

FACT SHEET

DEVELOPING A BUSINESS PLAN FOR FARMER ASSOCIATIONS

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A business plan is a road map. It explains where the organization is headed and exactly how it will get there. Business plans can be formal or informal. It can be long, or it can be short. In fact, a good business plan can be as short as a page or even condensed into a few sentences (see, for example, Masaoka, 2010). The key thing is that the organization has a goal and a written plan to achieve that goal. That plan should include relevant details, such as what is discussed in this section.

Business plans are generally used in one of two ways. First, business plans guide the work of the organizations. The plan tells leaders and members exactly what to do in the coming years to achieve their goals. Business plans can help the organization focus their energies and make decisions. For example, when faced with several options, leaders can decide based on which option is more in line with the overall goal. If an organization is doing something that is not in line with the overall goal, this activity should be carefully considered and most likely dropped entirely as it distracts the organization from its goals. Second, business plans can be shared with potential funders to demonstrate that the organization is a worthy investment. A written business plan tells a funder the organization has thoughtfully considered what they are doing, why they are doing it, and how to achieve their goals. An organization with a business plan is generally a safer investment than an organization without a plan.

What Goes into a Business Plan?

A business plan typically includes the following sections, adapted from a list developed by the U.S. Small Business Administration (n.d.): an executive summary, description of the organization, market analysis, member benefit, service or product, marketing and sales, funding and financial projections. Ancillary documents are often attached in an appendix.

The *executive summary* is a brief description of the organization, including the mission statement, product/service, and location. It typically includes a brief vision of the company's future.

The *description of the organization* identifies the current leaders and/or employees and the legal structure through which it was incorporated.

The *market analysis* explains the situation in which the organization is located. For example, it might describe what other similar organizations exist and how the organization compares to them. It typically also includes a

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brief description of the region (including social and geographic aspects) to anchor the plan in the organization's environment and address any potential challenges.

Assuming the organization has formal members, the *member benefits* section identifies the costs and benefits of membership. This section typically describes the member population, why they decide to join, and what it costs to join. It outlines the benefits members are entitled to, as well as the plan for recruiting new members.

The *service or product* section describes the service or product offered by the organization and explains why it is valuable in the marketplace. This section also identifies why this service or product is necessary.

The *marketing and sales* section describes how the organization will reach customers, promote the service or product, and secure sales. It also describes how the organization will retain customers. Key questions to address in this section include: who are the customers (demographics, location, etc.), how is the product priced compared to similar products, how do customers learn about the product, and how does the organization encourage repeat customers.

The *funding* section identifies how much funding the organization will need in the next three to five years, how it will use the money, and how the money will help the organization become self-sufficient. This section also explains where the funding is coming from, including income, grants, and venture capital investments.

The *financial projections* section includes a budget for the next three to five years and a detailed explanation of income and expenses. The goal here is to put into a financial plan exactly what was proposed in the aforementioned categories. For example, if the organization is launching a member recruitment campaign or a product marketing campaign, then the budget should reflect campaign expenses and projected revenue increases.

Finally, supplementary material can be included in the appendix. This may include additional financial documents, more detailed market analysis, or justification for financial projections.

While business plans generally contain a lot of information, the length is not important. Each section can be as short as a sentence or two or longer as needed. The important thing is that the organization has thoughtfully considered all of these aspects and sees how the different components work together.

The organization may make a number of revisions before the plan is finalized. Then, the organization execute the plan and regularly monitor how closely their actual activity reflects what was planned. The plan should be reviewed regularly and revised as needed.

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