



Business Planning Basics

If your beef cattle operation is sandwiched somewhere between “huge” and “hobbyist,” one way to create more income is to start a beef business off the farm. Truly, it’s exciting that there are opportunities in today’s marketplace to remain viable, thrive and even build wealth that don’t include surviving the commodity market system, especially if your cattle operation is relatively small in numbers. Yet, it’s not as simple as taking out an operating loan and buying a few cows. Success in direct-to-consumer marketing takes a high tolerance for risk and the trial and error of entrepreneurship.

While a lot of good ideas are plotted out in the small notebook that often accompanies a shirt pocket, if you’re serious about adding value through selling *meat* — a big difference from selling *cattle* — then the first step is drafting a business plan.

Here are the basic business plan components:

1) Company name, location and business type

Start off by noting simply on the front page the name and location of your company, including complete physical address, phone, fax and e-mail as well as the owners’ names. It’s like a title page. You’ll also include here the type of business you have decided to organize such as a sole proprietorship, corporation, partnership, or limited liability company (LLC).

2) Mission statement

The mission statement is a series of sentences akin to a résumé’s career objective statement. It’s difficult to summarize who you are and what you do in a few short words, but it’s worth the effort. Once you’re out selling Hereford beef, you’ll get used to “spewing your spiel” (as I like to call it) to customers all the time. Start by creating it in a mission statement.

Ask yourself these questions as you create a mission statement:

- Am I an innovator building a completely new product offering?
- Am I selling an existing branded product or creating my own farm brand?
- What’s my niche? If it’s Hereford beef, why is that unique in my market?

3) Business vision/executive summary

The business vision is a bit like an expanded, more detailed version of your initial mission statement. Here you’ll clearly define who’s involved and why, what you’ll be selling, and whom you’ll be selling to. This is like an opening statement in a speech or the chance to make a first impression.

4) Product description

You must clearly define what products you’ll sell and how they will look. In the branded beef business, you’ll need to include information on packaging and labeling and any specialty claims such as “pasture-raised,” “natural” or “organic.” Define known competitors and point out how your brand will be different. As you describe your farm’s product, note also how and where you will sell it and the prices for every single item, including different wholesale and retail prices, if applicable.

5) Market segments and target customers

Creating market segments is vitally important for small beef ventures and branded beef products because it’s paramount that you understand what your brand is and why the buyer identifies with it. Start by gathering basic demographics of your expected customer base such as: age, gender, geographic location, education and income, and buying habits.

6) Goals

It’s effective and motivating to divide sales and marketing goals into both short- and long-term goals. Short-term goals can include up to the first six months or one year in business. For long-term goals, think broadly and forecast three to five years. This area of the plan is highly changeable, especially during a year-end review.

7) Start-up capital

Every business, no matter how small, needs some start-up capital. Estimating initial dollars is a forecast however, so while it’s changeable, it still needs to be as accurate as possible to avoid the pitfalls of over spending or growing too fast without the dollars allocated to meet demand. (And, believe me, once customers get interested in buying Hereford beef from someone they know, growth is usually imminent, so be prepared to grow at a sustainable pace that isn’t too expensive.) Consider the costs associated with acquiring the following items:

- Equipment
- Raw materials (such as fed cattle or more backgrounded calves)
- Marketing and sales materials
- Licensing and regulatory fees
- Professional services (such as processing and packaging)
- Insurance
- Transportation
- Lease or property costs
- Subcontracted labor and employee costs

Business plan templates are a good place to get ideas and help with structuring the document. Go to www.sba.gov to take a look at several sample plans.

8) First-year budget

I’ve learned from experience you’ll be on sounder financial footing if you build a budget that you can stick with. One way to help stick with a business budget, just like the one for your family’s household, is to build in extra dollars for unexpected items and additional purchases. This may require trial and error and changes, but work hard to keep the budget accurate and manageable for your operation. Budget for the costs of each item needed in the start-up capital section.

9) Company management

Here you’ll detail who’s who in your operation. For livestock families, this exercise is serious because misunderstandings can lead to discontent. Decide who actually owns the company and what type of profits each individual will take from it. Look at items such as land and equipment use. For example, if you’re living on your mother-in-law’s ground, does she get a cut and is she an owner? When you use your brother’s livestock trailer, are you paying him in cash or a favor? Does he know that?

To serve its purpose, a business plan must be a living document. Living means changeable. There are two times when it’s necessary and okay to alter your initial plan. The first is during your start-up phase; the second is during a year-end review. Other than that, build a plan that you can live with and that is feasible, then commit to it, use it every month and review it with everyone involved at least annually. Referring to your plan regularly helps gauge financial targets for sales and spending and provides a road map for staying on the right track. **HW**