

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

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Launch Your Business: Time for Action (Step Seven)

Agriculture Business Alternatives

Agriculture Business Alternatives is a series of factsheets designed to help you evaluate the feasibility of starting a new agricultural or rural-based business. The worksheets help you define the critical information needed to move your idea forward.

You are starting to build a comprehensive financial plan for your business, and you know you have the resources to make it work. Now, there is one more important step to take care of before you can launch your new enterprise: create a business plan to provide the structure for your idea.

In the previous factsheet, *Analyze your Profitability: Managing your Growth (Step Six)*, Agdex 811-13, you created important financial documents to see whether your business idea would make a profit. Your family is on board, you have the production resources and now is the time to commit.

This factsheet will move your business idea forward toward its launch by exploring three key areas:

- 1) analyze the fit: matching key business and lifestyle goals
- 2) develop an implementation plan: managing the practical details
- 3) building your business plan: identifying your action steps

Now, this document will walk you through some of the business steps that will get you organized.

Analyze the fit

Now that you have done your due diligence by working through the previous six factsheets in this Agriculture Business Alternatives series, you are at a crossroads of either going for it or pulling back and re-evaluating.

Assess your idea with these three critical business factors in mind:

1) Values

Identify what is important in life – for you and your family. Is it to develop superior products, to grow pure medicinal food, to care for the environment or to develop long-term customer relationships? What are your personal values? Does your business idea mesh with these values?

2) Goals

Identify what you want to achieve with your new business. State your goals in specific, measurable and achievable terms. For example: “We want to earn an extra \$10,000 a year from our bed and breakfast operation within three years of start-up.”

3) Resources

Identify your personal resources (skills and abilities), your financial resources and physical resources like land, machinery and equipment.

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A decision-making checklist

If you have worked through the previous six factsheets in the Agriculture Business Alternatives series but have not made up your mind, you may need one more tool to decide to move full steam ahead.

A decision-making checklist is a tool that is useful when you are trying to decide between different alternatives. The checklist helps you to rate alternatives based on the critical business factors and the fit of the new venture for you and your family.

First, define your goals:

- Why do you want to start a new enterprise: to increase income, to bring in another family member, to utilize resources, to spread risk, to gain more control over prices, to use skills or to challenge yourself?
- Is there a problem with your current business?
- Will the new enterprise help to alleviate the reasons why you feel you are not thriving?

Next, look at alternative solutions:

- Are you being too singular in your thinking and leaving out other ways you could create an income?
- Are there ways you could change your business idea, and have you accounted for different outcomes in your plans?
- Is the business idea you are considering the best one to meet the goals you've identified?

Finally, assess each alternative:

- Review all options and detail how each option affects your existing operation.
- Consider how well each option solves your problem or achieves long-term business goals.

Decision-making checklist example: Joe and Anita are trying to decide between starting a bed and breakfast on the farm or having Anita work off-farm, managing a hotel in town.

Their goals for the new venture are as follows:

- increase family living income
- utilize personal skills
- provide a good return for the time involved
- utilize resources

They have listed their goals in a chart and rated each alternative (their scale is from 1 being least likely to meet their goals to 10 being most likely to meet their goals). In doing this exercise, they found two additional outcomes that could be realized: increased time together and reduced financial risk. They felt each goal carried equal weight for their decision.

Business Goals	Bed and Breakfast	Manage Local Hotel
Increase family living income	5	6
Utilize personal skills	8	6
Good return for time involved	5	8
Utilize resources	8	3
Increase time together	8	3
Reduce financial risk	3	8
Total	37	34

The results of the decision-making framework helped Joe and Anita look at their decision from a new perspective of the overall good. They decided on the bed and breakfast.

This is just one exercise that can help you make decisions. It is important to decide how make business choices as a business team. Your decision can be made by a single person or the entire family. You could search for consensus among the group or require a majority vote.

Each person must feel that they have been heard so that they are comfortable expressing concerns and opinions in the future. It is ideal to get buy in from everyone involved.

Develop an implementation plan

There comes a time when you need to put analysis aside and move ahead. If your research, ratings and analysis have helped you clearly see how the business might look after your decision is implemented, your vision for the new business can energize your entire team. If the market research and financial analysis indicate you should advance, then proceed with confidence.

Develop an implementation plan that includes the following items (to complete these activities, you may need outside help from accountants, lawyers and/or financial advisors):

- Complete monthly, yearly or seasonal production schedules.
- Make it legal by registering the business, deciding on a name and selecting your corporate and management structure.
- Secure financing and decide on a financial repayment plan.
- Check licensing and permit requirements.
- Create a marketing plan to decide how you will reach your customers.
- Prepare a business timeline that includes all these items, as well as an outline for future years.

A great resource, *Alberta Small Business Resources*, is provided on the Alberta Government website (smallbusiness.alberta.ca).

Evaluate your outcomes

Having done all this up-front work, do not forget to also build in some way of evaluating the effectiveness of your decision and the financial effect (positive or negative) of the business activities.

You and your business team must take ownership of the consequences of your decisions. If the business works out, celebrate your success. If the business does not work out, analyze why and learn from your mistakes.

Building your business plan

A long, detailed written business plan is not essential to a business start-up. What is essential is that you consider the components of the plan before your business launch. The process of planning will pay dividends because it will focus your ideas and detail the critical steps towards your business growth. Most businesses fail because of a lack of planning, not because of a lack of motivation.

If you have completed the worksheets in the Agriculture Business Alternatives series, you have already done a lot of the initial planning. Think of your business plan as a working document that will evolve as your business grows.

If you approach a financial institution for a loan, you will probably be asked for a written business plan. The following information outlines a framework for a business plan that Agriculture Financial Services Corporation (AFSC) recommends.

Depending on your situation and your business idea, you may not need to include all this information, but each question is worth considering.

Executive summary

- What are the company's goals?
- What factors are critical to the success of the company?
- What are the products and/or services you are offering?
- What are your potential markets and industry?
- What is your management structure?
- What is the company's financial position and performance (both current and projected)?

The business

- What business are you in?
- What are your past achievements and strengths?
- What are your past problems and current weaknesses?

Products/services

- What is the planned output and sales mix for your products or services?
- For each product or service, what is the cost and profit?
- What is the customer profile for each product or service?
- Are there any patents or proprietary services?
- How up-to-date are your products or services?
- What plans exist for expanding or redesigning product or service lines?
- For each product or service, what changes in sales mix, cost and profit do you project? Why?

Industry analysis

- What are the size, maturity and competitive nature of the industry?
- What are the barriers to entry and growth?
- How does economic development affect the industry?
- What is the industry's financial position and performance?
- What role does innovation and technological change play?
- How is the industry affected by government regulations?

Market Analysis

- What is the target market and to whom are you trying to sell?
- How can you segment your target market?
- What are the trends in your target market?
- Who are your competitors and what are their market size, market share, competitive strengths and weaknesses as well as prospects?
- Who are your customers and what are their product/service preferences and reasons for purchasing?
- What are your sales and profits by market segment?
- What is your current and projected market share?

Marketing strategy

- What customer groups will your business target?
- To generate sales, what product or service attributes will you emphasize?
- What location advantages or disadvantages do you have?
- What distribution channels will your business use?
- Will you need hired sales personnel?

- What service and warranty policies will be observed?
- How will the product be priced?
- Will credit be extended and under what circumstances?
- How will the company advertise or promote its products or services?

Management and organization

- List the officers, shareholders and their shareholdings.
- What is the current and anticipated organizational structure of the business?
- How will decisions be made?
- What is the company's management philosophy?

Implementation plan

- What actions or activities are necessary for the business to achieve its goals?
- When do you need to perform each action or activity?

Potential risk and pitfalls

- What, if any, critical risks does your business face and how can you minimize them?
- What problems could hinder or prevent implementation of your business plan?
- How can the business avoid or offset each of these potential problems?

Financial

- How will the company perform financially?
 - Project yearly income statements for two to five years.
- What will the company's cash position be?
 - A monthly cash flow projection for the next year is required.
- What will the company's financial position be?
 - Project year-end balance sheets for the next two to five years.
- What are the significant assumptions used in preparing the financial statement projections?
 - These assumptions would include items sensitive to variations, deviations from historic trends or items that are especially uncertain.
- What are the personal net worth statements for each of the principals in the business?

Sensitivity analysis

- How will the financial statements look if the company does as well as it possibly could?
- What would the worst-case financial statements look like?
- What is the most likely company financial projection?

Bringing it all together

Move forward

If you decide to go with a new agricultural venture, begin with confidence. You have analyzed and researched the opportunity and know that it fits your family and/or business partners.

Take a second look

If you decide to look at other opportunities, start the research and analysis process again. You have developed skills that will be useful in your ongoing search for a suitable business venture. Use them.

Re-evaluate

If you decide not to proceed with your business idea, do not be discouraged. It is better to find out now that your business idea is unsound before you invest your time, energy and money. The skills you have learned by completing the worksheets in the Agriculture Business Alternatives factsheets will be invaluable, and these skills can always be transferred to your next business idea.

Although there are no easy paths to business success, producers who have started successful agricultural ventures shared what worked for them.

10 keys to successfully launching an agriculture business

1. Choose something you love to do.
2. Create a high quality product.
3. Start small and grow naturally.
4. Make decisions based on good records.
5. Produce what your customers want.
6. Establish a loyal customer base.
7. Provide more than just a food, product or service. Provide an experience.
8. Get the whole family or partners involved.
9. Keep informed.
10. Plan for the future; set goals for your business and establish a plan of action to achieve them.

Your next steps forward

Congratulations on taking these steps towards launching your business. May you have all the success you anticipated.

This factsheet is one in a series of Agriculture Business Alternatives factsheets that help you evaluate the feasibility of starting a new agricultural or rural-based business.

The gathering of business information will continue, even after you start your new venture. If you come across questions you cannot answer, write them down and seek help. The next, and final, factsheet in this series, *Building Your Network: Mentors, Coaches and Collaborators (Step Eight)*, Agdex 811-15, deals with effective ways to build a network of people who can help you along your path.

References

The Agriculture Business Alternatives factsheets have been adapted with permission from: *Farming Alternatives - A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

For more information

Agriculture Business Alternatives factsheet series:

Define Your Goals: Personal and Family Considerations (Step One), Agdex 811-8

Consider Your Options: An Inventory of Possibilities (Step Two), Agdex 811-9

Identify Your Market: Right Buyer, Right Price (Step Three), Agdex 811-10

Assess Your Resources: Examining Production Requirements (Step Four), Agdex 811-11

Review Your Finances: Making the Money Work (Step Five), Agdex 811-12

Analyze Your Profitability: Managing Your Growth (Step Six), Agdex 811-13

Launch Your Business: Time for Action (Step Seven), Agdex 811-14

Build Your Network: Reaching Out for Support and Advice (Step Eight), Agdex 811-15

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