



Rural Development – Oregon

Business & Cooperative Programs

www.RuralOregon.biz

or

www.rurdev.usda.gov/or/biz.htm

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Business Plan – requirements

What is a “business plan”?

A business plan is a document written by the owners of a business that explains the nature of their business, the business’s objectives, and how they will be achieved. It answers the question, “Where is this business going, and why will it succeed?”

When is a business plan required?

A business plan is an excellent starting point for any business operation, especially new ventures.

- ☞ Investors & many commercial lenders routinely ask for a business plan.
- ☞ A business plan is required with every B&I guaranteed loan application. Ideally, it should be part of the preapplication package, but it can be provided later if it is not initially available.
- ☞ A business plan may be required when applying for Rural Development grant programs, such as when seeking a Value-Added Producer Grant (VAPG) for working capital.

Is a specific business plan format required?

USDA does not mandate any specific form or format for the business plan, but it should normally address at least the issues set forth below. Usually, the key issues can be addressed in 2-5 pages.

Business Description

- Business organization and ownership
- Nature of the product or service provided

Market Information

- *Demand.* What is the demand (past, present, future) for the business’s product/service? Who will buy the product/service?
- *Supply.* What is the supply (past, present, future) of the business’s product/service? Who are the business’s *competitors*?
- *Market niche.* Given the trends in demand and supply, how will the business be able to sell enough of its product/service to be profitable?

Production Information

- What is availability of materials, labor, & machinery needed for the product/service?
- Is the technology to be used by the business reliable? State-of-the-art? Proven?

Industry & Market Area Information

- Discuss any economic & demographic trends affecting the business (past, present, & future)?

Management

- Resumes of management, focusing on relevant business experience

Financial Statements (*required for VAPG applicants*)

- Three years of *pro forma* (projected) financial statements consisting of:
 - Cash flow statements – monthly for the 1st year; annual for the 2nd and 3rd year
 - Income statements – monthly for the 1st year; annual for the 2nd and 3rd year
 - Balance sheets – at start-up and annual for all years
 - Explanation of assumptions – e.g., input costs, finished product prices, economic factors used

Who prepares the business plan?

Although expert, third-party assistance is helpful, the business plan ultimately should be the product of the business owner’s own analysis and intentions.

Business plan resources

<http://www.bizcenter.org> (site search “business plan”; has links to Oregon Small Business Development Centers)
<http://www.sba.gov/smallbusinessplanner> (guidance from the Small Business Administration)