

# ***South Dakota Guidelines for Feasibility Studies And Business Plans For Value-Added Agriculture Projects***

***A Joint Project of***



***Disclaimer:***

*These guidelines for feasibility studies and business plans are only suggested topics to be addressed. Individual funding agencies may require additional information in some areas of the study or business plan. All applications for funding are subject to approval by the respective funding sources.*

# Feasibility Study

---

## **Feasibility Study**

The purpose of a feasibility study is to examine critical opportunities and obstacles that might make or break the proposed business. The feasibility study should give the group a good idea of whether the proposed project is likely to be successful as a business. The feasibility study must be completed by an independent consultant who is recognized as having expertise to complete a study.

### **Title Page**

### **Table of Contents**

### **List of Figures**

### **List of Tables**

**Executive Summary** - This is the summarized version of the feasibility study, so it must adequately cover the major points of the feasibility study in one or two pages.

### **Introduction**

Justification

Study objective - The study objectives and scope of study will usually be set forth in the request for proposals and/or a consultant's proposal.

Scope of study

### **Current Production and Use of Produced Products**

US production - What is the current US production, some production history and future production expectations, as well as, historical pricing trends?

Foreign production - Since we are operating in a global economy, foreign production, history and future trends should be discussed.

Consumption patterns and trends - Discuss historical, present, and future consumption patterns and trends.

New uses for products

Regional consumption patterns - If the production is targeted to local and/or regional markets, discuss the local and/or regional markets and projected trends.

Availability of raw materials - As no product can be produced without raw materials, discuss their availability - historically, present and future if possible. Can area production sustain production needs?

Discuss competitive advantage - What makes your product more desirable or more saleable than that of the competitors?

### **Production Feasibility**

Production site - Does the potential site have the desired characteristics and available utilities, transportation facilities, etc., for the proposed production facility?

Utilities

Use and availability, costs, local competition

Water and sewage

Power and fuel

Transportation requirements

Road service to the site

Rail

Necessity and availability

Air service

Necessity and availability

Labor Availability

Requirements and skill levels - Determine the specific quantity and type of labor required.

**Marketing Feasibility** - Determines the potential markets and marketing strategies for the product. Who are the potential customers, is the market accessible, how will the market be accessed, what is the cost of accessing the market, how will the product be priced?

Sales organization and management

Nature and extent of markets and marketing area

Existing demand adequate

Projected supply

Marketing plans for sale of projected outputs

Marketing alternatives

Extent of competition - Who are the competitors, location, production capabilities

How strong are the competitors, can they drive down margins, are they large and entrenched?

Commitments from customers

Probable prices of the product or service

Export Markets - Discuss any relevant trade issues, are there foreign competitors?

Alternative competing products

**Technical Feasibility** - This portion should be based on verifiable data and contain sufficient information and analysis so that a determination may be made on the technical feasibility of achieving the levels of income or production that are projected in the financial statements.

Address the suitability of the site including site environmental impact analysis (provided by architect or project engineer or other independent party with the expertise necessary to make the determination)

What are the technology needs for the proposed business

Other equipment needed

When and where can the technology and equipment be obtained

What does the technology and equipment cost

Will the technology achieve intended income and production levels

**Financial Analysis** - The purpose of a financial analysis is to indicate the venture's potential and timetable for financial viability. It can also serve as an operating plan for financial management of the project.

- Project development costs

- Operating costs

- Fixed costs

- Three-year projections (becomes more necessary in business plan)

  - Income statement

  - Cash flow statement

  - Balance sheet

  - Compare projections with industry standards (RMS or Dun & Bradstreet)

  - List assumptions upon which the projections are based

- Sources and uses of funds

- Loan repayment schedule

- Break even analysis

- Estimated return on investment

- Sensitivity analysis (3 scenarios with high, medium, and low projections)

**Management Feasibility** - Describe the requirements for the management positions and responsibilities for those personnel.

- Evidence that the continuity and adequacy of management has been evaluated and documented

**Economic Impact of the Project** - Show the potential economic impact to a region by discussing the impact of the construction costs, sales of raw product, and salaries of employees to the region. Also discuss the effects of ancillary businesses and potential for additional jobs.

**Identify any Limits or Constraints**

- Facility and design-related factors

- Financial projections

**Conclusions**

**Recommendations** - A suggestion as to the feasibility of the project.

**References**

**Appendices**

# **Business Plan**

---

## **Business Plan**

A business plan should include, at a minimum, a description of the business and project, management experience, products and services, proposed use of funds, availability of labor, raw materials and supplies, and names of any corporate parent, affiliates and subsidiaries with a description of the relationship. Many of these items are available from a good feasibility study.

### **Table of Contents**

**Executive Summary** - The abbreviated version of the business plan. Should describe the following items in a succinct, interesting manner.

- Introduction of the business and product
- Objectives
- Mission statement
- Summary of financial estimates

**Statement of Objectives** - State the goals and objectives of the company, perhaps in bullet statements.

- Business goals
- Market share goals
- Sales objectives
- Profit objectives

**The Company** - A short description of the company, its operations, and activities.

- Company related information - the nature of the business, what the company sells, through what channels.
- Organizational structure - the type of organizational structure
- Company history
- Product lines - products or services
- Location and facilities

**Product** - Discuss specifics about the product or service being produced or offered.

- Product summary and description
  - Specific benefits of product or service
  - Ability to meet needs
  - Competitive advantage
  - Present stage - idea, prototype, small production runs.
- Product life cycle
  - Current position in its life cycle
  - Factors that might change the anticipated life cycle
- Research and development activities
  - In progress
  - Future activities
  - Anticipated results
  - Research and development of others in your industry
  - Indirect competitors

**Market Analysis** - Information for this section should be available from the feasibility study, if one is performed. This should be an in-depth look at the market(s) for the product or service.

Industry analysis and outlook

Description of industry

Size of industry and future growth projections

Industry characteristics and trends

Major customer groups

Target Markets

Identify primary market

Critical needs

Extent to which needs are currently being met

Demographics

Geographical location

Purchasing decision-makers and influences

Seasonal/cyclical trends

Primary market size

Number of prospective customers

Annual purchases of products or services meeting the same or similar needs as your products or services

Geographical area

Projected growth

Competition -

Identify

Strengths and weaknesses

Market share

Potential competitors

## **Business Strategy and Implementation**

Overall strategy

Market penetration strategy

What makes the company special (specific market segment focus)

Growth strategy

Internal, acquisition, franchise, horizontal

Distribution channels

Original equipment manufacturers

Internal sales forces

Distributors

Retailers

Communication

Promotion

Advertising

Public relations

Personal selling

Printed materials

- Sales strategies
  - Sales force
  - Internal vs independent representatives
  - Recruitment and training
  - Compensation
- Service
  - Methods for servicing products sold

**Management and Ownership** - This section should describe the company's management, their responsibilities, and expertise of each person.

- Management staff structure

- Management staff organizational chart

- Key managers (complete resumes should be included in appendix)

- Name

- Position

- Brief position description

- Unique skill and experiences that add to the company's distinctive competencies

- Compensation basis and levels

- Planned additions to the current management team (if applicable)

- Position

- Primary responsibilities and authority

- Recruitment process

- Timing of employment

- Unique skill or anticipated contribution to the company's success

- Compensation basis and levels

**Financial Analysis** - This section is the most difficult to forecast. To accurately predict the financial information, one must have complete and accurate production cost information, marketing costs and an estimate of predicted sales volume and growth.

- Financial highlights

- Current funding requirements

- Amount

- Timing

- Future funding needs

- Amount

- Timing

- Type

- Equity

- Debt

- Terms

- Use of funds

- Capital expenditures

- Working capital

- Debt retirement

- Acquisitions

**Financial Data**

Start up costs

Fixed asset acquisition schedule by the month

Projections (3-5 years)

Annual statements

Income ( by month)

Cash flow projection (by month)

Balance sheet

Break-even chart

**Conclusions and Summary**

A statement of proposed approach in starting the new organization

State the total capital needed and safety factor used

State the expected profit and when it will be realized

Indicate the organizational structure and percentages of ownership

State planned schedule for starting the business

**Attached Documents**

01/14/2005

**South Dakota Governor's Office of Economic Development**

711 East Wells Ave  
Pierre SD 57501  
605-773-5032/1-800-872-6190  
<http://www.sdgreatprofits.com>  
Cheri Rath - [cheri.rath@state.sd.us](mailto:cheri.rath@state.sd.us)

**South Dakota Department of Agriculture**

523 East Capitol Avenue  
Pierre SD 57501  
605-773-5436/1-800-228-5254  
<http://www.state.sd.us/doa/doa.html>  
Jon Farris - [jon.farris@state.sd.us](mailto:jon.farris@state.sd.us)

**South Dakota State University**

Economics Department - Box 504, Scobey Hall  
Brookings SD 57007  
605-688-4141  
<http://econnet.sdstate.edu/dept/index.asp>  
Evert Van der Sluis - [evert\\_vandersluis@sdstate.edu](mailto:evert_vandersluis@sdstate.edu)  
Matt Diersen - [diersen.matthew@ces.sdstate.edu](mailto:diersen.matthew@ces.sdstate.edu)

**USDA-Rural Development**

Rural Business Cooperative Services Division  
Federal Building – 200 4<sup>th</sup> Street SW  
Huron SD 57350  
605-352-1142  
<http://www.rurdev.usda.gov/sd/statedir/htm>  
Gary Korzan - [gary.korzan@sd.usda.gov](mailto:gary.korzan@sd.usda.gov)

**Value-Added Agriculture Development Center**

303 Illinois Avenue SW  
Huron SD 57350  
605-532-9177  
[www.sdvalueadded.coop](http://www.sdvalueadded.coop)

**East River Electric Power Cooperative**

PO Box 227  
Madison, SD 57042  
605-256-4536  
<http://www.eastriver.coop>  
Linda Salmonson - [lsalmonson@eastriver.coop](mailto:lsalmonson@eastriver.coop)

**South Dakota Small Business Development Center**

USD - College of Business  
414 East Clark  
Vermillion, SD 57069  
605-677-5287  
Wade Druin - [wdruin@usd.edu](mailto:wdruin@usd.edu)  
<http://www.sba.gov/sbdc/>