

Management and Marketing Notes. May 2004

**PLANNING YOUR VALUE-ADDED BUSINESS:
A CHECKLIST**

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✓ When completed

- 1. PURPOSE AND EXPECTATIONS
 - A) Mission or vision statement
 - B) Long-run Objectives (say, for 10 years from now)
 - C) Short run goals for financial performance, to be achieved within 12 months, 12 to 24 months, etc.

- 2. EXPLORING VALUE ADDED OPPORTUNITIES
 - A) Collect ideas
 - B) Screen with the FAS test (Feasibility, Acceptability, Suitability)
 - C) Gather additional information on the best opportunities

- 3. INDUSTRY AND BUSINESS OVERVIEW AND MARKET RESEARCH
 - A) Assessment of industry and opportunities:
 - i) Industry overview and trends
 - ii) Customer base and demographics
 - iii) Competing products and suppliers

- 4. EXISTING RESOURCES, CURRENT FINANCIAL STATUS AND PAST BUSINESS PERFORMANCE:
 - B) General description of human capital, including education and experience of principal operator,
 - C) Farm and financial resources: land, facilities, livestock, equipment, and financial assets and liabilities
 - D) Farm and financial performance
 - i) Net Worth Statement (balance sheet) with assets valued at fair market value
 - ii) Cash flow summary including existing business inflows and outflows, if any, and non-farm income and family living expenses.
 - E) Profitability of existing business, if any.
 - F) Sweet 16 measures of existing business (financial ratios and other measures of financial efficiency), if any.
 - G) Enterprise profitability, if any.
 - H) Farm performance -- physical measures of performance and measures of resource productivity, if any.

- 5. PRODUCTION, MARKETING AND RISK MANAGEMENT PLAN
 - A) Farm Production
 - i) New investments in land, plant and equipment

- ii) Materials & supplies
 - iii) Operations
- B) Processing
 - i) New investments in land, plant and equipment
 - ii) Materials & supplies
 - iii) Operations
- C) Distribution
 - i) Investments in equipment and facilities
 - ii) Operations
- D) Marketing
- E) Risk management
- F) Legal, regulatory and business organization issues
- G) Human resources
 - i) Management
 - ii) Staffing
- H) Reality Check
 - i) Plan flexibility and exit strategy
 - ii) Is the plan consistent with the stated purpose and expectations?

□ 6. PROJECTED FINANCIAL PERFORMANCE

- A) Annual profit projections
 - i) Farm enterprise budgets
 - ii) Profit center budgets for value added processing
 - iii) Whole farm & value added budget
- B) Cash flow projections
 - i) Operating income and expense
 - ii) Investment transactions
 - iii) Financing (debt) transactions
 - iv) Non-farm income and expense.
- C) Projected change in assets, debts and net worth
- D) Sensitivity analysis

□ 7. KEY PERFORMANCE TARGETS AND MONITORING PROCEDURES

- A) Profitability
- B) Cash flow
- C) Solvency
- D) Financial efficiency
- E) Enterprise costs and returns
- F) Farm performance (efficiency)
- G) Processing and distribution performance (efficiency)

□ 8. WRITTEN BUSINESS PLAN

- A) Executive Summary
- B) Statement of Purpose and Goals
- C) Industry Analysis
- D) Business Description
 - i) Existing resources & past performance
 - ii) Production, Marketing and Distribution Operations
 - iii) Business Organization & Management
 - iv) Additional resources required
- E) Financial Plan
- F) Supporting documentation