

Planning Your Bison Business

Objective: The objective of this chapter is to outline the importance of a plan for your bison business. A well-developed plan increases your business chances of success as well as your ability to capitalize your business. The plan need not be complex but it should be documented. A plan can be shared with others in the business so that everyone understand the direction of the business. .

What is a Business Plan?

A business plan is a written summary of what you hope to accomplish with your bison operation. It is a road map for starting or operating your business and measuring progress along the way. The plan specifies where your business is today, where you want it to be five to ten years from now and how you plan to get there. The plan describes your bison operation, what it produces, the customers, the suppliers, the competition, the production and the marketing plans, the management, the financing and anything that relates to the operation of your present or proposed bison operation.

A business plan is essential whether you are expanding your existing bison operation or considering a new venture. It may seem complex, but it can be kept very simple - contributing to what you would like to achieve while minimizing the risks. Your business plan commits to paper ideas you have for building a new business or expanding the present one. The business planning process allows you to create a bison operation on paper without running the risk of financial failure. At the planning stage, the only time and money you risk is the hours spent planning and the relatively small costs of compiling the plan.

Although the plan could include much detail, you must be able to clearly and concisely outline your plan and convince why investors or financial institutions should capitalize your business.

Why Plan?

Preparing a business plan improves the chances of success. Expanding operations use business plans to demonstrate that careful consideration has been given to the businesses development. For start-up operations, it shows that the entrepreneurs have done their homework. Within your plan, you will be able to evaluate alternative scenarios and make appropriate adjustments without the risk of business failure. You will be able to forecast returns and compare options from focusing on one link in the bison value chain to establishing a fully integrated operation from a cow-calf operation to branding and marketing your own bison products.

Some business plans are developed for internal purposes as well as for external use. Internally, the business plan is used as a business development map. It provides details

on how you plan to reach your goals and objectives. The plan exposes opportunities and risks involved.

It allows you to evaluate your operation over the next few years and make mid-course adjustments if required. Without it, you will depend on luck and good fortune instead of business management skills and common sense. Financial institutions, business partners, investors and anybody else interested in your business affairs generally require you to develop a business plan. The plan explains to outsiders exactly what your objectives are, how you plan to achieve them and how their interests will be met. There is no substitute for a thorough, well-developed business-planning document. Farm and ranch business managers should invest the time to develop and regularly update their business plan.

How to Develop a Farm Business Plan

Many farmers and ranchers and those investors interested in developing a bison business have the elements of a business plan in their minds, but need to get it down on paper and flesh out the details. Putting plans on paper is often the difficult part. It is important to first understand what you want to accomplish and then to employ sound writing skills to get your plan in a format that is useful for you as well as your banker, your feed sales agent, your trucker and others who may be supporting your business venture.

The benefit you receive from your plan will only be as good as the effort you put into it. Extension agents, consultants, financial institutions, and industry associations offer many resources to assist you with your plans. Whatever resources you employ, remember it is your business and you must understand the plan completely. Working with professionals who can assist to develop your business plan can make planning more effective. However, to obtain maximum value from the professional consultant, preparation before your first meeting is essential.

Good Records are the Foundation of Good Business Plans

Successful farm and ranch managers understand the importance of good records. Not only is this true in times of tight profit margins, good records are essential when margins are strong. With a good record keeping system, understanding what is happening to your business financially allows you to take corrective action as soon as it is required. Also, if a particular strategy contributes significantly to profitability, similar strategies could potentially be transferred to other parts of the business.

Most farmers and ranchers do a good job of record keeping for income tax purposes. These records may, however, not contain sufficient information that will allow for a complete business analysis. The weak link in the record-keeping chain often relates to the failure to record non-cash information such as inventories, physical information such as feed consumption, keeping track of payables, receivables, and credit and loan balances. Completing a year-end inventory each year is necessary for any meaningful

business analysis. Further, having inventory information is important for a number of non-tax reasons including business analysis and participation in agricultural programs.

Good farm records are also of great value when it comes time to prepare a farm business plan. Historical records, both physical and financial, provide a foundation for the business plan and give the plan credibility. A business plan builds on the past experience and projects forward the planned business activity. Having the projected results consistent with the past experience gives the business plan a higher degree of certainty and a better chance of success. In cases where there are no historical records, such as a new bison enterprise, projections should be based on fairly conservative budget estimates and/or industry standards. Developing the projections for a bison start-up business requires much more work and research.

To develop your business projections, look to some benchmarks that have been developed by the Saskatchewan Bison Association, the Bison Producers of Alberta, The Canadian Bison Association and producers over the past seven years. Five-year averages are maintained. Key performance measures that should be considered are:

Cow-calf Enterprises

Weaning Rate %	————>85%
Weaning Weights Bulls	>470 lbs.
Weaning Rate Heifers	————>420 lbs.
Weaning timeframes	————December – March
Mortality rate in Cow Herd	2.2%

Back-grounding

Beginning Weight of Bulls	470 lbs.
Beginning Weight of Heifers	————420 lbs.
Days of Back-grounding Bulls	240 days
Days of Back-grounding Heifers	250 days
Average Daily Gain Bulls	1.5 lbs.
Average Daily Gain Heifers	————1.2 lbs.
Mortality Rate %	0.3 – 0.5%

Finishing

Beginning Weight Bulls	810 lbs.
Beginning Weight Heifers	720 lbs.
Shipping Weight - Bulls	1,130 lbs.
Shipping Weight - Heifers	940 lbs.
Average Daily Gain - Bulls	+1.80 lbs
Average Daily Gains – Heifers	+1.3 lbs.
Days on Feed – Bulls	————180 days.
Days on Feed Heifers	200 days
Mortality Rates	0.3 – 0.4%
Shrinkage (At Plant)	6.4 – 7.0%
Dressing Percentage	60 – 62%

Note that this data is based on bison that are grain finished. Bulls would be marketed at about 20 months of age with heifers being marketed at 22 – 24 months of age. More information is available at www.canadianbison.ca

Preparing to Plan

Developing a bison business plan starts with assembling relevant information. If you are a new producer, start by building a good understanding of the bison industry. Although producers expanding their operations may have substantial detail on the bison business, such may not be the case for the start-up operator or investor. To get this information requires research. One place to start is to contact one of the regional or national bison associations in North America. They have useful information that they can share about the bison industry, and they can put you in contact with many producers who can discuss the many facets of the bison business. Bison associations also organize field days and conventions with speakers with expertise from production to animal welfare to marketing and understanding the consumer. Extension agents, veterinarians, bison industry suppliers will also provide helpful information to develop your business plan.

Take the time to learn about the characteristics of bison products and their marketplace products. Obtain information from marketers who supply consumers through retail stores, the local butcher shop, or the farmers markets. Knowing the characteristics of bison products and what is important for consumers will assist in developing the plan to address your consumers' needs.

Learn about production including items like understanding bison, bison breeding, handling, pasturing, feeding, watering, slaughtering, and marketing. Review the Code of Practice for the Care and Handling of Bison.

Know the costs of doing business.

Once you have a good understanding of the industry and have compiled research on the markets, production, and the cost of raising bison, there are a number of other components required for your plan. These include:

1. Information relevant to the business structure you plan to create – corporation, partnership, sole proprietorship, or becoming part of a cooperative.
2. A list of people and suppliers who are going to be involved in the farm/ranch business – lawyer, accountant, veterinarian, feed supplier etc. Information on the skills of people who will be directly involved in the business is important.
3. Financial information on the past three years of business including balance sheets, income statements, and cash flow statements. This information will not be available for a new business, but the assumptions on which to develop cash flow statements must be available. Much of that will be obtained from

researching the industry and the markets. Make sure you validate your assumptions with those already in the industry.

4. Information on trademarks, brands and any other information that distinguishes your business and products.

Developing the Plan

If this is a new bison operation, the industry and market research assist you in identifying the type of bison business that you would like to develop. Questions like:

1. Will the operation be based only on bison or will it be more diversified?
2. How many bison do you plan to raise the first year and five years later?
3. Will your business operate by raising bison from “gate to plate?”
4. If you do not manage the total value chain, what will be your focus in the value chain – cow-calf, backgrounder, or finisher?
5. Will you focus on grass-fed or grain fed markets?
6. What assumptions will you use for the product(s) you expect to sell and at what margin? Current prices may not be the best indicators of prices expected over the long term. Historical prices and longer-term trends are a good guide.
7. What strategies will you employ to mitigate risks – production and market?
8. Are there regional, national, and international regulations that may directly or indirectly have on your bison operation – trucking restriction, tagging requirements, health certificates, export permit requirements etc.?

Based on the answers to the above questions, you must use this information to develop sales projections. Do not be overly optimistic with respect to high prices and low costs resulting in high profit margins. Always develop scenarios that demonstrate the consequences of price reductions of 25 percent and comparable cost increases. We hope events like this do not happen, but if they do, we will have given thought to strategies used in such circumstances.

What is Included in a Plan

Many organizations have developed business plan guides that can be used by farmers and ranchers. Because no two businesses are alike, no two business plans are alike. For example, a bison operation that focuses on marketing bison meat to national restaurant or retail chains may have a highly developed marketing plan while the farmer or rancher producing feeder bison may have more information on bison production and a very condensed section on marketing.

The detail in a business plan is often dictated by the complexity of the business and the target audience for the plan. The more detailed explanations that follow are intended to assist farmers and ranchers and their supporting professionals to prepare a business plan. The detail within each section of the plan depends on the nature and complexity of the farm or ranch. The plan should address all the points applicable to your farm or ranch.

BUSINESS PLAN GUIDELINES

1. Cover Page

Include the farm/ranch name, address, and phone and fax numbers and addresses of key farm or ranch contacts. Also, include the time period of the plan; the date of issue and a copy number if it is important for the farm/ranch operator to control plan circulation.

2. Table of Contents

Major headings with corresponding page numbers for reader convenience and reference.

3. Executive Summary

This is a one to two-page summary of your farm or ranch. The summary should be convincing, attract the readers' interest and motivate them to read the plan detail and take the required action. It is best to complete the summary when the plan is complete.

The summary should include:

- The purpose and primary goal of your bison business
- Your business structure and the people involved, and their strengths
- The purpose of the plan
- A description of your products
- Your clientele or market
- Your marketing strategy and any unique advantages
- A summary of the sales, income projections and the financial return
- Project timeframes
- If financing is required, amount, security and terms required

4. Business Description

As part of the business description, information on the farm's or ranch's mission, vision, goals and objectives is important, as it is the strategic plan that sets the foundation for the business plan. This is the foundation for your business. It need not be complex.

The "Strategic" Part of a Business Plan

A strategic plan is the game plan for the future. It begins with having a good understanding of your business strengths and weaknesses. Knowing where the business opportunities are and what external factors could have a negative impact on the performance of your operation is very important. This SWOT (strengths, weaknesses, opportunities, threats) analysis equips the farm or ranch managers to establish a mission, vision, strategies, goals, and objectives for their business.

Although a strategic plan for most farm or ranches will be two to three pages in length, this part of the plan requires much discussion amongst the family members and/or business partners as they are establishing a long-term direction for their operation. The process of having the participation of those involved in the farm or ranch is very powerful in making sure all understand where the business is going and how it is going to get there.

The Mission: The mission statement outlines the business you are in today. It should be brief, clear, and understandable to everyone. A bison cow-calf operator's mission may be "to produce and market 150 calves yearly and produce all the feed required."

The Vision: The vision statement for your farm or ranch presents a picture of what you want your business to look like in terms of size, activities, and profitability five to ten years from now. It should be reasonable and achievable. For a bison cow-calf operator the vision could be *"In ten years double the size of the bison operation and provide employment for all family members."*

The Strategies: These are the plans and activities required to achieve your mission. One of the strategies for the bison cow-calf producer could be *"to acquire leased land upon which to grow the herd."*

The Goals: These are long-term outcomes you expect the farm or ranch to achieve. They reflect what you expect to achieve in three to five years. For the bison cow-calf operator, the goal may be *"to increase herd size by 50% within five years."*

You should also have personal and family goals. Discuss and decide the type of lifestyle you want so that you are able to manage conflicting pressures of business and family goals. Also, discuss your future needs with respect to leisure, education of family members, and retirement.

The Objectives: Your business objectives state the results you want to achieve in the next year. In addition to profit objectives the bison cow-calf operator may have an objective of *"increasing weaning weights by 10 percent."*

Objectives should state what you are trying to achieve, the target date, should be realistic and be measurable.

Core Values: Your values reflect how you conduct business, how you treat your clients, how you treat your employees, and how you relate to your family and your community.

The Business: In addition to your mission, vision, and goals provide a snapshot of your farm or ranching operation. Include:

- The legal structure of the business - sole proprietorship, partnership, or corporation.
- History of established business and any major events that have had an impact on the present status of the business.
- Location, acreage base, building descriptions information on physical assets and other resources available to the business.
- Type and size of enterprise.
- The management team including family members, partners, and employees.
- List of professionals such as lawyers and accountants who assist the business.

5. The Market and Industry Analysis

This section of the business plan analyzes the environment in which the farm/ranch will compete. This is a critical component of a business plan and it should be continually updated throughout the life of the business as new opportunities and challenges surface on a regular basis. The market analysis will indicate the market size for the farm/ranch products being produced and if the market will be profitable now and into the future. Again, it is important to remember, the complexity of the plan is governed by the complexity of the business.

In developing the industry description provide information on the following:

- Industry history, size and its major players.
- Key short-, intermediate- and long-term trends, and anticipated changes in the industry.
- Customer needs and those needs not being met.
- Implications for the industry of economic change, social change, new technologies, new products, and environmental and policy and regulatory change.
- Critical success factors for your industry.
- Significant barriers to industry entrance such as skilled people, regulations, level of investment.
- Any global industry threats.

6. The Marketing Plan

The marketing plan describes the strategies you plan to use to sell your bison products. In some instances, a detailed marketing plan is developed outside the business plan with highlights included in the business plan. Your marketing plan should build on information included in the industry and market analysis, target market, and competition components of your plan. It should address the products you offer, your sales and distribution process, and your advertising and promotion activities, and the prices you charge. The marketing plan should include everything you do to get customers to buy your product or service. The marketing plan for a bison producer who markets in international markets will be more complex than that of the bison cow-calf producer who markets their calves.

Target Market

Within the industry, your farm or ranch will focus its marketing strategies on a particular part of the market. To understand the target market the following questions should be addressed:

- Who buys the products and services you produce?
- What is the size of the target market? Is it growing? Contracting?
- What is the geographic area of the target market? Regional, local or global?
- What are key trends and anticipated changes within this market?
- How do you segment your customers?
- What factors affect purchasers' decisions to buy what you produce?

Competition

Many farmers and ranchers do not see other producers as competition. Knowing your competition and how they operate may help you develop strategies that contribute to business success. Your business plan should address the following questions:

- The number of competitors and who are they?
- What are the competitors' strengths and weaknesses? Evaluate factors such as customer loyalty, price, credit program, location, quality, and experience.
- How will the competition react to your entry into the market?
- Are there barriers that will discourage additional competitors from entering the market?
- What gives you the competitive edge?
- What are your contingency plans should other competitors enter the market?

Products

Although outlining the products that your bison operation offers is straight forward, there are questions that need to be addressed, particularly for agribusinesses include:

- A clear, concise description of your product
- The selling features of the product you are marketing.
- What differentiates your product from that of the competitors?

Distribution

Distribution plans are straightforward for many farmers and ranchers. For others, particularly those marketing globally, there is a need to outline the people and the processes involved in getting the bison products to the customer. The distribution plan should cover:

- How will the product be distributed? Direct Marketing? Wholesaler? Website? Sales representative?
- How will customers pay for the product? Credit terms? Cash discounts?
- What after-sales support is provided?
- Is your packaging appealing and complementary to the product being sold?
- Does packaging meet regulatory requirements?
- Where is the product stored?
- Are there delivery time guarantees?
- Do you have a return policy?

Advertising and Promotion

This part of your marketing plan details how your bison operation is going to communicate with your customers and prospects. Your advertising and promotions plan should cover the following:

- How you will advertise the product?
- What will be the price of advertising?
- Where will you advertise – newspapers, trade magazines?
- How are you going to generate press for you business?
- What kind of marketing material will you produce? Brochures? Business cards? Flyers?

- Will you have a website?
- Will you utilize trade shows, telemarketing? Etc.

Pricing Strategy

The market sets the price for many commodities. However, there are many bison farm/ranches that have the flexibility to set a competitive price while making a profit. In setting a product price, you must cover the following:

- What is the consumer acceptance price range for this product?
- What is your base price and how was it established?
- What price do competitors charge?
- Is your variable and fixed cost estimate realistic?
- What is your contribution margin and break-even price?
- If your price is lower than competitors are you still profitable?
- What do your costs include?
- Are you achieving expected returns?

Many producers have difficulty asking higher prices for quality product. Remember, profitability is vital if the business is to grow and survive. Consumers are willing to pay a premium for products that are differentiated in the marketplace. For the bison cow-calf operator, higher weaning weights and fewer days to finish are valuable traits and will normally attract a price premium.

7. The Operational Plan

This section should prepare a brief outline of the operations on your bison operation. Operational plans will be specific to the enterprise and the scale and type of project. Although the plans are obvious to you, they may not be obvious to the reader. Consider including:

- Steps to accomplish this year's objectives.
- Actions to be take by whom and by when.
- A production or construction timetable.
- List of materials and supplies required.
- Supplier relationships, purchasing plans, and inputs required.
- Production targets.
- Information on government regulations and their consideration.

This section of the business plan is detailed and relates closely to the financial plan. For a start-up bison cow-calf operation fencing and handling facilities may be an important part of the operational plan – including requirements and how they will be financed.

8. The Human Resources Plan

This section of the plan details your management team and your staff requirements. A strong team is essential for a successful business. The team should have a balance of marketing, technical, operational, and financial skills and experience. The skills required are driven by the complexity of the business. Included in the plans would be:

- Identification of the management and their special skills.
- An outline of the organizational structure, key positions and who occupies those positions.

- Identification of the number of people, full-time and part-time, required to run the business.
- For each position, an outline of the responsibilities and the training and experience required.
- An outline of compensation plans including salary and any benefits provided.
- Identify contingency plans should a key employee leave.
- Identification of weaknesses in the team and how they are addressed.

9. The Environmental Plan

Businesses that do not address environmental issues could face litigation and significant costs that could result in failure. An environmental plan identifies the environmental concerns and strategies to deal with these concerns. Water and soil contamination can be caused by runoff from areas of improper manure management. Sound business practices will minimize their effects.

In most cases, informing the community of your farm/ranch activities can prevent opposition to planned projects including increasing the size of your operation. Sound environmental practices protect your business from potential liability. To prepare your environmental plan, address the following questions:

- Recognizing the type of production - is this the best location for this facility?
- Have all environmental approvals been obtained with supporting documentation?
- Do you have a disaster plan should there be an environmental disaster?
- Is everything possible being done to prevent ground water, surface water and soil contamination, air and noise pollution?
- Have you communicated sufficiently with the community in which this business is being built?

Note: Different jurisdictions continue to implement improved environmental planning. In some circumstances, an environmental specialist may be required to develop an environmental plan for a farm or ranch.

10. The Financial Plan

The financial plan is a key component of your business plan. It includes the past, present, and projected financial statements for the farm/ranch business. The projected financial statements are based on key assumptions about your business. As you work through the projected financial statements, refine your assumptions about revenues and expenses. State your final assumptions clearly and provide supporting information where available.

Also include information on capital, sales, purchases, and financing plans.

To assist in completing the financial plan, include the following schedules:

- Statement of assets and liabilities – simply a statement of what you owe and what you own. Assets include cash, investments, land, buildings, equipment,

livestock etc. Liabilities include a list and sum of all your loans and mortgages.

- Income and expense statements for past, current and forecasts for future years.
- Cash flow statements
- A breakeven analysis, which indicates how much income is required in order to cover fixed and variable costs.
- A sensitivity analysis to indicate the impact of different income and expense scenarios.
- Capital expenditure budget and projected timing
- Financing schedule.

Most financial institutions provide templates to develop financial statements. Many of these are also provided electronically

11. The Risk Assessment

Every business has some degree of risk. If you outline the risks, you can make allowances for them and/or develop strategies to mitigate the risks. Categorizing risks into production, marketing, human resources, legal, financial, and policy-related issues assists in developing risk-mitigating strategies. Consider the following:

- What are the possible risks in the sector in which you operate – weather, production, legal, human resource, competition, recession?
- What will happen if business revenues fall by 20 percent or expenses are 20 percent higher than anticipated or both?
- What will happen if a government program is terminated or new environmental regulations are established?
- What happens if the number of competitors increases?
- What happens to cash flow if a drought forces you to buy all your feed?
- How will you manage if a long-term employee leaves the operation?
- What risks do you face if you or an employee is seriously injured on the job?
- Will you be able to recover from a pollution accident on your farm?
- Do you have bio-security protocols in place?
- What are your alternatives if the feed supplier goes out of business?
- What options do you have if you run out of cash to complete your project?

What contingency plans or risk management strategies have you employed to deal with the risks identified?

12. Next Steps

Customize the next steps to the requirements of the business plan. If it is financing that is required, outline the amount, security available, terms and conditions required, and time frames. Outline who will be doing what and when, keep it simple and clearly identify the next steps for action.

13. Supporting Documents

Supporting documents should be included in such a way that they are recognized as significant components to the business plan. Documents that could be included are:

- Owners and partners resumes that include training, experience, credit background, and personal net worth.
- Job descriptions and resumes of key employees.
- Credit reports and letters of reference.
- Names of professional advisors.
- Contracts of leases, agreements, and patents,
- Detailed list of inventories.
- Property appraisals and insurance documents
- Professional references
- Product and equipment specifications
- Reports or articles that support statements made in plan
- Drawings
- Feasibility analysis or specific research

Using the Plan

Having completed your bison farm or ranch business plan is a great step for your business, but only if you use the plan on a continuous basis. Many operations develop an extensive plan, and then fail to implement it.

Remember that the business planning process is dynamic. You will receive new information during each step of implementing the plan. Incorporate this new information into the plan. As the business environment changes so will components of the plan. Review progress relative to your business targets at least quarterly. Adjust your operations as required.

Update the plan at least annually. Share updated information with major partners in your bison operation – particularly your banker.

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