

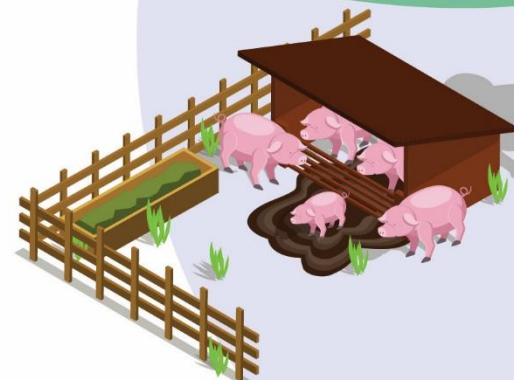


Business Plan Guide for Farmers

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Business Plan

Guide for Farmers

Lesotho National Farmers Union (LENAFU)

Basotho Enterprise Development Cooperatives (BEDCO)

Ministry of Small Business Development, Corporates and Marketing (MSCM)



Disclaimer

This guide does not in any way reflect the views and opinions of IFAD and EU, but those of the consultants that were engaged by Lesotho National Farmers Union (LENAFU) to support the development of this guide.

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Preface

This training manual is part of a series of four farmers' self-help training manuals developed by BEDCO in collaboration with the Ministry of Small Business development, Cooperatives and Marketing. These manuals were initiated and financed by LENAFU under its capacity building program. The main objective of these manuals is to capacitate local farmers with entrepreneurship skills necessary to commercialise and grow their farms. The four manuals are:

- I. Business Plan Guide for Farmers,
- II. Marketing Training Manual for Farmers,
- III. Record Keeping Training Manual and,
- IV. Financial Planning Training Manual for Farmers.

These manuals can be used by both start-ups and existing farmers. The idea behind the design of these manuals was to come up with capacity building tools that can be used in three ways:

- i. Farmers to train other farmers in small groups of 1 to 10 participants per session,
- ii. Professional business trainers to provide training to larger groups of 10 to 25 farmers,
- iii. Individual farmers to be able to independently use the manuals without assistance.

The guidelines and management strategies recommended in these manuals were based on experience of veteran entrepreneurship trainers from BEDCO and MSCM as well as comprehensive feedback from other trainers and independent smallholder farmers. These manuals have been successfully tested on local farmers and have proved to be effective in building entrepreneurship capacity of local farmers.

These manuals are not tailored for any group, trainers should use findings from training needs assessment to develop the training program using the manuals.

Table of Contents

1. Business Planning.....	6
2. What Does The Receiver of Your Business Plan Want From You?	7
3. Contents of a Business Plan	8
4. Basic Business Plan Guidelines	9
5. Tips for Writing a Business Plan.....	16



1. Business Planning

What is a business plan?

A business plan is a detailed document that explains the status and the future plans of a business. For you as a farmer, a business plan describes your farm. It explains your future goals and how you plan to achieve these goals.



Why do farmers need a business plan?

- i. **To improve business management of a farmer.** Having a clearly written plan for your farm will help you to keep

focused on your goals. Also, in the process of writing a business plan, you will get to understand factors that affect your farm better and be able to manage how you deal with them.

- ii. **To propose a business deal.** A business plan can also be used to propose a business deal such as to request funding or partnership. This is when a farmer writes a business plan for the other party, whom we will call the receiver of the business plan.

When a business plan is written for this purpose, it is called a **business proposal**. Before writing a business proposal, you must find out what the receiver of your business plan is interested in, and ensure that those interests are addressed in your business plan.

2. What Does The Receiver of Your Business Plan Want From You?

Different receivers have different interests. You have to understand the interests of your target receivers.

The table below outlines different types of the business plan receivers and their interests when giving out funding.

Business Plan Receivers	Interests
Grant providers Grants are normally provided by the government and other organizations that do not intend to earn profit from your farm.	<ul style="list-style-type: none"> • Job creation. • Improvement of people's lives, especially lives of the community within which the farm is located. • Increased tax payment. • Will the business last for a long time? • Is it going to be a successful business?
Investors Investors are people who invest in your business with the expectation of receiving profits.	<ul style="list-style-type: none"> • Ability of a business to make profit. • Low costs management systems. • Will the business last for a long time? • Is it really good business to invest in?
Banks Banks provide funding in a form of loans.	<ul style="list-style-type: none"> • Will the business be able to repay the loan? • Will the business be able to make profit? • Is it really good business to lend money?
Management Team These are the people who run the business, including you.	<ul style="list-style-type: none"> • Direction of the business. • Important elements of the business to take care of.

3. Contents of a Business Plan

There is no standard way of writing a business plan. Different writers write it in different ways. However, regardless of how the business plan is designed and written, every business plan should cover all four main functions of a business.

Four main functions of a business

Human Resources Management

The **human resources** explain the owner, employees and other partners of the farm. It also explains all other employment requirements of the business.

Marketing Management

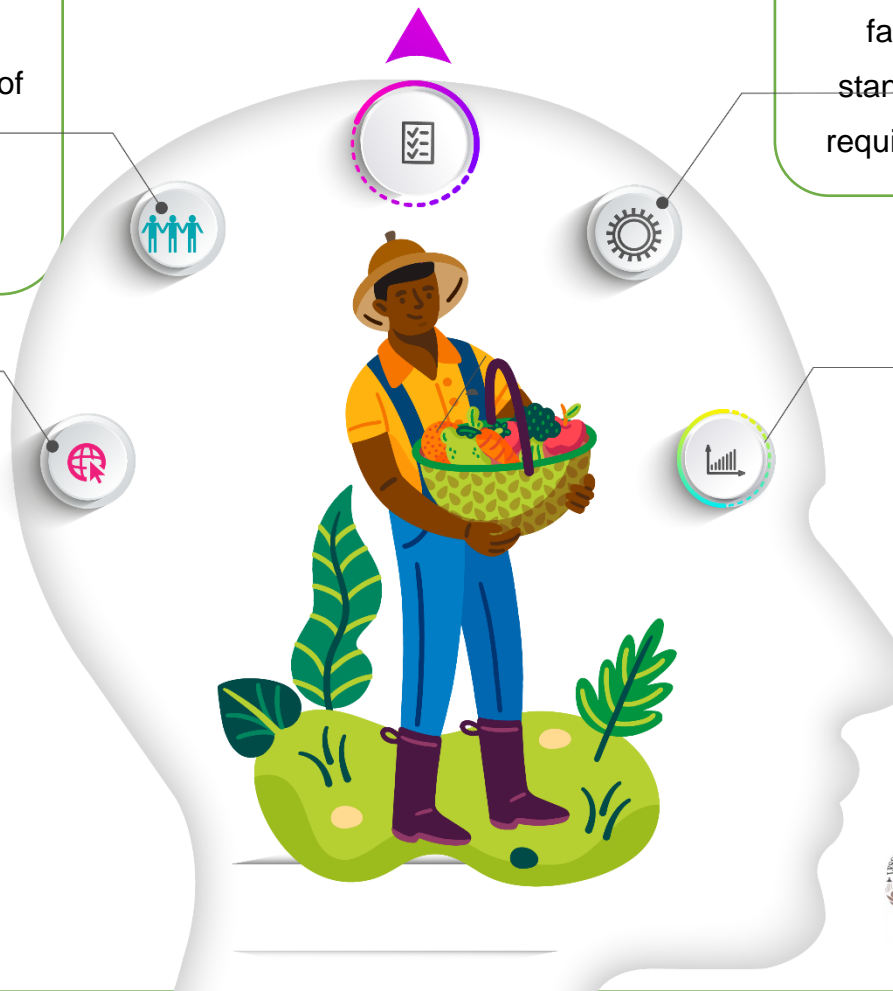
The **marketing** section explains the products of the business, the customers and how the farmer plans to sell.

Operations Management

The **operations** section explains how the farmer plans to produce, the quality standards to be followed, the resources required and where they will be obtained.


Financial Management


The **Financial** section interprets all other parts of a business plan into numbers. It shows how much money the farmer plans to receive and how these funds will be managed.

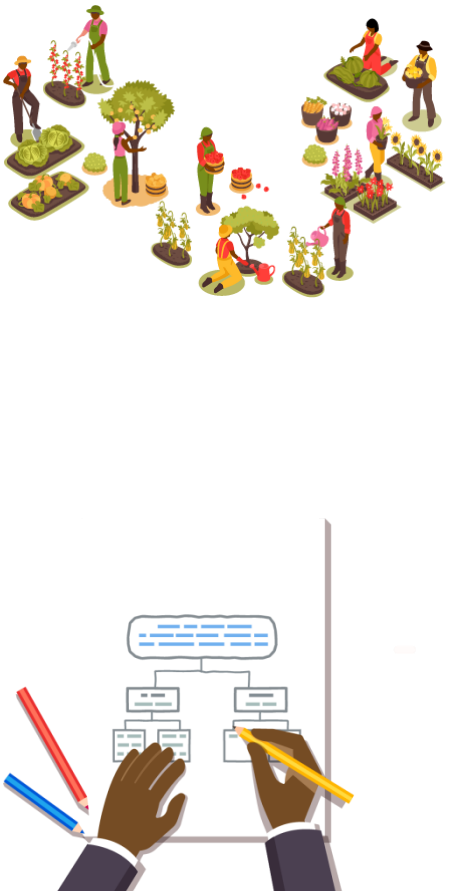



4. Basic Business Plan Guidelines


These guidelines will help you to prepare a business plan for your farm. It will also assist you to make decisions to successfully run or start a commercial farm. It will guide you on what to think about and what to write in a business plan.


Title	Description	Contents	What will the reader look for?
1. Cover page	It serves as a title page of a business plan.	<ul style="list-style-type: none"> Name of the business Contacts and address The year the business plan was written 	<p>What the document is about</p> <p>When it was written</p>
2. Executive summary 	<p>A short summary of the contents of the business plan and the purpose of writing the business plan.</p> <p>It can take maximum of one page.</p>	<ul style="list-style-type: none"> Your company/farm introductory overview: who is the owner, what does the business sell, where is it located, how many employees do you have or plan to have? Why did you choose this business? What problem is the business solving? How is your business different – what are you going to do differently? If the purpose is to request funding, how much do you need, how do you plan to repay or to deliver on the expectations of the funder 	<p>A clear picture of how the business will operate.</p> <ul style="list-style-type: none"> This is the part where the funder can decide to fund the business or not.


Title	Description	Contents	What will the reader look for?
<p>3. Business description</p> 	<p>A detailed description of the business or the business idea.</p>	<ul style="list-style-type: none"> • Name and location of a business. • What the farm will produce/supply. • How did you come up with the business idea? • Who are the owners? • Legal status – is the business registered? Is it a company or a sole trader? Which business associations are you a member of? • Current status in terms of what the business has achieved, or how far the owners have come in trying to get started. How the business has been funded to date? • According to your hopes and plans, how good will your business be in the next 5 to 10 years? 	<ul style="list-style-type: none"> • This is where the owner sells the idea. • Will the farm benefit the owners and to the community around it? • Has the owner applied enough efforts to start on his own? • Have the existing opportunities been explored?

Title	Description	Contents	What will the reader look for?
<p>4. Ownership and organizational structure</p> 	<p>This section explains the owner, employees and other partners of the farm. It also explains all other employment requirements of the business.</p>	<ul style="list-style-type: none"> • Who will be the manager(s), qualifications and experiences related to this business? • Roles and responsibilities of all the employees. • Strengths of the key employees in terms of relevant skills, experiences, attitudes and qualifications. • How are the reporting lines designed? • Strengths of other people in the organization's structure; clearly indicate if there are any special skills needed for people working at the farm. 	<ul style="list-style-type: none"> • This is where you sell yourself and your team. • Does the owner of the business have potential to succeed as a farmer? • Are the people who will be involved in the management of the farm have the qualities necessary to lead a farm successfully?

Title	Description	Contents	What will the reader look for?
<p>5. Marketing plan</p> 	<p>This section explains everything you plan to do to find out who your customers are and what they need. It also shows how you plan to satisfy their needs while making profit.</p>	<ul style="list-style-type: none"> • Explain why your target market need your product. • Describe the products and their features. • Describe the target market • Estimate number of targeted customers who will buy from our farm. • How often will people buy from your farm? • How the products will reach the targeted customers. • How the customers will know about the upcoming harvest? • How are you going to set prices? • How do you know that your customers will afford to pay for your products? • Competitors: who are your competitors? How do you plan to beat your competitors? • How will your business be advertised? 	<ul style="list-style-type: none"> • How well does the farmer know about the industry? • Are the products easy to sell? • Does the farmer understand his competition? • Has the farmer figured out who will buy his products and how often? • Is the planned marketing strategy right for the target market? • Will the marketing strategy help the farmer achieve high sales?

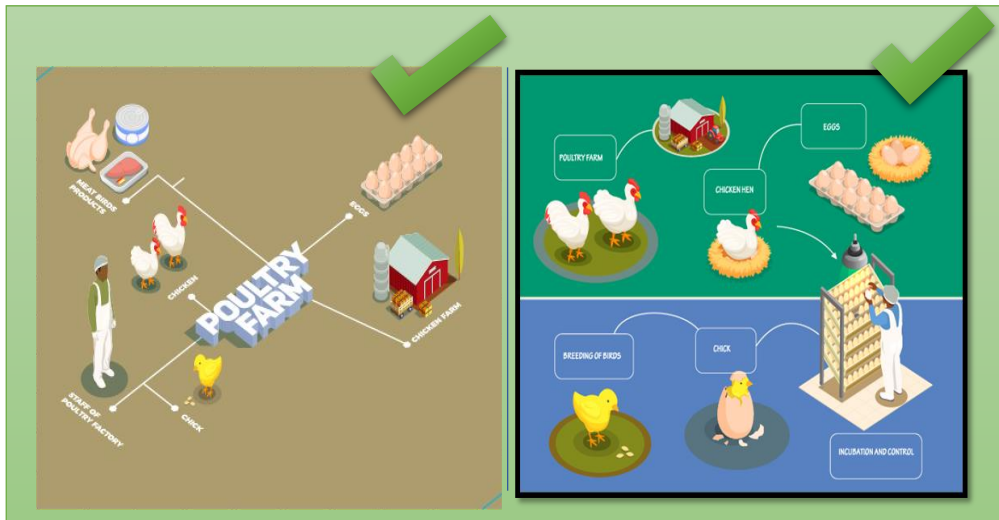
Title	Description	Contents	What will the reader look for?
<p>6. Operational plan</p> 	<p>Details of what it will take to produce the products of your business.</p>	<ul style="list-style-type: none"> • Which quality of products will the farm produce? • Where will the farmer buy inputs? • Is this supplier reliable to maintain the supply in the quantities required? • Which special skills are required to produce the planned quality of products? Are these skills readily available in your business? If not, how will the farmer get these skills? • Briefly explain the production process for each of the products of the farm. • With the resources you have, what are the maximum quantities that your business can produce? How much will your business actually produce? 	<ul style="list-style-type: none"> • Does the farmer understand the processes of production? • Will the farm manage to maintain required production quantities for a long time?

Title	Description	Contents	What will the reader look for?
<p>7. Financial plan</p> 	<p>On this part of the business plan, the farmer takes information from other parts of the business plan and shows how business activities are going to affect business funds.</p> <p>For example, from the Human resources section and operations section you can see how much the business will spend on salaries and material, while from the marketing section you can estimate sales and the general costs of marketing your products. All these and more are put together in the financial section.</p>	<ul style="list-style-type: none"> • Calculate the required capital, show which resources you already have or you can afford to pay for and which ones you will need financial support/assistance to cover. • Contribution per item - How much profit will the farm make from one item? • Cash-flow plan that covers preferably a year. How much income will the business earn per month? How much will the business spend per month? How much money will be left in the business at the end of each month? • Income statement: how much profit will the business have made by the end of the year? • Statement of Financial Position – what will be the financial status of the business by the end of the year? What will be the total value of your assets? How much will your business owe 	<ul style="list-style-type: none"> • Is the owner aware of all the expenses the business will incur? • Is the owner careful about the use of business finances? • Will all the money requested add value to the business? • Will the business operate smoothly without running out of cash in the near future? • Will the business make good profits? • Does the farmer plan to pay tax? How much?

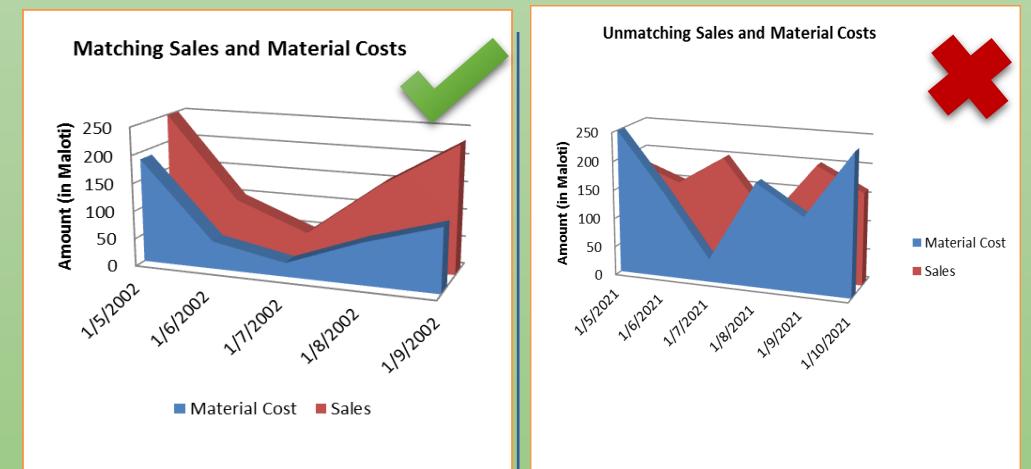
Title	Description	Contents	What will the reader look for?
		<p>others? How much in total will you have invested in your business?</p> <ul style="list-style-type: none"> • If the purpose of the business plan is to request a loan, the farmer also must show how the loan will be repaid. 	
<p>8. Notes and assumptions</p> 		<p>When writing a business plan, a farmer will make many assumptions because the future is unknown. These assumptions must be explained at the end of the business plan. They may include:</p> <ul style="list-style-type: none"> ➤ the reasons of estimating sales, ➤ prices of inputs used, ➤ the political climate assumed, etc. <p>These assumptions should be reasonable and easy to believe.</p>	

5. Tips for Writing a Business Plan

- a. There are no two business plans that are same, every farm has different details and will therefore have a different business plan.



- b. Ensure that all parts of your business plan talk to each other. For example, if the farmer plans to deliver products to the target market, transport costs should be seen higher when sales go high.



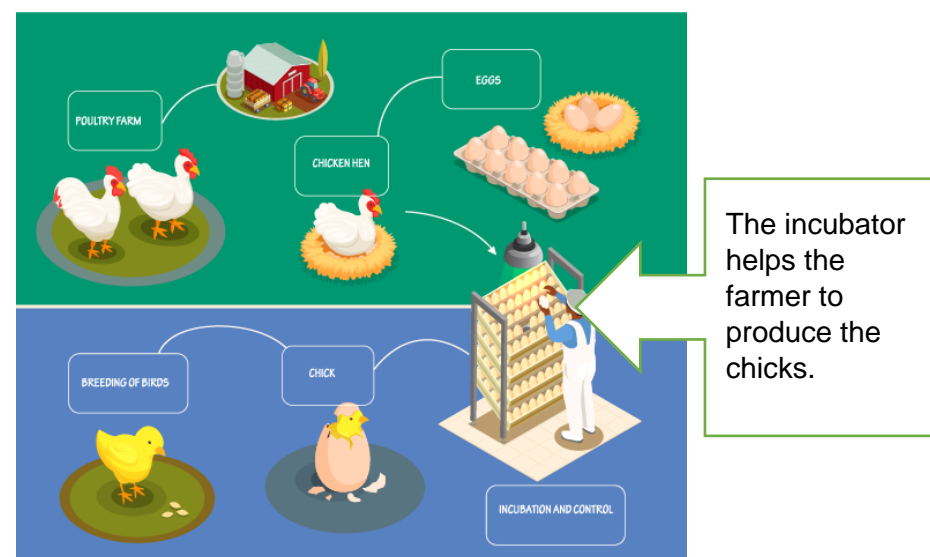
- c. The business plan does not need to be long, 7 to 20 pages is a good go.

- d. When requesting funding to boost the business such as to purchase inputs or infrastructure, avoid including other costs that are not new to the business such as rent and salaries of old staff members. Also, when requesting funding, request it for long lasting assets such as structure and tractors. Where possible, avoid including costs such as the owner's salary as this can be seen as taking advantage of the funding opportunity.
- e. When writing a business plan, it is important for the farmer to be focused and clear as to exactly what kind of support the



farmer wants. The entire business plan should be dedicated at convincing the receiver that this proposal is worth responding positively to.

- f. Make sure from your business plan, the reader can easily tell the problems you currently have at your farm, and how the support you are asking for will help solve that problem. Also show what the impact of the solution will be.



- g. For further tips, refer to marketing and financial management manuals for farmers.

The end!