

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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TABLE OF CONTENTS

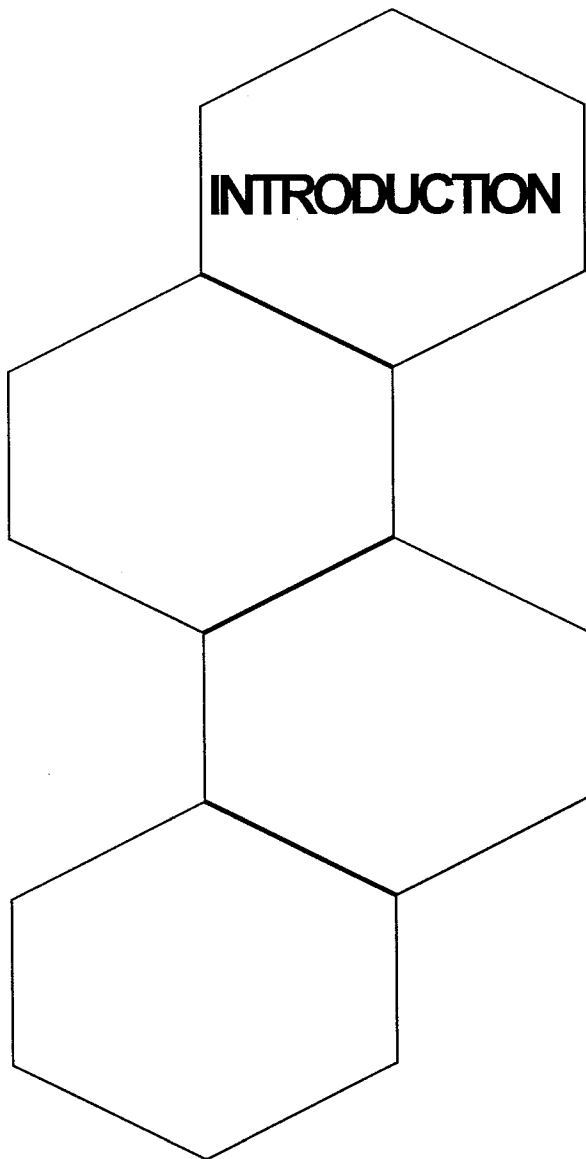
Introduction	1
What Planning Can Do For You.....	2
What Goes Into Your Plan.....	3
Giving Your Plan the Right Look.....	4
Components of a Business Plan.....	5
Title Page	6
Table of Contents.....	8
Business Profile and Summary	10
The Business Organization	12
Goals	14
The Marketing Plan	16
The Production Plan	20
Management & Labour	24
Financial Plans.....	28
Key Targets	36
Appendices	38
Business Plan Worksheets	40
Glossary of Business Terms.....	56
Comment Form.....	60

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

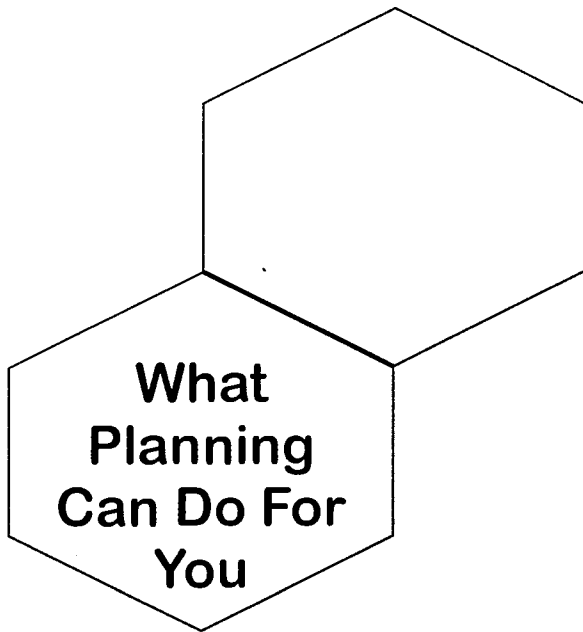
This guide is set up to use an explanation and then an example to show you the process for preparing your plan. The example follows through a business plan which has been prepared to provide direction for the management of a 500 hive beekeeping operation.

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.

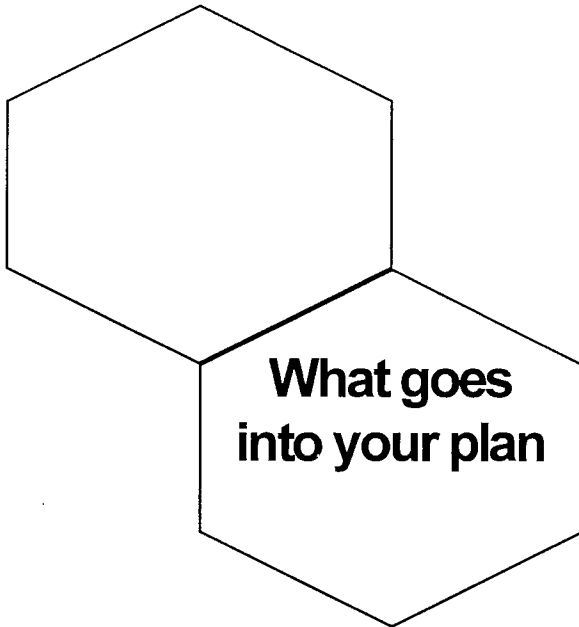
In this guide, the business plan works through a process of development:

- ♦ 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?

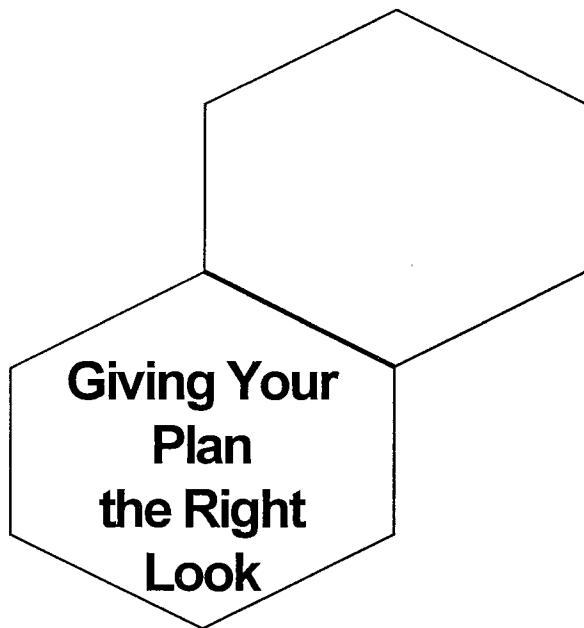


The Right look

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:

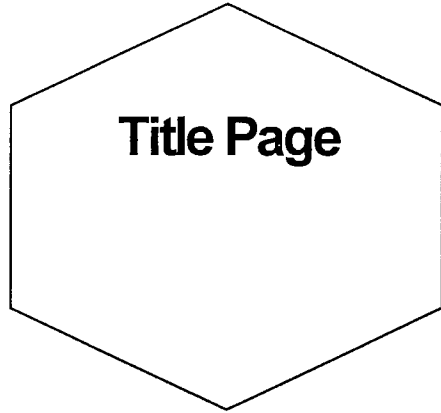
- ♦ detailed analyses and other numbers
- ♦ support and source documents
- ♦ inventories and valuations
- ♦ projections based on other scenarios.
- ♦ other opportunities not pursued and why
- ♦ confidential information
- ♦ competitive edge information
- ♦ details of goals and objectives
- ♦ newspaper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

**Title 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

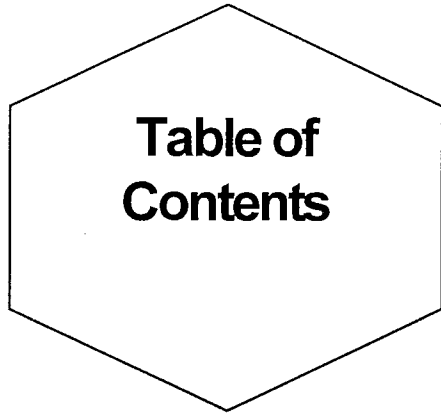


Table of Contents

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

Table of Contents	
	Page
Business Profile and Summary	11
The Business Organization.....	13
Goals	15
Marketing Plan.....	17
Production Plan.....	21
Management & LabourPlan	25
Financial Plans	
Contribution Margin Analysis.....	29
Projected Income Statement.....	31
Cash Flow Forecast	33
Projected Statement of Assets, Liabilities and Equity	35
Key Targets.....	37
Appendix.....	39



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



Business Organization

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 2C1

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

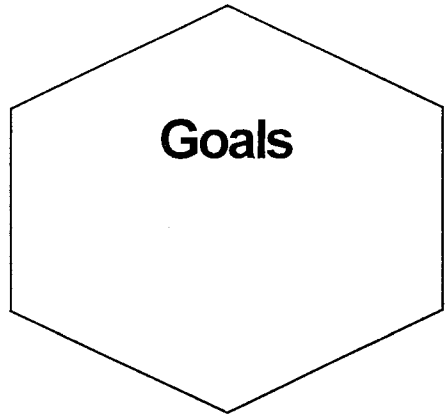
<i>Name</i>	<i>Position</i>	<i>Functions</i>
♦ Bill Washington	Owner	Operator/Manager
♦ Lila Washington	Assistant	Bookkeeper

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

Mission			
To manage the farm as an efficient and profitable family-operated beekeeping business, maintain assets in good working condition, reduce debt and build equity.			
<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
Long Term Goals			
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	15 years
<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
Short Term Goals			
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

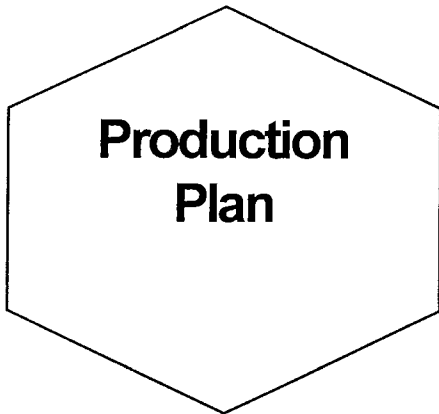
* based on \$4.00 per pair

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

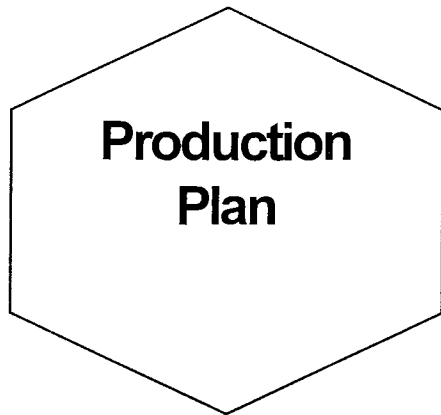
- ♦ To maintain 500 hive level in full production.
- ♦ To produce pollen by putting in pollen traps in spring.
- ♦ To produce nuc's by splitting hives in spring.
- ♦ To make to wax into candles and bars.

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



Management & Labour Plan

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
Present Operations													
Hive Management													
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	24
Repairs	5	10		5	5	2		2		2	5	5	41
Honey Production													
Extracting						4	4	4					12
Packing	3	3	3	3	3	3	3	3	4	4	4	4	40
Marketing	5										2	2	9
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
Administration	2	5	3	5	2	2	2	2	2	2	4	2	33
Training/Meetings				2					3				5
Bookkeeping	4	3	4	1	1	1	1	1	1	2	1	2	22
Planning	5	5	2	2									14
Sub-Total	35	35	32	28	40	25	23	52	63	46	31	28	436
Nuc Production													
Selecting/Feeding			4	10	5					2	2		23
Packing/Marketing	2	2	2	4	2						1	1	14
Wax Products													
Production										5	10	5	20
Packaging/Marketing	1	1	1	1	1	1	1	1	1	1	1	5	16
Pollen Production													
Collection				2	2								4
Cleaning/Packaging				4	4	2							10
Comb Honey													
Packaging							4	4	2	2			12
Total days	38	38	39	49	54	28	28	57	66	56	45	39	535
Available days													
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

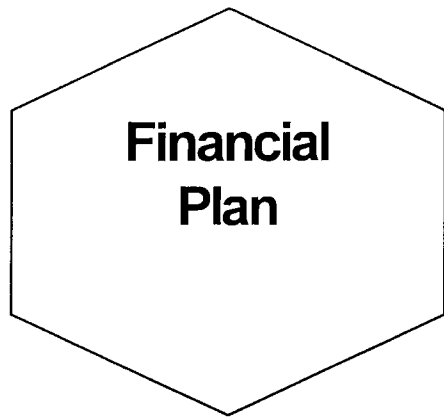
Once jobs are defined, training needs can be assessed for each individual - both informal (on the job) and formal.

Government Regulations

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

Management & Labour Plan Example

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



Financial Plan

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.

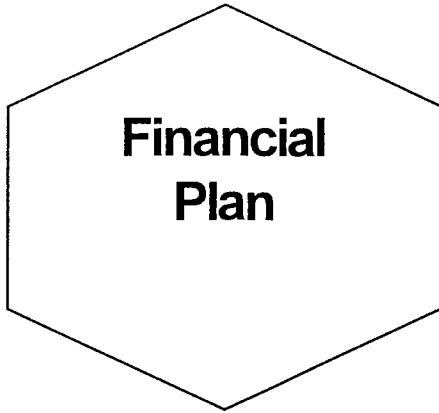
Direct costs are those incurred for production. They are usually separated from fixed costs which are those expenses that would occur whether or not anything was produced. The contribution is what is left after all direct costs are deducted.

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

Contribution Margin Analysis					
	1995	1996	1997	1998	1999
Pollen Production					
Projected Price (\$)	15	15	15	15	15
Production (lb.)	75	75	100	100	100
Income					
Sales	1,125	1,125	1,500	1,500	1,500
Direct Costs					
Trap handling	0	0	0	0	0
Cleaning/Sorting	0	0	0	0	0
Packaging/Labelling	330	330	440	440	440
Contribution Margin	795	795	1,100	1,100	1,100
Production of Nucs					
Projected Price (\$)	38.50	38.50	40.00	42.50	45.00
Production (units)	0	150	250	500	500
Income					
Sales	0	5,775	10,000	21,250	22,500
Direct Costs					
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
Contribution Margin	0	3,131	5,564	12,383	13,601



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.

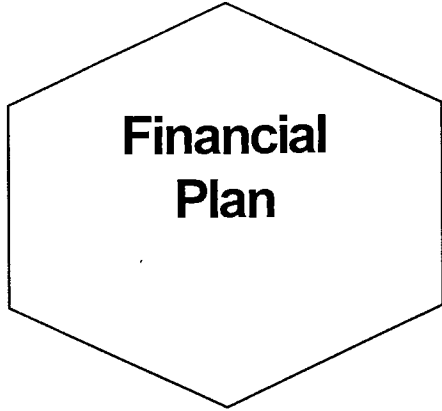
The Income Statement provides a better measure of profit when it is prepared using the **Accrual Basis of Accounting**.

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

Projected Income Statement

	1995	1996	1997	1998	1999
Income					
Honey - Wholesale	47,975	49,000	49,500	51,450	52,800
- Farm Gate	11,875	12,500	13,650	14,300	16,200
- 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
Total Income	66,225	77,475	85,625	99,675	105,075
Expenses					
Feed - Sugar	4,998	6,596	7,727	10,379	10,587
- Protein	775	1,187	1,474	2,164	2,207
Queen Purchases	2,754	3,259	3,624	4,447	4,536
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	6,413	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
Total Expenses	57,080	62,171	61,741	67,696	67,306
Net Income	9,145	15,304	24,084	31,979	37,769



Financial Plan

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

Cash Flow Forecast					
	1995	1996	1997	1998	1999
Cash In					
Honey - Wholesale	47,083	48,693	49,350	50,865	52,395
Honey - Farm Gate	11,875	12,500	13,650	14,300	16,200
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
Total Cash In	91,756	105,657	114,675	130,110	136,220
Cash Out					
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
Total Cash Out	83,012	93,416	90,741	99,162	91,946
Surplus (Deficit)	8,744	12,241	23,934	30,948	44,274
Balance Forward	(22,830)	(14,086)	(1,846)	22,088	53,036
Cash Balance	(14,086)	(1,846)	22,088	53,036	97,311
* Less depreciation					
**These amounts saved by children from increased wages					



Financial Plan

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	97,311
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	173,180	168,817	164,305	163,350	154,615
Total Assets	176,588	187,772	211,202	247,276	288,771
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	(21,000)	(21,400)	(22,200)	(24,200)	(24,800)
Income for Year	9,145	15,304	24,084	31,979	37,769
Closing Equity	125,577	147,972	178,855	217,653	262,172
Total Liabilities and Equity	176,586	187,772	211,202	247,276	288,771



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.

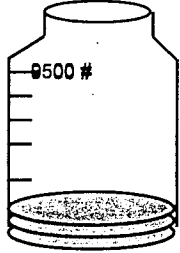
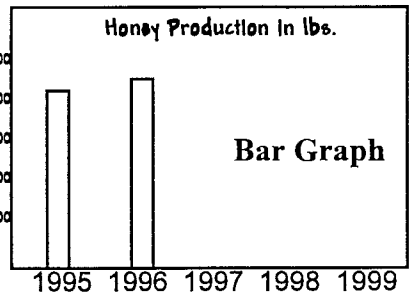
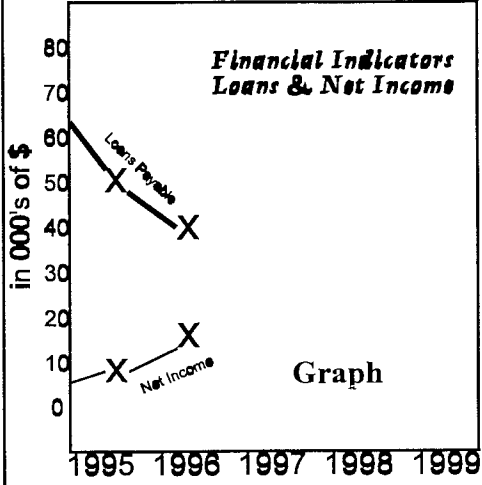
Your **key targets**, which might be average price per pound, winter survival populations or pounds of honey sold per month, are those that will

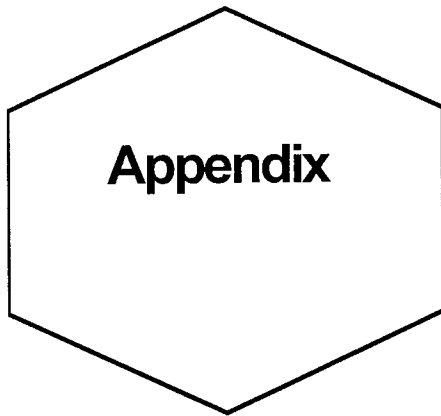
- ♦ show your progress
- ♦ give you early warning signs of future problems
- ♦ be important to achieving your goals

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



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

Historical Data					
Average Prices					
	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
Production Volume					
	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
Financial Indicators					
	1990	1991	1992	1993	1994
Assets	186,599	220,356	188,176	177,581	182,378
Liabilities	88,446	124,089	109,854	95,211	65,139
Equity	98,153	96,267	78,322	82,370	112,442
Total Income	77,700	70,400	49,750	68,625	68,655
Total Expenses	73,079	72,785	70,485	68,087	59,437
Net Income	4,621	(2,385)	(20,735)	538	9,218

BUSINESS PLAN

19 ____ - 19 ____

to

Operate

a _____ Beekeeping Operation

Prepared by:

Date:

Address:

Telephone/Fax:

Table of Contents

Purpose of the Plan

Business Highlights

Business Activities and Targets

Marketing Plan

Production Plan

Management and Labour Plan

Financial Plan

Business Name & Address

Telephone

Type of Organization

Licenses and Permits

Business Management

Name

Position

Function

Business Advisors

Name

Role

Business Operating History

Mission

<i>Goal</i>	<i>Strategy</i>	<i>Tactics</i>	<i>Time</i>
-------------	-----------------	----------------	-------------

Long Term Goals

Short Term Goals

Marketing Strategy

The Market

Market Trends

Opportunities

Product

Projected Prices

Place

Promotion

Production Strategy

Production Facilities

Capital Purchase Requirements

Production History

Production Schedules

Production Volume

Changes In Inputs and Costs

Job Allocations

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

Contribution Margin Analysis

Projected Price					
Projected Production					
Income					
Direct Expenses					
Contribution Margin					

Projected Price					
Projected Production					
Income					
Direct Expenses					
Contribution Margin					

Key Targets

<i>Target</i>	<i>Time</i>	<i>Measurement Tools</i>

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 useage 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.

Preparing a Business Plan Comment Form

Please send us your comments and help us serve you better.

We would like to know what you think of this publication ... what's good and what could be improved, and how. Please take a few minutes to give us your opinions and ideas. Please return the completed evaluation form to:

**Extension Systems Branch, B.C. Ministry of Agriculture, Fisheries and Food
808 Douglas Street, Victoria, British Columbia, V8W 2Z7**

Question	Response
1. You are (please check appropriate box)	<input type="checkbox"/> Beekeeper <input type="checkbox"/> Industry <input type="checkbox"/> Government <input type="checkbox"/> Other _____
2. Overall, how do you rate this material? (please rate on the scale of 1 to 5, 1 being poor and 5 being excellent)	Poor Excellent 1 2 3 4 5
3. How did you find out about this publication?	
4. Is the information relevant to your needs?	Not Very 1 2 3 4 5
5. Is the writing style	Simple/Easy Difficult/Technical 1 2 3 4 5
6. Is the amount of detail	Not Enough Too much 1 2 3 4 5
7. What are your main sources of information on business management?	<input type="checkbox"/> BCMAFF staff <input type="checkbox"/> Industry <input type="checkbox"/> Research Station <input type="checkbox"/> Other Farmers <input type="checkbox"/> Trade Journals/Periodicals <input type="checkbox"/> Other _____
8. Preparation costs are high. If future editions were priced, indicate the amount you would be willing to pay?	<input type="checkbox"/> \$2 <input type="checkbox"/> \$5 <input type="checkbox"/> \$10 plus
9. What are the strong points of this publication?	
10. What are the weak points that we should try to correct?	
11. Other Comments?	