the management structure that keeps everything working like a well-oiled machine.

**The Marketplace** This section should define the intricacies of the market, industry, and current and potential buyers of goods produced. It is recommended to outline the outlook for prices in the next three to five years for both inputs and outputs.

**The Product** This section should detail the features, components, and quality of the product(s) or service(s) the farm delivers. What product(s) are produced or sold? Be sure to discuss priorities in terms of quality and consistency of production and their economic impact upon the business. What quality control processes are incorporated into the production model?

Many dairy farms produce much more than just milk - forages, grains, and heifers are among the other possible production enterprises besides milk. This section of the plan should provide information regarding production budgets, growing rotations and cycles, animal health practices, preventive maintenance programs and contingency plans for all of the major products produced on the farm. It is important to provide information about any outside contractors (land owners, heifer raisers, custom harvesters) who are part of the overall business model and insert copies of contracts in the addendum section of the plan.

**Marketing and Sales** The plan should explain key factors for the market in terms of how buying/selling decisions are made including risk management plans and strategies. This section should describe the company's purchasing and selling methods (such as direct sales, group purchasing, etc.) and how suppliers/vendors are selected.

**Financial Information** Included in this section are summarized projected statements of net worth (balance sheet), cash flow and income. While the production model may undergo a significant change as a result of a proposed expansion, the financials must be consistent with the company's past performance trends. Business plans used to solicit financial backing should also include a funding request that states how much money is needed as well as how it is to be structured and applied. Finally, the plan should consider the projected payback for any investors and their exit strategy.

**Addendum** The final section of the plan provides details or supplemental information pertinent to discussion items in the previous sections including:

- detailed financials
- real estate appraisals
- farm photos, tract maps
- vendor/supplier contracts
- legal descriptions of real estate
- operating agreements
- personal statements of net worth
- manure receipts agreements/easements
- past milk shipments
- DHIA or other production summary information
- equipment lists, etc.