

Introduction

Information and resources contained in this workbook are intended to get you started on a new business venture. The manual is based on research for and writing of a business plan – something any new venture should spend significant time doing. Ultimately, if any new venture will require outside funding or support, a business plan will be required to assist the new start-up in explaining ideas in complete detail. A well-written and well thought out plan will help sell the idea to investors, community leaders and members of the team itself.

As the crux of the manual, authors follow a business plan format publication, *How to Write a Business Plan: A Business Plan Format*, created by the Center for Industrial Research and Service (CIRAS) at Iowa State University. The manual leads you through three phases of planning and research necessary to starting a business, then provides multi-level information that often is necessary under each phase. While it does not include information on livestock issues, the workbook specifically addresses your desire to start a harvesting meat business.

■ Phase 1 – Exploratory Phase

This section is written to help you get through the first steps of forming a committee or team. The task of the team is then to define the business opportunity, determine interest and commitment to continue the business start-up process and organize potential investors.

■ Phase 2 – Feasibility Phase

The purpose of this section is to explore ways to evaluate the business idea to see if you wish to move ahead and determine if your idea is sound. Tasks included in this stage include determining capital requirements; soliciting indications of interest from grant/lending organizations; and locating and reviewing data/information sources. You will turn to consultants and other sources of specific information, review internet sites, read information from a variety of sources and talk to prospective customers.

■ Phase 3 – Planning Phase

At this phase, you will commit all you have learned and all you plan to do to paper via a business plan. Someone from the group will need to write the plan; someone will need to develop financial and market projections. This is the final task before securing funding and developing your operational plan for the first year of business.

Phases 2 and 3 are written into the business plan to increase your understanding of the information required to complete the plan. There is no perfect plan, no perfect format for a plan. The format presented will work for you if you work the plan.

Included with this workbook is a sample business plan of a fictitious meat processing operation. It is included merely as a point of reference and example as you develop your own plan. This company, Family Farmers Choice, is not a real company, but you will see how it works with numbers, regulations and issues faced by all start-ups.

A chart detailing activity needed at all phases of business start-up, including the three primary phases included in this manual, is included at the end of the introductory section.

The goal is to reduce the risk in such consolidations and business creations by providing concrete information and, in many cases, resources where further information can be obtained as it is required.

■ Reducing Risk

This manual, or workbook, is designed to assist producers (and others) wishing to add value to the traditional animal production operation by bringing needed information into one package. The goal is to reduce the risk in such consolidations and business creations by providing concrete information and, in many cases, resources where further information can be obtained as it is required.

Within this package, the purpose is three-fold:

- To map out the steps necessary for various types of production agriculture enterprises to grow into businesses that can control product, market and profit to a greater degree;
- To outline sound business practices and offer them in such a way that they can be quickly learned and carried out; and
- To gather multiple resource listings to further help you and get you on your way to carrying out your dream.

In short, you will find tools that assist you in taking your business dream through the necessary stages of development and, with less risk and more chance of success, into its operational beginnings.

Experts say the primary reasons for business failure are: 1) under capitalization, 2) inadequate market analysis, and 3) poor management. By going through the processes and tracking down the information as outlined in this manual, you can eliminate much of the uncertainty faced by new business ventures. You are provided a process that can save weeks of time and significant money.

■ Substance

Under each stage or phase of building a business plan, consideration is given in various ways to the five key elements that go into consideration and analysis of business start-ups. Those elements are: **economic, marketing, financial, technical and management**. They are the same elements required for study by the U.S. Department of Agriculture for its feasibility studies for loan guarantees in the Rural Development program. They also are the key elements most investors, lenders and partners would wish to consider.

Exhibits – forms, outlines or other documents directly connected to the substance of that component of the text – are located at the back of articles or sections. Background materials and supplemental information are included in the Reference/Additional Resources section at the end of the manual.

Throughout this study, you will find lists. Most of them are critical questions to ask at the various stages of yourself or of those whose services or products you are enlisting. Sometimes the questions or steps/stages in the lists seem to overlap one another. This is not an oversight on the part of the authors. The questioning process must be intensive, and there are many reliable sources that offer assistance to you in this endeavor. We offer, at times, alternative sources for the work that is ahead of you.

It is the authors' goal to provide a wide array of perspectives on your business-building tasks, yet keep redundancy and confusion to a minimum. Some readers will find one form of questioning to be enough; others will prefer a slightly different version; still others will extrapolate their own version, one that more precisely fits the business venture at hand.

And, this resource, like any other business resource, does not carry with it a guarantee of business success. It can only hope to make your process a little easier by wading through much of the material out there and offering what is believed to be the most helpful.

■ A 'Living' Publication

The Adding Value to Pork Production publication can be called a "living" publication or a work-in-progress. It will evolve with changing times, experiences and economic situations in agriculture. Iowa State University Extension and the authors invite you to contribute to future editions of this study as it grows.

Please let us hear about your ventures, your successes and, yes, even those times when the goal wasn't reached. Your experiences can help others. Please contact us at:

Pork Study
Center for Industrial Research and Service (CIRAS)
2272 Howe Hall, Suite 2620
Iowa State University
Ames, IA 50011-2272
Attn: Verlyn K. Anders

You also may reach us through the CIRAS Web site: www.ciras.iastate.edu.

■ Sponsors

Many agricultural-based associations, groups, governmental agencies and private consultants wish to see you be more successful in moving up the chain into some degree of meat processing or in re-directing production to meet different market challenges with more financial gain.

This study was funded by:

- Bank of Cooperatives (Co Bank)
- Iowa Department of Agriculture and Land Stewardship
- Iowa Department of Economic Development
- Iowa Procurement Outreach Center
- Rural Development Administration, U.S. Department of Agriculture
- The Center for Industrial Research and Service (CIRAS), Iowa State University
- Value Added Ag Program, Iowa State University

Iowa State University, through CIRAS and the Value Added Ag Program, was the enabler for the project, providing time and services of specialists, faculty and other personnel, as well as resources to support them.

This workbook/guide supports educational, job creation, industrial development and rural development efforts of these and many more state and federal agencies and Iowa State University.

■ Authors and Resources

Pulling together such a vast amount of information on so many precise fields and disciplines is not an easy task. Nor is it one that can be completed in just one volume or Web visit. The resources are not only vast, but the information, regulations and technology in some of the fields are changing rapidly. The various authors credit many resources beyond their own knowledge for what is included in this volume. Those credits can be found at the end of each title or section. Resources for additional study, research or information also are cited within articles or at the end of each section.

Primary authors and resources for this work are:

Verlyn K. Anders

Anders, an industrial specialist with CIRAS, also is operations manager of the organization. He has nearly 27 years experience working with small industries and more than five years of manufacturing experience. Anders also serves Iowa industry in areas of ISO 9000, financial management, strategic planning and Theory of Constraints management. He received his BS in forestry from Iowa State and MBA in finance from the University of Mississippi. He has served as adjunct business instructor with Upper Iowa University and holds certifications of Certified Quality Auditor (CQA), Certified Production and Inventory Manager (CPIM) and is a Theory of Constraints Jonah.

Lloyd Anderson

Anderson is a retired director of CIRAS and specializes in areas of financial and cost management, planning and management information systems. He has worked with more than 1,000 Iowa manufacturing firms including start-ups and turn-arounds, and he served as the first statewide director of the Small Business Development Center (SBDC) to implement that program. He has held positions in finance and systems in Cedar Rapids, IA. Among awards Anderson has received was the first given by the Modernization Forum for Outstanding Contributions to Manufacturing Extension. Anderson received the BSC degree in general business from the University of Iowa and the MBA from Drake University.

Reginald Clause

Clause is a CIRAS industrial specialist focusing on agriculture. He has had 28 years of experience in entrepreneurial business and has been a consultant to food and ag companies ranging from multi-national to regional in size. He operates farming and cattle feeding operations and has operated a contract machine shop. He has served as an advisor to the Chicago Fed Bank. Clause has served on numerous task force efforts and Iowa trade missions, working with foreign trade officers and staff in China, Japan and Korea to increase U.S. exports. He has a BS in animal science from Iowa State University.

Mary Holz-Clause

Holz-Clause is a program manager for the ISU Value Added Agriculture Program. She works with ag-based manufacturers in developing business plans, conducting market research and locating sources of financing through traditional as well as federal and state channels. She has BS degrees in agricultural business and economics and in agricultural education and an MS in public administration/political science from Iowa State University. She taught vocational agriculture and also worked for the Iowa Department of Economic Development in agricultural development and promotion and as assistant director of the research division.

Michael Coyne

Coyne has had a diverse 30-year career covering ag production, processing, transportation, promotion and consumer marketing. He is an Iowa farmer and has held positions with a large cooperative, the Iowa Department of Economic Development and an international soybean processing plant. He also managed a private brokerage house and headed a regional rural economic development consortium. He is a consultant to private and public development interests. Coyne has an AA degree in agri-business from Des Moines Area Community College. He studies part-time at Upper Iowa (Des Moines) and Drake Universities.

Helen K. Randall

After working at Iowa State University, with CIRAS and at *The Des Moines Register* for many years, Randall now owns a marketing consulting firm, HKR Communications & Marketing, in Des Moines, IA. The company focuses on marketing issues facing continuing education, especially in areas of engineering and industry, and marketing for small- to mid-sized manufacturing companies. She has a BS in mass communications from Iowa State University and an MA in mass communications from Drake University. She is past chair of the marketing division of the University Continuing Education Association (UCEA).

Denzil Stacy

Since 1976, Stacy has worked as an industrial specialist at CIRAS, primarily in engineering fields and with new business enterprises. He also operates a farm in northwest Iowa. Stacy has BS, MS and Ph.D. degrees in ceramic engineering from Iowa State University. His industry experience includes as a process control technician with Maytag Company and work at Libbey-Owens-Ford Company Technical Center in Ohio.

Roger W. Stevenson

Stevenson is an economic development consultant in Waverly. For 13 years he worked for the Waverly Economic Development Company and for more than eight years with the North Iowa Area Council of Governments, Mason City. Stevenson is past president of Professional Developers of Iowa and is president of Adults, Inc., a regional organization to assist disadvantaged adults. He attended Beloit Vocational School in Wisconsin and North Iowa Area Community College and studied economic development financing through the National Development Council. He has taught economic development financing courses across Iowa.

Steven Vanderlinden

Vanderlinden is an industrial specialist with CIRAS, working with companies in the eastern section of Iowa and based in Davenport. He has many years of experience in financial management in private industry, including as financial analyst for ENI, Inc., and Coors Brewing Company in Colorado. He was controller of Altorfer Machinery Company in Cedar Rapids. Vanderlinden attended Stout State University in Wisconsin in pre-electrical engineering and has a BA in business administration from the University of Iowa and an MBA from the University of Colorado-Denver.

Editing and information development were provided by HKR Communications & Marketing, Des Moines, IA. Graphic design for the print version and electronic design for CD Rom and the Web versions were provided by Engineering Communications and Marketing, Iowa State University.

Center for Industrial Research and Service (CIRAS), ISU Extension
For more than 35 years, CIRAS has been the vehicle by which Iowa State University carries out its land-grant service obligation to the manufacturers of Iowa. CIRAS assists manufacturers with identifying and analyzing industrial and management problems, connecting with the latest technical information, planning business ventures, working on-site to find solutions to problems and developing products. CIRAS is strongly linked into the research and technology base of ISU's College of Engineering.

Value Added Ag Program, ISU Extension
For many years, ISU has forged a link between its research, technology and vast knowledge and the agricultural sector in Iowa. The Value Added Ag Program brings the link to life for industries – both established and those just beginning to work toward their visions. Through the program, ag business opportunities are expanded in terms of marketing, product development and the latest in technologies.

Business Start-Up Process (from Inception to Operation)

Purpose	Tasks	Key Elements for Consideration and Analyses				Next Step	
		Economics	Marketing	Financial	Technical		Management
Phase I Exploratory	Organize potential investors. Define business opportunity. Determine interest and commitment to continue business start-up process.	Determine supply requirements, labor requirements, location criteria and infra-structure needs.	Determine marketing opportunities and competition assessment.	Determine investment required, potential investors and grant/lending sources.	Explore processing technology, facilities and product technology.	Defer until later phases.	Proceed to feasibility phase if exploratory phase is positive and sufficient investors are committed.
Phase II Feasibility	Conduct feasibility studies. Locate and review data/information sources. Identify and contact experts/consultants. Determine capital requirements. Solicit indications of interest from grant/lending organizations.	Determine availability of supplies and labor, sites(s) selection and community support.	Determine marketing premise, product research and prototype development, market share requirement, competition assessment, trend analyses, and other market research issues.	Determine breakeven analysis, input/output models and capital structure.	Gather equipment information. Does equipment exist? Consider plant design questions.	Determine availability of key managers and compensation requirements of key managers. Who needs to be at a table, and who can provide what it takes?	If feasibility study is positive, and sufficient investors and lenders have interest, develop mission statement and proceed to planning phase.
Phase III Planning	Employ or designate project manager. Write business plan to include finance proposal. Develop finance proposal.	Secure supplier commitments.	Make product and distributor decisions. Develop marketing plan. Secure distributor and customer commitments. Devise logistic systems.	Develop financial projections. Determine final financial structure. Determine earnings distribution policies. Perform Monte Carlo (probability of success) statistical analysis if needed.	Select equipment. Develop plant layout. Design building and related facilities. Establish quality standards. Interact with economic developer, state/local government and regulatory agencies as required.	Design organization structure. Write job descriptions for key personnel. Develop performance standards. Design management information systems. Determine compensation and training requirements.	Proceed to next step only if firm financial commitments from equity investors, lenders and grantors have been secured.
Phase IV Implementation	Develop timeline (GANTT or PERT chart) for implementation. Select contractor. Follow project management practices. Implement business plan. Prepare project plan.	Establish supplier relationships.	Develop advertising plan. Provide product demonstrations. Attend trade shows if appropriate. Establish customer and distributor relationships.	Provide progress reports to investors, lenders and grantors. Revise projections as needed.	Employ and train maintenance workers. Employ and train quality control technicians. Employ and train operating employees.	Employ management personnel. Determine business structure.	Begin operations.
Phase V Operation	Begin operations.	Monitor supplies—quantity and quality.	Maintain customer and distributor relationships. Monitor sales data. Maintain strict quality control discipline.	Maintain strict cash and cost management discipline. Provide progress reports to investors, lenders and grantors.	Monitor operations. Correct process and product deficiencies as needed. Monitor environmental controls.	Generate positive cash flow and profitable operation as soon as possible. Review performance standards and management information systems. Modify as needed.	Follow the principles of continuous improvement in product, process, and customer satisfaction.