



Components of a Food Business Plan

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Business plans are a vital part of any new business. They provide a road map for creating a new business by helping you identify your origin and your end goal. This will add you in creating a streamlined plan of action to reach your ultimate goal of starting your business and enhance long-term profitability. While no two business plans are identical, they have some common structures. This publication will identify those structures and help you get started in developing your new business.

Why do you need a Business Plan?

A business plan is used to obtain loans from lending agencies or attract venture capital. Simply, the business plan will serve as a “yardstick” by which to measure progress and evaluate any needed change. Once developed, the business plan will be a detailed blueprint for the activities needed to create a new business. Specifically, it will help you develop your product or service, determine how you will market your product or service, and help you identify management strategies for your new business. To see examples of a business plan, visit <https://www.bplans.com/>.

Components of the Business Plan

Executive Summary

A one to two page document that briefly describes the fundamental elements of your proposed business. Within the executive summary, you should describe the product/service, the industry you are entering, what investments are required, and the projected return on investment. This summary highlights the key points of your business and efficiently tells potential lenders why they should invest in your company.

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This gives your audience a mechanism to find the information they require. This section is especially important for potential lenders and anyone who is not the original author.

Background/History, Goals and Objectives

This is where you tell your story. This part of the business plan explains “how” and “why” you formed your company. You should include information about the founders and management of the company. Most importantly, you should include your mission and/or vision statement, goals and objectives. Remember to keep your goals and objectives realistic.

Description of Product/Service

Describe your product or service in as much detail as possible. For many value-added food products, the type of product produced and how it is produced will affect the packaging used. Also, describe how your product/service is unique from other products or services currently

offered in the market. You want to be sure that you are differentiating your product or service from your competitors.

Market Description

This is where you will describe the industry you are about to enter. Important questions to ask yourself about the industry are as follows: Is it growing, maintaining, or decreasing; where will your product fit in the overall picture?

Competition

This section is where you will describe similar products or services available. You will perform a “strengths, weaknesses, opportunities, and threats” (SWOT) assessment of your competitors and describe how your product addresses these issues. Other important questions to ask about are how much market share do your competitors hold, how much control/influence do they have over the market, and what will be their expected response to you entering their market? You can find some basic information for free about your industry at www.hoovers.com/ or <https://www.ibisworld.com/>. Most detailed industry reports cost money, as would detailed market research from a company/consultant. What you can do is identify key competitors and do a targeted search of their products.

Marketing Strategies

In order to, effectively, market your product you must clearly identify your potential customers. Also, identify how you will make your potential customers aware of your product and how you will make it available to them. This is where you will specify each of the 5 P’s of marketing – Product, Price, Place, Promotion, and People.

Manufacturing Plans

If you are producing a value-added product, it is important to describe how that product will be produced. If you own your own facilities,

describe the equipment you currently own and what is still needed to produce your product. If you do not own the facilities, you must determine whether you will lease space or use a co-packer. When choosing a space to lease or a co-packer, it is important to make sure that they have all the equipment you need to produce your product prior to signing any contract/agreement. The most important thing to include in this section of your business plan is how you will insure quality and consistency of your product. Consumers want a consistent product, and it is important that you deliver that consistency.

Financial Plans

This section is vital to potential lenders. You must include a pro-forma (forward looking) income statement for the first three years of your business plan. This statement will include expected revenues and expenses, and potential profits and losses. You will also need a Cash Flow Analysis for the first year by month. This will help you better understand your cash needs to pay expenses. This will also tell you when cash is most important to your business. You will also need a balance sheet for the first three years. This will provide a “snapshot” of assets, liabilities, and owners’ equity related to your business.

Contingency Plans

Inevitably, something will not go according to your business plan. So, it is important to have a contingency plan when you aren’t reaching the goals you originally set out to accomplish. The key is to identify specific things that you would change in event you goals are not reached. Again, keep them realistic and measurable.

Appendices

You should include any relevant information that support the previous information in the business plan within an appendix. This material

should not be new information that is unrelated to other material in the business plan. Items to include in appendices are as follows:

- 1.) Brochures describing your or competitors' products/services.
- 2.) Management structure details such as organizational charts, resumes, etc.
- 3.) Letters of endorsement or recommendation.
- 4.) Any historical financial information that exists.

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