



Growing Forward 2

A federal-provincial-territorial initiative

BC FARM BUSINESS ADVISORY SERVICES PROGRAM TIER 1— BASIC FARM FINANCIAL ASSESSMENT MINIMUM DELIVERABLES

Eligible Activity — Develop a complete business profile.

Minimum Deliverables

- Two consultations between the applicant and the Farm Business Advisor. The first to view the farm operation, become familiar with the farm business and gather required information, and a second in-person meeting to discuss the final report and communicate recommendations.
- Written report from the Farm Business Advisor (minimum 1,000 words) containing:
 - √ Business Profile.
 - √ Practical interpretation of the financial information.
 - √ Discussion of the business' strengths and weaknesses.
 - √ Viable recommendations for suitable courses of action.
 - √ Other relevant information related to the business.
- Comparative past Income Summaries (prepared on the accrual basis) for the last three years.
- Using data from the last three years, report financial indicators and ratios with explanations:
 - √ Accrued Farm Revenue
 - √ Accrued Farm Expense
 - √ Non Farm Income
 - √ Net Accrued Farm Income
 - √ Withdrawals
 - √ Return to management
 - √ Debt Service Capacity
- A present Net Worth Statement at current point in time (market value), a one year projected Income Statement (prepared on the accrual basis) along with a Cashflow Statement (monthly or quarterly), and closing Net Worth Statement (again at market value).
- Using the present and projected Net Worth Statements and projected Income Statement develop a Business Ratio Analysis including these six mandatory farm business ratios:
 - √ Current ratio
 - √ Debt to equity ratio
 - √ Debt structure ratio
 - √ Equity ratio
 - √ Working capital ratio
 - √ Debt service capacity ratio
- Sensitivity tests – discuss how decreased revenue, increased expenses and increased interest rates impact on projected Net Income, Debt Service Capacity and the Debt Service Capacity Ratio. Risk assessment – discuss how the ratios relate to risk (for the top two high risk ratios).
- Production Benchmark Overview (help producer relate production to income)

Non-Eligible Activities:

- Bookkeeping.
- Acquiring capital assets.
- Income Tax preparation.
- Preparation of Business Risk Management program forms.

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Beginning Farmer Deliverables

- Meeting with family, shareholders, partners, or key business individuals.
- Vision, Business Purpose, and Mission Statements:
 - Vision: A descriptive of what the farm business wants to become.
 - Business Purpose: Identifies why the farm business exists.
 - Mission Statement: Identifies how the farm business will accomplish its goals.
- Business Concept:
 - Briefly describe the business to be entered.
 - List the products and/or services to be sold.
 - List who will use the products/services.
- Preliminary assessments:
 - SWOT (Strengths, Weaknesses, Opportunities, Threats) including a risk assessment of the new venture.
 - Preparation of SMART goals (Specific, Measureable, Attainable, Realistic, Time Oriented) for family farms, and new ventures.
 - Risk assessment.
- Exploring and assessment of options:
 - Assessment in determining the true viability of the new venture idea.
 - Market research: you will gather and refine information about customer profiles, markets, industry and competition.
 - A number of options should be assessed before the preferred option is selected.
- Financial analysis of new venture:
 - Cost-profit analysis, start-up (*one-time costs, operating expenses*).
 - Preliminary income statement; predicted sales revenue, cost to produce product or provide service, projected fixed and variable operating costs, projected net operating profit/or loss.
 - Projected cash flow statement.
 - Breakeven analysis: prediction of breakeven point.
- An implementation plan:
 - Outlines the steps and responsibilities in implementing the plan.

For further information please contact:

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