Oakland CUSD #5

Ag Bus Mgt

May 4 - 8, 2020

Jeff Coon

Week ofMay 4-10, 2020

All of these assignments are on google classroom. You must pick one of the 3 listed and complete by next Monday May 16th for credit. If you would like to use google docs to complete the work that would be most efficient, just remember to start a new copy with your own work please. Paper copies can be returned to the school.

Class	Choice 1	Choice 2	Choice 3
Ag Science	CDE	DNA	Ag and Environment
Ag Business Mang	Investments	Life Insurance	Bus. Plan
BSAA	Seed Germination	Animal Diseases	Ag and Environment
Landscape Design	Soil Erosion	Annuals and perennials	Building walls and decks
Intro To Ag	FFA Meetings	FFA opportunities	Role of Agriculture
Ag Mech.	Concrete	Hydraulics	GSI

Mr. Coon Ag Business Option 1 Investments May 4 Name

Checking Your Knowledge:

1. What are the characteristics of savings bonds?

2. What is the difference between T-notes and T-bonds?

3. How does liquidity and risk impact investment decisions?

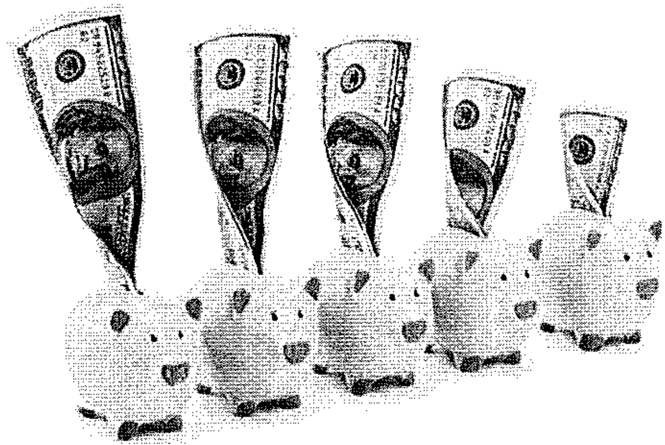
4. Why is retirement planning important?

5. What is a 401 (k)?

Ag Bus 5-4 #1

Financial Investments

IT IS IMPORTANT to know the difference between a mutual fund, an annuity, and an IRA. Why? It is important to start planning for retirement at a young age. Retirement is a stage of life that you want to enjoy. Proper financial planning now and through your work years will secure a stable retirement.



Objective:

Describe various types of investments.

Key Terms:

annuity
defined benefit plan
defined contribution plan
individual retirement accounts
Keogh plan
liquidity
municipal bonds
mutual fund
risk
savings incentive match plan for employees
Section 457
simplified employee pensions
tangible
tax exemption
treasury bills
treasury bonds
treasury notes
401(k) plans
403(b) plans

Investments

There are several forms of investments an individual can choose from to keep money safe, generate interest, or endow securities. It is important to understand the characteristics of the different investment types. Financial advisors evaluate investment characteristics to direct investors toward their financial goals.

TYPES OF INVESTMENTS

Investment types vary. The type that is right for an individual will differ, depending on his or her age and financial situation.

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Savings Accounts

In savings accounts, interest is compounded and is usually credited monthly. In general, there are competitive rates among banks. Depending on the type of savings account, often there is no required minimum balance. Funds can be accessed through an ATM and online banking.

Money Market Accounts

In money market accounts (MMAs), interest is typically compounded and credited monthly. Generally, banks give above-average interest rates on these accounts, and competitive rates can be found online. A minimum balance is required to open a money market account. Some MMAs require a daily balance, and the majority of MMAs have restrictions on the number of withdrawals per month. As a result, it is less of a liquid investment. Consequently, it is considered a long-term investment.

Certificates of Deposit

Certificates of deposit (CDs) are specified sums deposited for a set period of time at a fixed rate of interest. They have a maturity date (date when money can be withdrawn without paying a penalty) and are considered a short- to medium-term investment. Certificates of deposit are protected by the Federal Deposit Insurance Corporation (FDIC).

Savings Bonds

Savings bonds offer a low $50 minimum and no credit check. The principal is secure, and lost bonds can be replaced. These are government backed, and there are no fees. With savings bonds, there is a solid return because they are inflation protected. The long-term design allows people to save for anything, and the funds can be accessed after one year. In addition, savings bonds can be given as gifts.

Stocks

Common stock can provide rights and powers (e.g., the right to receive dividend payments, sell stock, receive consideration during a merger, elect/vote for directors and approve fundamental transactions, and receive proportionate distribution of assets during a liquidation).

Treasury Bills

Treasury bills (T-bills) are non-interest bearing commitments issued by the U.S. government at a discount from the actual face value. They have maturities of three months and six months as well as one year. They are considered short-term investments and are exempt from state and local taxes. They are treated as ordinary income for federal tax, are very liquid, and have active primary and secondary markets.

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Treasury Notes

Treasury notes (T-notes) are issued by the U.S. Treasury and are guaranteed by the U.S. government. They are considered an intermediate investment with maturities of one to 10 years. Treasury notes are taxed federally, not statewide or locally. They are sold through auctions using the bidding process and generate payment on fixed coupon rates of interest every six months.

Treasury Bonds

Treasury bonds (T-bonds) are issued by the U.S. Treasury and are guaranteed by the U.S. government. They are considered a very long-term investment with maturities greater than 10 years, and they pay interest semiannually. Treasury bonds are considered one of the safest of investments and are sold through auctions using the bidding process. They are taxed federally, not statewide or locally.

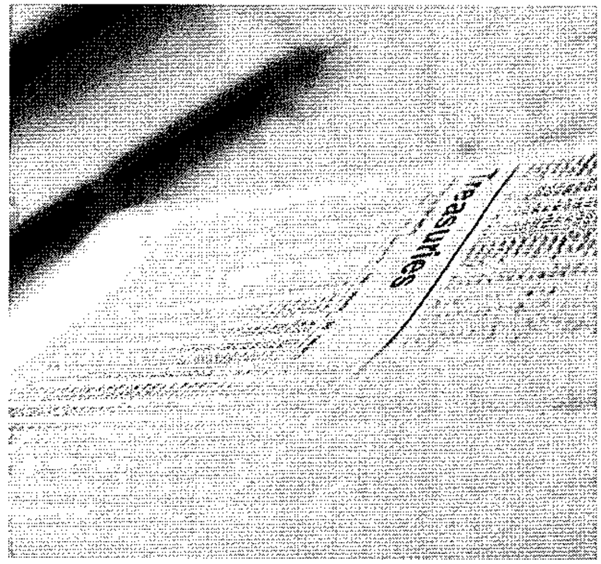

FIGURE 1. Treasury bills, notes, and bonds are issued by the U.S. Treasury.

Municipal Bonds

Municipal bonds are issued by states, cities, counties, and various districts. These bonds are used to raise money to pay for projects (e.g., schools, power plants, airports, and hospitals). On most municipal bonds, the interest earned is not subject to federal taxes, which is considered **tax exemption**. The majority of municipal bonds are purchased by individual investors and are issued by $5,000 face-value denominations (or multiples of $5,000).

Mutual Funds

A **mutual fund** takes your money with other investors' money and uses the capital for investment purposes. Investments can be made in a wide-range of securities. These funds are professionally managed to focus on the fund's goal. A person with mutual funds becomes a shareholder of stocks, bonds, or money market investments. As a result, the individual/shareholder has the ability to receive capital appreciation, interest, or dividends.

Annuities

An **annuity**, which comes in different types, can provide supplementary income during retirement. It allows an individual to accumulate tax-deferred savings and then receive periodic payouts for a set period of time. Interest earned is not taxed until the payments begin.

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Precious Metals

Ruthenium, rhodium, palladium, silver, osmium, iridium, gold, and platinum are some of the most common precious metals used by investors. The precious metal market is complex. Some people buy shares in a mining company as a common form of precious metal investment. In addition, precious metals are used in the manufacture of jewelry, so some people invest in jewelry companies. One major advantage is that precious metals tend to retain value even during an economic crisis.

Ownership of Assets

Owning real estate can provide a steady income (e.g., rent payments received from tenants). It also can act like stock. For example, its value can fluctuate, and there is no fixed maturity. The investment is **tangible**—you can see/touch the investment and talk to tenants. It requires management. There can be inefficient markets and high transaction costs that lower liquidity. In addition, tenant quality is variable based on the location.

LIQUIDITY AND RISK

Liquidity is used in many ways within financial investments, markets, or financial institutions. **Liquidity** is the ease of converting an asset into cash without affecting the asset's price. An asset/security is liquid if the market is liquid. The market is liquid if the trading can easily be bought or sold without affecting market prices. A liquidity institution has the ability to access cash. Liquidity cannot be found with a formula; it is necessary to compare and study liquidity ratios. Investing in liquid assets, securities, or markets is safer because it is easier to get the money out of the investment. Therefore, liquidity can impact the types of investment decisions because of the ease of obtaining cash.

Some investments (e.g., a savings account) are considered to have a more constant liquidity. The cash in a traditional savings account is easily attainable through withdrawal or the use of an ATM. Money market accounts are typically used as a long-term investment and are a less liquid investment. CDs have maturity dates when the cash is attainable. Meanwhile, T-notes and T-bonds are treated as a low liquidity risk (with short-term maturities) or a moderate liquidity risk (with long-term maturities). T-notes and T-bonds have the largest, most liquid market in the world. T-bills represent a low liquidity risk with one of its greatest advantages being its liquidity. With maturities of three and six months or one year, T-bills are one of the most liquid securities.

With all financial investments, risks of money being lost or investments declining can be scary. **Risk** is the chance that loss may occur. Since no one can predict the future with perfect accuracy, reliable information must be gathered about trends and directions to make the best possible decision for the future of a business or for financial investments. Credit and market risk are two key elements when evaluating investment types. T-notes and T-bonds have low credit risk because of the backing of the U.S. Treasury. However, market risks are high on long-term maturities because of the duration of the investment. T-bills have a low credit and

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market risk. The short-term of the T-bill allows for less price volatility in contrast to stocks, which can be extremely risky due to the uncertainty of returns.

Mutual funds can be subject to different risks, volatility, fees, and expenses. It is important to remember that the greater the need for higher returns with mutual funds, the more risk there is to take. Aggressive funds may result in a higher long-term return, but they can also involve greater risk for an overall loss. Municipal bonds can be insured, thereby decreasing the risk factor involved. The Municipal Bond Insurance Association (MBIA) and the American Municipal Bond Assurance Corporation (AMBAC) are two municipal bond insurers.

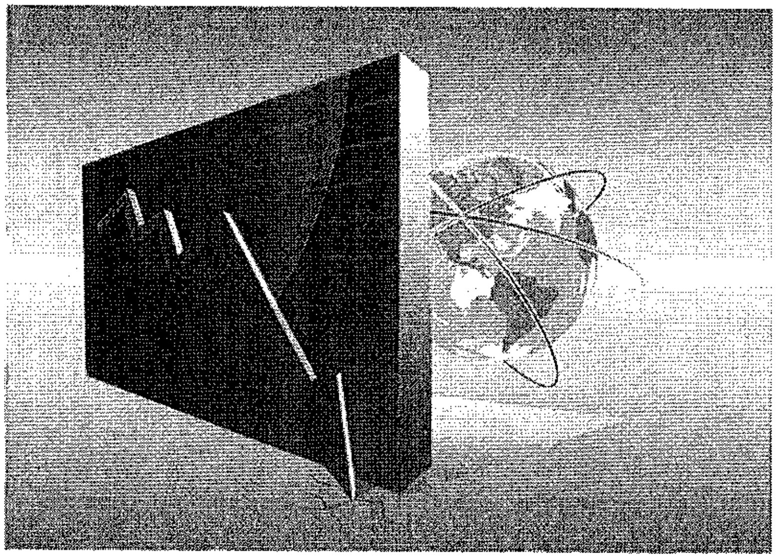

FIGURE 2. Financial investments in the market involve taking a risk.

RETIREMENT

One of the goals in retirement planning is to be financially stable during the later years of life. It is important to maintain a steady stream of funds during retirement. Individuals depending on Social Security payments will find themselves looking for additional funds. In today's workforce, employers offer several different forms of retirement accounts and/or plans that allow individuals to save for retirement. Under the Employee Retirement Income Security Act (ERISA), there are two types of pension plans: defined benefit plans and defined contribution plans.

Defined Benefit Plan

A **defined benefit plan** provides a specified amount given monthly at retirement, such as $100 per month. Some benefit plans are calculated through a plan formula that considers salary and service during employment.

Defined Contribution Plan

A **defined contribution plan** does not promise a specific amount. These plans use contributions from employees or employers (or both) to be invested on the employee's behalf. Contributions can be set at a rate, such as 5 percent of earnings annually. At retirement, the employee receives the account balance. The balance is based on the investment gains or losses.

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Examples of defined contribution plans are 401 (k) plans, 403 (b) plans, employee stock ownership plans, and profit-sharing plans.

Self-employed or small business individuals have options in retirement plans, such as Keogh plans, simplified employee pension plans (SEPs), or savings incentive match plan for employees (SIMPLE). These are tax-deferred plans.

401 (k) Plans

401 (k) plans are for employees in private corporations. They can contribute a portion of their salary, before taxes. Sometimes the employer matches the contributions. This plan allows employees to have some responsibility for their retirement by contributing part of their salary and by directing their own investments.

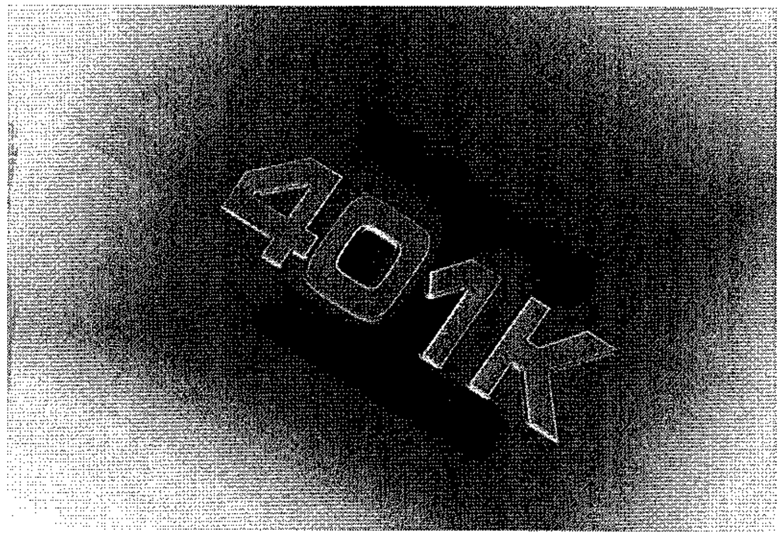

FIGURE 3. Employees may invest in 401 (k) plans.

403 (b) Plans

403 (b) plans are similar to 401 (k) plans. However, the participants are commonly public employees (e.g., teachers or employees of non-profit organizations). Few of these employers will match contributions.

Section 457

Section 457 is similar to 401 (k) and 403 (b) plans, but this retirement plan is for state and local government employees.

Keogh Plan

The **Keogh plan** is available to anyone with self-employed income or income from any unincorporated business. Money added to a Keogh plan is not taxed. The funds grow in value until withdrawn. Keogh plans can be started through a bank, mutual fund, or other financial institutions.

Simplified Employee Pensions

Simplified employee pensions (SEP) allow employees to make contributions into individual retirement accounts (IRAs). Employers may contribute, but employees must have an IRA set up to accept contributions. An SEP is much simpler to get started than a Keogh plan.

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FURTHER EXPLORATION...

ONLINE CONNECTION: Roth IRAs

The details and rules of IRAs are challenging to follow and can be complicated. The IRS spells out the facts, reminders, and limitations every year through publications. As a holder, it is important to understand the characteristics of an IRA as well as the location to research and learn more about your investment.

Take a look at the IRA publication to learn more about traditional IRAs and Roth IRA accounts. To find out more, visit the link below:

http://www.irs.gov/retirement/article/0,,id=137307,00.html

Savings Incentive Match Plan for Employees

The **savings incentive match plan for employees** (SIMPLE) is designed for owners of businesses that employ 100 employees or less. It is designed to cover all employees and owners. The employer's contribution to the plan decreases the business's taxable income. The employee's contribution decreases his or her taxable income.

Individual Retirement Accounts

Individual retirement accounts (IRAs) are another way for individuals to set aside money for retirement. Individuals can use an IRA to take advantage of the tax-deferred growth of funds. IRAs can be established at banks, mutual fund companies, or brokerage firms. The types of IRAs are traditional or Roth. Roth IRAs are not tax-deductible and accumulate like whole life insurance. The funds enter into a Roth IRA after tax, and funds accumulate tax-deferred. Then the funds are tax-free at the point of withdrawal.

Retirement plans are subject to penalties if early withdrawal occurs. Some accounts have exceptions to the rules. For instance, if the funds are going to be used as a first-time home buyer, a penalty may not be applied. In addition, depending on the type of investment, there are contribution limits. For example, the maximum IRA contribution for 2009 is limited to $5,000. It is important to know the consequences, requirements, and responsibilities of these types of accounts.

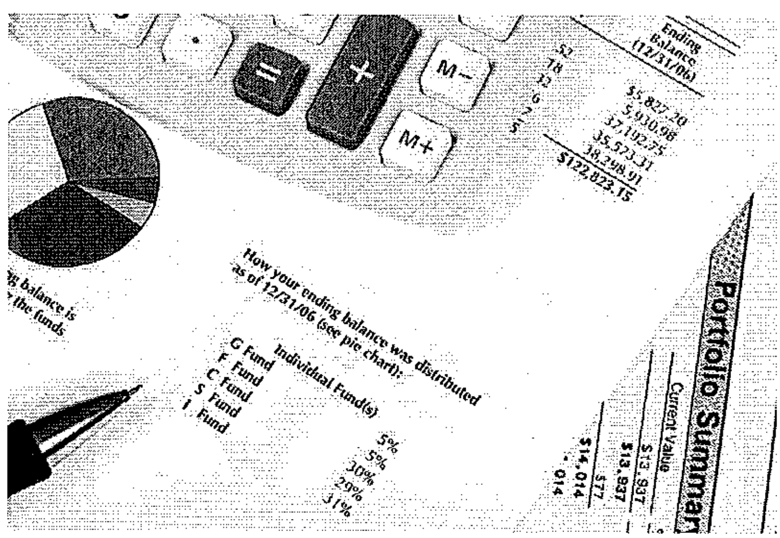

FIGURE 4. IRAs are another way for individuals to plan for retirement.

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Summary:

The types of investments for an individual to choose from are numerous: savings accounts, money market accounts (MMAs), certificates of deposit (CDs), savings bonds, stocks, treasury bills (T-bills), treasury notes (T-notes), treasury bonds (T-bonds), municipal bonds, mutual funds, annuities, precious metals, and ownership of assets.

Liquidity is the ease of converting an asset into cash without affecting the asset's price. Liquidity cannot be found with a formula; it is necessary to compare and study liquidity ratios. Investing in liquid assets, securities, or markets is safer because it is easier to get the money out of the investment. Risk is the chance that loss may occur. Credit and market risk are two important key elements when evaluating investment types.

Employers offer several different forms of retirement accounts and/or plans that allow individuals to save for retirement. Self-employed or small business individuals also have options in retirement plans.

Checking Your Knowledge:

1. What are the characteristics of savings bonds?
2. What is the difference between T-notes and T-bonds?
3. How does liquidity and risk impact investment decisions?
4. Why is retirement planning important?
5. What is a 401 (k)?

Expanding Your Knowledge:

Research The Pension Protection Act of 2006. Discover how the law provides economic security to U.S. citizens. Share your findings with your class.

Web Links:

Retirement Planning

http://personal.fidelity.com/planning/retirement/retirement_planning.shtml.cvsr?imm_pid=1&immid=00280&imm_eid=e12589622&buf=999999

Precious Metal Investment

http://www.preciousmetalinvestment.com/

Agricultural Career Profiles

http://www.mycaert.com/career-profiles

Mr. Coon Ag Business Option 2Life insurance May 4 Name

Checking Your Knowledge:

1. What is life insurance?

2. What is a beneficiary?

3. What is family benefit coverage?

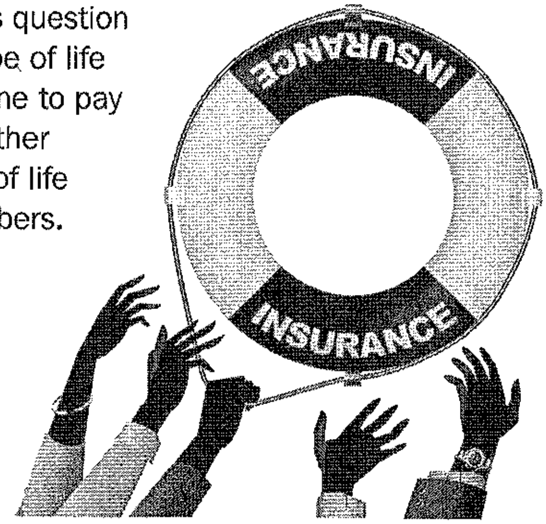
4. What are the subclasses of life insurance?

5. What is the appropriate amount of life insurance?

Ag Bus 5-4 #2

Understanding Life Insurance

WHAT WOULD HAPPEN IF...? Many people ask this question when determining the proper amount and type of life insurance policy. If you depend on someone's income to pay for monthly bills, the mortgage, school costs, and other expenses, it is important to understand what types of life insurance are available to you and your family members.



Objective:

☑ Determine the function of life insurance.

Key Terms:

- accelerated death benefits
- beneficiary
- death benefit
- family benefit coverage
- increasing term life insurance
- life insurance
- mortgage insurance
- policy
- primary beneficiary
- term life insurance
- whole life insurance

Life Insurance

Life Insurance is designed to provide financial support for loved ones when you are no longer living. The function of life insurance is insuring your life to save for the future of your family. Life insurance is an agreement/contract made between you and the insurance company. The contract shows that the insurer agrees to pay a certain amount of money to your beneficiary in the event of your death.

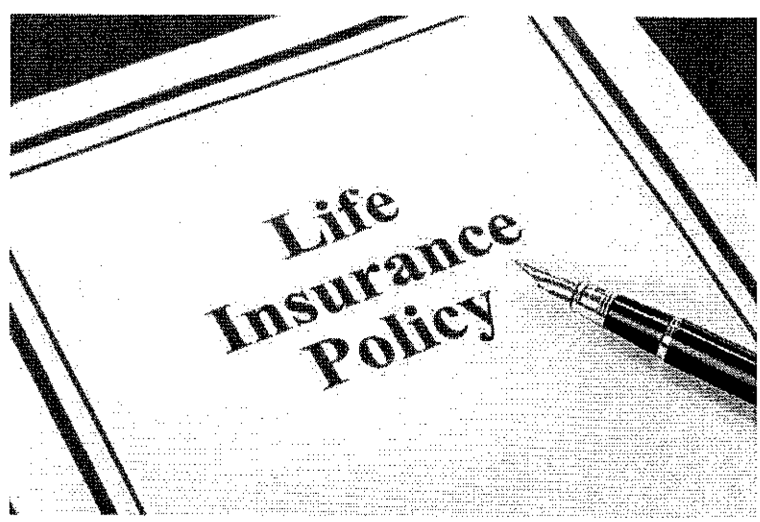


FIGURE 1. Life insurance provides financial support to loved ones when you are no longer living.

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COMMON TERMS

A **beneficiary** is the person(s) to whom the insurance proceeds are payable when the insured dies.

Accelerated death benefits allow for the insured to have an advancement on life insurance because of a terminal condition or terminal conferment in a nursing home facility.

A **death benefit** provides a designated individual with a specific sum of money when the insured (person possessing a life insurance policy) passes away.

Family benefit coverage is an additional amount in conjunction with the life insurance policy to include the lives of the spouse and children.

Increasing term life insurance is a form of life insurance that will increase a specific amount throughout a specific interval over the policy term.

Mortgage insurance is a form of decreasing term life insurance that will cover the life of a person taking out a mortgage. The death benefit will provide payment for the outstanding mortgage loan.

The **primary beneficiary** is the person who is to receive the proceeds of a life insurance policy.

A **policy** is a written contract between the policyholder and the insurance company that states the details of coverage for insurance.

FIGURE 2. Mortgage insurance can stop foreclosure in case of an untimely death.

CLASSES OF LIFE INSURANCE

Life insurance is classified as temporary or permanent insurance. Temporary or **term life insurance** allows the beneficiary death benefits for a specific period. This period or term may be one year or what the policy indicates; the benefits are paid only in the event of the insured's death within the term of the policy. Permanent or **whole life insurance** provides a lifetime of protection and allows for cash value to build over time. The premiums of permanent life insurance remain constant over the lifetime of the insured.

The subclasses of life insurance include term, whole, and universal. Term life insurance does not accumulate a cash value. There are five different types of term life insurance: annual renewal term insurance, renewable term insurance, level premium term insurance, decreasing term insurance, and convertible term insurance. Whole life insurance has no expiration date and typically has higher premiums compared to term life insurance because some of the pre-

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FURTHER EXPLORATION...

ONLINE CONNECTION: Term or Whole Life Insurance

For some people, the decision to purchase term or whole life insurance can be a bit puzzling. However, the simple way of solving this puzzle is that term life insurance is just the coverage. Whole life insurance gives you coverage plus an investment/savings option. It is important to understand the differences between the two types.

To find out more about term versus whole life insurance, visit the link below:

http://www.smartmoney.com/personal-finance/insurance/term-or-whole-life-8011/

mium is put into a savings program. Universal life insurance provides flexibility as the insured can change the policy to meet his or her requirements.

AMOUNT

The amount of life insurance depends on several factors (e.g., the stage of life). If an unmarried person does not own a home and has no dependents, he or she may not need as much life insurance as a married person with a mortgage, children, and a spouse. The function of life insurance is to provide financial support for loved ones. The important thing to remember is to provide an income replacement for the beneficiaries. Many financial advisors will recommend a policy that is at least equal to 6 to 10 times your annual gross income.

Summary:

The function of life insurance is insuring your life to save for the future of your family. Life insurance is an agreement/contract made between you and the insurance company. There is common vocabulary that is essential to understand when evaluating insurance policies.

There are two classes of life insurance: temporary and permanent. The subclasses of life insurance include term, whole, and universal. Term life insurance is just the coverage. Whole life insurance includes coverage and the opportunity to invest or save money. Universal life insurance provides flexibility to change the policy as needed.

The amount of life insurance needed depends greatly on the stage of life the policyholder is currently experiencing. Life insurance is to provide income replacement for the beneficiaries, so it is important to have a policy that is strong enough to provide financial support.

Ag Bus. 5-9. #2

Checking Your Knowledge:

1. What is life insurance?
2. What is a beneficiary?
3. What is family benefit coverage?
4. What are the subclasses of life insurance?
5. What is the appropriate amount of life insurance?

Expanding Your Knowledge:

How do you know the exact amount of life insurance you may need? How do you know what type of life insurance is right for your situation? Check out the following insurance tool to find out: http://www.metlife.com/campaign/search/life-insurance-selector/index.html?WT.srch=1&WT.mc_id=cs000013&pagefrom=MLPS_life-insurance.

Web Links:

Life Insurance Quotes
http://www.insure.com

Life Insurance from MetLife
http://www.metlife.com/individual/insurance/life-insurance/index.html#overview

Agricultural Career Profiles
http://www.mycaert.com/career-profiles

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Mr. Coon Ag Business Management option3 Business Plan May 4 Name

Checking Your Knowledge:

1. List and define the three major types of business goals.

2. Define the acronym SMART as it refers to goal-setting.

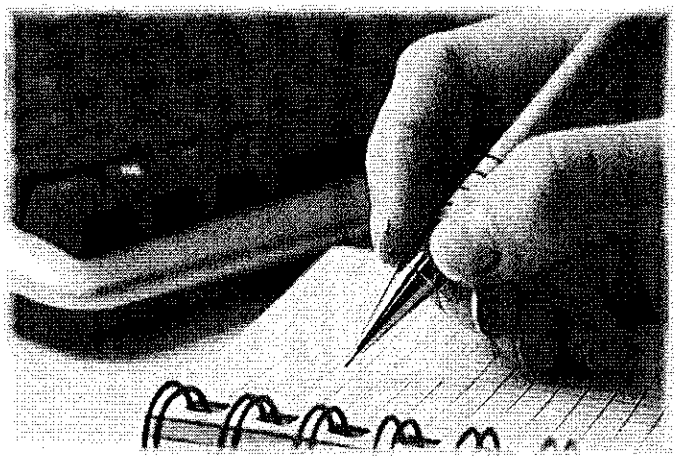
3. Explain the purpose and importance of a business plan.

4. List and describe the parts of a business plan.

Ag Busn 5-4 #3

Preparing a Business Plan

TO ACHIEVE SUCCESS in any business, it is important to regularly develop a business plan. Although a business plan can be developed on a monthly or yearly basis, it should list important business goals, past achievements, and areas of financial need. The business plan should be well-communicated to all employees and stakeholders in the business.



Objective:

Explain the importance of establishing goals and creating a business plan.

Key Terms:

appendix	financial plan	management plan
business plan	goal	marketing plan
business plan introduction	immediate goals	mission statement
business regulations	legal plan	operating plan
company description	location analysis	short-term goals
	long-term goals	venture capital

Developing a Business Plan

For a business to function successfully, it must first set realistic goals. A **goal** is the end result of effort toward a specific achievement. The goals and the methods by which people set out to accomplish them can be found in a **mission statement**—a brief summary of the business goals and objectives.

ESTABLISHING BUSINESS GOALS

Goals can be used to set policy and to provide decision-making guidelines. Consistency is important in establishing policies in businesses of all sizes. Policies regarding hiring, training, retention, and promotion should be reflected in the business goals.

Ag Bus 5-4 #3

Similar to personal goals that you may establish for your own success as a student, business goals should be reviewed periodically. A review must be conducted to accurately evaluate the success or improvement needed to achieve the goals. Other factors outside of the business (e.g., economic, political, and social changes within the business sector) may directly or indirectly affect the ability to accomplish business goals.

For goals to be effective, establish objectives to help meet the goals. Objectives should be stated in terms that are identifiable by periods of time, such as quarterly or yearly. At that time, the business performance should be compared to the stated objectives. Based on the given performance, management should determine if the goals have been met and, if not, decide what changes need to be made to meet the goals.

Before a mission statement can be written and objectives can be determined, a business has to set goals, according to the following three categories: immediate, short-term, and long-term. Understanding these categories and how to go about accomplishing the goals within each category is what makes a business successful.

Immediate, Short-Term, and Long-Term Goals

Three major categories of goals should be established by a business: immediate, short-term, and long-term. **Immediate goals** are what you would like to accomplish in the near or immediate future (e.g., within a day, week, or month). A business should have immediate goals to have a successful start to the operation. **Short-term goals** are what the business would like to accomplish within one to two years; they help a business work toward its long-term goals. Although **long-term goals** take a number of years to accomplish, a business can use long-term goals to determine its overall performance after so many years.

DEVELOPING SMART GOALS

For a business to accomplish its goals, the goals must first be prioritized. SMART is an acronym that is often used to identify and prioritize important goals for business or personal reasons. SMART goals are specific, measurable, attainable, realistic, and timely.

SMART goals should follow certain guidelines and criteria. For example, goals should be very specific because a specific goal provides details that an individual or business can strive to achieve. In addition, measurable goals enable a business to constantly evaluate its progress. Goals must be attainable within a specific time period, which should be based on complexity. Goals can be lofty, but they should be realistic and within the budget. Also, the goals should be evaluated weekly, monthly, and annually.

FIGURE 1. All agribusinesses should set SMART goals. (Courtesy, Natural Resources Conservation Service, USDA)

Ag Bus 5-19 #3

PURPOSE AND IMPORTANCE OF A BUSINESS PLAN

A business plan serves many important purposes for the potential success of the business operation. It is also important for the business development, growth, and advancement.

A business plan should specify future projects and establish objectives to help achieve the projects. Goals for future projects can be defined as immediate, short-term, and long-term. The future projects outlined in the business plan should define where the owner would like for the business to be and how he or she plans to achieve the goals or projects.

A business plan should evaluate the past progress of the business based on achievements of previously established goals. These goals should be reviewed and discussed to establish the effectiveness and progress of the business in achieving its goals.

One of the most important functions and purposes of a financial plan is to generate interest and to raise money from prospective investors to build financial stability for the business. Without financial backing for future projects, it is challenging for any business to realize growth, progress, and prosperity.

FIGURE 2. Agribusinesses should develop business plans to assist in growth and development and to improve its products. (Courtesy, Agricultural Research Service, USDA)

PARTS OF A BUSINESS PLAN

A **business plan** is the written description of all aspects of an agribusiness. The business plan, like the mission statement and goals, is essential in starting a successful agribusiness. Business plans are unique for each business they represent. However, a business plan should include components that will help in the goal-setting process. The components include the introduction, business description, products or services offered, management plan, marketing plan, legal plan, location analysis, business regulations, capital required, financial plan, financing arrangements, competition, operating plan, and an appendix.

One of the first parts of a business plan should be the introduction. The **business plan introduction** is an overview of the agribusiness. The introduction should describe the agribusiness and list its goals and objectives. If the proposed agribusiness is a franchisee of a current company, a company description should be included. A **company description** is a statement that describes the company as it currently exists, the company history, and the type of services or products offered. The products and services should be detailed as much as possible.

Ag Bus. 5-4 #2

Types of Business Plans

Five specific types of plans should be included within the business plan: management, marketing, legal, financial, and operating.

A **management plan** is a document that identifies the individuals who will oversee the proposed agribusiness. It should include an organizational chart of employees and their job descriptions.

Another type of business plan deals with marketing. The **marketing plan** is a document that describes the type of competition a business will face and the types of customers the business hopes to attract. In identifying its competition, an agribusiness should also determine how well it will be able to compete within the market. A marketing strategy could also be included within the marketing plan.

The third most commonly used business plan deals with legally categorizing the business. A **legal plan** is a document that identifies the legal organization of the agribusiness. Potential legal organizations include sole proprietorship, partnership, corporation, cooperative, or franchise.

Another important type of business plan involves the financial aspect of the business. A **financial plan** is a document that projects the income, expenses, and profits of a business over a multi-year period.

Finally, an **operating plan** is a document that describes how an agribusiness will run on a daily basis. Facilities, personnel, materials, and processing requirements should be included within the operating plan.

FIGURE 3. The development of a business plan may require the work of several people.

Other Business Plan Items

There are a variety of key aspects that may be in a business plan. For example, a **location analysis** is a study that evaluates specific areas of the agribusiness, including possible consumers, traffic patterns, accessibility, and visibility. Another important item that should be included discusses **business regulations**, which are local, state, and federal restrictions and insurance requirements. The amount of start-up capital required should also be well-detailed, along with the financial arrangements (e.g., loans, personal investments, and venture capital). **Venture capital** is the money invested in an agribusiness by an investor. Finally, for organizational purposes and ease of reading, it is recommended that an appendix be included. The **appendix** is a document that should include all of the marketing research and serve as a reference of the materials used in compiling the business plan.

Ag Bus 5-4 #3

Summary:

A successful agribusiness should establish business goals and classify those goals as immediate, short-term, and long-term. These goals should be established and evaluated on a monthly or yearly basis. Business goals should also follow the SMART format: specific, measurable, attainable, realistic, and timely.

A business plan is important for specifying future projects, evaluating past progress, generating interest, and raising money from prospective investors. A well-written business plan should include the following components: business plan introduction, business description, products or services offered, management plan, marketing plan, legal plan, location analysis, business regulations, capital required, financial plan, financing arrangements, competition, operating plan, and an appendix.

Checking Your Knowledge:

1. List and define the three major types of business goals.
2. Define the acronym SMART as it refers to goal-setting.
3. Explain the purpose and importance of a business plan.
4. List and describe the parts of a business plan.

Expanding Your Knowledge:

Create a small agribusiness in your class, and develop a business plan that corresponds with the agribusiness. When developing your business plan, be sure to include all of the parts of the business plan while taking into consideration the overall purpose of your business.

Web Links:

The Purpose of a Business Plan
http://media.wiley.com/product_data/excerpt/97/04701126/0470112697.pdf

My Own Business—Business Plan
http://www.myownbusiness.org/s2

Agricultural Career Profiles
http://www.mycaert.com/career-profiles