

**Town of Brant
Erie County, New York**

**Business Planning
Handbook for New
Farm & Agricultural
Entrepreneurs**

*A step by step guide for providing
the information required to obtain
financing for new farm businesses.*

**Shepstone Management Company
100 Fourth Street Honesdale, PA 18431
570-251-9550 Fax 251-9551
www.shepstone.net**

Business Planning Handbook for New Farm & Agricultural Entrepreneurs

Foreword

Business planning is necessary for successfully operating any enterprise. It has, from a practical standpoint, become a prerequisite for obtaining financing for business startups. This is no less true for agricultural ventures than it is for other businesses in today's lending environment.

The essentials of business planning include extensive research, realistic financial analysis and basic organization. This *Business Planning Handbook for New Farm & Agricultural Entrepreneurs* is intended to assist with each of these elements using a straightforward step-by-step approach. This does not mean it is simple. Preparing a solid business plan for even a small farm enterprise can take 3-6 months and typically requires professional assistance. This *Handbook* will guide prospective entrepreneurs in assembling the information such advisors will require.

The purposes of business planning include answering certain basic questions that any banker or investor might ask, including the following:

- How much money is needed to set up the business?
- Where will the startup funds come from to set up the business?
- Will it generate a cash flow that will pay off debts?
- Will it make money and generate a reasonable return on investment?
- What is the general market for the product or service to be offered?
- Who might be specifically interested in these products or services?
- How will products and services be marketed?
- Who will lead the enterprise?
- Who are the experts supporting the business?
- What are the mission and goals of the principals?

Following the advice and instructions in this *Handbook* should help any prospective agricultural entrepreneur answer these questions and evaluate their business proposal with confidence.

This *Handbook* was developed for the Town of Brant with the assistance of Shepstone Management Company (<http://www.shepstone.net>). It is based on several different models used by banks and other lenders.

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1.0 Financial Feasibility Analysis - Can It Work?

1.1 Business Description, Mission Statement and Business Goals

The very first step in developing a realistic business plan is to draft a an accurate and concise description of the business you're considering. This is especially the case for agricultural and farm businesses, because farmers often view their enterprise as a lifestyle as much as a business. Defining it from the start as a profit center and laying out the elements of that business are, therefore, the first steps toward realism in business planning.

Moreover, lenders typically know little about agriculture and what they do know may be negative if it has been shaped by popular culture. The general public has only the vaguest understanding of agriculture as an industry, so you should assume that you'll have to explain everything (even to the professional advisors you use to analyze and help plan the business).

Start by describing your business idea in a few paragraphs that explain what it entails, where it will be located and the key features of the operation. Consider sharing success stories from other areas, especially if what you propose is new for the area. Tell your reader why this business makes sense for your area.

Also, develop a customer-driven mission statement that concisely (in a sentence or two) summarizes why you are pursuing this venture (e.g. "to create a farm market with the largest selection of local farm products in Erie County"). Think about the mission statement as an overall goal for your business that will define your success.

Finally, develop a set of measurable goals for the business. These might include, for example, generating a positive cash flow within two years of business establishment and a long-term rate of return of at least 10% on equity invested. Focusing on these goals at the outset should help you to understand what you need from the business and later evaluate whether putting energy into it is justified.

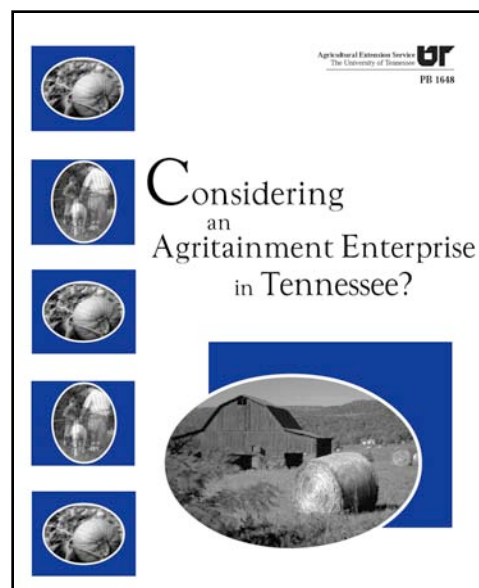
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1.2 Analysis of Market and Competition

Evaluating business potential is often largely a matter of studying market feasibility. Before you know whether you can make a business work, you need to know if there's even a market for the product or service you propose to offer. Traditionally, farmers have been "price-takers" and not "price-makers." Marketing can be a foreign concept if you're used to shipping your product off-farm at unknown prices and waiting until the milk check comes to learn what you made. Most new agricultural and farm businesses, however, demand a thorough understanding of markets and deliberate strategies for tapping those markets.

Consider the following as you evaluate your market:

1. What specific products and services will you offer and how much of each (by percentages) do you hope to sell?
2. How will your product fit into the market in terms of quality, price, convenience, customer service, guarantees, credit options and location in relation to customers? Where will you position your business on the scale for each to create a market niche?
3. What are the trends within your industry? Research them by checking out industry groups (e.g. New York Wine & Grape Foundation) for data, contacting Cooperative Extension Service agencies and browsing the Internet. The University of Tennessee, as an example, offers an excellent guide for planning agritainment ventures. It is available from their web site. A great deal of other data is also available from this free resource.



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4. Identify your target market in terms of age, gender, income, education and similar characteristics if your prospective customers are individuals. If those customers are other businesses, identify your target market by type, size, special requirements and other comparable factors.

You'll also need to consider the market areas within which you can reasonably expect to sell your products or services. Typically, this is accomplished by identifying primary, secondary and fringe markets. The primary market area is that geographical region from which a business can expect to generate 60-70% of its customers. The secondary area usually represents another 20-30% of the customer base. The fringe market accounts for the remainder of the customers.



The number of customers will, of course increase with distance but the ability to capture those customers will decrease due to competition and the inconvenience of travel. The boundaries of these market areas are a function of the degree to which the proposed business is a destination as compared to relying upon passby traffic or convenient access. These boundaries can be defined by simple distance, drive times or other criteria. They will vary greatly depending on the type of business involved. A small farm market may be only be able to customers within 5 minutes driving time while an agricultural tourism attraction might attract visitors from as much as an hour away.

Professional help with market analysis is a good idea. Experience in evaluating other markets will be useful in assessing your own. Once you've identified the appropriate market areas, you will need to collect demographic and other market data that will enable you project sales.

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Several sources of data are available, including Erie County and other regional planning and development agencies. Private data research firms such as Claritas and ESRI Business Information Solutions can provide you and your professional advisors with market profiles, growth projections and estimates of consumer spending on items such as food and entertainment. These projections, by market area, should form the basis of the projected revenues used in your financial analysis.

5. Identify the competition for your business within the market areas you identified. Most businesses have both primary and secondary competition. If you propose to establish a nursery and greenhouse operation, for example, another such enterprise in the vicinity would represent a primary competitor, while a Wal-Mart with a nursery operation 10-15 miles away might be considered a secondary competitor.

Secondary competitors need to be listed and briefly described along with explanations of why they are considered secondary. Primary competitors need to be discussed in detail, addressing the specific strengths and weaknesses of each, their market niches, current status and future prospects. Try to obtain some idea of the volume of business each does currently. More importantly, compare them to your own proposal in terms of pricing, convenience, level of service, quality of product and other key characteristics that define your own niche.

6. Develop a specific marketing plan for your enterprise once you've determined that it is feasible. First, study how your industry typically markets itself. Does it utilize direct marketing concepts, cooperatives, distributors, purveyors, sales representatives or other techniques? Does Internet marketing play a roll? How do profit margins compare among these approaches? Where is the growth?

Outline a marketing plan for your business that will most

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effectively and efficiently reach your customers. Depending on your needs, include signage, a website, grand opening plans, an advertising campaign and a customer relations program. Consider developing a direct mailing list from customer check payments or by purchasing a list from one of several such providers. Direct mail is often a very most-effective means of reaching customers for small businesses.

A public relations campaign, however, is the most cost-effective way to develop a brand and acquaint a market with a new product or service. It can work very well with agri-businesses because they often make for human interest news stories, particularly if they are family-based enterprises. Public events, news releases and interviews are forms of free advertising that should be maximized but they will demand major investments of time and energy and may require professional help.

Plan to spend as much as 2-4% of revenues on marketing, with the heaviest expenditures the first year. However, be careful to stay within the marketing budget. You'll need to target existing customers but also continually attract new ones. Divide your marketing effort between these two objectives.

You may also, for purposes of demonstrating market feasibility, need to document sales potential with letters of intent or interest and contracts. Once you've reached the point that you are comfortable in projecting sales, you need to consider some additional factors. These include the seasonality of your business, its anticipated growth rate during the earlier years and the extent to which the business will be able to penetrate and capture the market available to it.

You should lay out projected sales month by month for at least the first three years, building in seasonal fluctuations and a modest amount of growth consistent with a new enterprise and the expansion of the market itself, if any. You should consult with your professionals regarding business capture rates, but it

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is rare for any new business to secure more than 5-10% of the available market, because many of your prospective customers will already be purchasing the product or service elsewhere and have to be sold on the value you offer.

1.3 Startup Costs

Business startup costs must be identified. These one-time costs may or may not require debt financing. Likewise, some may be capitalized for accounting purposes while other are written off for tax reasons. Some represent hard costs for equipment and buildings while others constitute soft costs associated with business organization. Their distinguishing characteristic for business planning is that they are of a non-recurring nature.

A list of common start up costs is included below. It is not meant to be an exhaustive list. You should consult with your financial advisers to be sure that you have not missed anything important. This is a common mistake of many small businesses. Failure to anticipate and fund all startup costs can put a new business so far behind from the beginning that it never catches up, stealing from monthly cash flow those funds that are required for on-going expenses.

The adjoining checklist is one you may want to use as you develop your own

Typical Business Startup Costs	
<u>Type of Expense</u>	<u>Estimated Cost</u>
Renovations	_____
Equipment and fixtures. (include delivery and installation)	_____
Signs	_____
Supplies and Services Needed Before or at Opening	_____
Licenses/Permits	_____
Lease/Mortgage Points	_____
Telephone/Utility Deposits	_____
Insurance Down Payment	_____
Legal/Professional Fees	_____
Initial Inventory	_____
Advertising for Opening	_____
Other (specify)	_____
Total Startup Costs	_____

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complete inventory of costs. Documentation, with quotes or sourced references, will be needed for each cost if you intend to submit your proposal to a bank or other lending institution for loan financing.

1.4 Projected Income and Expenses

You'll need to develop detailed estimates of your income and expenses on a month by month basis. Documenting the assumptions that go into your projections is also important for enabling readers of your plan to evaluate its reasonableness.

Income projections need to come directly from your marketing analysis. Expense projections should specifically include the following considerations:

1. Purchases (materials or inventory purchased for resale or use in the manufacturing process)
2. Payroll and associated overhead expenses (including paid vacation and leave time; health, workers' compensation and unemployment insurance; and Social Security taxes)
3. Contracted services (subcontracted services)
4. Advertising and marketing (website, Yellow Pages, paid ads, public relations, etc.)
5. Insurance (liability, building and equipment insurance, etc.)
6. Accounting, legal and other professional services
7. Building and/or equipment maintenance and repair
8. Supplies used in business (not for resale)
9. Real estate taxes (school, village, county and town)

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10. Business phone, fax and Internet
11. Travel expenses (include mileage, conference expenses, other travel, etc.)
12. Rent or mortgage payments
13. Utilities (water, lights, heat, etc.)
14. Freight and/or shipping fees
15. Equipment leases

Help in estimating expenses is often available from industry associations, the Cooperative Extension Service, other agencies and lenders. Firms such as RMA (formerly Robert Morris Associates) publish annual financial statement studies for various categories and sizes of businesses. Their data will tell you how the expected financial performance and ratios for your business compare with industry experience.

Sample financial statements are often also available from other sources that a thorough Internet search will help to uncover. It is useful in this regard to know the NAIC (North American Industrial Classification) code for your business, as much of this data is published by such codes.

You will need to incorporate your data into a Pro Forma Income and Expense Statement at some point. You should consult with your accountant to assist with this.

1.5 Sources and Uses of Funds and Collateral

A prospective lender is likely to ask you for a Sources and Uses of Funds and Collateral Statement as part of your loan application. You will also need to incorporate borrowing assumptions into your cash flow analysis. The following outline offers some guidance for this purpose:

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Sources of Funding: List all the lenders whom you plan to approach along with the amount you plan to request and the anticipated terms. Start with your own equity contribution.

Uses for Funding: List your major categories of startup expenses and identify where support for these estimates may be found in your Business Plan.

Collateral: List the assets and/or property you plan to use to secure your loans. Document the value of assets with attachments such as appraisals.

1.6 Cash Flow Projections

The most critical element of any feasibility study or business plan is the cash flow analysis. It doesn't matter whether a business makes money if it doesn't generate a positive cash flow sufficient to make mortgage payments. You will probably want to secure professional help in developing your cash flow statement but you should fully understand it and be actively involved in its preparation. It's a good idea to do your own simple cash flow analysis before you go to your accountant or other professionals for help. You may want to approach it on an annual basis and use their assistance to convert the data to a monthly format, for example (which will yield somewhat different results due to the cost of borrowing money).

Cash flow analysis is best done using a spreadsheet computer program such as Excel. This makes it easy to evaluate the impact of changes in assumptions on several months or years of projections. The analysis should project cash flows over a minimum of 3 years. Start by developing financial assumptions and then create formulas for monthly income and expenses. Remember that cash flow analysis looks at cash income and outlays, rather than earnings or factors such as depreciation. You'll need to think about how much of your income, if any, will come from sales on credit and how fast your customers will pay. A sample cash flow analysis and associated income statement for an agricultural business that opened in 2004 follows to illustrate how it's done.

Meat Packing Facility Cash Flow Analysis Alternative 1 - Leased Facility, All Beef

FISCAL YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
VOLUME AS % OF BASE	1 75%	2 90%	3 100%	4 102%	5 104%	6 106%	7 108%	8 110%	9 112%	10 114%
Beef cows per year	5,625	6,750	7,500	7,650	7,800	7,950	8,100	8,250	8,400	8,550
Calves per year	13,650	16,380	18,200	18,564	18,928	19,292	19,656	20,020	20,384	20,748
REVENUE										
Beef slaughter/processing (custom)	\$151,875	\$182,250	\$202,500	\$206,550	\$210,600	\$214,650	\$218,700	\$222,750	\$226,800	\$230,850
Beef patty charges (custom)	\$14,063	\$16,875	\$18,750	\$19,125	\$19,500	\$19,875	\$20,250	\$20,625	\$21,000	\$21,375
Beef slaughter/processing(carass)	\$661,568	\$793,881	\$882,090	\$899,732	\$917,374	\$935,015	\$952,657	\$970,299	\$987,941	\$1,005,583
Beef slaughter/processing(fabricated)	\$1,520,135	\$1,824,162	\$2,026,847	\$2,067,384	\$2,107,921	\$2,148,458	\$2,188,995	\$2,229,531	\$2,270,068	\$2,310,605
Calf slaughter	\$163,800	\$196,560	\$218,400	\$222,768	\$227,136	\$231,504	\$235,872	\$240,240	\$244,608	\$248,976
Drop (calves)	\$150,150	\$180,180	\$200,200	\$204,204	\$208,208	\$212,212	\$216,216	\$220,220	\$224,224	\$228,228
Drop (cows)	\$253,125	\$303,750	\$337,500	\$344,250	\$351,000	\$357,750	\$364,500	\$371,250	\$378,000	\$384,750
SUB-TOTAL	\$2,914,715	\$3,497,658	\$3,886,287	\$3,964,013	\$4,041,738	\$4,119,464	\$4,197,190	\$4,274,915	\$4,352,641	\$4,430,367
Cost of Goods (cattle purchases)	(\$1,837,688)	(\$2,205,225)	(\$2,450,250)	(\$2,499,255)	(\$2,548,260)	(\$2,597,265)	(\$2,646,270)	(\$2,695,275)	(\$2,744,280)	(\$2,793,285)
Job Training Financial Support	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL GROSS MARGIN	\$1,092,028	\$1,292,433	\$1,436,037	\$1,464,758	\$1,493,478	\$1,522,199	\$1,550,920	\$1,579,640	\$1,608,361	\$1,637,082
OPERATING EXPENSES										
Manager's salary	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Bookkeeper's salary	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Plant labor (custom)	\$49,500	\$59,400	\$66,000	\$67,320	\$68,640	\$69,960	\$71,280	\$72,600	\$73,920	\$75,240
Plant labor (carcasses)	\$46,406	\$55,688	\$61,875	\$63,113	\$64,350	\$65,588	\$66,825	\$68,063	\$69,300	\$70,538
Plant labor (fabricated)	\$185,625	\$222,750	\$247,500	\$252,450	\$257,400	\$262,350	\$267,300	\$272,250	\$277,200	\$282,150
Plant labor (calves)	\$50,045	\$60,054	\$66,727	\$68,061	\$69,396	\$70,730	\$72,065	\$73,399	\$74,734	\$76,068
Supplies (packaging)	\$50,625	\$60,750	\$67,500	\$68,850	\$70,200	\$71,550	\$72,900	\$74,250	\$75,600	\$76,950
Supplies (chemical)	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200
Supplies (other)	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
Utilities (sewer/water)	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
Utilities (electric)	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000
Rendering	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000
Payroll tax	\$39,659	\$45,296	\$49,054	\$49,805	\$50,557	\$51,308	\$52,060	\$52,812	\$53,563	\$54,315
Insurance (health)	\$69,986	\$79,934	\$86,565	\$87,892	\$89,218	\$90,544	\$91,870	\$93,197	\$94,523	\$95,849
Insurance (W/C)	\$81,651	\$93,256	\$100,993	\$102,540	\$104,088	\$105,635	\$107,182	\$108,730	\$110,277	\$111,824
Insurance (other)	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Office/telephone expense	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Maintenance/ heat expense	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Transportation costs	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000
Lease of facility	\$40,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
Contingency	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320	\$25,320
TOTAL OPERATING EXPENSES	\$1,182,218	\$1,297,847	\$1,366,933	\$1,380,751	\$1,394,568	\$1,408,385	\$1,422,202	\$1,436,020	\$1,449,837	\$1,463,654
OPERATING MARGIN (CASH)	(\$90,190)	(\$5,414)	\$69,103	\$84,007	\$98,910	\$113,814	\$128,717	\$143,621	\$158,524	\$173,428
DEVELOPMENT COSTS										
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building construction costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment costs	\$60,000	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing/organizational costs	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$6,000	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL DEVELOPMENT COSTS	\$76,000	\$16,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FINANCING & EQUITY										
Equity in land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash equity contribution	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan proceeds	\$340,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization - Bank Loan	\$6,500	\$6,500	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization - FIDC Loan	\$18,657	\$18,657	\$18,657	\$18,657	\$18,657	\$18,657	\$18,657	\$0	\$0	\$0
Amortization - Fund Loan	\$17,530	\$17,530	\$17,530	\$17,530	\$17,530	\$17,530	\$17,530	\$0	\$0	\$0
Amortization - VIDA Loan	\$4,716	\$4,716	\$4,716	\$4,716	\$4,716	\$4,716	\$4,716	\$0	\$0	\$0
TOTAL DEBT SERVICE	\$47,403	\$47,403	\$140,903	\$40,903	\$40,903	\$40,903	\$40,903	\$0	\$0	\$0
CASH FLOW	\$186,407	(\$69,317)	(\$71,800)	\$43,104	\$58,007	\$72,911	\$87,814	\$143,621	\$158,524	\$173,428
CUMULATIVE CASH	\$186,407	\$117,089	\$45,290	\$88,393	\$146,400	\$219,311	\$307,125	\$450,745	\$609,270	\$782,698

Meat Packing Facility Cash Flow Analysis Monthly - Year 1 (Leased Facility, All Beef)

YEAR MONTH VOLUME AS % OF BASE	1 1 75.0%	1 2 76.3%	1 3 77.5%	1 4 78.8%	1 5 80.0%	1 6 81.3%	1 7 82.5%	1 8 83.8%	1 9 85.0%	1 10 86.3%	1 11 87.5%	1 12 88.8%
Beef cows per month	469	477	484	492	500	508	516	523	531	539	547	555
Calves per month	1,138	1,156	1,175	1,194	1,213	1,232	1,251	1,270	1,289	1,308	1,327	1,346
REVENUE												
Beef slaughter/processing (custom)	\$12,656	\$12,867	\$13,078	\$13,289	\$13,500	\$13,711	\$13,922	\$14,133	\$14,344	\$14,555	\$14,766	\$14,977
Beef patty charges (custom)	\$1,172	\$1,191	\$1,211	\$1,230	\$1,250	\$1,270	\$1,289	\$1,309	\$1,328	\$1,348	\$1,367	\$1,387
Beef slaughter/processing (carcass)	\$55,131	\$56,049	\$56,968	\$57,887	\$58,806	\$59,725	\$60,644	\$61,563	\$62,481	\$63,400	\$64,319	\$65,238
Beef slaughter/processing (fabricated)	\$126,678	\$128,789	\$130,901	\$133,012	\$135,123	\$137,234	\$139,346	\$141,457	\$143,568	\$145,680	\$147,791	\$149,902
Calves slaughter	\$13,650	\$13,878	\$14,105	\$14,333	\$14,560	\$14,788	\$15,015	\$15,243	\$15,470	\$15,698	\$15,925	\$16,153
Drop (calves)	\$12,513	\$12,721	\$12,930	\$13,138	\$13,347	\$13,555	\$13,764	\$13,972	\$14,181	\$14,389	\$14,598	\$14,806
Drop (cows)	\$21,094	\$21,445	\$21,797	\$22,148	\$22,500	\$22,852	\$23,203	\$23,555	\$23,906	\$24,258	\$24,609	\$24,961
SUB-TOTAL	\$242,893	\$246,941	\$250,989	\$255,038	\$259,086	\$263,134	\$267,182	\$271,230	\$275,279	\$279,327	\$283,375	\$287,423
Cost of Goods (cattle purchases)	(\$153,141)	(\$155,693)	(\$158,245)	(\$160,798)	(\$163,350)	(\$165,902)	(\$168,455)	(\$171,007)	(\$173,559)	(\$176,112)	(\$178,664)	(\$181,216)
#REF!	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250
TOTAL GROSS MARGIN	\$91,002	\$92,498	\$93,994	\$95,490	\$96,986	\$98,482	\$99,978	\$101,473	\$102,969	\$104,465	\$105,961	\$107,457
OPERATING EXPENSES												
Manager's salary	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Bookkeeper's salary	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Plant labor (custom)	\$4,125	\$4,194	\$4,263	\$4,331	\$4,400	\$4,469	\$4,538	\$4,606	\$4,675	\$4,744	\$4,813	\$4,881
Plant labor (carcasses)	\$3,867	\$3,932	\$3,996	\$4,061	\$4,125	\$4,189	\$4,254	\$4,318	\$4,383	\$4,447	\$4,512	\$4,576
Plant labor (fabricated)	\$15,469	\$15,727	\$15,984	\$16,242	\$16,500	\$16,758	\$17,016	\$17,273	\$17,531	\$17,789	\$18,047	\$18,305
Plant labor (calves)	\$4,170	\$4,240	\$4,309	\$4,379	\$4,448	\$4,518	\$4,587	\$4,657	\$4,726	\$4,796	\$4,865	\$4,935
Supplies (packaging)	\$4,219	\$4,289	\$4,359	\$4,430	\$4,500	\$4,570	\$4,641	\$4,711	\$4,781	\$4,852	\$4,922	\$4,992
Supplies (chemical)	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Supplies (other)	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Utilities (sewer/water)	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
Utilities (electric)	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Rendering	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667
Payroll tax	\$3,305	\$3,344	\$3,383	\$3,422	\$3,461	\$3,501	\$3,540	\$3,579	\$3,618	\$3,657	\$3,696	\$3,736
Insurance (health)	\$5,832	\$5,901	\$5,970	\$6,039	\$6,109	\$6,178	\$6,247	\$6,316	\$6,385	\$6,454	\$6,523	\$6,592
Insurance (W/C)	\$6,804	\$6,885	\$6,965	\$7,046	\$7,127	\$7,207	\$7,288	\$7,368	\$7,449	\$7,530	\$7,610	\$7,691
Insurance (other)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Office/telephone expense	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Maintenance/ heat expense	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Transportation costs	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667
Lease of facility	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
Contingency	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110
TOTAL OPERATING EXPENSES	\$98,518	\$99,238	\$99,957	\$100,677	\$101,397	\$102,116	\$102,836	\$103,556	\$104,275	\$104,995	\$105,715	\$106,434
OPERATING MARGIN (CASH)	(\$7,516)	(\$6,740)	(\$5,963)	(\$5,187)	(\$4,411)	(\$3,635)	(\$2,858)	(\$2,082)	(\$1,306)	(\$530)	\$246	\$1,023
DEVELOPMENT COSTS												
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building construction costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment costs	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing/organizational costs	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL DEVELOPMENT COSTS	\$76,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FINANCING & EQUITY												
Equity in land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash equity contribution	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan proceeds	\$340,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization - Bank Loan	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542
Amortization - FIDC Loan	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555
Amortization - Fund Loan	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461
Amortization - VIDA Loan	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393
TOTAL DEBT SERVICE	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950
CASH FLOW	\$312,534	(\$10,690)	(\$9,914)	(\$9,137)	(\$8,361)	(\$7,585)	(\$6,809)	(\$6,033)	(\$5,256)	(\$4,480)	(\$3,704)	(\$2,928)
CUMULATIVE CASH	\$312,534	\$301,844	\$291,930	\$282,793	\$274,432	\$266,847	\$260,038	\$254,005	\$248,749	\$244,269	\$240,565	\$237,637

Meat Packing Facility Cash Flow Analysis

Monthly - Year 2 (Leased Facility, All Beef)

YEAR MONTH	2 1	2 2	2 3	2 4	2 5	2 6	2 7	2 8	2 9	2 10	2 11	2 12
VOLUME AS % OF BASE	89.6%	90.4%	91.2%	92.1%	92.9%	93.7%	94.6%	95.4%	96.2%	97.1%	97.9%	98.7%
Beef cows per month	560	565	570	576	581	586	591	596	602	607	612	617
Calves per month	1,359	1,371	1,384	1,397	1,409	1,422	1,435	1,447	1,460	1,472	1,485	1,498
REVENUE												
Beef slaughter/processing (custom)	\$15,117	\$15,258	\$15,398	\$15,539	\$15,680	\$15,820	\$15,961	\$16,102	\$16,242	\$16,383	\$16,523	\$16,664
Beef patty charges (custom)	\$1,400	\$1,413	\$1,426	\$1,439	\$1,452	\$1,465	\$1,478	\$1,491	\$1,504	\$1,517	\$1,530	\$1,543
Beef slaughter/processing(carass)	\$65,850	\$66,463	\$67,076	\$67,688	\$68,301	\$68,913	\$69,526	\$70,138	\$70,751	\$71,364	\$71,976	\$72,589
Beef slaughter/processing(fabricated)	\$151,310	\$152,717	\$154,125	\$155,532	\$156,940	\$158,347	\$159,755	\$161,162	\$162,570	\$163,978	\$165,385	\$166,793
Calif slaughter	\$16,304	\$16,456	\$16,608	\$16,759	\$16,911	\$17,063	\$17,214	\$17,366	\$17,518	\$17,669	\$17,821	\$17,973
Drop (calves)	\$14,945	\$15,085	\$15,224	\$15,363	\$15,502	\$15,641	\$15,780	\$15,919	\$16,058	\$16,197	\$16,336	\$16,475
Drop (cows)	\$25,195	\$25,430	\$25,664	\$25,898	\$26,133	\$26,367	\$26,602	\$26,836	\$27,070	\$27,305	\$27,539	\$27,773
SUB-TOTAL	\$290,122	\$292,821	\$295,520	\$298,219	\$300,917	\$303,616	\$306,315	\$309,014	\$311,713	\$314,411	\$317,110	\$319,809
Cost of Goods (cattle purchases)	(\$182,918)	(\$184,620)	(\$186,321)	(\$188,023)	(\$189,724)	(\$191,426)	(\$193,127)	(\$194,829)	(\$196,530)	(\$198,232)	(\$199,934)	(\$201,635)
#REF!	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL GROSS MARGIN	\$107,204	\$108,201	\$109,199	\$110,196	\$111,193	\$112,190	\$113,188	\$114,185	\$115,182	\$116,179	\$117,177	\$118,174
OPERATING EXPENSES												
Manager's salary	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Bookkeeper's salary	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Plant labor (custom)	\$4,927	\$4,973	\$5,019	\$5,065	\$5,110	\$5,156	\$5,202	\$5,248	\$5,294	\$5,340	\$5,385	\$5,431
Plant labor (carcasses)	\$4,619	\$4,662	\$4,705	\$4,748	\$4,791	\$4,834	\$4,877	\$4,920	\$4,963	\$5,006	\$5,049	\$5,092
Plant labor (fabricated)	\$18,477	\$18,648	\$18,820	\$18,992	\$19,164	\$19,336	\$19,508	\$19,680	\$19,852	\$20,023	\$20,195	\$20,367
Plant labor (calves)	\$4,981	\$5,028	\$5,074	\$5,120	\$5,167	\$5,213	\$5,259	\$5,306	\$5,352	\$5,398	\$5,445	\$5,491
Supplies (packaging)	\$5,039	\$5,086	\$5,133	\$5,180	\$5,227	\$5,273	\$5,320	\$5,367	\$5,414	\$5,461	\$5,508	\$5,555
Supplies (chemical)	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Supplies (other)	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Utilities (sewer/water)	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
Utilities (electric)	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Rendering	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667
Payroll tax	\$3,762	\$3,788	\$3,814	\$3,840	\$3,866	\$3,892	\$3,918	\$3,944	\$3,970	\$3,996	\$4,023	\$4,049
Insurance (health)	\$6,638	\$6,684	\$6,730	\$6,776	\$6,822	\$6,868	\$6,914	\$6,960	\$7,007	\$7,053	\$7,099	\$7,145
Insurance (W/C)	\$7,744	\$7,798	\$7,852	\$7,906	\$7,959	\$8,013	\$8,067	\$8,121	\$8,174	\$8,228	\$8,282	\$8,335
Insurance (other)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Office/telephone expense	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Maintenance/ heat expense	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Transportation costs	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667	\$8,667
Lease of facility	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333	\$4,333
Contingency	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110	\$2,110
TOTAL OPERATING EXPENSES	\$107,914	\$108,394	\$108,874	\$109,353	\$109,833	\$110,313	\$110,793	\$111,272	\$111,752	\$112,232	\$112,712	\$113,191
OPERATING MARGIN (CASH)	(\$710)	(\$192)	\$325	\$843	\$1,360	\$1,878	\$2,395	\$2,912	\$3,430	\$3,947	\$4,465	\$4,982
DEVELOPMENT COSTS												
Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building construction costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment costs	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financing/organizational costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL DEVELOPMENT COSTS	\$16,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FINANCING & EQUITY												
Equity in land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash equity contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital loan interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization - Bank Loan	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542	\$542
Amortization - FIDC Loan	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555	\$1,555
Amortization - Fund Loan	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461	\$1,461
Amortization - VIDA Loan	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393
TOTAL DEBT SERVICE	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950	\$3,950
CASH FLOW	(\$21,160)	(\$4,143)	(\$3,625)	(\$3,108)	(\$2,590)	(\$2,073)	(\$1,555)	(\$1,038)	(\$520)	(\$3)	\$515	\$1,032
CUMULATIVE CASH	\$216,477	\$212,335	\$208,709	\$205,602	\$203,011	\$200,939	\$199,383	\$198,345	\$197,825	\$197,822	\$198,337	\$199,369

Cash Flow Assumptions

Land costs/acre	\$0	Carcass size (custom beef)	600
Building cost per square foot	\$0	Beef live weight (other)	1,100
Man-hours to process custom beef	8.0	Beef dressing %	44%
Man-hours to process beef carcass	2.5	Carcass size (other beef)	484
Man-hours to fabricate other beef	5.0	Other beef carcass purchase price per lb.	\$0.75
Man-hours to process hogs	2.0	Other beef carcass purchase price	\$363.00
Man-hours to process lambs, etc.	2.0	Other beef carcass sale price per lb.	\$0.81
Man-hours to process calf	0.3	Other beef carcass sale price	\$392.04
Beef processed per year	7,500	Other beef yield of lean %	66%
Calves slaughtered per year	18,200	Other beef yield of lean	319
Hogs processed per year	0	Other beef price per pound (fabricated)	\$1.41
Lambs processed per year	0	Other beef - net meat value	\$450.41
Other animals processed per year	0	Percent custom business	10%
Manager salaries (annual)	\$90,000	Percent carcass business	30%
Average cost of plant labor (per hour)	\$11.00	Percent other fabrication business	60%
Bookkeeper (annual)	\$45,000	Loan interest rate	5.0%
Beef slaughter charge	\$45.00	Loan term (months)	84
Hog slaughter charge	\$25.00	Ground beef per custom beef	100
Lamb/other slaughter charge	\$20.00	Supply/packaging costs - custom beef	\$30
Calf slaughter charge	\$12	Supply/packaging costs - other beef	\$10
Basic fabrication charge (per lb.)	\$0.375	Chemical costs (monthly)	\$600
Extra charge for beef patties (per lb.)	\$0.25	Other supplies (monthly)	\$200
Extra charge for sausage (per lb.)	\$0.50	Sewer/water utilities (monthly)	\$1,400
Freezing charge charge per beef	\$0.00	Electric utilities (monthly)	\$4,000
Freezing charges (hogs)	\$0.00	Rendering costs (weekly)	\$2,000
Drop income (per beef)	\$45.00	Facility lease expense (weekly)	\$1,000
Calf drop value	\$11.00	Other supplies (monthly)	\$200
Smoking charge (per lb.)	\$0.65	Health insurance % of payroll	15.0%
1st year revenue %	75%	Workers com. insurance % of payroll	17.5%
2nd year revenue %	90%	Other insurance costs (monthly)	\$5,000
3rd year revenue %	100%	Payroll/misc. taxes %	8.5%
Annual growth rate (years 4 to 10)	2%	Contingency	\$25,320
Annual growth rate (years 11 to 20)	1%	Office/telephone costs (monthly)	\$500
Building size (square feet)	10,000	Transportation costs (weekly)	\$2,000
Maintenance/heat costs (monthly)	\$5,000	Job Training Financial Support	\$15,000

MEAT PACKING FACILITY PRO FORMA FINANCIAL STATEMENTS

INCOME AND EXPENSES:	FY 2004	FY 2005	FY 2006
INCOME			
Slaughter/processing (custom)	\$2,741,655	\$3,153,253	\$3,343,006
Drop (sales of byproducts)	\$440,242	\$506,334	\$536,804
SUB-TOTAL	\$3,181,897	\$3,659,587	\$3,879,810
Cost of Goods Sold (cattle purchases)	\$2,006,142	\$2,307,319	\$2,446,166
GROSS INCOME	\$1,190,755	\$1,352,268	\$1,433,643
EXPENSES			
Salaries and wages	\$496,971	\$551,312	\$576,365
Employee fringes, insurances and taxes	\$203,758	\$226,038	\$236,310
Rendering expense	\$104,000	\$104,000	\$104,000
Transportation costs	\$104,000	\$104,000	\$104,000
Materials and supplies	\$64,866	\$73,162	\$76,988
Utility expense	\$64,800	\$64,800	\$64,800
Insurance (general)	\$60,000	\$60,000	\$60,000
Maintenance/ heat expense	\$60,000	\$60,000	\$60,000
Lease expense (existing facility)	\$40,000	\$52,000	\$52,000
Office and other operating expenses	\$31,320	\$31,320	\$31,320
SUB-TOTAL	\$1,229,714	\$1,326,633	\$1,365,782
Interest	\$18,147	\$16,618	\$8,505
Depreciation	\$7,600	\$9,250	\$9,250
TOTAL EXPENSES	\$1,255,462	\$1,352,501	\$1,383,537
NET INCOME BEFORE TAXES	(\$64,707)	(\$233)	\$50,107

ASSETS AND LIABILITIES:	Beginning FY 2004	Beginning FY 2005	Beginning FY 2006	Ending FY 2006
ASSETS				
CURRENT ASSETS				
Cash on hand	\$324,000	\$237,637	\$214,219	\$139,527
Accounts receivable	\$0	\$50,000	\$56,000	\$60,000
TOTAL CURRENT ASSETS	\$324,000	\$287,637	\$270,219	\$199,527
FIXED ASSETS (DEPRECIATED VALUE)				
Equipment	\$66,000	\$59,400	\$52,800	\$46,200
Organization expenses	\$10,000	\$9,000	\$8,000	\$7,000
TOTAL FIXED ASSETS	\$76,000	\$68,400	\$60,800	\$53,200
TOTAL ASSETS	\$400,000	\$356,037	\$331,019	\$252,727
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$0	\$50,000	\$56,000	\$60,000
Short-term debt	\$100,000	\$100,000	\$100,000	\$0
Current portion of long-term debt	\$29,256	\$30,786	\$32,398	\$34,099
TOTAL CURRENT LIABILITIES	\$129,256	\$180,786	\$188,398	\$94,099
LONG-TERM LIABILITIES				
Non-current portion of long-term debt	\$210,744	\$179,959	\$147,560	\$113,461
TOTAL LIABILITIES	\$340,000	\$360,744	\$335,959	\$207,560
Equity	\$60,000	\$60,000	\$60,000	\$60,000
Retained earnings	\$0	(\$64,707)	(\$64,939)	(\$14,833)
TOTAL LIABILITIES AND EQUITY	\$400,000	\$356,037	\$331,019	\$252,727

NOTE: Accounts payable and receivable based on average 15 day turnaround that is not reflected in cash flow figures based on full month periods. Therefore, the numbers do not correlate precisely.

2.0 Developing the Business Plan - Will It Work?

The following sections deal with additional information that you will need for completing your loan application and assembling the written Business Plan for your proposed enterprise.

2.1 Credit Report

A personal credit report is likely to be required by your lenders. You should obtain one on yourself and other principals at the outset to evaluate whether there are any possible stumbling blocks for you. You can do so from the Internet or by working with your financial advisors. Review this report with your advisors to address any problems immediately.

2.2 Personal Financial Statement

A completed and signed personal financial statement will be needed for everyone who will own 20% or more of the business and anyone else who will be cosigning for loans. If anyone filling out a Personal Financial Statement is married and has joint assets listed, then their spouse needs to sign the personal financial statement also.

Sample forms for this purpose from the Small Business Administration follow. They provide an excellent format for reporting even if you have no intentions of using SBA financing.



PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

As of _____, _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

Name _____ Business Phone _____

Residence Address _____ Residence Phone _____

City, State, & Zip Code _____

Business Name of Applicant/Borrower _____

ASSETS		(Omit Cents)	LIABILITIES		(Omit Cents)
Cash on hand & in Banks	\$	_____	Accounts Payable	\$	_____
Savings Accounts	\$	_____	Notes Payable to Banks and Others	\$	_____
IRA or Other Retirement Account	\$	_____	(Describe in Section 2)		
Accounts & Notes Receivable	\$	_____	Installment Account (Auto)	\$	_____
Life Insurance-Cash Surrender Value Only	\$	_____	Mo. Payments \$ _____		
(Complete Section 8)			Installment Account (Other)	\$	_____
Stocks and Bonds	\$	_____	Mo. Payments \$ _____		
(Describe in Section 3)			Loan on Life Insurance	\$	_____
Real Estate	\$	_____	Mortgages on Real Estate	\$	_____
(Describe in Section 4)			(Describe in Section 4)		
Automobile-Present Value	\$	_____	Unpaid Taxes	\$	_____
Other Personal Property	\$	_____	(Describe in Section 6)		
(Describe in Section 5)			Other Liabilities	\$	_____
Other Assets	\$	_____	(Describe in Section 7)		
(Describe in Section 5)			Total Liabilities	\$	_____
Total	\$	_____	Net Worth	\$	_____
			Total	\$	_____

Section 1. Source of Income	Contingent Liabilities
Salary	As Endorser or Co-Maker
Net Investment Income	Legal Claims & Judgments
Real Estate Income	Provision for Federal Income Tax
Other Income (Describe below)*	Other Special Debt

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Banks and Others. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed).

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

Section 4. Real Estate Owned. (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Property			
Address			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Account Number			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency)

Section 6. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)

Section 7. Other Liabilities. (Describe in detail.)

Section 8. Life Insurance Held. (Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature: _____ Date: _____ Social Security Number: _____

Signature: _____ Date: _____ Social Security Number: _____

PLEASE NOTE: The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0188), Office of Management and Budget, Washington, D.C. 20503. **PLEASE DO NOT SEND FORMS TO OMB.**

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2.3 Tax Returns

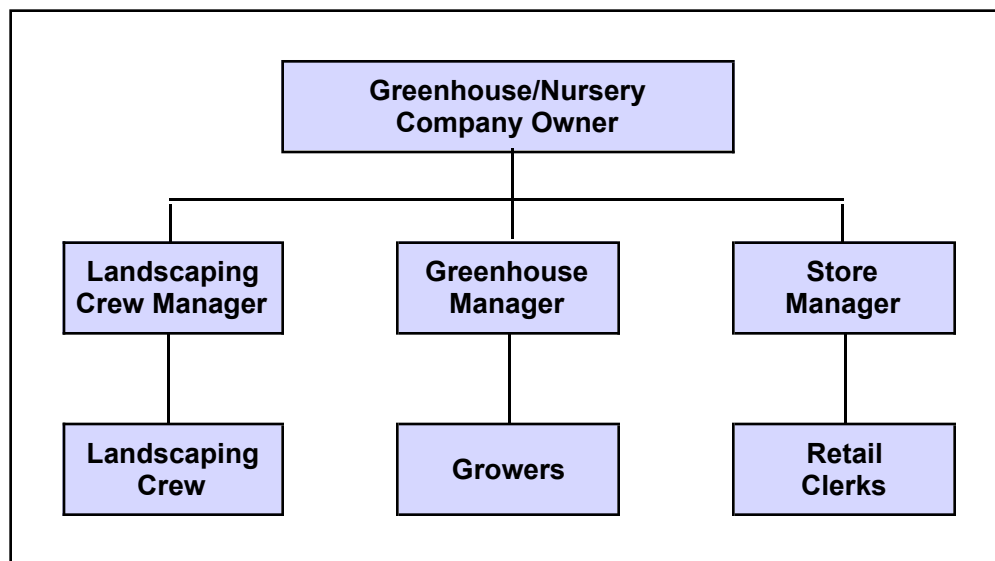
Personal and business Federal tax returns for the last 3 years will be needed for everyone who filled out a Personal Financial Statement.

2.4 Management Personnel

Resumes or biographies are needed for all management personnel. These should include work experience with dates, education, professional affiliations and anything else that will demonstrate that the experience and/or training needed to run this business are present. Also, describe the labor force required as a whole.

2.5 Organizational Chart

If your business will involve several employees, prepare an organizational chart to illustrate how it will be managed. A sample chart for a nursery/greenhouse business is provided below:



The importance of the chart is that it illustrates who are the important managers if the proposed new business is to succeed. In this case, the three department are critical.

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2.6 Other Information Required

You will need to provide a variety of additional information, depending on the nature of your business. The following are examples:

1. Name of proposed business.
2. Legal status of the business. Will it be incorporated? If so, when will this be filed? If the paperwork has already been filed, include a copy.
3. Names and percentages of ownership for all owners.
4. A copy of deed or lease agreement. Also, address zoning and environmental review requirements related to the location and proposal.
5. Provide a floor and/or site plan if relevant.
6. Identify the hours and days your business will be open. What holidays will you be closed? Is your business seasonal?
7. List all permits or licenses needed for your business. Attach copies if they are in place. If they are not yet in place, explain plans for taking care of them.
8. Provide the name, address and phone number of your accountant and attorney.
9. Provide your insurance agent's name, agency, address and phone number and list the types of insurance you will have.
10. Identify your key suppliers and their terms.
11. Provide a proposed date to open your business.
12. Assemble background materials that explain your industry.

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2.7 Organizing the Business Plan

Once you've collected all the foregoing data and identified a prospective lender (work with your financial advisor on this or consult one of Erie County's economic development agencies) you are ready to put it all together into a written Business Plan. The Plan should be concise. It should also be tailored to your particular business and the size of the enterprise you propose. One model does not fit all. The key is to understand the fundamentals of your business and to be able to communicate these to others. The following provides a possible outline for such a plan.

Table of Contents for a Business Plan

1.0 Executive Summary

2.0 Business Description, Mission Statement and Business Goals

- 2.1 Description of Business
- 2.2 Business Mission Statement
- 2.3 Business Goals

3.0 Marketing Plan

- 3.1 Market Area Analysis and Competition
- 3.2 Business Marketing Plan

4.0 Management Plan

5.0 Financial Plan

- 5.1 Sales Forecast, Income and Expenses
- 5.2 Capital Requirements and Financing Proposal
- 5.3 Cash Flow Analysis

6.0 Appendices

- A. Pro Forma Income and Expense Statements
- B. Pro Forma Balance Sheets
- C. Cash Flow Projections
- D. Other Attachments (these might include tax returns, contracts, loan documents, equipment lists, resumes, industry articles, etc.).

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It is important in drafting your plan to avoid the following common mistakes:

- Mistake #1: Assume the reader knows all about your business.
- Mistake #2: Use technical jargon that no one else understands.
- Mistake #3: Repeat yourself over and over again.
- Mistake #4: Assume a large industry market will impress lenders.
- Mistake #5: Declare that everyone is your target market.
- Mistake #6: State that you do not have any competition.
- Mistake #7: Forget to explain how you will manage your business.
- Mistake #8: Don't tie the different parts of the plan together.
- Mistake #9: Fail to break out and document project funding.
- Mistake #10: Include unsubstantiated numbers that don't add up.
- Mistake #11: Apply a large business model to a small business.
- Mistake #12: Assume that, if you open, they will come.