

Prepared by: Student, Ag Econ 411, Fall 2004  
Example Business Plan

Andrew Steinkamp Farms Inc. has been operating in Oregon's Willamette Valley for over 15 years. Recently the farm has not been profitable enough to support the owner (Andrew Steinkamp) and his family. Picture yourself as Andrew's loan officer at the local Wells Fargo branch in Woodburn, Oregon. You have been doing business with the Steinkamps for over 30 years with not a single missed payment. Andrew comes into your office as he does every year to request an operating loan. This year instead of growing the family's main stay crops of onions, berries, grass seed and alfalfa; Andrew presents you with a plan for an international agricultural business.

**Statement of Propose:** Andrew Steinkamp Farms Inc. has been committed to supplying to market the highest quality row crops produced in the Willamette Valley for over 15 years. Andrew Steinkamp would now like to supply farmers of Oregon with the chance to tour other countries' farm operations with the hopes of gaining insight and appreciation of global agriculture.

**I. The Business**

- A. Description:** Staying true to his roots in Willamette Valley agriculture Andrew Steinkamp will now provide the farmers of the Willamette Valley with high quality practices and technology tours of other countries agriculture operations.
- B. Marketing:** Steinkamps have been producing crops in the Valley for over 100 years. The contacts that have been made by Andrew and his past relatives are very valuable in selling the idea of international farm tours. Steinkamp will also work very closely with the Co-ops and chemical suppliers to ensure him all Valley farmers are informed of these opportunities.
- C. Competition:** Steinkamp's business will be the first in its kind in the Willamette Valley to offer local farmers a local guide in touring agriculture in foreign countries. Many travel companies offer tours to other countries but not agriculture based. This will be a first of its kind West Coast business.
- D. Operating Procedures:** The nature of this business suggests risks. When traveling to foreign countries political, cultural and physical risks are present. Providing an enjoyable, safe and productive trip is the goal of Andrew Steinkamp Farms Inc. We WILL take all necessary steps to provide our customers safe passage and a safe experience. To do this we will not take customers to enemies of the United States. We will also avoid countries where a high risk for terrorism exists.
- E. Personnel:** Steinkamps' have always run their businesses as family businesses. This will be no exception. The owner Andrew works part of the year in the office securing farms and possessors to visit, the rest of the time is spent leading tours. His wife Kelly works in the office securing travel arrangements, lodging and passports. Mike, Andrew's father uses his contacts to promote the tours and helps lead them. The Steinkamps also rely on interpreters outside of the family to make the tours a success.
- F. Business Insurance:** Due to the risks evolved with taking people to foreign countries Andrew Steinkamp Farms Inc. carries \$2,000,000 insurance per tour attendant incase of the unexpected.

## II. Financial Data

**A. Capital, Equipment and Supplies:** The whole farm business is intact at ASFI; the farm office will be used in the tour enterprise as well as all the farm vehicles. The land and machinery will be rented out to a local farmer generating cash flow.

### Total Farm Asset Value

<b>Farm Land Value</b>	\$2,125,000
<b>House &amp; Office Value</b>	\$ 275,000
<b>Vehicle Value</b>	\$ 42,000
<b>Farm Machinery Value</b>	\$ 750,000
<b>Other Farm Assets</b>	<u>\$ 30,500</u>
<b>Total Farm Value</b>	<b>\$3,222,500</b>

### Cash Flow Per Year of Not Farming Generated by Farm Assets

<b>Land Rent</b>	\$ 48,750
<b>Machinery Rent</b>	\$ 16,500
<b>Travel Lease Income</b>	<u>\$ 10,000</u>
<b>Total</b>	<b>\$75,250</b>

### Travel Business Start-up Costs

<b>Computer System</b>	\$10,000
<b>Phone System</b>	\$ 2,000
<b>Licensing</b>	\$ 5,500
<b>Misc.</b>	<u>\$ 10,500</u>
<b>Total</b>	<b>\$ 28,000</b> (Allocated over 5 years)

### Travel Business Fixed Costs Per Year

<b>Wages</b>	\$120,000
<b>Leases From Farm</b>	\$ 10,000
<b>Utilities</b>	\$ 5,000
<b>Misc.</b>	<u>\$ 25,000</u>
<b>Total</b>	<b>\$155,000</b>

### Travel Business Cost Per Person Per Trip Australia

<b>Air Fare</b>	\$1,500
<b>Lodging</b>	\$ 450
<b>Food</b>	\$ 500
<b>Transportation</b>	\$ 500
<b>Insurance</b>	\$ 100
<b>Misc.</b>	<u>\$ 250</u>
<b>Total</b>	<b>\$3,300</b>

### **Travel Business Cost Per Person Per Trip Mexico**

<b>Air Fare</b>	\$500
<b>Lodging</b>	\$450
<b>Food</b>	\$500
<b>Transportation</b>	\$500
<b>Insurance</b>	\$100
<b>Misc</b>	<u>\$250</u>
<b>Total</b>	<b>\$2,300</b>

### **Customer Packages and Costs**

We are offering several different packages for travel, accommodations, specific tours and meals. Costs are generalized for the business but the customer must pay for specific services according to their wants and interests.

#### **Package 1 Australia**

This trip will consist of 10 days in Australia. The tour will include visiting 3 cattle producers, 1 sheep producer, genetics lab, dairy farm, 2 row crop farms and a free day for sight seeing.

#### **Package 2 Mexico**

Mexico is our neighbor to the south. Mexico is also one of our NAFTA trading partners. This 10 day trip to Mexico will give you a broad over-view of Mexican agriculture and American influences in Mexican Ag. We will visit 2 berry farms, 1 onion farm, 1 potato farm, 2 cattle farms and a free day for sight seeing.

#### **Package 3 Animal Australia**

This trip specifically looks at the animal production practices of Australia and New Zealand. We will spend most of our time touring operating beef and sheep operations. We will also focus on the genetic improvement going on in Australia's finest labs and Universities.

### **Customer Costs**

<b>Package 1</b>	Cost: \$4755,	Gross Profit per person \$1455
<b>Package 2</b>	Cost: \$3228	Gross Profit per person \$928
<b>Package 3</b>	Cost: \$5100	Gross Profit per person \$1800
<b>Passport Fee:</b>	\$185	Gross Profit per person \$40

## Breakeven Analysis

The travel business plans to take a group of about 35 on different tours every 2 months. The trips will vary due to seasons on the producers end and on our customers end. We plan to do 3 Mexico trips, 2 Australia trips, and 1 Animal Australia trip.

### Mexico

#### Revenue

Travel Revenue	\$112,980	35 @ \$3228
Passport Revenue	\$ 400	10 @ \$40 (average)
<b>Total Revenue</b>	<b>\$113,380</b>	

#### Expenses

Cost to Business Customers	\$80,500	35 @ \$2300
Cost to Business Employees	\$ 4,600	2 @ \$2300
Misc. Expenses	\$ 5,000	(average)
<b>Total Expenses</b>	<b>\$ 90,100</b>	
<b>Net Profit</b>	<b>\$23,280</b>	

### Australia

#### Revenue

Travel Revenue	\$166,425	35 @ \$4755
Passport Revenue	\$ 400	10 @ \$40 (average)
<b>Total Revenue</b>	<b>\$166,825</b>	

#### Expenses

Cost to Business Customers	\$115,500	35 @ \$3300
Cost to Business Employees	\$6600	2 @ \$3300
Misc. Expenses	\$10,000	
<b>Total Expenses</b>	<b>\$132,100</b>	
<b>Net Profit</b>	<b>\$34,725</b>	

### Animal Australia

#### Revenue

Travel Revenue	\$178,500	35 @ \$5100
Passport Revenue	\$ 400	10 @ \$40 (average)
<b>Total Revenue</b>	<b>\$178,900</b>	

#### Expenses

Cost to Business Customers	\$115,500	35 @ \$3300
Cost to Business Employees	\$6600	2 @ \$3300
Misc. Expenses	\$15,000	
<b>Total Expenses</b>	<b>\$137,100</b>	
<b>Net Profit</b>	<b>\$41,800</b>	

**Travel Business Profit & Loss**

Net Operating Income	\$181,090
<b>Total</b>	<b>\$181,090</b>

Net Operating Expenses	\$155,000
Allocated Long Term Expenses	\$ 5,600
<b>Total</b>	<b>\$160,600</b>
<b>Total Profit</b>	<b>\$20,490</b>

The test to show business strength is what kind of changes the business can incur. Can the travel business take a 10% increase in expenses? Can the business take a 10% drop in revenue? Can it take them both at the same time?

Net Operating Income	\$181,090
Expenses Increased 10%	\$176,660
<b>Total Profit</b>	<b>\$4,430</b>

Net Operating Income Decreased 10%	\$162,981
Total Expenses	\$160,600
<b>Total Profit</b>	<b>\$2,381</b>

Net Operating Income Decreased 10%	\$162,981
Expenses Increased 10%	\$176,660
<b>Total Difference</b>	<b>(\$13,679)</b>

The travel business could profit at a 10% increase in expenses and a 10% decrease in income but could not profit with both happening in the same year. The travel business is backed up by the farm's \$3,222,500 in assets as well as the \$75,250 income coming in from renting the equipment and land to another farmer. With the extra \$75,250 in revenue the whole business travel and farm would be able to profit at a 10% increase in expenses and 10% decrease in revenue.

**Farm and Travel Combined Profit**

Net Operating Income Decreased 10%	\$162,981
Farm Generated Income	\$75,250
Expenses Increased 10%	\$176,660
<b>Total Profit</b>	<b>\$61,571</b>

## Supporting Documents

### Loan Application

## Haggerty Commercial Bank



**Applicants Name:** Andrew Steinkamp Farms Inc.

**Type of Business:** Agriculture Travel and Tours

**Type of Loan Requested:** Operating

**Business Summary:** This new business will provide International Agriculture tours and experiences to Willamette Valley farmers. Six tours a year will be held by our company. Farmers will be taken to Mexican and Australian farms and ranches depending on personal preferences.

**Expected Net Income from Operations:** \$181,090

**Other expected Income:** \$75,250

**Total** **\$256,340**

**Collateral:** \$3,222,500

**Amount Applying for:** \$125,000

**Type (Revolving/Single Sum):** Revolving

**Specific Use of Lent Capital:** The operating loan will be used to advance purchase airline tickets, hotel rooms and pay yearly incurred expenses. We have a high turn over of capital during the year. The loan will be taken out and paid several times during the year as needed. For the time being \$125,000 will be the maximum needed by Andrew Steinkamp Farms Inc.

**Please attach all profit/loss statements, source of capital statements and asset statements. (They may come before this application)**

## Supporting Documents

### Farm Lease to Travel

This lease is between Andrew Steinkamp Farms Inc. **Farm** and Andrew Steinkamp Farms Inc. **Travel**. The **Travel** business will lease the office and basic office equipment. **Travel** will be responsible for **all** utilities and maintenance to the office.

**Travel** has also agreed to lease ONE (1)1998 GMC Suburban VIN# K150043A14124769

And ONE (1) 1996 Dodge 2500 Pickup VIN# D592500J59953507

**Travel** is responsible for all fuel and routine maintenance to both vehicles. Routine maintenance is limited to, full service at every 3000 miles and replacement of tires as needed.

**Farm** is responsible of all major repairs. Major repairs are defined as all repairs and maintenance not listed above.