

# **CREATING A BUSINESS PLAN FOR YOUR DAIRY BUSINESS**

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Dairy producers need to be well prepared when approaching potential creditors with applications for loans. There is only one opportunity to create a good first impression. A well organized business plan is simply a method of communicating that your business is well organized.

The business plan is about time. It conveys the business history and present situation. It discusses opportunities for the future and presents scenarios that have been discussed as options for implementation, including projections of profitability and risk sensitivity. It gives financial officers information to base their estimations of your future repayment capacity and their risk assumption if they choose to work with you.

Components of a comprehensive business plan follow.

## **I. Executive Summary**

- i over-view of production operation strengths, business opportunities and possible strategic actions under consideration**
- i discuss how your dairy is structured and managed for future profitability**
- i mention the proposed changes that you are planning and their projected effect on future business profits**

## **II. Description**

- i Name of business and the people involved in decision making, implementation and evaluation**
- i Business description, place of business**
- i History**
- i Mission statement**
- i Vision statement**
- i Goals of the business; short, intermediate, long term**

## **III. Production efficiency**

- i Size, scale of the business**
- i Current productivity performance**
- i Current profitability performance**
- i Strengths and challenges of the current situation**
- i Short term production goals; production and profitability**

## **IV. Alternative analysis**

- i Scenarios of alternative actions or growth steps with productivity and profitability projections**

## **V. Risk assessment**

- i Sensitivity analysis including projections with variations in milk and feed prices**

## **VI. Financial statements**

- i Income statement**

- i Cash flow statement
- i Balance sheet or net worth statement

**DBAP generates some of the information that is suggested in this list. We are willing to use your DBAP information and our resources to help you develop a comprehensive business plan.**

**No one plans to fail, they simply fail to plan. A business plan will help you make a very positive approach to a potential creditor. Additionally, if you have accomplished a thorough business plan, you will have learned much about the business side of your dairy production operation.**