



Growing Forward

Canada - PEI Business Development Program: **PLANNING**

DESCRIPTION OF DELIVERABLES

Many types of plans are eligible for funding under the Canada - PEI Business Development Program: **PLANNING**.

Each type of plan will have different components. Deliverables for each type of plan are described herein. This listing attempts to include all possible components, but is not exclusive.

This description of deliverables is provided for information and reference purposes. It is not essential for funding approval that a particular plan addresses all the listed components.

Each proposal will be reviewed on its own merit to determine if the proposed plan will meet the need of the client, and if its cost is commensurate with its proposed content.

Deliverables for following types of plans are described below:

- I. Action Plan, including Projections
- II. Strategic Plan
- III. Comprehensive Business Plan, or Parts Thereof
- IV. Succession Plan
- V. Feasibility Assessment
- VI. Follow-up Plan

All types of plans must be accompanied by a written report from the consultant (minimum of 1,000 words) providing a qualitative interpretation of the plan, comments, considerations and recommendations.

I. ELEMENTS OF AN ACTION PLAN, INCLUDING PROJECTIONS

An action plan is a plan for the future of the business that focuses primarily on the financial aspects of the proposed changes. It enables the client to assess two or three options from a financial perspective. Partial budgets could be a part of the action plan. Projections are an essential element of this plan.

The chapter headings listed below are the elements of an action plan. The breadth and depth of analysis may vary depending on the type of operation involved and the needs and wishes of the client. Additional headings may be included. Sample content has been included as an example of what each component could include.

The Action Plan is the minimum requirement for the business planning component of the Prince Edward Island Future Farmer Program. All Action Plan chapters described below must be addressed to meet the Future Farmer Program requirements.

Chapter Headings and Details of Content - Action Plan, including Projections

1. Business Overview
 - Cover Page
 - Provide the business/client name, address, telephone, and fax numbers
 - Explain the time period for business plan, and provide the preparation date
 - Provide a list of key contacts, including the consultant who prepared the plan
 - Table of Contents
 - List chapter headings of the plan for reader reference and convenience
 - Executive Summary
 - Provide a one- to two-page summary that describes the overall plan and highlights the action points
 - Purpose of Plan
 - Provide an outline of why the plan has been developed (e.g., to obtain financing, attract equity capital, enter a new market, diversify the business, start a new business, expand an existing business, or assist in succession)

2. Current Financial Situation
 - Provide past and present balance sheets, income statements, and ratio analysis
 - Provide a written commentary of the current financial situation
3. Projections
 - Identify the options (usually one to three) chosen to assess
 - Identify the financial requirements and projections to implement each option
 - Provide any partial budgets completed as part of the selection process
 - Outline business assumptions on which each set of financial projections are based, including quantities sold, price, cost of goods sold, operating expenses, salaries, interest rates, depreciation, income taxes, and regulatory costs
 - Provide pro-forma (future - three to five-year horizon) balance sheets, income statements, and source and application of funds for each option
 - Provide a cash-flow statement, a break-even analysis, and an expenditure plan, including start-up costs as appropriate
 - Provide a financing schedule, including source of capital, amount, timing, type, and terms
 - Provide an exit strategy for equity capital
 - Provide a most likely scenario for yields, costs and prices and a sensitivity analysis for each option
4. Conclusions
 - Provide a clear statement of the option selected with reasons
5. Supporting Documents
 - Include documents that support the action plan, such as:
 - individual net worth, credit reports and references
 - detailed list of assets
 - farm map
 - resumes of key persons

II. ELEMENTS OF A STRATEGIC PLAN

A strategic plan is a forward-looking, high level plan to map the road from where the business is now towards where you want it to be at some point in the future. It should define what the business will become - whether you will expand, diversify, downsize, add or drop enterprises, add value to existing production, form business alliances, or otherwise change course. Strategic planning is a process of exploration by business owners, managers and key personnel working together and is often facilitated by an advisor. Many books have been written on how to do strategic planning, and there are many different processes from which to choose. The strategic plan is the product of the

process. The process itself can inspire and motivate management and help put everyone on the right path and going in the same direction. Choosing a strategy comes first - before the business prepares a business plan. The following are the elements found in most strategic plans; in some cases the elements are named differently or presented in a different order.

Chapter Headings and Details of Content - Strategic Plan

1. Business Overview
 - Cover Page
 - Provide the business name, address, telephone, and fax numbers
 - Explain the time period for the strategic plan and provide the preparation date
 - Provide a list of key contacts including the consultant who prepared the plan
 - Table of Contents
 - List chapter headings of the plan for reader reference and convenience
 - Executive Summary
 - Provide a one to two-page summary that describes the overall plan and highlights key points
2. Mission
 - Develop a mission statement which defines the core purpose of the business and explains why the business exists
3. Vision
 - Define a clear vision which is shared by all key persons in the business, describes the future state of the business, and concisely explains what the key persons want the business to look like five to ten years from now
4. Values Statement or Guiding Principles
 - State what the business stands for and what it believes in
5. S.W.O.T. Analysis
 - Prepare an environmental scan outlining current global, national, and local issues (both general and agricultural) that impact the business - include current trends
 - Identify internal **strengths** of the business
 - Identify internal **weaknesses** of the business
 - Identify what external **opportunities** the business could embrace
 - Identify what external **threats** may impact the business
 - Summarize how the business might respond to this analysis

6. Core Competencies (Competitive Advantage)
 - Identify those areas of the business (past or present) where the business has done or does a good job, is most efficient, and/or could do better than any other business
 - Identify those areas of the business (past or present) where the business has not done or does not do a good job and/or is least efficient
 - Summarize how the business might respond to this analysis
7. Strategies Selected
 - Identify those strategies that best match the business' core competencies (identified in Chapter 6) to the opportunities (identified in Chapter 5), and that provide the best route to achieving the vision
8. Critical Success Factors
 - Prepare a prioritized list of the key factors to address if the business is to implement the strategies selected and achieve the vision
9. Business Goals - long-term and short-term
 - List and prioritize long-term goals (three - 10 years) for the business, that connect the mission to the vision
 - List and prioritize short-term goals (one - three years) for the business, that are
 - **S**pecific
 - **M**easurable
 - **A**ccountable
 - **R**ealistic
 - **T**imelyand form the basis for the action plan for the business
10. Personal Goals - long-term and short-term
 - List and prioritize the long-term and short-term personal goals of each person participating in the strategic planning process (which should be all the key persons in the business)
 - Identify how these goals impact the business
 - Identify the consequences for the individual, for the business and for the other key persons of accommodating these goals
 - Identify which goals will be accommodated and how
11. Implementation / Action Plan
 - Prepare a prioritized list of initiatives that must be carried out to meet the goals and assign a person to be responsible for each
 - Identify resources required and sources of each

12. Scorecard
 - List key performance indicators that can be used to track progress with goals
 - Identify what constitutes a “red flag” (warning that a problem might have arisen)

13. System for Review, Assessment and Amendment
 - Name someone to do the tracking
 - Describe how the strategic plan will be kept “alive” - who will see that the review gets done and how often
 - Identify what “red flags” will trigger an unscheduled review

III. ELEMENTS OF A COMPREHENSIVE BUSINESS PLAN

A business plan is a written summary of what a farmer hopes to accomplish with their farm or agribusiness. It is a road map for operating the business and for measuring progress along the way. The plan documents where the business is today, where the business is expected to be three to five years from now, and how the business operator plans to get there. A business plan is an instrument of credibility - it should serve the business as a resume serves an individual. It is a living document which requires regular updating.

The chapter headings listed below are the elements of a comprehensive business plan. The breadth and depth of analysis may vary depending on the type of operation involved and the needs and wishes of the client. Additional headings may be included. Sample content has been included as an example of what each component could include.

The client may wish to develop only certain elements of the business plan such as a Marketing Plan, an Operations or Production Plan, a Human Resources Plan, a Financial Plan, or a Risk Management Plan. All plans would start with a Business Overview chapter.

Chapter Headings and Details of Content - Comprehensive Business Plan

1. Business Overview
 - Cover Page
 - Provide the business/client name, address, telephone, and fax numbers
 - Explain the time period for business plan and provide the preparation date
 - Provide a list of key contacts including the consultant who prepared the plan

- Table of Contents
 - List chapter headings of the plan for reader reference and convenience
 - Executive Summary
 - Provide a one to two-page summary that describes the overall plan and highlights the action points
 - Include information on the purpose of the business, the market, unique advantages, financial highlights, management strengths, and purpose of the plan
 - Purpose of Plan
 - Provide an outline of why the plan has been developed (e.g., to obtain financing, attract equity capital, enter a new market, diversify the business, start a new business, expand an existing business, or assist in succession)
 - Business Description
 - List all aspects of the current and proposed state of the business including business history and major events impacting business
 - Provide information on legal structure, type, and size of enterprise, as well as any physical resources available to the business
 - Management Description
 - Describe the management team, their skills, and how skill gaps will be filled
 - Provide information on professionals assisting the business
2. Strategic Plan
- Identify the long-term view of the business
 - Outline business strengths, weaknesses, opportunities, and threats
 - Outline the business and what it is doing (mission)
 - Outline where you want the business to be five to 10 years from now (vision)
 - Outline the steps to get there (strategies and goals)
 - Identify key performance indicators (objectives, their measurement, and follow-up)
3. Industry and Market Analysis
- Identify the characteristics of the industry and the markets
 - Describe the industry and its history, its size, and major players
 - Describe long and short-term trends and seasonal factors affecting the industry
 - Outline the impact of economic, social, technological, and political change; and any other significant factors that could have an influence on the business within the industry
 - Describe food safety, quality, and traceability issues and related regulations
 - Identify customer needs not being met and potential sales
 - Identify critical success factors for the industry

4. Marketing

- Considering the five Ps (product, place, price, promotion, people) explain how you expect to market your production
- Provide information on the target market including established and potential market opportunities or niche markets, customer characteristics and demographics, customer segmentation, market performance, growth trends, factors affecting purchaser decisions, and market geographic area
- Describe the competition, including the number of competitors, their strengths and weaknesses, their costs and prices, potential competitor reaction to new market entry, the potential for substitutes, and barriers to entry
- Describe the product/service being offered, its selling features, key product attributes, differentiating factors and quality, storage life, selling arrangements, contracts, potential alliances, service policies, and warranties
- Describe how the product will be distributed (e.g., direct marketing, wholesaler, Web site, sales representative)
- Provide information on packaging, labelling, storage, controls, inventories, delivery guarantees, and return policy
- Outline the advertising and promotion strategy to support the sales and profit objectives, cost/benefit of the strategy including product/service testing, advertising, how advertising will be generated for the business, and promotion budget
- Describe how product/service price is established - warranties/guarantees, discounts/incentives, contribution margin, and break-even price
- Outline licensing and permit requirements
- Explain your state of export readiness (if appropriate)

5. Operations or Production

- Outline the production capacity of the business: for farms, include buildings, machinery, livestock, and land; for value-added businesses, describe plant and its capacity
- Outline standardized quality-management systems, such as HACCP and ISO
- Outline how the everyday activities will be managed including supplier and production contracts, inventories, quality-control measures, production targets, distribution, and the regulatory environment

6. Human Resources

- Outline the people required to operate the business, their skills, their availability, and any training programs needed or in place
- Describe any human-resource issues facing the business and how they will be addressed
- Summarize attraction, retention, and compensation strategies

7. Financial
 - Identify the financial requirements and projections to implement the plan
 - Outline business assumptions on which the financial plan is based, including quantities sold, price, cost of goods sold, operating expenses, salaries, interest rates, depreciation, income taxes, and regulatory costs
 - Provide past, present, and future (three- to five-year horizon) balance sheets, income statements, source and application of funds, and ratio analysis
 - Provide a cash-flow statement, a break-even analysis, and an expenditure plan, including start-up costs as appropriate
 - Provide a financing schedule including source of capital (family or external), amount, timing, type, and terms
 - Provide an exit strategy for equity capital
 - Provide a most likely scenario and a sensitivity analysis

8. Social Responsibility
 - Environmental Stewardship
 - Outline environmental concerns, how they will be addressed, and at what cost
 - Outline the environmental approvals that are required for the business and when they will be obtained
 - Describe the strategies in place, such as insurance and disaster plans, to prevent environmental disaster
 - Describe consultation and community support for business and business-site selection

 - Community
 - Outline concerns that the community has, or may have, with the business and how they will be addressed, and at what cost
 - Describe how the business will be addressing current or potential conflicts with neighbours
 - Describe how the business creates a positive image for itself in the community
 - Describe how the business creates a positive image for itself in the agricultural industry
 - Describe hiring practices and employee relations
 - Describe how animal husbandry practices address animal rights' concerns

9. Risk Management
 - Identify the risks inherent in the business and outline plans to manage these risks
 - Describe all risk factors (e.g., regulatory, legal, environmental, political) and how these risks will be mitigated
 - Identify any tax implications (e.g., reclassification from municipal farm tax to commercial tax)
 - Prepare a risk assessment including insurance considerations

- Address production, marketing, export, vendor, legal, environmental, human-resource (death/disability), and financial risks, as well as the possible impact of government policy
- Describe management's tolerance/aversion to risk
- Outline contingency and disaster plans where needed

10. Action Plan

- Explain the targets and timetables for implementing the plan
- Outline key dates and explain who will be doing what to meet target dates
- Identify key performance targets and ensure a process for follow-up; if construction is involved, outline critical dates and commissioning plans
- As required, identify accountability for action plans related to production, financing, human resources, marketing
- Outline accountability for plan monitoring and the timing of reports

11. Supporting Documents

- Include documents that support the business plan such as:
 - ownership arrangements
 - organizational chart
 - job descriptions and résumés of critical staff
 - individual net worth, credit reports and references
 - tables and charts
 - contracts, leases
 - environmental reports and permits
 - production contracts and product specifications
 - detailed list of assets
 - property appraisals, insurance documents
 - farm map
 - feasibility analysis and specific research
 - letters of intent
 - letters of support

IV. ELEMENTS OF A SUCCESSION PLAN

A succession plan for a farm business is a business continuity plan. It is not an event, but rather a process in which individuals make necessary preparations to ensure the continuity of the business to subsequent generations. All parties need to realize that the process could take months or years to work through.

The transfer of a farm business involves three components, all of which are usually included in a farm business succession plan. The three components are:

1. the transfer of management, decision-making and control
2. the transfer of assets and ownership
3. the transfer of labour.

The chapter headings listed below are the elements for a succession plan. The breadth and depth of analysis may vary depending on the type of operation involved and the needs and wishes of the client. Additional headings may be included. Sample content has been included as an example of what each component could include.

Chapter Headings and Details of Content - Succession Plan

1. Business Overview
 - Cover/Summary Page
 - Provide the business/client names (retirees, successors and non-farming members), addresses, and telephone and fax numbers
 - Provide a list of key contacts including the consultant who prepared the plan
 - Table of Contents
 - List the major chapters of the plan for reader reference and convenience
 - Executive Summary
 - Provide a summary that describes the overall plan and highlights the action points on which the family must act to implement the plan
 - Description of the Farm Business
 - Provide an outline and description of the current farm business including what is produced, where it is located, who is involved, and the type of business arrangements (e.g., partnership, corporation, joint venture)
2. Description of Business and Personal Goals, and Expectations
 - Provide an outline and description of the goals and expectations of each of the "founders/retirees" and the "successors" with specific reference to the farm business and to their own personal aspirations
3. Retirement Plan
 - Provide an outline of what is going to happen in retirement and how it will be financed (i.e., goals, expectations, and desired activities for retirees including how the "founders/retirees" will or will not be involved in the farm business in the future)
 - Provide the address where everyone is going to live
 - Include a financial plan outlining where money will come from and how it will be spent, both for annual living and relocation (if necessary)
 - Explain any retirement-income planning (e.g., RRSPs, RRIFs, CPP, OAS)

4. Training and Development Plan for Successor
 - Outline what skills are needed to successfully manage the farm and how they will be obtained
 - Provide a skills profile for a fully qualified farm manager
 - Provide a skills profile for the successor
 - Identify skill gaps and an action plan on how they will be met (e.g., hiring to fill gaps, additional training). If both generations are staying involved, having them attend the same training courses could be beneficial.
 - Provide an outline of a performance review process and mechanism to provide the "successor" with feedback on progress

5. Farm Business Plan
 - Provide an outline of how the farm business will meet the needs of both the successor(s) and retiree(s)
 - Analyze the current farm business (if necessary)
 - Outline the plan for the future direction of the farm business (e.g., maintenance, contraction, expansion, diversification, value-added), and provide a description of how this will affect the business, along with projected financial statements

6. Operating Plan
 - Provide an outline of how everyday activities will be managed
 - List roles, responsibilities, and authorities for managing the business on a daily basis
 - Explain if it will be a multi-generational farm with two or three generations co-operating, and/or how it will change over time
 - Provide a description and plan regarding family business meetings to discuss such issues as the progress of the transfer process, and necessary changes (e.g., how they will function, who is responsible for what and where it will take place, the involvement of non-farming family members, what they will and will not have a voice in, and how they will be involved). The end product will be a user's manual.

7. Management, Control, and Labour Transfer Plan
 - Provide an outline of how the transfer of labour and management will take place, including a timetable for transition to the successor(s)

8. Ownership Transfer Plan
 - Provide an outline of how the farm business is currently structured (referenced back to the description of the farm business) and how this will be changed during the transfer process
 - Explain how the transfer of ownership of the assets will be handled
 - Include an inventory and valuation of assets and liabilities
 - Identify what the business arrangement is going to be (e.g., sole proprietorship,

- corporation, partnership)
 - Identify the transfer mechanism (e.g., purchase, gift, rental)
 - Discuss value of prenuptial agreement; include with supporting documentation if one has previously been done
 - Explain the tax implications and how to address them
 - Explain the financing required and its sources
 - Explain the treatment of non-farming children
 - Outline the insurance requirements (e.g., death, disability)
 - If required, provide a copy of the will to the consultant or an overall description of the intent to assist with ownership transfer plan
 - Provide a description of any other legal agreements (e.g., employment contracts, partnership agreements, shareholder agreements, buy-sell agreements)
9. Implementation Timetable
- Provide a summary of the overall timetable for when key activities start and finish-include time frames that allow progress to be monitored, measured, and amended if necessary
10. Communications Plan
- Define the process by which the family communicates and makes decisions (e.g., regularly scheduled family meetings)
 - Determine how disputes and conflict will be managed and resolved (e.g., family voting, third-party mediation assistance)
11. Contingency Plan
- Explain what will happen and who will ensure implementation in such situations as death, illness, divorce, disability, business downturn, or failure

V. ELEMENTS OF A FEASIBILITY ASSESSMENT

Starting a new enterprise, such as a value-added enterprise, or expanding an existing enterprise can be risky. Risk or uncertainty may relate to such factors as doubtful market potential or the high cost of production. A feasibility assessment is a useful tool to identify and assess these factors and to minimize the risks. This planning tool is a formal process to determine whether a specific proposal has profit potential and is financially sound. It will help you decide whether to proceed with, alter, or drop a particular project or plan of action.

A feasibility assessment differs from a business plan. Although much of the information used in a feasibility assessment will find its way into a business plan, the major

difference is that a feasibility assessment is undertaken to research and analyze all possible options for action before a decision on one particular course of action is made. The business plan summarizes the plan of action after a decision has been made. Both documents are important for potential investors and your lending institutions.

The feasibility assessment is a written report that will recommend to either move forward or reject the proposed project. Depending on the particular project, the feasibility assessment may focus on market analysis, operational/technical analysis, or a combination of both. The emphasis will be on whatever factors are the greatest threat to the success of the project. All feasibility assessments should include profitability, break-even and cash-flow analysis, and capital requirements. The breadth and depth of analysis may vary depending on the significance of the particular element to the feasibility of the project and the needs and wishes of the client. Additional headings may be included. Sample content has been included as an example of what each component could include. If the decision is to move forward, then elements of the feasibility assessment will be integrated into a comprehensive business plan.

Chapter Headings and Details of Content - Feasibility Assessment

1. Executive Summary
 - Summarize the proposed project
 - Provide a rationale for conducting the feasibility assessment
 - Explain the focus of the assessment
 - Provide a profitability analysis
 - List the important considerations
 - Provide final recommendations

2. Description of the Proposed Venture
 - Provide details about the proposed project, its short- and long-term objectives, and its anticipated economic benefits
 - Include a clear statement of what the farm or agribusiness wants to do and why
 - Explain the focus of the assessment (market or operational aspects or both)

3. Market and Demand Analysis
 - Give detailed estimates of market size/potential
 - Identify main customers/target market
 - Provide an assessment of competitors
 - Include the short and long-term outlook for the current market
 - Describe the trends affecting the market
 - Identify how the market needs will be served
 - Explain any distance from market/transportation considerations (if any)
 - Explain the methods of promotion and distribution

4. Production/Technical Analysis
 - Analyze all of the factors involved in the production of the product. Factors include the availability of required inputs, assurance of future input supply, minimum facility requirements (land, equipment, storage needs and capacity, buildings), adequate labour supply, and legal constraints on the business
 - Identify environmental and regulatory requirements and their associated risks
 - Conduct risk assessment including insurance considerations
5. Profitability Analysis
 - Develop assumptions from the market/demand analysis and the production/technical analysis including eligibility for tax credits (assumptions include sales and price forecasts and costs of operations according to fixed and variable costs)
 - Develop pro forma income statements and balance sheets to gauge the future growth potential and assess financial performance (income projections should cover the next one to five years)
 - Analyze strengths, weaknesses, opportunities, and threats (SWOT); particularly the implications of economic, social, technological, environmental, policy, or regulatory change
6. Cost and Break-even Analysis
 - Analyze fixed costs (e.g., rent, interest, insurance) and variable costs (e.g., direct labour, fertilizer, fuel)
 - Estimate client's break-even level (determine required sales per day, month, or year to be profitable)
 - Calculate the break-even production levels and the contribution margin (i.e., sale price minus variable cost)
7. Cash-flow Analysis
 - Compare cash-flow projections with available funds
 - Analyze cash-flow requirements
8. Capital Requirements
 - Identify capital sources including long-term debt and operating line of credit, equity (this section highlights the amount of capital required, the financing requirements and under what terms and conditions, security available, and what repayment strategies and exit strategies will be employed if the plan projections do not materialize)
9. Management and Human Resources Assessment
 - Identify the proposed business owners and managers and their roles
 - Assess their management capability and experience
 - Provide information on professionals assisting the business
 - Assess labour-market considerations and constraints

10. Assessing the Investment
 - Provide an assessment of the risks in the sales and costs forecasts, and thus in the expected income stream
 - Assess the value of the income stream relative to the capital investment required (i.e., is the venture economically feasible?)
11. Recommendations
 - Consider all information and alternatives to determine the feasibility of the project
 - Provide a rationale to substantiate the recommendation on whether to proceed with developing a comprehensive business plan for the proposed project

VI. ELEMENTS OF A FOLLOW-UP PLAN

Follow-up to business planning can assist you in keeping on track by reviewing goals and assumptions and by developing new strategies where necessary.

Follow-up can be included in your initial plan or it can be done in subsequent years provided there are adequate funds remaining in the Business Planning Program and individual limits have not been reached.

Regardless of when follow-up is done, the chapter headings listed below are the elements for a follow-up plan. The breadth and depth of analysis may vary, depending on modifications involved, the scope of implementation measures needed and the needs and wishes of the client. Additional headings may be included. Sample content has been included as an example of what each component could include.

Chapter Headings and Details of Content - Follow-up Plan

1. Business Overview
 - Cover/Summary Page
 - Provide the business/client name, address, telephone, and fax numbers
 - Explain the time period for follow-up plan and provide the preparation date
 - Provide a list of key contacts, including the consultant who prepared the plan
 - Table of Contents
 - List the headings for reader reference and convenience
 - Executive Summary
 - Provide a summary that describes the overall follow-up and highlights the modifications and action points

2. Status of Original Plan
 - Explain what is working, what challenges are remaining and why
3. Counselling/Coaching
 - Describe any counselling or coaching needed to prepare the client to use the plan as a management tool
4. Timetable
 - Provide a schedule or timetable for follow-up (triggering events, milestones, etc.)
5. Planning Update
 - Identify what has been done to update or modify the plan
 - Include plan modifications
6. Next Steps
 - Provide next steps, new strategies
 - Describe how these will be implemented