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A blue-tinted background image of the Statue of Liberty, showing her head with the crown and her right arm raised holding a torch. The text is overlaid on the left side of the image.

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United States
Department of
Agriculture



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Business and Estate Planning

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Questions About Business Planning

“What’s in it for me...?”

- Isn’t planning for “big business” only?
- How does planning help management?
- Can’t I hire someone to do this for me?
- How can I know all the answers?
- How often do I have to do this?

Uses of Business Plans

- Multiple readers
 - Owner
 - Manager
 - Creditors
 - Investors
 - Heirs
- Each has different interests
 - prepare with this in mind!

Keys to a Successful Planning Process

- The owner leads the process
- The planning process involves everyone in the family and/or business
- The plan reflects *reality*
- The plan addresses the *worst-case* scenario
- The goals and objectives are achievable and clear
- The plan is *flexible*
- The plan is reviewed often and revised as *reality* dictates

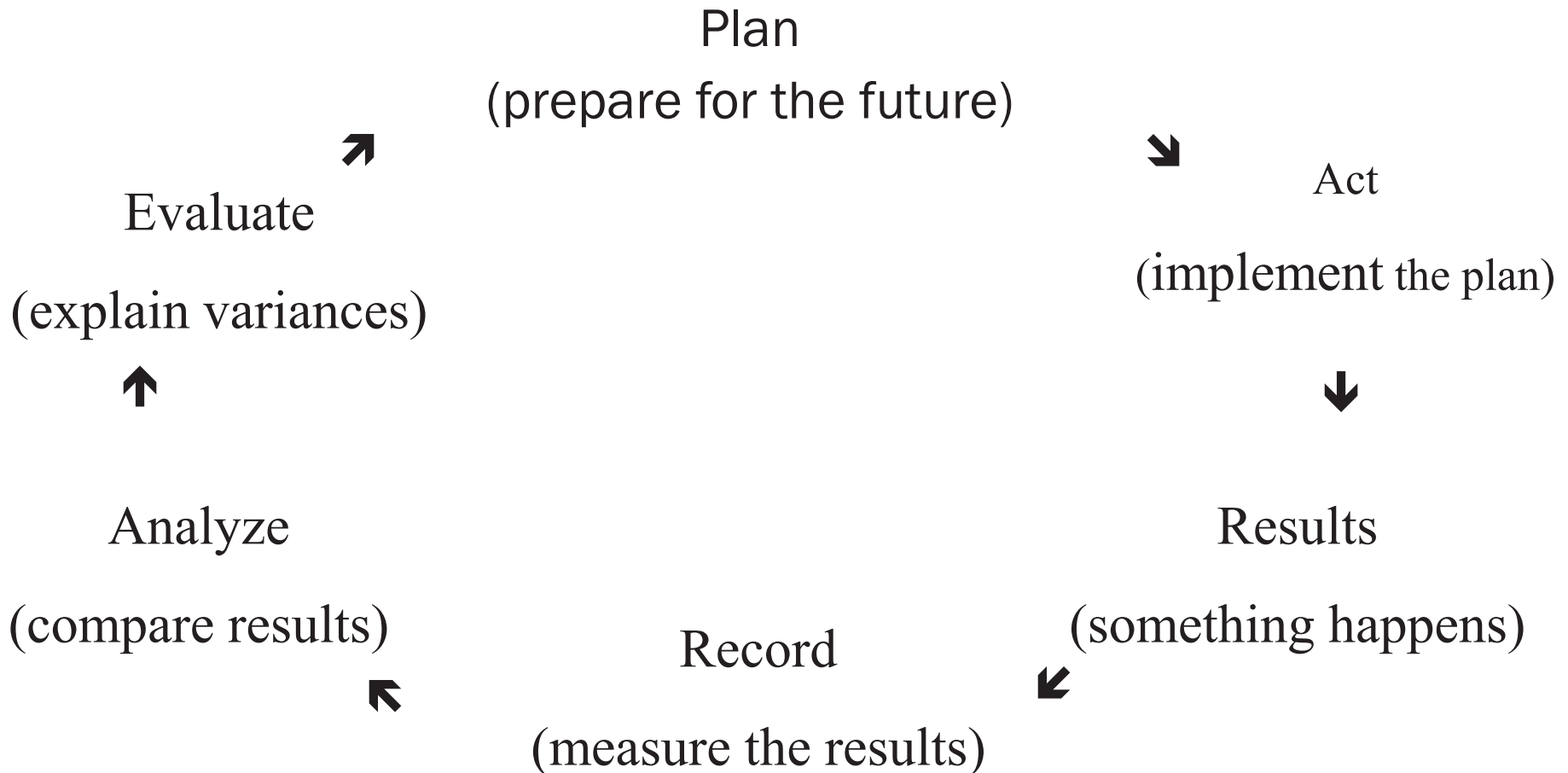
Ten Reasons to Prepare a Business Plan

1. Look at the whole business
2. Focuses attention on important questions
3. Clarifies and communicates your goals and objectives
4. Assigns priorities to your actions
5. A framework for daily decision making, and better management

Ten Reasons to Prepare a Business Plan

6. Maintains a “*proactive*” business attitude
7. Benchmarks your business performance
8. Identifies new / future business partners
9. Serves as a tool to access capital, acquire business opportunities
- 10. ROAD MAP**, increasing your chance of success

The Role of Planning



Parts of a Business Plan

- Title Page
- Table of Contents
- Executive Summary
- Mission, Goals, and Objectives
- Background Information
- Organizational Matters
- Marketing Plan
- Risk Management Plan
- Financial Plan

Conduct a S.W.O.T. Analysis

- Strengths – Mostly internal, what do you bring to the business?
- Weaknesses – Mostly internal, what do you not do well?
- Opportunities – Mostly external to the business, what unique opportunities does the business have?
- Threats – Mostly external, what are the threats to your business?

Mission Statement, Goals and Objectives

- Craft a mission statement.
- Outline the goals and objectives of the business.
- Goals have time limits.
- Goals are the results of achieving your objectives.

Research Tools

- Libraries (Public, University / College, Private)
On-Line and off-line
- Trade Associations
- Business Periodicals
- State and Federal Resources
- Local Resources (Chambers of Commerce, SBDCs BICs)
- Professional Research Companies

Research Tools

- Studying the Competition
- Surveys (focus groups and interviews)
- Observation

LEARN WHERE THEY ARE...

FIND OUT WHAT THEY PROVIDE!!!

Drawing Industry Conclusions

- How has the industry developed?
- How do small businesses operate within this industry?
- What is the industry's size at present?
- What's projected
 - 1 year from now?
 - 5 years from now?

Drawing Industry Conclusions

- Are there any hot niche markets?
- What is the impact of interstate trade on your industry?
- How do current and new government regulations impact the industry?
- How will technology impact your industry and small businesses within it?

Organizational Matters

- Business team
- Management team
- Family
- Business structure – choose wisely

Developing Specific Strategies around — the Marketing Elements

- Product
- Price
- Promotion
- Placement

Segmenting Your Market

- Market segment
- Target market
- Niche market

Positioning Your Product or Service

- Price / Quality
- Benefits
- Unique characteristics

Elements of Effective Advertising

- **Who?**
Right Audience
- **When?**
Right Time
- **What?**
Right Message
- **Where?**
Right Place
- **How Much?**
Right Budget



Public Relations & Networking

P.R. is:

- Advertising without paid advertising
- Press releases
- Sponsoring Events
- Drawings, contests, give-aways
- Speaking as a “Guest Expert”
- Participating in Community Organizations
- **Networking**
- **Networking**
- **Networking**

You Must Understand Your Costs

Variable Costs

- Costs to produce a product or service that go up or down in relation to sales volume.

Fixed Costs

- Costs of being in business that remain constant and do not change regardless of sales volume.

Pricing Considerations

- What are your costs?
- What will the customer pay?
- What image do you want to convey?
- What does the competition charge?

Pricing Considerations (cont'd.)

- What will the market bear?
- What other pricing challenges do agricultural businesses face?

Your “Break Even Point”

Break-Even Units Volume =

Fixed Cost

Price – Variable Costs (Contribution
Margin)

Other Budgets Needed

- Overhead Expense Budget
- Cash Contributions to Overhead
- Monthly Cash Flow Projection

This is a very important projection to complete. This projection should be on a monthly basis then converted to a yearly budget.

- Monthly Cash Flow Projection with **What If Scenarios**

The Financial Documents

- Cash flow statement
- Income statement
- Balance sheet
- Depreciation statement

Risk Management Plan

- A risk management plan shows you have considered what will be in the top five of your expenses.
- Liability Insurance
- Crop Insurance
- Product Liability Insurance
- Life/Health Insurance

For More Information

- Risk Management Checklist User's Guide:
<https://extension.psu.edu/using-the-usda-risk-management-checklist-users-guide>.
- Penn State insurance information:
<https://extension.psu.edu/business-and-operations/business-management/insurance>.

For More Information

- Budgeting <https://extension.psu.edu/budgeting-for-agricultural-decision-making>
- Developing a Business Plan
<https://extension.psu.edu/developing-a-business-plan>
- Starting a Business
<https://extension.psu.edu/starting-or-diversifying-an-agricultural-business>

For More Information

- Agricultural Business Insurance
<https://extension.psu.edu/agricultural-business-insurance>
- Starting a New Agricultural Business
<https://extension.psu.edu/starting-a-new-agricultural-business>
- Planning <https://extension.psu.edu/a-guide-to-farming-in-pennsylvania-planning>

Estate and Succession Issues

- What are your most important goals?
- Family's future care
- Minimization of tax burden
- Transfer of business

Estate and Succession Planning

- It is *never* too early to begin the process
- Each operation is different
- Communication – The most important thing
- Who will lead the process?
- Do you need an outsider?
- Do you have a will, power of attorney?
- Other tools, trusts

For More Information

- Estate Planning for Pennsylvania Farm Families:
<https://extension.psu.edu/estate-planning-for-pennsylvania-farm-families>
- Transferring the Farm: An Essential but Difficult Task:
<https://www.uvm.edu/vtvegandberry/factsheets/farmtransfer.html>
- Estate Planning:
<https://giftplanning.uvmfoundation.org/create-your-legacy/estate-planning>



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Thank You!

Any Questions?