

BUSINESS PLANNING FOR AGRICULTURAL OPERATIONS: BUSINESS DESCRIPTION

Les Humpal, Extension Specialist Center of Farm Management
Rachel Painter, Extension Specialist Center for Profitable Agriculture



A business description is an overview of the current operation, business history, location, facilities and business structure. The business description is the second section of the business plan, following the executive summary. This section is often written first and should be the easiest to complete. Along with the other publications in this series, this guide can assist agricultural producers in developing a comprehensive business plan.

Business Overview

The business overview should provide the reader with a general idea of the purpose of the operation including an understanding of what is produced and marketed. Describe the size and scope of the business including the products, services, and/or activities offered and purpose of the operation.

For example, a meat processing operation should describe the services that are offered including United States Department of Agriculture (USDA) inspected and/or custom processing options and the volume or capacity of the operation. Market channels for this example would include channels of distribution including wholesale or direct to consumer cuts offered.

A forest product business should describe where the operation fits within the segment of the industry, meaning whether rough cut lumber or finished wood products are offered. When considering an expansion or new enterprise, the number of jobs created and economic impact for the community should be addressed. Enterprises can create both direct and indirect economic impacts within their communities. One example of a direct economic impact is creating new jobs within the community.

Business History

This section of a business description can be extensive for operations that have been in the family for generations, or brief for new, beginning operations. The business history provides an overview of who has owned and managed the operation and for how long. Describe when and how the operation began and how it has changed in terms of size, scope and profitability. This section provides the opportunity to discuss major changes or updates that have been made to the operation over time.

When starting a new business, describe the background of the owners and how the operator's experiences will benefit and contribute to the sustainability of the operation.

Location

Where a business is located is critical for the success of the business as it relates to the costs and ease of transportation when sourcing inputs and supplying products and services for consumers. Describe the physical location including the advantages and disadvantages from the operator's and consumer's perspectives. Does the operation utilize off-site sale locations, such as farmers markets, pick-up sites and retail stores? An agritourism operation should describe how consumers access the site including the proximity to population centers and visibility from major roadways.

Facilities

In this section, provide an overview of the current land, buildings and equipment of the operation. Describe the size, type and quality or conditions of the current facilities and any additional equipment or infrastructure needed to meet the goals and plans for the future. What investments are required to obtain needed improvements? Include applicable permits or licenses necessary to meet state and local regulations for the current operation and any expansion plans.

Business Structure

Identify 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. Consult with an attorney and/or a certified public accountant to choose which particular ownership structure is best suited for the owners and operation. For operations that have hired employees, provide a list of roles, responsibilities and the supervisory structure. This is often referred to as a personnel management plan.

Conclusion

A well-written business description provides an understanding of the operation including resources available to meet future plans and goals. Additionally, lenders and stakeholders are able to visualize the operation and the direction the business is headed. The next steps in completing a business plan include developing a marketing plan and financial plan, followed by the executive summary. All components of a business plan should be updated as goals and circumstances change.

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

Additional Resources

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