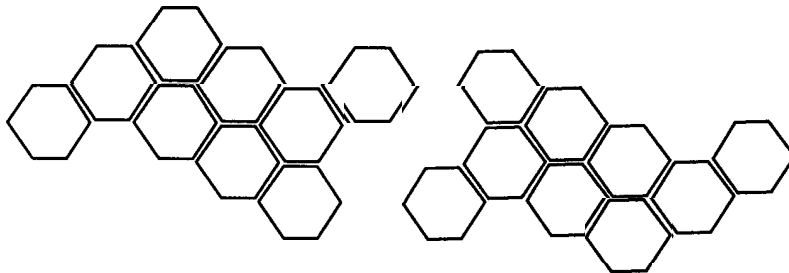


# Preparing a Business Plan

A Guide for Agricultural Producers



# Preparing a Business Plan

A Guide for Agricultural Producers

Bee Keeper Example



**Province of British Columbia**  
Ministry of Agriculture, Fisheries and Food

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Ministry of Agriculture, Fisheries and Food,
- ♦ John Gates, Apiculture Specialist, B.C. Ministry of Agriculture, Fisheries and Food,
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  - Allen Paulson, Merrit.

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J. A. Lloyd Management Services  
Kelowna, B.C.

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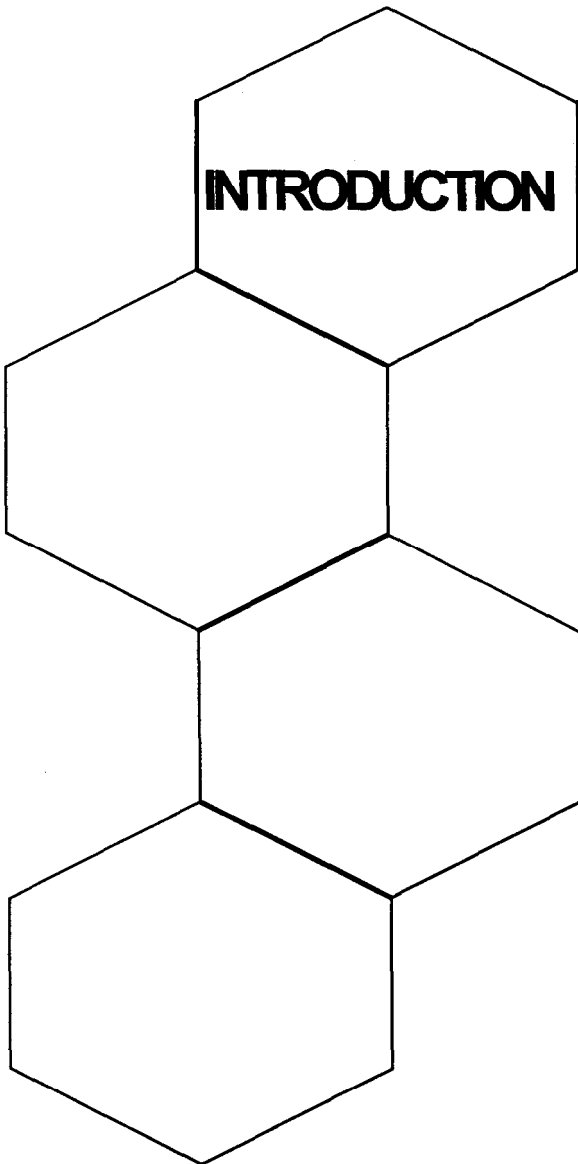
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## **PREFACE**

Managing an agricultural business in the 1990s and beyond will be more complex with good planning skills becoming increasingly important. As farming becomes more capital intensive, margins narrow and the adoption of rapidly changing technology becomes the norm, planning techniques which are used in other businesses must be applied to agriculture. One of these planning techniques is preparing the formal business plan. A formal business plan integrates written goals with marketing, production and financial targets into a management strategy for the business along with identifying human resource requirements. Other factors such as increased environmental awareness and the globalization of agriculture emphasize the need for effective planning at the farm level.

The purpose of this publication is to provide farmers with business planning information and a format for developing a business plan for his or her farm business. While information and sample business plans are available for non-farm businesses, examples of business plans for farms are difficult to find. Each farm business is unique in terms of physical characteristics, income level and people involved in owning and operating the farm. This publication will provide a good starting point to assist farm managers to prepare formal business plans for their own operation.

**Terry Peterson, Director**  
Farm Management Branch  
Ministry of Agriculture and Fisheries  
Vernon, British Columbia



You have a plan. You need to write it down.

***Preparing a Business Plan*** is a working guide to help you do just that. It will show you what a business plan looks like and be a guide to refer to as you prepare your own business plan.

### **How to use this guide**

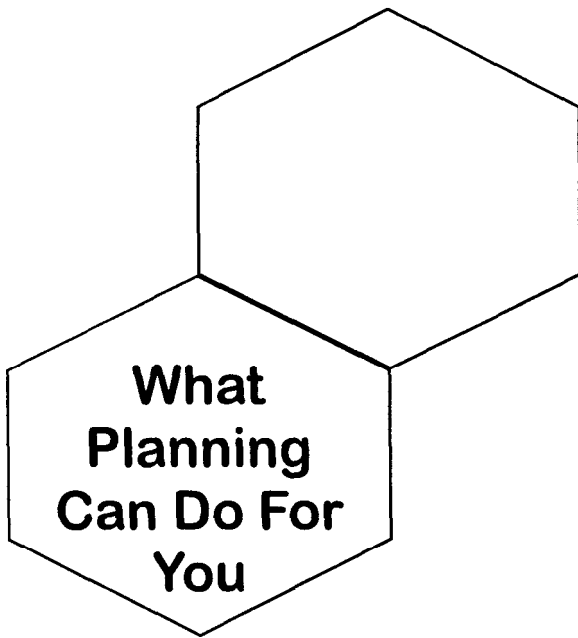
This guide is set up to use an explanation and then an example to show you the process for preparing your plan. The example follows through a business plan which has been prepared to provide direction for the management of a 500 hive beekeeping operation.

The left hand page of the guide explains what should go into the section. The right hand page gives an example of how it might look.

At the back of the guide, you will find blank worksheets that you may want to use to help you in structuring your plan. Remember, however, that while this guide will give you a framework, your plan will focus on your needs and your business information.

### **If you need more information**

If you need more information, contact your nearest B.C. Ministry of Agriculture, Fisheries and Food district office, the Apiculture Specialist for your area, or the Farm Business Management Branch. BCMAFF provides a wide range of factsheets and worksheets such as ***Planning for Profit*** contribution margins and the Planning Package.



Planning is a vital part of your successful farm business. Comprehensive plans are routinely prepared by larger urban firms as a normal business practice. They improve communication, general **efficiency** and decision making - important advantages for all businesses, including your beekeeping business.

Planning does not replace entrepreneurial skills but it can help avoid failures by:

- ♦ discovering the problems and pitfalls
- ♦ making the right moves to avoid them
- ♦ preparing to take advantage of new opportunities

Communication helps create a common purpose. You can use your written plan to explain your goals and strategies to people inside and outside the operation:

- ♦ where the business is going,
- ♦ what needs to be done,
- ♦ the role of investors, family members and employees

The business plan is your game plan within which you

- ♦ set objectives and guidelines on paper.
- ♦ create a standard against which to compare your actual results with your anticipated results.
- ♦ identify problems quickly, before they become unmanageable.
- ♦ keep on track

Because planning is so crucial to your operation, it's important to examine every aspect of your business carefully and honestly. Be realistic in assessing what you are capable of and the possibilities that exist for your business. Some questions you should be asking yourself are:

- ♦ What exactly is the purpose of my business?
- ♦ How good is my concept? Will I be able to market my products?
- ♦ What are my personal and business goals?
- ♦ Do I have the necessary skills and abilities?
- ♦ What are my approximate cash needs? Do I have the resources? If not, where could the funds come from?

- ♦ Am I willing to take time to plan for my success?

A business plan puts a lot of valuable information at your fingertips, ready to help you make those tough decisions. The plan will also help you monitor progress and cope with change and competition.

Your business plan should be prepared by you, the owner/manager of the farm. Even if you use outside professional help, your plan must be your own. You have to be able to present it, summarize it and explain it.

### How to develop a plan?

To many farmers, planning is synonymous with number crunching. Your business plan is much more. A look at your business should start with the foundation and build on the goals and priorities of your business and family.

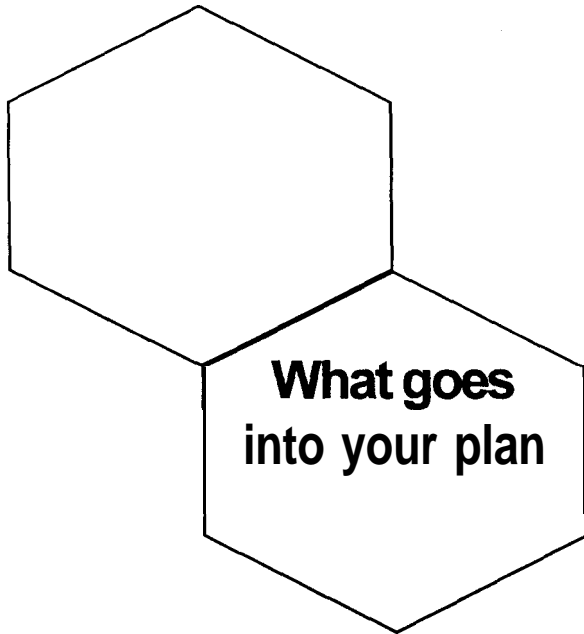
In this guide, the business plan works through a process of development:

- ♦ Analyzing the farm business and the industry
- ♦ Determining the goals of the business and the family
- ♦ Choosing the strategies to achieve the goals in terms of:
  - ♦ markets for the products of the business
  - ♦ production resources
  - ♦ management and **labour** resources
  - ♦ finances

The number crunching builds in each step of the process. The financial planning serves as the reality check for the business plan rather than being the driver of the plan.

Your business plan will answer three main questions:

1. Where are you now ?
2. Where do you want to get to?
3. How are you going to get there?

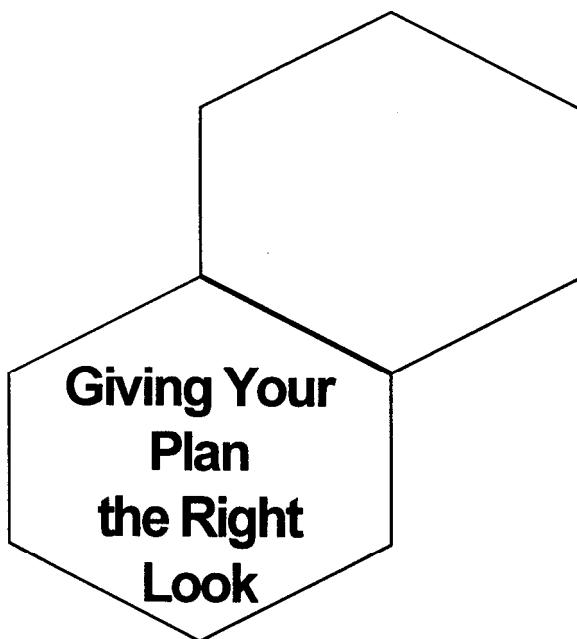


## The Right look

Your business plan will likely be used to explain what you want other individuals, both inside and outside the business, to do for you. It is important to follow a recognized process and format to set up your plan.

Also, as your business plan is a formal document, appearance is important. The document should

- ♦ include a title page giving business name, date and time period covered
- ♦ have a detailed table of contents
- ♦ be typed, double-spaced with clean margins
- ♦ be simple and easy to read
- ♦ be geared to outsiders - avoid industry jargon
- ♦ be organized with essential information at the front
- ♦ have extra information in Appendices



## The background papers

The formal plan will have the information needed to guide the user through the scenario you are pursuing.

Meanwhile, you will likely be collecting all kinds of additional information about your business. These background papers are very helpful for further analysis and for future planning. You will want to set up an informal or working file to keep other information and ideas such as:

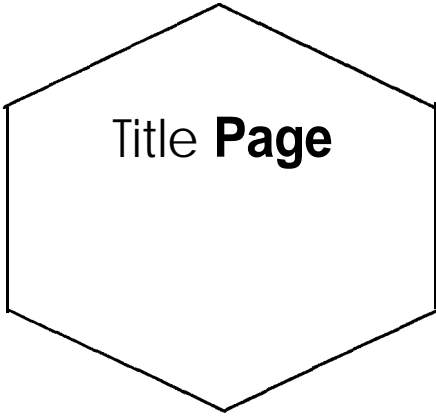
- ♦ detailed analyses and other numbers
- ♦ support and source documents
- ♦ inventories and valuations
- ♦ projections based on other scenarios.
- ♦ other opportunities not pursued and why
- ♦ confidential information
- ♦ competitive edge information
- ♦ details of goals and objectives
- ♦ newspaper and magazine clippings
- ♦ sensitive or confidential information

# **COMPONENTS OF A BUSINESS PLAN**

A complete business plan will include the components shown in the diagram below. Although each component should be considered, the amount of detail and depth in each will depend on the importance to your business plan.

Your business plan may look different from the examples used in this book. You should emphasize those sections which best reflect the nature of your business.





**The Title Page** helps your business plan look professional. Remember that first impressions are very important, especially to readers, such as bankers, who see many plans.

As the example on the right shows, you should include:

- ♦ **your** farm name
- ♦ address
- ♦ **telephone/FAX** number
- ♦ the period the plan covers
- ♦ the person to contact
- ♦ the date your plan was prepared

Tie Page  
Example

**BUSINESS PLAN**

1995 - 1999

to

Operate

**GOLDEN GLOW FARMS**

a 500 hive Beekeeping Operation

***Prepared by:***

Bill and Lila Washington

***Date:***

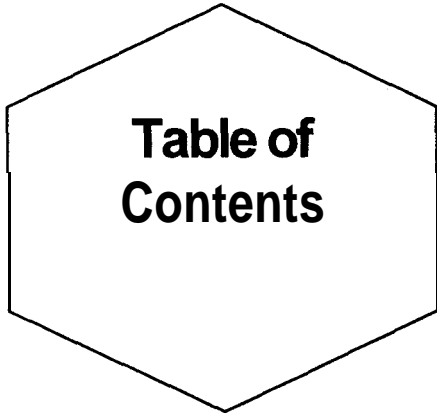
December 31, 1994

***Address:***

Box **10808**  
Quesnel, British Columbia, V2J 2C1

***Telephone/Fax:***

**(604) 999-4444**



# Table of Contents

**The Table of Contents** outlines the topics covered by the plan. It allows readers to jump immediately to those sections which are of most interest.

Remember that people who may read your plan, such as perspective lenders, are busy people. The table of contents is a **roadmap** of where they can find more detail on each topic.

# Table of Contents

## Example

<b>Table of Contents</b>	
	<b>Page</b>
Business Profile and Summary .....	11
<b>The Business Organization..</b> .....	<b>13</b>
<b>Goals</b> .....	<b>15</b>
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## Business Profile and Summary

The **Business Profile and Summary** should attract the reader's interest, outlining the basics of your plan and encouraging him or her to read the remainder of the plan.

The reader should also know from the summary where and how he or she fits into your plan, e.g. if the plan is targeted to a lender, the summary should indicate how much money you want, what for, what your security is and how you intend to pay him or her back.

Items that you might include in the Business Profile and Summary:

- ♦ purpose of the plan
- ♦ business goals
- ♦ business activities and targets
- ♦ financing needs or other input required from outsiders
- ♦ financial and physical resources available

This section is usually easiest to prepare after the plan is completed.

# Business Profile and Summary Example

## Purpose of the plan

To provide a five year operating plan for an existing 500 hive beekeeping business focussing on

- ♦ maintaining honey production
- ♦ diversifying into other hive products (pollen, beestock)
- ♦ reducing debt and building equity in the farm and
- ♦ building off-farm investments.

## Business Highlights

- ♦ 500 hive beekeeping operation producing honey
- ♦ Established markets for all honey produced
- ♦ Good line of equipment in good operating condition
- ♦ Good facilities for handling bees and honey
- ♦ Family operated business
- ♦ High debt load but all payments up to date

## Business Activities and Targets

### Marketing Plan

- ♦ Diversify into pollen, comb honey, candles, and beestock sales
- ♦ Increase farm gate sales of honey by developing a brand name
- ♦ Improve packaging and promotional activities

### Production Plan

- ♦ Maintain 500 hives in efficient honey production
- ♦ Produce alternate products (pollen, beestock, comb honey)
- ♦ Produce value-added wax products

### Mangement and Labour Plan

- ♦ Share work load with family
- ♦ Train and upgrade to handle new products
- ♦ Minimize hired help

### Financial Plan

- ♦ Pay off debt according to payment schedules
- ♦ Off farm investment strategy (education and retirement funds)
- ♦ Build equity



Under **Business Organization**, you want to present some basic information about your business and, for an existing business, how you got to this point.

The business organization includes:

- ♦ the basic structure
- ♦ ownership
- ♦ advisors
- ♦ special permits or licenses you have or need or legislation you must comply with such as:
  - ♦ The Bee Act
  - ♦ Canada Agricultural Products Standards Act
  - ♦ B.C. Agricultural Products Trading Act
  - ♦ Worker's Compensation Act

## **Business Operating History**

**Business Operating History** describes the development of the business to this point,

- ♦ how long it has been operating,
- ♦ the size,
- ♦ the resources employed.
- ♦ strengths and weaknesses in the current operation.

Supporting detailed information describing the history of the business can be added as appendices to the business plan, for example:

- ♦ Market and price history
- ♦ Production records for the past five years
- ♦ Management/labor expertise & training
- ♦ Financial statements

# Business Organization Example

**Business Name**                    **GOLDEN GLOW FARMS**  
     **Box 10808**  
     Quesnel, British Columbia, V2J 2C 1  
**Telephone/Fax**                    **(604) 999-4444**

**Type of Organization**    Proprietorship

**Licenses and Permits**

- ♦ No special permits or licenses are required to operate or sell products in local area.
- ♦ Business is registered for GST and WCB.

**Management and Labor**

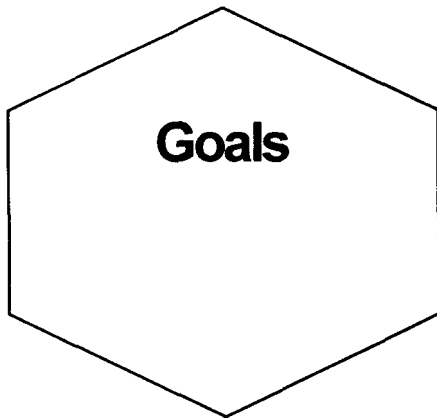
<i>Name</i>	<i>Position</i>	<i>Functions</i>
♦ Bill Washington	Owner	Operator/Manager
♦ Lila Washington	Assistant	Bookkeeper

**Business Advisors**

<i>Name</i>	<i>Role</i>
♦ Mary Smith	Accountant
♦ John Doe	Lawyer
♦ Joe Black	Bank Manager

## Business Operating History

- ♦ started in 1979 on 20 acre land base as small beekeeping operation
- ♦ expanded slowly to 250 hives
- ♦ in 1985, expanded to the current size - 500 hives
- ♦ production focused on honey.
- ♦ some production sold direct from farm gate (about 9,000 lbs)
- ♦ shelf space in retail outlets in Williams Lake and Prince George
- ♦ good line of equipment which is in good shape
- ♦ honey production has been provincial average or higher
- ♦ debt financing for land purchase and expansion



Your **Goals** will tell the reader what you are trying to achieve with this plan.

This section will vary depending on who the reader is and how much you want to tell them. It will be considerably more detailed for internal use than for external use.

A goal is the object or end that one strives to attain. A well-defined goal:

- ◆ is a statement of action
- ◆ specifies the time
- ◆ is measurable
- ◆ is realistic given the resources and time you have

This section should contain at least:

- ◆ a statement of mission or purpose that indicates the overriding philosophy of the business
- ◆ the goals that you wish to achieve with this plan

Additionally, you might include:

- ◆ overall long term goals of the owner for the business
- ◆ other goals not directly related to the business but that will have an impact on achieving business goals

# Goals Example

<b>Mission</b>			
<p>To manage the farm as an efficient and profitable family-operated beekeeping business, maintain assets in good working condition, reduce debt and build equity.</p>			
<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
<b>Long Term Goals</b>			
Pay off debt	Maintain payment schedule	Priority on high cash flow for payments	11 years
Set aside retirement funds	No new debt Start investment portfolio		Invest GST and income tax refunds Start NISA Account
<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
<b>Short Term Goals</b>			
Diversify production pollen	Learn about pollen Build to 15 traps	Seminar/books Set 5 new traps per year	3 years
wax craft	Make candles & bars		2 years
comb honey	Build boxes		2 years
nuc's	Learn about production	Books/ Join Bee Breeders	1 year
Take Beemaster Course			3 years



To prepare the **Marketing Plan**, you will consider issues like:

- ♦ what the market looks like
  - ♦ potential customers
  - ♦ competitors
- ♦ what products are selling
  - ♦ is there more demand than supply
  - ♦ is your product different in any way
- ♦ price trends
- ♦ your strategy to put your products into the marketplace
- ♦ your competitive advantages

### **The Market**

Describe the industry you operate within. Highlight the market conditions that influence your business. Define the opportunities that exist within the industry as well as the industry-wide constraints that hamper your business.

Identify your potential customers and your competitors.

Identify major trends affecting the industry and your business. This could include information on:

- ♦ consumer preferences
- ♦ per capita consumption
- ♦ pricing and delivery options
- ♦ new technology

**Where and how do you get this information?** The more you know about your potential market, the easier it will be to find your niche. Important sources of information include:

- ♦ produce buyers
- ♦ salespeople and suppliers
- ♦ industry associations, conferences, seminars
- ♦ industry periodicals
- ♦ other growers
- ♦ government and business services
- ♦ newspapers and magazines

The more sources you use, the more reliable the information you gather will be. You may want to name your sources of information to increase the credibility of your plan. Additional detail would be included in the Appendices.

# Marketing Plan Example

## Marketing Strategy

- ♦ To expand product lines and advertise and promote these to build new markets.
- ♦ To expand amount of honey sold at farm gate.
- ♦ To add value to products.
- ♦ To work with retail outlets to promote product and build customer loyalty for our products.

### **The Market**

The beekeeping industry is essential to the environment for pollination services and for the pure natural hive products - honey, pollen, etc. Beekeepers are independent and individualistic. Most beekeepers come to the industry to enjoy the satisfying and interesting work with bees.

Honey and bee products have experienced low prices over the past few years. There is very little generic marketing of honey and little coordinated consumer education. There is also no quota or restriction on production.

Although most beekeepers focus on honey, some have expanded into alternate products and into value-added and specially packaged honey products. Other hive products (pollen, comb honey) are gaining customer recognition.

Current outlets (farm gate and contracted retail shelf space) can handle all the honey we can produce.

### **Market Trends**

Per capita honey use is static.

Opportunity to produce nuc's to fill markets in areas that are infested by varroa mites.

Demand for pollination services are increasing.

### **Market Opportunities**

There are no other large honey producers in the immediate trading area to compete for farm gate sales.

Contracted retail outlets allow special promotions.



## **Product**

The main objective of the marketing plan is to determine the products that you can sell. Your plan should discuss these products in terms of:

- ♦ consumer preferences (containers, sizes, ..)
- ♦ legal and political controls and regulations (labelling,..)

## **Pricing**

The price that you think you can get for the products provides a tool to decide whether a new product would be profitable and in what format. Your plan should indicate:

- ♦ how you set your price
- ♦ what you anticipate prices will be into the future
- ♦ how your prices differ from competitors pricing

## **Place**

Where and how you will be selling your products is the final leg of the marketing plan. What are your alternatives for getting the product to the customer - direct sales, retail outlets, bulk sales?

## **Promotion**

In your plan, what is your strategy to make consumers aware of your product? Your plan should outline the methods you will use to increase acceptance of the product and create interest in it.

**What about creating demand for new products?** If you are introducing a new product or producing a different product, who will you be selling to? How will you assess what your customers want?

Your packaging and promotion will then key in on the desires the customer has expressed.

# Marketing Plan Example

## Products

- ♦ **Honey:** liquid, comb
- ♦ **Alternate products:** pollen, nuc's
- ♦ **Value added products:** wax, packaging

## Prices

	1995	1996	1997	1998	1999
Honey-wholesale	0.95	0.98	1.00	1.05	1.10
-farm gate	1.25	1.25	1.30	1.30	1.35
-specialty	2.50	2.50	2.60	2.60	2.70
-comb	6.00	6.00	7.00	7.00	8.00
Wax-bulk	2.00	2.00	2.00	2.00	2.00
-candles*	17.50	17.50	17.50	17.50	17.50
Pollen-bulk	8.00	8.00	8.00	8.00	8.00
-packaged	15.00	15.00	15.00	15.00	15.00
Nucs	38.50	38.50	40.00	42.50	45.00

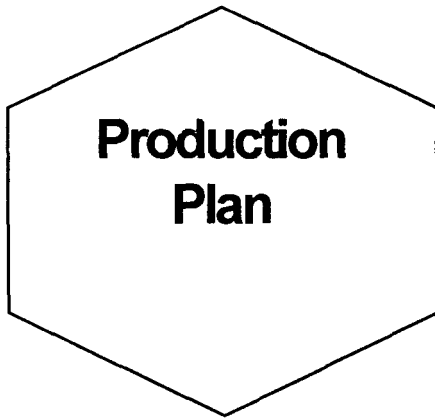
\* based on \$4.00 per pair

## Place

- ♦ Honey, pollen, comb honey, wax products
  - current retail outlets
  - existing "farm-gate" customers
- ♦ Nuc's
  - lower mainland
  - local area

## Promotion

- Retail outlets
  - special promotions to feature pollen, comb honey and wax products
  - more colorful displays in current shelf space
  - new labelling and packaging
- Farm-gate
  - **signage**
  - display area
  - labelling and packaging
- Nuc's
  - trade magazines
  - local bee clubs



The **Production Plan** is concerned with how to efficiently produce the volumes and grades of the product(s) you want to sell. You will need to research the production methods that will work with your operation. In this section, you will want to consider:

- ♦ do you have the facilities?
- ♦ do you need additional equipment?
- ♦ how will your current production be affected?
- ♦ what are common production problems and how will you tackle them?
- ♦ where can you get more information?

## **Production Strategy**

What do you plan to produce and how? Your strategies should describe your plans to achieve targeted yields and quality.

## **Production Facilities**

Include a description of the facilities and equipment that you have in use or available. This may be easiest to show in a scale drawing of your facilities. You may also want to include a map of hive yard sites, particularly if your plans include changes to sites.

Under **Capital Purchase Requirements**, list any new equipment and facilities you will need and what you expect them to cost. This list should include planned repair and replacement of facilities and equipment.

# Production Plan Example

## Production Strategy

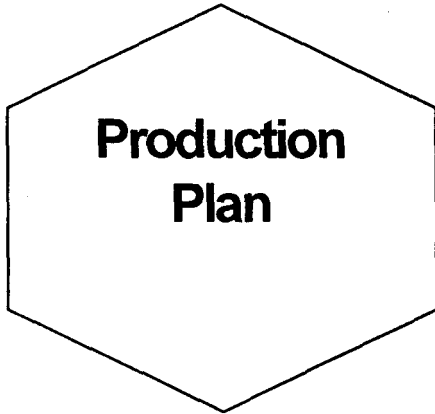
- ♦ To maintain 500 hive level in full production.
- ♦ To produce pollen by putting in pollen traps in spring.
- ♦ To produce nuc's by splitting hives in spring.
- ♦ To make to wax into candles and bars.

## Production Facilities

- ♦ Currently have equipment and facilities to operate and maintain 500 hives including extracting, storing and packing honey.
- ♦ Facility easily upgraded to better control climate for overwintering colonies for nuc production.

## Capital Purchase Requirements

	1995	1996	1997	1998	1999
Pollen traps	600	600	600		
Pollen cleaner/dryer			1,000		
Nuc boxes		3,450	2,300	5,750	
Frames		1,800	1,200	3,000	
Comb boxes	700				
Wax molds	100	100	200		
Fan for hot room	200				
 Total Capital Purchases	 1,600	 5,950	 5,300	 8,750	 0



## **Production History**

The production plan should include a brief description of historical production including products, strategies and volumes/grades achieved.

## **Production Schedules**

In your production plan, you will want to schedule the changes in timing and use of facilities you foresee because of new strategies and new products.

## **Production Volume**

What are the production targets you plan to achieve? Do you anticipate any changes in operating inputs and costs to achieve these?

## **Other Production Information**

You may want to include other production information in your production plan or in the Appendix such as:

- ◆ Historical Yields
- ◆ Comparison to industry averages
- ◆ Competitive advantages
- ◆ Constraints
- ◆ Capacities

# Production Plan Example

## Production History

- ◆ Emphasis has been on honey production and on hive management to produce healthy colonies.
- ◆ Average production over 5 years - 120.8 pounds per hive

## Production Schedules

- 1995 - add comb boxes to 30 hives  
pollen traps in spring on 30 hives  
prepare hives for nuc production
- 1996 - split, feed and deliver nuc's  
comb boxes on 50 hives  
pollen traps on 30 hives  
prepare hives for nuc production
- 1997 - increase nuc, pollen and comb production

## Production Volume

	1995	1996	1997	1998	1999
# of hives	500	500	500	500	500
Honey -lbs/hive	120	120	120	120	120
-total lbs	60,000	60,000	60,000	60,000	60,000
Comb honey - lbs	450	700	900	900	900
Wax -lbs	500	500	500	500	500
Nucs		150	250	500	500
Pollen - lbs	75	75	100	100	100

## Changes in Inputs and Costs

- ◆ Additional labor
- ◆ Nuc's - increased, feed, protein  
- queen cells



The **Management & Labour Plan** describes how you expect to get the job done. Will you need additional help? Will you need additional training? How can you allocate your hours most effectively?

### **Management and Labour Strategy**

What is the overall strategy for operating and managing the business? Your strategy statements will clarify the direction and priorities.

### **Job Functions**

A distribution of the many jobs that have to be done will show where there are gaps and where more help is needed. Hiring can then be based on the needs defined.

When making any changes in the operations, the allocation of jobs has to be defined and analyzed. This can be done in many ways. A time planner such as the one shown in the example can work very well for an operation with few people involved. Tasks are listed in the time periods they must be done. Overlaps can be quickly seen.

# Management & Labour Plan Example

## Management and Labour Strategy

- ♦ To operate as a family farm, working smarter and more efficiently.
- ♦ To minimize hired labor.
- ♦ To learn new technologies required to produce and market new products.

### Job Functions (in days)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Present Operations</b>													
<b>Hive Management</b>													
Maintenance/Selection	3	3	16	6	5	5	10	5	3	56			
Moving/Fencing				20	12	12							44
Monitoring	2	2	4	4	4	2	2	2	2	2	2	2	24
Repairs	5	10	5	5	2	2	2	2	5	5	5	5	41
<b>Honey Production</b>													
Extracting						4	4	4	10	20	10		40
Packing	3	3	3	3	3	3	3	3	4	4	4	4	40
<b>Marketing</b>													
Selling-Farm Gate						5	5	10	10	10	4	4	48
Selling-Stores	4	4	4	4	4	4	4	4	4	4	4	4	48
<b>Administration</b>													
Training/Meetings				2					3				5
Bookkeeping	4	3	4		1	1	1	1	1	1	1	2	22
Planning	5	5	2	2									14
<b>Sub-Total</b>	<b>35</b>	<b>35</b>	<b>32</b>	<b>28</b>	<b>40</b>	<b>25</b>	<b>23</b>	<b>52</b>	<b>63</b>	<b>46</b>	<b>31</b>	<b>28</b>	<b>436</b>
<b>Nuc Production</b>													
Selecting/Feeding			4	10	5	2	2						23
Packing/Marketing	2	2	2	2	4	2	1	1	1	1	1	1	14
<b>Wax Products</b>													
Production									5	10	5	5	20
Packaging/Marketing	1	1	1	1	1	1	1	1	1	1	1	5	16
<b>Pollen Production</b>													
Collection				2	2								4
Cleaning/Packaging				4	4	2							10
<b>Comb Honey</b>													
Packaging						4	4	2	2				12
<b>Total days</b>	<b>38</b>	<b>38</b>	<b>39</b>	<b>49</b>	<b>54</b>	<b>28</b>	<b>28</b>	<b>57</b>	<b>66</b>	<b>56</b>	<b>45</b>	<b>39</b>	<b>535</b>
<b>Available days</b>													
Bill	24	24	24	24	24	24	24	24	24	24	24	24	288
Lila	4	4	4	4	4	4	20	20	4	4	4	4	80
Children	12	12	12	12	12	12	30	30	12	12	12	12	180
Hired	-	-	9	14	-	-	-	26	16	5	-	-	70



## **Job Allocations**

Your plan should allocate the jobs to specific individuals as is done in the chart in the example.

### **Training**

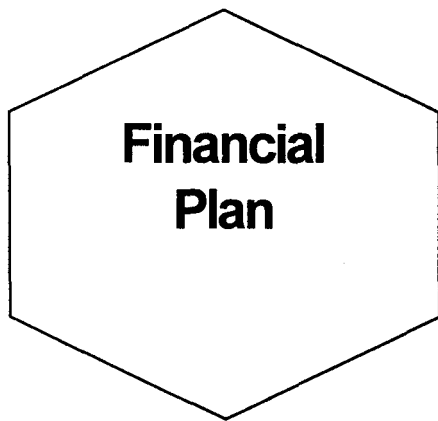
Once jobs are defined, training needs can be assessed for each individual - both informal (on the job) and formal.

### **Government Regulations**

Government regulations and requirements regarding work environment, safety and training should be noted.

# Management & Labour Plan Example

<b>Job Allocations</b>			
	<i>Functions</i>	<i>Training Needs</i>	<i>Other</i>
Bill	Hive management Nuc production Repair & Maintenance for info Marketing - wholesale Planning	Four/Reading Bee Breeders Assoc.	all BCMAFF
Lila	Bookkeeping Label Design Planning First Aid	computer Accountin  level I, Gov't Reg	
Greg	Hive management (summer) Extracting & Packing		
Joannie	Candle making Direct sales		
Douglas	Direct Sales Packing		
Hired	Spring <b>cleanout</b> Feeding Extracting Fall hive collection		3 weeks  8 weeks



The **Financial Plan** is the acid test of your plans and ideas. Putting the plans into dollars shows up any gaps, discrepancies and unrealistic assumptions!

Because much of the information that you will need is already pulled together in your marketing, production and **labour** plans, the task of putting your plans into dollars is easier than you might expect.

Your financial forecasting should be based on what you think is the most likely scenario for your business. It is also valuable to consider what the numbers would be should you have some poor years, and what some good luck might bring, i.e. do the forecasts on a pessimistic basis and on an optimistic basis. This will give you an indication of the risk involved.

Useful tools for the financial analysis are the

- ♦ Contribution Margin Analysis
- ♦ Projected Income Statement,
- ♦ Cash Flow Forecast and
- ♦ Projected Statement of Assets, Liabilities and Equity

## **Contribution Margin Analysis**

The **Contribution Margin Analysis** will tell you how much each product contributes to the profits of the business. The contribution margin is the amount left after the **direct costs are** deducted from the **income** produced by a given product.

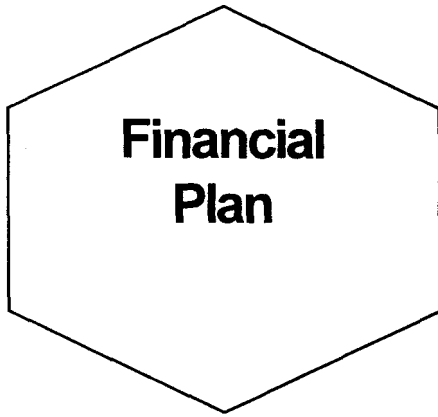
Direct costs are those incurred for production. They are usually separated from fixed costs which are those expenses that would occur whether or not anything was produced. The contribution is what is left after all direct costs are deducted.

If you are looking at adding new products to your operation, you might want to prepare a Contribution Margin Analysis for each new product.

This is also a useful tool for analyzing the profitability of existing products.

# Financial Plan Example

<b>Contribution Margin Analysis</b>					
	1995	1996	1997	1998	1999
<b>Pollen Production</b>					
Projected Price (\$)	15	15	15	15	15
Production (lb.)	75	75	100	100	100
<b>Income</b>					
Sales	1,125	1,125	1,500	1,500	1,500
<b>Direct Costs</b>					
Trap handling	0	0	0	0	0
Cleaning/Sorting	0	0	0	0	0
Packaging/Labelling	330	330	440	440	440
<b>Contribution Margin</b>	<b>795</b>	<b>795</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>
<b>Production of Nucs</b>					
Projected Price (\$)	38.50	38.50	40.00	42.50	45.00
Production (units)	0	150	250	500	500
<b>Income</b>					
Sales	0	5,775	10,000	21,250	22,500
<b>Direct Costs</b>					
Queens	0	450	750	1,500	1,500
Feeding	0	1,894	3,157	6,315	6,315
Packaging/Freight	0	300	529	1,052	1,084
<b>Contribution Margin</b>	<b>0</b>	<b>3,131</b>	<b>5,564</b>	<b>12,383</b>	<b>13,601</b>



## **Projected Income Statement**

The **Projected Income Statement** shows the anticipated profits from the business after all direct costs and fixed costs have been deducted. From the income statement, you can see if what you are planning to do will make money, how much and how soon.

The Income Statement provides a better measure of profit when it is prepared using the **Accrual Basis of Accounting**.

The accrual basis takes into account the value of the product that has been produced even if it has not yet been sold (inventory). It also accounts for amounts that have been earned but not yet received (Accounts Receivable) and for amounts that have been spent but not yet paid (Accounts Payable).

# Financial Plan Example

<b>Projected Income Statement</b>					
	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Income</b>					
Honey - Wholesale	<b>47, 975</b>	<b>49, 000</b>	<b>49, 500</b>	<b>51, 450'</b>	<b>52, 800</b>
- Farm Gate	<b>11, 875</b>	<b>12, 500</b>	<b>13, 650</b>	<b>14, 300</b>	<b>16, 200</b>
- Comb	2,700	4,200	6,300	6,300	7,200
Wax - Bulk	800	500	500	500	500
- Candles	1,750	4,375	4,375	4,375	4,375
Pollen	1,125	1,125	1,500	1,500	1,500
Nucs		5,775	10,000	21,250	22,500
<b>Total Income</b>	<b>66,225</b>	<b>77,475</b>	<b>85,625</b>	<b>99,675</b>	<b>105,075</b>
<b>Expenses</b>					
Feed - Sugar	4,998	6,596	7,727	10,379	10,587
- Protein	775	1,187	1,474	2,164	2,207
Queen Purchases	<b>2,754</b>	<b>3,259</b>	<b>3,624</b>	<b>4,447</b>	<b>4,536</b>
Hive Treatments	1,279	1,304	1,330	1,357	1,384
Labour	6,700	9,700	9,700	11,200	11,200
Machinery Costs	6,274	6,398	6,527	6,657	6,790
Hive Repair	1,357	1,384	1,412	1,440	1,469
Yard Rent	1,200	1,200	1,200	1,300	1,300
Interest - Operating	1,370	845	0	0	0
Marketing/Promotion	6,777	8,088	7,924	8,583	8,755
Interest - Long term	<b>6,4 13</b>	5,346	4,293	3,571	3,270
Property Taxes	887	932	978	1,027	1,078
Utilities & Repairs	3,932	4,011	4,091	4,172	4,257
Overhead	1,566	1,607	1,649	1,694	1,738
Depreciation	10,798	10,313	9,812	9,706	8,735
<b>Total Expenses</b>	<b>57,080</b>	<b>62,171</b>	<b>61,741</b>	<b>67,696</b>	<b>67,306</b>
<b>Net Income</b>	<b>9,145</b>	<b>15,304</b>	<b>24,084</b>	<b>31,979</b>	<b>37,769</b>



## **Cash Flow Forecast**

The **Cash Flow Forecast** measures the movement of cash in and out of the business. It differs from the income statement because it shows all of the sources of cash, not just cash from sales.

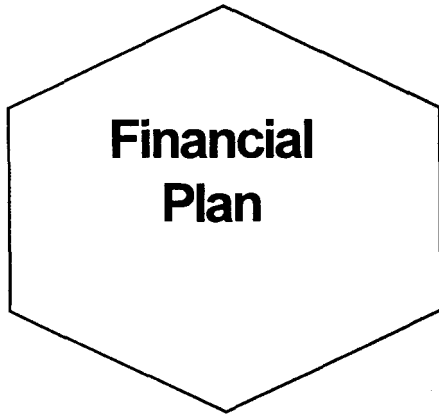
Because cash is so important to a business, the cash flow forecast is a popular planning tool. It will help you to see when cash shortfalls may occur, and will help you to determine if you will need outside funding, how much and for how long.

The Cash Flow Forecast does not measure profit. Often, a business will be profitable, but the cash may be tied up in inventory or in fixed assets for some time. In such circumstances, using only the cash flow information could mislead you.

For your business plan, you may also want to prepare a monthly cash flow projection to anticipate fluctuations in cash during the year.

# Financial Plan Example

<b>Cash Flow Forecast</b>					
	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Cash In</b>					
Honey - Wholesale	<b>47,083</b>	<b>48,693</b>	<b>49,350</b>	<b>50,865</b>	<b>52,395</b>
Honey - Farm Gate	11,875	<b>12,500</b>	<b>13,650</b>	<b>14,300</b>	<b>16,200</b>
Other Products	6,375	15,975	22,675	33,925	36,075
Accounts Receivable	1,433	0	0	0	0
Loans	0	0	0	0	0
Asset Sales	0	0	0	0	0
Contributions**		3,000	3,000	4,500	4,500
Off Farm Income	24,990	25,490	26,000	26,520	27,050
<b>Total Cash In</b>	<b>91,756</b>	<b>105,657</b>	<b>114,675</b>	<b>130,110</b>	<b>136,220</b>
<b>Cash Out</b>					
Expenses*	46,282	51,857	57,931	57,991	58,571
Accounts Payable	1,156	0	0	0	0
Asset Purchases	1,600	5,950	5,300	8,750	0
Principal Payments	12,974	11,209	7,452	2,724	3,024
Living Expenses	21,000	21,000	21,000	21,000	21,000
Education Fund* *	0	3,000	3,000	4,500	4,500
Retirement Savings	0	0	858	997	1,051
Income Taxes	0	400	1,200	3,200	3,800
<b>Total Cash Out</b>	<b>83,012</b>	<b>93,416</b>	<b>90,741</b>	<b>99,162</b>	<b>91,946</b>
<b>Surplus (Deficit)</b>	<b>8,744</b>	<b>12,241</b>	<b>23,934</b>	<b>30,948</b>	<b>44,274</b>
<b>Balance Forward</b>	<b>(22,830)</b>	<b>(14,086)</b>	<b>( 1,846)</b>	<b>22,088</b>	<b>53,036</b>
<b>Cash Balance</b>	<b>(14,086)</b>	<b>( 1,846)</b>	<b>22,088</b>	<b>53,036</b>	<b>97,311</b>
* Less depreciation					
**These amounts saved by children from increased wages					



## **Projected Statement of Assets, Liabilities and Equity**

The **Projected Statement of Assets, Liabilities and Equity** measures the cumulative financial progress of the business.

This projection is like a series of photographs of the business taken at certain intervals. In the photographs you see what assets the business has, who the business owes money to and how much equity the owner has. By comparison, you can see how these elements have changed over time.

The equity reflects your investment in the business at a stated time. Owner's equity increases because of accumulated income or because of contributions you make to the business. This calculation is useful as a target and a measurement tool.

Owner's Equity is calculated based on the cost of assets for the Statement of Assets, Liabilities and Owner's Equity (also called a Balance Sheet).

When changes in the value of assets occur due to economic influence, the equity of the owner will also change. When a statement is prepared reflecting these market values, the owner's equity is referred to as Net Worth and the statement is a **Net Worth Statement**.

## **Historical Information**

In addition to the projections, you may need to include the financial history of your business.

If you will require additional financing, you should also include information such as:

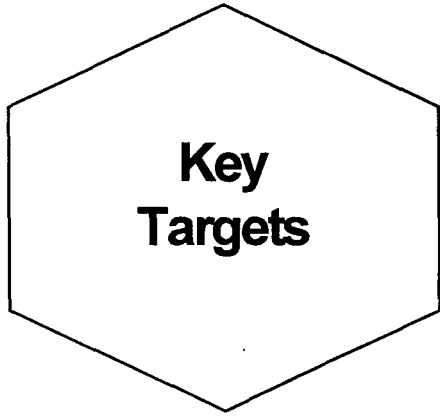
- ◆ inventory, accounts receivable and payable
- ◆ insurance
- ◆ appraisals
- ◆ personal net worth

This information could be included in the appendices.

# Financial Plan Example

## Projected Statement of Assets, Liabilities and Equity

	1995	1996	1997	1998	1999
Assets					
Cash (14,086)		( 1,846)	22,088	53,036	<b>97,3 11</b>
Education Fund		3,000	6,000	10,500	15,000
Retirement Savings			858	1,855	2,906
Inventory - Honey 14,393		14,700	14,850	15,435	15,840
Inventory - Supplies 3,100		3,100	3,100	3,100	3,100
Equipment 1 7 3, 1 8 0		168,817	164,305	163,350	154,615
<b>Total Assets</b>	<b>176,588</b>	<b>187,772</b>	<b>211,202</b>	<b>247,276</b>	<b>288,771</b>
Liabilities					
Loans Payable 51,009		39,800	32,347	29,623	26,599
Equity					
Opening Balance 112,442		125,577	147,972	178,855	217,653
Contributions 24,990		28,490	29,000	31,020	31,550
Drawings (2 1,000)		(21,400)	(22,200)	(24,200)	(24,800)
Income for Year 9,145		15,304	24,084	31,979	37,769
<b>Closing Equity</b>	<b>125,577</b>	<b>147,972</b>	<b>178,855</b>	<b>217,653</b>	<b>262,172</b>
<b>Total Liabilities and Equity</b>	<b>176,586</b>	<b>187,772</b>	<b>211,202</b>	<b>247,276</b>	<b>288,771</b>



The business plan gives you a standard against which to compare your actual results with your planned results. Regular review of your plan, comparing it to the results shown in your actual records, will allow you to identify problems and make adjustments quickly.

Some of the targets you set in your plan may warrant a more constant vigil. For these key targets, you might want to set up a tracking method that will show your progress on a timely basis.

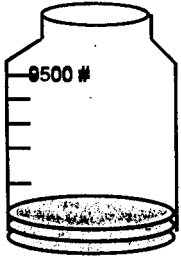
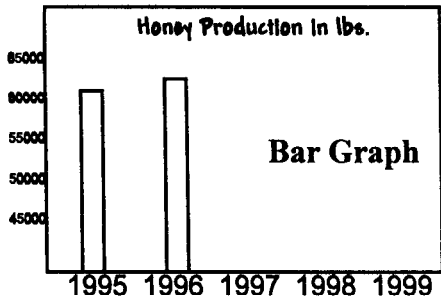
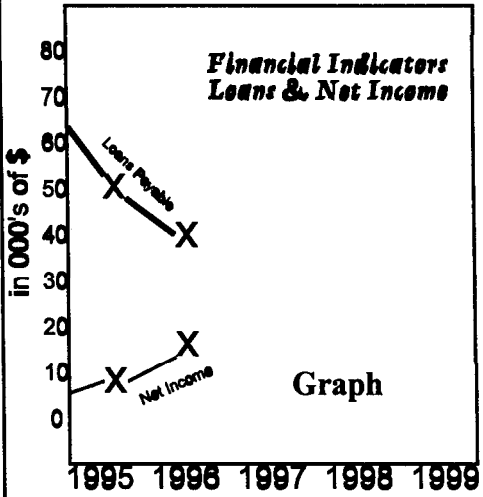
**Your key targets**, which might be average price per pound, winter survival populations or pounds of honey sold per month, are those that will

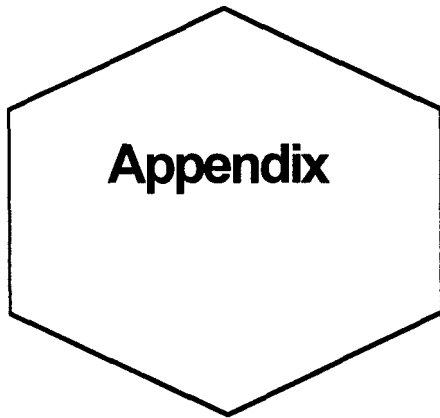
- ♦ show your progress
- ♦ give you early warning signs of future problems
- ♦ be important to achieving your goals

Measuring tools that give a graphic reference point are very useful. They will make tracking progress easier. Consider using

- ♦ a thermometer to draw in the progress you are making
- ♦ charts and graphs to show growth
- ♦ pie charts to measure changing percentages.

# Key Targets Example

Key Targets		
<i>Target</i>	<i>Time</i>	<i>Measurement Tools</i>
<p><b>Marketing</b></p> <p>Farm Gate Sales 9500 #</p>	1995	 <p><b>Graduated Honey Jar</b></p>
<p><b>Production</b></p> <p>Honey 60,000 # per year</p>	1995-1999	 <p><b>Bar Graph</b></p>
<p><b>Financial</b></p> <p>0 Debt</p> <p>Growth in Net Income</p>	2003  1995-1999	 <p><b>Graph</b></p>



Do you want to supply more detail to explain some aspect of your plan? Is there some additional information that you feel is helpful to understanding the plan? Do you have a brochure for a new asset? Organize them into Appendices at the end of the Business Plan.

The **Appendices** contain those extra items that you want to include in your plan to support or provide detail for sections of the main document. These might include some of the following:

- ◆ Financial Statements for the past five years
- ◆ Personal resumes of key people
- ◆ Brochures showing new equipment
- ◆ Important articles or news items
- ◆ Insurance
- ◆ Drawings or plans
- ◆ Appraisal reports
- ◆ Important contracts
- ◆ Detailed forecasts

# Appendix Example

<b>Historical Data</b>					
<b>Average Prices</b>					
	1990	1991	1992	1993	1994
Honey-wholesale	0.90	0.91	0.91	0.92	0.93
-farm gate	1.17	1.18	1.17	1.20	1.20
<b>Production Volume</b>					
	1990	1991	1992	1993	1994
# of hives	500	500	500	500	500
Honey-lbs/hive	130	94	127	120	133
-total lbs	65,000	47,000	63,500	60,000	66,500
<b>Financial Indicators</b>					
	1990	1991	1992	1993	1994
<b>Assets</b>	186,599	220,356	188,176	177,581	182,378
<b>Liabilities</b>	<b>88,446</b>	124,089	109,854	95,211	65,139
<b>Equity</b>	98,153	96,267	78,322	82,370	112,442
<b>Total Income</b>	<b>77,700</b>	<b>70,400</b>	<b>49,750</b>	<b>68,625</b>	<b>68,655</b>
<b>Total Expenses</b>	<b>73,079</b>	<b>72,785</b>	<b>70,485</b>	<b>68,087</b>	<b>59,437</b>
<b>Net Income</b>	<b>4,621</b>	<b>( 2,385)</b>	<b>(20,735)</b>	<b>538</b>	<b>9,218</b>

# BUSINESS PLAN

19 \_\_\_\_ - 19 \_\_\_\_

to

Operate

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a \_\_\_\_\_ Beekeeping Operation

Prepared by:

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Date:

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Address:

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Telephone/Fax:

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**Purpose of the Plan**

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**Business Highlights**

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**Business Activities and Targets**

Marketing Plan

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Production Plan

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Management and Labour Plan

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Financial Plan

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Business Name & Address

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Telephone

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Type of Organization

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Licenses and Permits

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Business Management

*Name*

*Position*

*Function*

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Business Advisors

*Name*

*Role*

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**Business Operating History**

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**Mission**

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<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
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**Long Term Goals**


**Short Term Goals**


**Marketing Strategy**

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**The Market**

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**Market Trends**

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**Opportunities**

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**Product**

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**Projected Prices**


**Place**

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**Promotion**

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**Production Strategy**

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**Production Facilities**

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**Capital Purchase Requirements**


**Production History**

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**Production Schedules**


**Production Volume**


**Changes In Inputs and Costs**

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**Job Allocations**

<i>Name</i>	<i>Functions</i>	<i>Training Needs</i>	<i>Other</i>

## Contribution Margin Analysis

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Projected Price				
Projected Production				
Income				
Direct Expenses				
Contribution Margin				

---

Projected Price				
Projected Production				
Income				
Direct Expenses				
Contribution Margin				



**Cash Flow Forecast**

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Cash In


Total Cash In

--

Cash Out


Total Cash Out

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**Surplus (Deficit)**

--

**Balance Forward**

--

**Closing Balance**

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## Projected Statement of Assets, Liabilities and Equity

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### Assets


Total Assets

---

### Liabilities


Total Liabilities

---

### Equity

Opening balance	
Contributions	
Drawings	
Closing Balance	
 Total Liabilities and Equity	



# GLOSSARY OF BUSINESS TERMS

**Accrual Basis of Accounting:**

A method of accounting in which revenue and expenses are recorded in the period when they are earned or incurred regardless of whether or not they have been paid.

**Amortization:**

The systematic reduction of a balance in an account over a period of time. Most often this term is applied to long-term liabilities and intangible assets.

**Assets:**

Things of value under the control of the business entity.

**Balance Sheet:**

A statement summarizing the assets, liabilities and equity of a business entity at a given date. (Sometimes called Statement of Assets, Liabilities and Equity.)

**Capital Cost Allowance:**

The allocation of the cost of an asset as a deduction against the taxable income of the business at rates prescribed by Income Tax law.

**Capital Gain:**

A term used for income tax purposes to define, in most cases, the amount that proceeds from the disposition of an asset exceeds the original cost of the asset.

**Cash Basis of Accounting:**

A method of accounting by which revenues and expenses are recorded when cash is actually received or paid regardless of when the agreement to sell or purchase may have taken place.

**Contribution Margin:**

The excess of total revenues minus variable costs, indicating funds available to cover fixed costs and profits.

**Cost:**

The purchase price of goods or services consumed in the business.

**Credits:**

An accounting convention requiring the recording of entries on the right hand side of an account with the effect of increasing liability and equity accounts and decreasing the asset accounts.

# **GLOSSARY OF BUSINESS TERMS**

**Chart of Accounts:**

A systematic listing of **accounts** into categories and subcategories.

**Cost Basis of Asset Valuation:**

Assets are entered into and carried in the books at their original acquisition cost.

**Current Assets:**

Assets that are used up or converted to cash within a fiscal year.

**Current liabilities:**

Obligations which will become due and payable within a short term, usually the fiscal year.

**Debits:**

An accounting convention requiring the recording of entries on the left hand side of an account with the effect of increasing asset accounts and decreasing liability and equity accounts.

**Debt:**

Obligations to entities outside of the business, usually contractual.

**Deferred Income Taxes:**

The accumulated amount by which income taxes calculated on net income is decreased because of timing differences. Differences arise mainly as a result of cash basis reporting, and from depreciation rates that differ from prescribed rates for income tax purposes.

**Depreciation:**

The allocation of the cost of an asset against the operating income of the business to reflect **usage** of the asset to produce income.

**Direct Costs:**

Costs that are directly related to production activity. If no production or activity takes place, direct costs are zero. Many direct costs are also variable.

**Dividends:**

Distribution of earnings to shareholders. Amounts are declared by the board of directors and are paid in proportion to shares held.

**Equity:**

Ownership in the assets of the business held by proprietors, partners or corporate shareholders.

# **GLOSSARY OF BUSINESS TERMS**

**Expense:**

A cost incurred by a business for the purpose of producing revenue.

**Fiscal Period:**

The accounting period, usually one year, over which the effect of transactions are recorded and financial progress is measured.

**Fixed Assets:**

Assets with a long term usefulness, usually held for the production of goods or services rather than for resale.

**Fixed Cost:**

Costs that remain relatively unchanged regardless of the volume of production or activity within a range of volume. Examples include building insurance and property taxes.

**Liabilities:**

Obligations of the business to outsiders.

**Inventory:**

Items purchased or produced that are for sale or for use in the production of goods for sale.

**Liquidity:**

The ability of the business to meet its financial obligations as they fall due, measured by the comparison of current assets to current liabilities.

**Mortgage:**

A conveyance of a legal interest in property from one person to another as security for the payment of a debt or other obligation.

**Net Book Value:**

The net value on the books of a fixed asset after deducting accumulated depreciation.

**Net Income:**

The excess of revenues over expenses (variable plus fixed) for a given period of time.

**Net Worth:**

The difference between the market value of assets and the market value of liabilities at a given time. Net worth represents an estimate of what the owner would receive if assets were disposed of and liabilities were discharged.

# **GLOSSARY OF BUSINESS TERMS**

**Prepaid Expense:**

An amount paid out which is expected to yield a benefit beyond the current accounting period. The amount is carried on the balance sheet as an asset and charged to expenses as the benefit is realized.

**Projected Cash Flow Statement:**

A statement used as a planning tool to show expected future sources of cash from operations, asset sales, owner contributions and loan proceeds less cash utilized for business expenses, capital purchases, owner withdrawals, and loan payments.

**Revenue:**

Money earned by the business as a result of business activities.

**Share Capital:**

The ownership interest in an incorporated company that is represented by the shares of that corporation.

**Term Liabilities:**

Obligations to outsiders that will become due and payable at a time beyond the current fiscal period.

**Transactions:**

Business events engaged in by a business entity.

**Variable Costs:**

Costs that vary directly with the volume of production or activity. If no production or activity takes place, variable costs are zero.

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