

Agricultural Business Plan Guidelines



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA



Agricultural Business Plan Guidelines

February 2012

Directorate Co-operative and Enterprise Development
DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

2012

Printed and published by
Department of Agriculture, Forestry and Fisheries

Design and layout by
Directorate Communication Services
Private Bag X144, Pretoria 0001

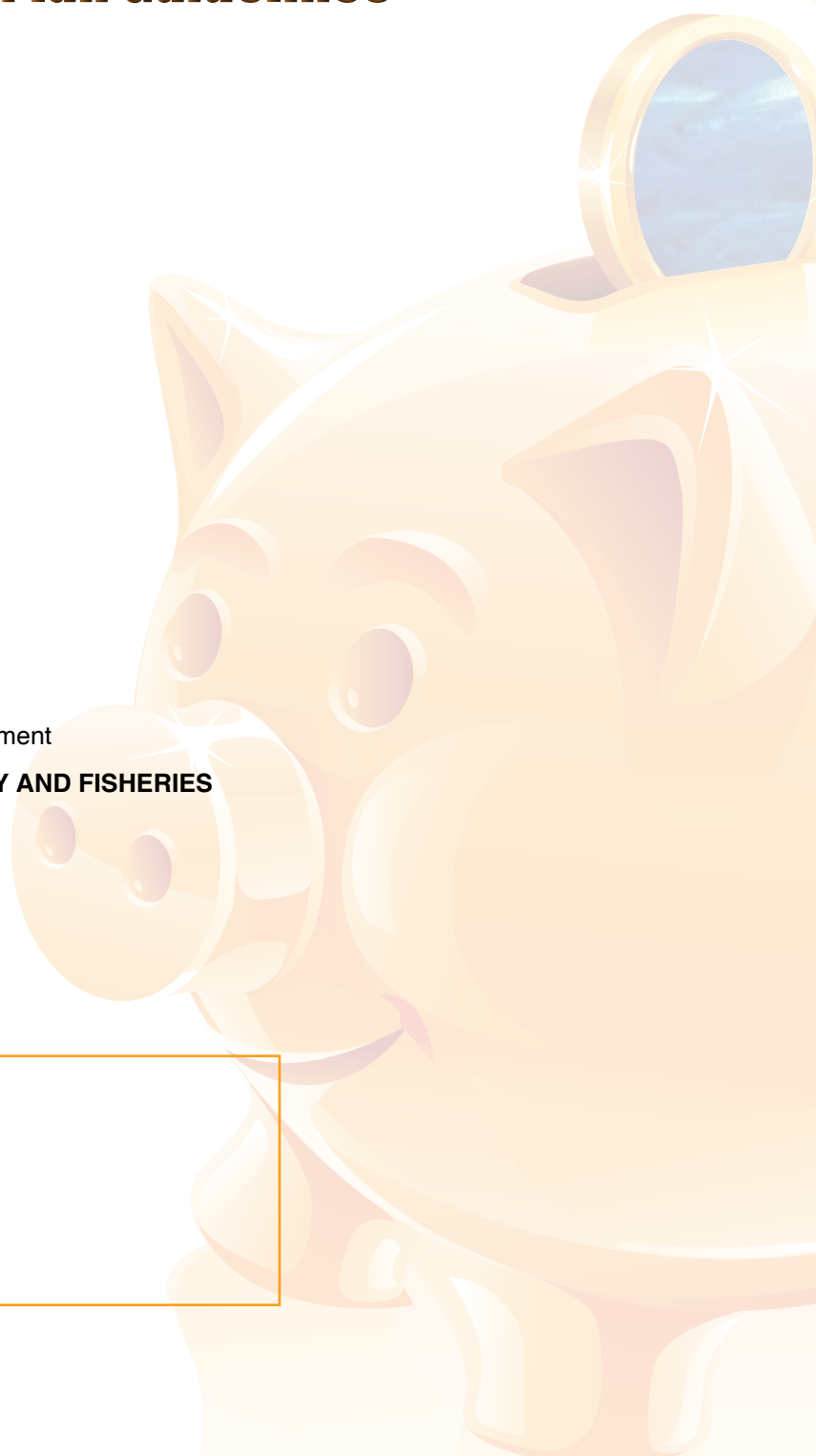


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1. EXECUTIVE SUMMARY

The Medium Term Strategic Framework (MTSF) mandate accentuates the need to create a nation united in diversity to work together to ensure a more equitable distribution of the benefits of economic growth and to reduce inequality. Cognisance of the differentiated and heterogeneous resource requirements in agricultural entities in terms of challenges, opportunities and potentialities has been the underlying reason for the approach taken in this intervention.

This document is a result of numerous calls for help from potential farmers, aspiring entrepreneurs and government officials from all the provinces requesting guidance with drafting bankable business plans. Research has shown that prospective entrepreneurs are not familiar with the contents of their business plan, because they seldom contribute (input) into the development of a business plan. This is a recipe for disaster. Consultants/agencies that draw up business plans for these entrepreneurs operate commercial businesses and they are seldom interested in whether the outcomes of the business plans are attained.

The intention of this document, therefore, is to provide guidance and to capacitate entrepreneurs and prospective entrepreneurs in the agricultural sector to access opportunities successfully and in managing and sustaining enterprising activities from farm level through to the entire agricultural value chain. Studies have shown that low-income entrepreneurs are more vulnerable to risks than their high-income counterparts. Grant beneficiaries operating agricultural activities often lack knowledge and expertise in managing the financial aspects of the business, resulting in them being exposed to the smallest economic shocks.

The Business Plan Guidelines is developed to provide comprehensive, simplified and not too complicated information required by funding institutions/investors/sponsors for prospective farmers/entrepreneurs wanting to make inroads into the agricultural sector.

Details on the purpose and process of drafting a bankable business plan will be provided by unpacking, with explanations, the different components of the business plan. Information on how to access the funding programmes will be provided.

It is envisaged that the professionals engaged in Business Plan Formulation, i.e. Agricultural Scientists including Economists from the provincial offices; government institutions entrusted with the responsibility of distributing financial assistance for agribusinesses/entrepreneurs like the AgriBEE fund, CASP and Mafisa and those individuals seeking to start their businesses, will find these guidelines useful.

The structure of the document will provide the objectives for the Business Plan Guidelines and encompass Part I, Part II and Part III as detailed below.

Part I of the guidelines will provide an overview of the Business Plan Guidelines; the definition of the Business Plan; the reasons for drafting the Business Plan; the benefits of a good business plan; the failures of businesses and, finally, common mistakes in drafting business plans.

Part II of the guidelines will attempt to cover methodologies and sources that can be utilised in information collection; the steps to take in preparing the business plan/proposal and the pertinent information required by funding institutions/investors to ensure successful applications/bankable business plans.

Part III will provide a generic format/structure that can be used.

2. PROBLEM STATEMENT

One of the great challenges facing the agricultural sector is to increase the number and variety of viable and sustainable economic agricultural enterprises. The global downturn in the past few years has further amplified this challenge. Government is of the view that strengthening competitiveness and promotion of small and medium-sized enterprises and cooperatives remain cornerstones for the growth of the economy and the creation of decent work opportunities. In the agricultural sector, it is found that entrepreneurial and management skills/abilities are lacking in many individuals who are trying to access enterprising opportunities.

Employment opportunities in the commercial agricultural sector were limited to unskilled labour where the incomes were very low. Downstream (input suppliers) and upstream (processors of food and fibre) were in the hands of a few commercial producers, depriving rural people of economic opportunities. These factors were

responsible for creating the extreme dualism and inequality in the sector as well as the uneven income distribution. Notably, agriculture comprises a first and second economy, both competing for the same resources and markets. Participants in the second economy were compromised owing to limitations in accessing large, stable and sustainable markets.

Many projects receiving funding from government programmes and/or sponsors and and/or loans from funding institutions have either failed or failed to meet their financial obligations.

3. OBJECTIVES

- 3.1 To provide a guide to existing and new entrepreneurs on the practicalities of business plans.
- 3.2 To contribute to better managed business ventures.
- 3.3 To empower and capacitate entrepreneurs in understanding the various elements of the business plan.
- 3.4 To provide details and composition of the relevant information required for drafting business plans.
- 3.5 To explain the merits of a good business plan
- 3.6 To enhance and support decision making in SMMEs

4. PART 1

4.1 Overview of agricultural business plan guidelines

Business Plan Guidelines is a document aimed at guiding the writer through providing criteria on the drafting or formulation of business plans. Various business plan formats are available from all the provincial departments and private sector organisations and are obtainable from them. The approach used in developing these guidelines is to provide substantive information in support of the various formats currently existing and being used for drafting business plans.

This document will assist in addressing the lack of capacity to draft a proper business plan for an entrepreneur who wants to start a new enterprise/venture, expand or diversify his current operations and to those who want to be in control and make sound management/business decisions. Furthermore, it will try to assist in securing finances for the business given the present agricultural environment.

The format proposed in this document will be a generic one. The guidelines are designed to cover a diversity of situations and can be adjusted to address the specific needs of the agricultural business venture.

4.2 Definition of a business plan

A business plan is a document/plan of how a business owner, manager or entrepreneur intends to organise an entrepreneurial endeavour and implement activities necessary and sufficient for the venture to succeed. It is an essential tool for planning, direction and running a business. It clarifies the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realised.

4.3 Reasons for drafting a business plan

Businesses need plans to optimise growth and development according to priorities. A business plan is not only to look for **financial assistance** or for initiating a business start-up, but it is an evolving working document that should be reviewed regularly and adopted to the business circumstances as and when the internal and external environment changes. It will always be a useful tool to persuade others to invest time, money and effort in the business. Failure to plan is a plan to fail.

A business plan with well-defined goals is a necessity for business management. Planning properly for your business is a tool for success, as a good plan maps the course of action to achieve your business goals and aspirations.

Farmers/producers/entrepreneurs in agriculture, especially the smallholder farmers, should use a business plan as the operational tool that directs each and every step in the business. Entrepreneurs want to see a return on their investment as they invest time, money and emotional effort into planning the business.

A business plan can be used as a powerful sales document for raising money. A business plan is a prerequisite for engaging with a venture capitalist, and/or investors. To raise funds for a start-up business venture or to raise additional capital, your document must fulfil the requirements of a funding institution or sponsor and this will give the reader an insight into what you will be doing in your proposed or existing business. The organisations that lend money to your business also want to get a return on their investment. They want a 'safe' investment with relatively low risk. A thorough business plan can accomplish this.

Your plan will assist you in what to do and when to do it. Entrepreneurs should use their business plan for the critical start up. Entrepreneurs should use their business plan for start up of operations; or during expansion of operations to ensure that they stay on target and within the budget at all times.

Prospective entrepreneurs involved in the process of formulating their own business plans from the onset, will be more objective and critical towards their business than if it is prepared by outside consultants or individuals.

4.4 The benefits of a well-prepared business plan

A business plan will provide you with a clear strategy and objectives. A good business plan will give you direction and keep you and your staff focused. In writing your business plans you may make mistakes which can be corrected on paper prior to implementing your plans, which can save you money.

The business plan demonstrates the seriousness of your intentions to banks, investors, colleagues and employees. It can be used as a measure for you to foresee/anticipate problems and take appropriate action timeously. All your ideas can be incorporated into the business plan to become a reality. The planning process affords you the opportunity of adopting a step-by-step approach in preparing for the future achievement and risks of your business venture. At the end of the process, you should be confident that the plan will work.

The good business plan involves research on the external and internal business environment like competitors, suppliers, consumers, etc., which can be translated into a detailed action plan showing the areas of competitive advantage and how you will combat problems. You can use the business plan to identify opportunities, analyse the life cycle of the business and each activity in the business and plan for capital requirements. Milestones with timeframes can assist the business in achieving its objectives within the stipulated schedules.

4.5 Reasons for business failures

The reasons mentioned down below are just a few and are not limited to these only.

4.5.1 Management reasons:

- A poor management team with insufficient experience and/or the wrong skills mix for the needs of the business.
- A narrow customer base and inadequate marketing skills.
- Inadequate marketing planning.
- Under or overpricing products and/or services offered by the business.
- Overtrading and running short of working capital.
- Poor product and service quality.
- Owner/managers who are autocratic, inflexible and make strategic decisions based on emotion.
- A weak business concept, in that the product/market mix is not clearly defined and developed.
- A failure to identify and manage risks.

4.5.2 Financial factors:

- Businesses without proper record/account of the financial transaction of the business.
- Insufficient information on financial performance required for basic decision making.
- Financial information based on incomplete or inferior technologies.
- Insufficient supporting evidence on financial track record to obtain additional funds/loans.
- Poor management of accounts payable and receivable.

- Poor forecasting and management of sales and cash flow.
- Insufficient working capital to fund its operations.
- The business has borrowed too much money in relation to the owner's investment in the business (high debt/equity ratio).

4.5.3 Other

- No access to loan finance.
- No access to developed markets.
- No access to managerial support.
- No access to capacity development programmes.
- Weather conditions.

4.6 Common mistakes in the drafting of business plans

4.6.1 Cash flow

Most prospective entrepreneurs focus mainly on the infrastructure that is required and ignore the cash flow which is critical to the daily operations of the business. Cash flow assists in managing your financial resources, i.e. debtors and creditors control.

4.6.2 A vague business plan

Prospective entrepreneurs or writers of business plans make an assumption that the reader/funding institution/investor knows what the business venture is all about. Therefore, it is important to provide as much detail as possible and elaborate wherever necessary to clarify the needs of the business.

4.6.3 Unrealistic assumptions

Almost all writers of business plans assume that the business will succeed, hence they make unrealistic assumptions. It is advisable to benchmark against existing or similar businesses in the industry for acceptable standards. The goals of the business must be realistic and achievable. Rather start small and then expand.

4.6.4 Risks

Many business plans ignore the risks or do not make provision for the risks. It is critical that the business plan should include all risks and provide information on how some of those risks can be mitigated.

4.6.5 Competition

Many prospective entrepreneurs ignore incorporating information on competitors, either through their lack of knowledge of them or they are not aware of the significance of competitors to their business. It is, therefore, imperative, as a new or existing business, that you are aware of the competition and that you accentuate your competitive advantages in your business plan.

4.6.6 Suppliers

Suppliers' play a critical role in your business. It is important to know who and where your suppliers are as they contribute to the effective and efficient running of your business. Inconsistent and lack of the necessary inputs from suppliers will impact negatively on production and could result in non delivery of products to the market. Hence building and strengthening relationships with your suppliers contributes to the long term sustainability of your business.

5. PART II

5.1 Methodologies and sources for information collection

5.1.1 Methodology

- First, you start by looking for the information internally within an organisation - e.g. about production performance, sales performance, standard operating procedures, manufacturing systems, etc.
- Then you look for external information, i.e. information outside the organisation - e.g. information about

customers and markets. The business may contract out the collection of such information to an appropriate organisation such as a market research company. Government departments.

5.1.2 Sources

5.1.2.1. FIND A SIMILAR BUSINESS IN OR AROUND YOUR AREA

When collecting information for your business plan you need to find a similar business to visit and see what they do and how they do it. Shop there to get a hands-on feeling. Talk to people and get their perspectives, possibly there is something that you can improve on that will give you a competitive advantage over your competitors.

5.1.2.2. SCAN LOCAL NEWSPAPERS OR OTHER MEDIA

Local newspapers are a good source of information in your area or nationally. Financial magazines or other business related magazines can be used to collect information. The World Wide Web has abundant information that is at your fingertips. Collect all relevant information and use it for your benefit. The national agricultural handbook/directory is available from the Department of Agriculture, Fisheries and Forestry to assist in collecting information on the different industries in the agricultural sector.

5.1.2.3. GOVERNMENT DEPARTMENTS

The Provincial Department of Agriculture's economic unit can assist and supply information which can be useful in drafting a business plan or information to be incorporated into your business plan

5.2 Step-by-step approach in drafting a business plan

5.2.1. New farming enterprise

5.2.1.1 Secure the identified land – proof of ownership or lease agreement.

5.2.1.2 Get a farm map or geographical map of the farm that includes farm boundaries and or watering points.

5.2.1.3 Identify potential markets and requirements for entrance into the market.

5.2.1.4 Identify resources available for utilisation to develop potential commodity.

5.2.1.5 Take into consideration your ability, knowledge and access to support before deciding on the commodity to be farmed with.

5.2.1.6 Calculate viability and economic feasibility on potential commodity and possible opportunities for value adding.

5.2.1.7 If favourable, go forward, and if not, repeat steps 1.3 – 1.6.

5.2.1.8 Source information on the different forms of businesses.

5.2.1.9 Decide on what business form will be the best for the situation.

5.2.1.9 If the business form needs to be registered proceed with the process.

Things to be considered when embarking on a horticulture/agronomic business:

- Soil and water need to be analysed for quality, and determine the strength of the water source for quantity.
- Consider all risks.
- Source information on the weather conditions for the area.
- Source information on the chemicals and fertilisers that would be required for the specific commodity to be produced.
- Identify potential strategic partners like suppliers and potential mentors.
- Identify rotational crops, if any.
- Formulate a crop production plan/crop rotation plan.

Things to be considered when embarking on a livestock business:

- Consider all risks.
- Source information on all regulations, especially if the business is close to a town.
- Do a veld assessment/natural resource assessment.

- Seek technical advice on the number of animals that can be placed on the available land for grazing.
- Do a fodder flow and establish the gaps, and identify possible gap fillers.
- Establish the optimal production system that would best suite a marketing strategy.
- Once relevant information is obtained, then you can start drafting the business plan.

5.3 Recommended production systems size

It is important when drafting a business plan to take into consideration the recommended production systems. The following are only examples and it is advisable to contact your nearest provincial department of agriculture for assistance.

5.3.1 Recommended minimum farm size for cattle

A minimum farm size of 198 ha for extensive cattle farming is recommended if a threshold of R30 000 net profit is targeted. Such farm should also produce maize and have a portion of planted pasture in order to achieve better results. Without grain production and planted pasture, a minimum farm size of at least 350 ha may be necessary to achieve R30 000 profit per farm family.

The average carrying capacity figure for cattle in Gauteng is quoted as 8 ha/LSU (large stock units). This can be improved to even 1 ha/LSU when grain and planted pasture are provided as supplementary feedstock. On farms where grain or planted pasture is not provided, an average farm requires at least a 400 ha of land to sustain a maximum of 50 LSUs (8 ha/LSU). Fifty (50) LSUs are not good enough to create meaningful job opportunities or provide sufficient revenue to satisfy all household needs.

5.3.2 Recommended farm sizes for grain production under dry land

A minimum farm size of fifty (50) ha under dry land is recommended if a threshold of R30 000 net profit is targeted.

5.3.3 Recommended minimum farm sizes for vegetables

A minimum farm size of five (5) ha under irrigation for fresh fruit and vegetables is recommended if a threshold of R30 000 net profit is targeted.

5.3.4 Recommended minimum farm units for broilers

A minimum farm unit of 5 000 is recommended.

5.3.5 Recommended minimum farm units for layers

A minimum farm unit of 2 500 is recommended.

5.4 Supporting documents required by financiers/investors/sponsors

Supporting documents could include:

- Résumés of those individuals who would be involved in the business, which include training, experience, role in the business, credit background and a personal statement of net worth;
- Credit reports, letters of reference (personal and financial);
- Names of professional advisors (technical, legal, and accounting);
- Copies of any contracts, leases, agreements or patents;
- Copies of ID documents and other certificates.

6. AVAILABLE FUNDING PROGRAMMES AND OTHER FUNDING INSTITUTIONS

Funding	Institution	Contact details
Micro-agricultural financial institutions(MAFISA)	Directorate: Agricultural Development Finance	012-319 7295
Development Finance	Land Bank	0800 00 52 59
Development Finance	Development Bank of SA	011-313 3911

Funding	Institution	Contact details
Comprehensive Agricultural Support	Directorate: Project Management Coordination	012-319 7332
Youth Co-ops Support Programme	Umsobomvu Youth Fund (UYF)	011-651 7000
General support	DTI	086 184 3384
General finance	Industrial Development Corporation	0860 693 888
General support	SEDA	012-441 1000

*Source: The National Agricultural Directory 2009

7. PART III

7.1 Framework for agricultural business plan

I. Executive Summary

This is a summary of each aspect of the plan. You can only complete the executive summary after the business plan has been completed. This part of the document will be a maximum two pages. If it is the only thing that a reader will read it needs to give a synopsis of what you want to do or achieve.

II. Introduction/Background

It is a summary of the business, its history and position/possible position in the market place. This part gives an overview of your business or potential business, vision and objectives. The introduction consists of the following:

a. Business overview

- Where is your business or where are you going to establish your business?
- What are you going to do or what are you currently doing?

b. Vision and mission

The vision is a dream and this is what you will focus your energies and resources on in getting your business to work. The mission will be achieved through the objectives of your business.

c. Objectives/goals:

This section needs to include production and or financial related objectives specific to your enterprise or potential enterprise. There must not be more than five objectives for your business. Objectives need to comply to the S.M.A.R.T principles as follows:

S–Specific: An objective need to be specific and not vague, it needs to say this is what you want to achieve.

M–Measurable: You need to be able to measure the objective, otherwise you will not be able to distinguish what you have achieved.

A–Achievable: Take in consideration your available resources or potential resources to achieve your objective;

R–Realistic: Do not set unrealistic objectives which you will not be able to achieve or reach. The objective needs to be understandable to the reader.

T– Timeframe: The objectives need to be for a specific period so that you can measure them in time to derive where you are and how long it will take to get there. This pertains to the projected time that you anticipate it would take to achieve the objectives.

N.B: Objectives need to be linked to expected outcomes (how much). The objectives need to be thought through thoroughly. Spend some time to derive your objectives and they must be in line with what you want to achieve and what you are saying in the rest of your business plan. Refer back to your vision. Will the objectives have an outcome that will reach your vision?

An example of an objective is: Growing your business to a client base of 600 by 2010.

III. Ownership, Implementation group and Members

This part of the business plan consists of:

a. Ownership:

This is a form of business you want to register or has registered. Each one except partnerships is controlled under a specific legislation, i.e. a cooperative is regulated through the Cooperatives Act. There are different forms of businesses namely:

- Company
- Partnership
- Cooperative
- Joint venture

b. Implementation group:

Those individuals identified to implement and/or assist you in the implementation of your business plan.

c. Member/s:

This refers to the individual or group that will benefit from the business or be part of the business when the business plan is to be implemented.

IV. SWOT Analysis

This part gives you an indication of the Strengths, Weaknesses, Opportunities and Threats that are involved in your new or existing business venture. It also identifies the internal and external factors that are favourable or unfavourable to achieve your objectives. It is important to look at ways to build on the positive issues and address negative issues (how will the potential risks be addressed?). The 5 Ws (what, how, where, who and when) can assist in drafting a plan.

- Strengths are attributes of a person or of your business that can contribute in you achieving your objectives.
- Weaknesses are attributes of a person or of your business that can lead to you not achieving your objectives.
- Opportunities are external conditions that will contribute to your achievement of your objectives.
- Threats are external conditions that can lead to not achieving your objectives.
- Strengths and Weaknesses are factors internal to your business and
- Opportunities and Threats are factors, outside or externally, of your business.

V. Risks

This part deals with the different risks involved in starting or expanding your business. A risk can be defined as any deviation from the expected outcome. Types of risks are: business risks, financial risks and political/legal risks. It should also indicate what risks will be accepted by the business and what would be mitigated and how.

VI. Assumptions

There may be external circumstances or events that must occur for the business to be successful. If you believe such an event is likely to happen, then it would be an assumption. The assumptions need to be realistic and relevant to your environment or business.

VII. Business Preparation Process

This is the part that deals with where your business is situated and what you are doing or going to do and how you are going to do it and with what resources are you going to achieve this. This will give the person who is reading your business plan the feeling of where your business is and in the reader's mind he/she needs to be able to see how and what you are doing or going to do. This part of the business plan consists of:

A. PROPOSED BUSINESS

Description of your business

This is just a brief description of your business and where your business is located and what product or service you are going to give to your clients or customers. This part needs to relate to your introduction and objectives, here you need to indicate, for example, if you want to farm, when the planting season will be and when harvesting will take place.

Business processes

This is the how part. It is not necessary to explain in detail how you will do things, this will give the reader in his mind the chance to see what and how you will do things in your business venture and if you are going to plough back money into your business. This will also indicate if you will have your business processes in place. You need to explain your operations. Do not forget to include your monitoring and evaluation part of your business, how you will monitor and when. The evaluation part is: Are you achieving your objectives and are you following your business processes? If this is not the case, what corrective measures will you follow

to get back on track?

B. RESOURCES AVAILABLE

It is important to take into account the resources that you have available prior to the drafting of your business plan. Do a proper resource assessment. The types of resources that you may have at your disposal can be identified as follows: **Human resources, Financial resources, Natural resources.**

B.1 Human resources

This deals with the human resources you have available and what contribution they would make to the business. The CV of the management must be included. This is critical as it could influence the reader or potential financier to know who will be in the driving seat of the business and what the ability of that person is. The number of staff and management you have or will have will be put into this section.

B.2 Financial resources

Fixed assets

A fixed asset is a long term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming financial year, such as real estate and buildings.

Movable assets

These are considered furniture and equipment that is not part of a building (also includes commonly moved business items such as laptop computers).

Own capital

If you are going to invest in your own business you need to include this in the business plan. Investing in your own business capital wise will also be an indication for the reader/financier that you will try to make a success of your business. Capital contributed by the owner or entrepreneur of a business, and obtained, for example, by means of savings or inheritance, is known as own capital.

B.3 Natural resources

These are water and land available. The availability of the natural resources will determine your operations and the size of it.

C. INSTITUTIONAL STRUCTURES

C.1 Type of institutional structure

The form of business that you are going to use

- Company (Pty Ltd)
- Partnership
- Cooperative
- Joint venture

It is important to get information from the dti, CIPRO or SEDA on the types of businesses to determine if the type will fit your idea or operation.

C.2 Design/layout of the business

Management and organisational structures

These structures are very critical as they clearly stipulate the roles and responsibilities of individuals within the business venture.

• Management structure

This part deals with the management structure of your business, the names of the management, job titles and job descriptions. The roles and responsibilities of each manager must be clearly stated and they need to understand and accept their roles and responsibilities.

• Organisational structure

This is the structure of your business and it clearly shows the appointment of responsibility and authority among members of the business. Different forms of structures can be used. Examples of organisational structures are: Functional, matrix and line. The constitution for the specific type of business can be used as a guiding document for daily operations and how to handle internal matters.

• Technical design

This will provide the technical information of the enterprise in regard to the layout of the business/structures, for example, how the broiler/layer/piggery structure will look like or how the dairy will look like.

• Production information

This section will include the production programmes, i.e. when will planting start and harvesting begin or a feeding programme, rearing programmes for chickens or pigs.

VIII. Infrastructure

This is the current infrastructure that is available to you and your business. Examples of infrastructure: Roads, water, electricity and telecommunication. This is important because, depending on your planned venture or current venture, infrastructure can have an influence on your business sustainability and profit.

IX. Skills/Training

Did you or your staff undergo training and what type of training do you or your staff have. Was the training formal or informal, and by this it is meant did you receive a certificate or not?

X. Marketing strategy

Marketing strategy is a process that can allow a business venture to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. Without customers you will not survive or exist.

POSSIBLE QUESTIONS TO ASK WHEN FORMULATING A GOOD MARKETING STRATEGY

- What will your marketing strategy be, are you growing your business or are you entering into a new market?
- When and how will you sell your products? What gives you the competitive edge, how will you penetrate the market?

CRITICAL ISSUES TO LOOK AT WHEN FORMULATING A MARKETING STRATEGY

- It is always good to have a market before you start your business. This provides critical information to a financier for a decision to be taken on a loan application as it provides information on your projected sales and income
- In your marketing strategy you need to identify and list your competitors.
- Another important part of a marketing strategy is the 4 Ps which are price, promotion, package and place.

OTHER THINGS TO LOOK AT WHEN DEVELOPING YOUR MARKETING STRATEGY ARE:

- Market requirements: e.g. traceability and preferences of customers.
- Possible market obstacles, e.g. competitors, what do they have which you can do better?
- Opportunities for value adding

REQUIREMENTS WHICH NEED TO BE ADHERED TO WHEN ENTERING INTO THE MARKET:

The macro environment your business will operate in. There are six major macro environment forces: cultural, demographic, economic, natural, political, and technological. The cultural environment includes institutions and other forces that affect the basic values, behaviours, and preferences of the society—all of which have an effect on consumer marketing decisions. The demographic environment includes the study of human

	Total	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
11. Total income													
Working expenses													
12. Seed													
13. Fertiliser													
14. Petrol and lubricants													
15. Labour													
16. Chemicals													
17. Insecticides													
18. Feed													
19. Repairs of machinery and equipment													
20. Repair of buildings and improvements													
21. Transport													
22. Marketing costs													
23. Packaging and storage													
24. Tax													
25. Insurance and licences													
26. Electricity													
27. Telephone, post and stationery													
28. Rent													
29. Salaries													
30. Bank costs													
Capital expenditure													
31. Livestock													
32. Machinery and equipment													
33. Total expenditure													
34. Surplus/deficit (11-33)													
Bank balance													
35. Available balance													

	Total	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
36. Opening Balance (34+35)													
37. Interest earned													
38. Closing balance (36+37)													

Example of a cash flow

* It is advisable that a cash flow is not only done per month but also per year for a period of five years; this will indicate the cash flow required and indicate costs affected by inflation per year. It will give the reader an insight into the financial situation of the business.

7.2.2 Balance sheet

The balance sheet describes the assets, liabilities, and equity of your business at a particular point in time. It is a widely used accounting statement that indicates the economic resources of your organisation and the claim on those resources by creditors. This information will allow you and your creditors to compare your estimates, as well as your past performance, against industry averages.

Balance sheets (R)	December 2009	
	2009	2008
Assets		
Current assets		
Cash		
Marketable securities		
Accounts receivable		
Inventories		
Total current assets		
Gross fixed assets (at cost)		
Land and buildings		
Machinery and equipment		
Furniture and fixtures		
Vehicles		
Other (includes certain leases)		
Total gross fixed assets (at cost)		
Less: Accumulated depreciation		
Net fixed assets		
Total assets		
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable		
Notes payable		
Accruals		
Total current liabilities		
Long-term debt		

Total liabilities		
Stockholders' equity		
Preferred stock		
Common stock – R par, shares outstanding in 2009 and 2008		
Paid-in capital in excess of par on common stock		
Retained earnings		
Total stockholders' equity		
Total liabilities and stockholder's equity		

Example of a balance sheet

7.2.3 Income statement

The income statement is a summary of the income and expenditure of the business for a specific period, production year, financial year or tax year. For an existing business, include information for at least the last one or two years.

Income statement calculated on a cash basis (R000) for the year ended: XXXXXXX, 20XX		
Sales revenue		
Less: Cost of goods sold		
Gross profits		
Less: Operating expenses		
Selling expense		
General and administrative expense		
Depreciation expense (noncash charge)		
Total operating expense		
Operating profits		
Less: Interest expense		
Net profits before taxes		
Less: Taxes		
Cash flow from operations		

Example of an income statement

ANNEXURES TO THE DOCUMENT

Annexure 1: Funding Institutions

Annexure 2: Financial ratios

Annexure 3: Agricultural economic concepts

Annexure 4: Business framework

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