

BUSINESS PLANNING FOR AGRICULTURAL OPERATIONS

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As farmers look to manage their operations, a written business plan is a critical risk management tool that can be utilized to make informed decisions. A business plan is a comprehensive document that defines and summarizes how resources and financing will be used to realize financial, marketing and operational goals. The process of developing a business plan is helpful to identify strategies to utilize resources efficiently and maximize profitability.

A business plan is often required when securing financing or grant funding. Plans can vary greatly in terms of length, depth and scope based on the target audience and application of the plan. Designed as a living document, plans should be updated annually and as goals and circumstances change. The components of a basic business plan include an executive summary, business description, marketing plan and financial plan. This series of publications can assist agricultural producers in developing a complete business plan. To find other publications in this series, see below in Additional Resources.

Executive Summary

The executive summary is a brief description of the overall plan and is often written last. This section should provide a summary of the operation including the name, location, ownership and a brief description of the products and services offered. A concise mission statement that defines the purpose of the operation and how customers' needs will be met is often included. The goals and plans for the future of the operation over the next 3 to 5 years should also be covered, including any capital requests to realize those goals.



Business Description

The business description is an overview of the current operation and ownership structure. The description should include the operation's products and services, location, and facilities, including the land, buildings and equipment.



Describe in detail the size and scope of the business, including the number of employees, production capacity and community impact.

When considering an expansion or new enterprise, the number of jobs created and economic impact for the community should be addressed. Applicable permits or licenses to meet state and local regulations for the current operation and any expansion or diversification plans should be included in the business description.

Identify the ownership structure, which refers to the legal structure of the business (sole proprietor, partnership, corporation, limited liability partnership or cooperative). If there is more than one owner, the portion owned by each party should be outlined.

Marketing Plan

The long-term sustainability of any business is determined by the ability to successfully market the goods and services provided by the operation. A marketing plan includes an analysis of the current market and strategies to meet the needs of target customers. In a market analysis, an overview of current trends and an assessment of competition should be addressed. Identify potential target customers and marketing strategies to reach them, including promotion, pricing, and distribution channels to be utilized. The marketing plan should be updated regularly to reflect current market conditions including changing consumer preferences and new competitors. A marketing plan should be developed for each product and service offered by the operation.



When starting a new business or considering additional enterprises for an existing operation, a detailed business plan will provide much-needed guidance to make informed decisions throughout the planning and implementation process. A business plan will provide direction for daily decisions and long-term guidance. As financial, market and management goals and conditions change, a business plan should be evaluated and updated as needed.

A worksheet is provided to assist in the business planning process.

Additional Resources

UT Center of Farm Management
UT Center for Profitable Agriculture
D 197-B Business Description
D 197-C Marketing Plan
D 197-D Financial Plan

Financial Plan

A financial plan includes information regarding the current financial state of the operation and any capital requests to meet future goals. If the business plan will be used to obtain funding, describe how the funds requested would be used and a timeline of implementation.



Depending upon the funding source, various financial statements may be required. These statements can include a balance sheet, enterprise budget, income statement and cash flow statement, among others.

Numerous financial statement templates are available and Extension farm management specialists can assist producers in developing a financial plan.

Business Plan Template for Agricultural Operations

This guide is designed to be used with the publication *Business Planning for Agricultural Operations* to assist producers in developing a business plan. Include attachments and additional documentation as necessary.

Primary Contact Name

Business Legal Name

Address

Phone Number

Email Address



Executive Summary

Provide a summary of the entire business plan. Include goals for the next 3 - 5 years and capital funding requested to meet those goals. Write this section last.



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Include information regarding the current financial state of the operation and any capital requests to meet future goals.

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Resources

UT Center of Farm Management | farmmanagement.tennessee.edu

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