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# The University of Georgia

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## College of Agricultural and Environmental Sciences



### Business Skills and Knowledge Evaluation

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Adding value to agricultural commodities often requires significantly different business skills and information than an entrepreneur may possess. Adding value through packaging, processing, and marketing may require adherence to and understanding of many different regulations, licensing, taxes, insurance, labor, and public relations as well as a thorough understanding of marketing concepts. Because the development of many value-added enterprises often constitutes a new business venture, such enterprises should not be undertaken lightly.

A good business plan can help identify potential factors that may cause business failure and improve the chances for success. A business plan can be compared to a road map as it identifies goals and presents a plan for achieving those goals. It should help the business owner to:

- Determine the feasibility of the proposed idea and its start-up requirements
- Evaluate the need and potential payback of borrowed capital
- Develop the groundwork for detailed operational plans

The development of a business plan should be a basic management practice for any business venture. The plan should provide a detailed description of the business and should address key factors such as:

- What products/services will be provided?
- Who are the potential customers?
- How will the product be produced, marketed, distributed, and supported after the sale?
- Will the revenues cover the expenses?

Many failed businesses mention “lack of capital” as the primary contributor to failure. However, because businesses often do not adequately plan, additional capital often just

postpones the eventual failure of the business. A formal business plan should be written. It does not have to be long nor expensive, but it does require an investment of time and attention to detail. Many business plans are developed to secure funding from commercial lenders. In addition to seeking capital, a business plan should also be used to clearly communicate the plans of the business. The plan can be very useful in evaluating the potential and actual results of the business venture. Farmers and agribusiness entrepreneurs need to be aware that it takes more than a good idea for a value-added agricultural business to succeed. Agribusiness entrepreneurs must plan for success. This includes conducting market research, identifying the target market and developing a five- to 10-year financial plan that includes cash flow, financing and expansion concerns.

### Entrepreneurial Evaluation Sheet

It is important for new entrepreneurs to take a personal inventory and evaluate their level of knowledge and familiarity with issues that are critical to the success of a new agribusiness venture. The purpose of the following worksheet is to provide the entrepreneur with a sense of the information they will need to run and manage their business as well as a self assessment of their production, marketing, financial, and personal attributes as they relate to the proposed business. Entrepreneurs can use the worksheet to determine the strengths and weaknesses of their business idea.

Read each of the questions listed below and rate your overall knowledge of or familiarity with each question using a scale of one to 10. The rating should reflect your true level of familiarity or knowledge with the respective question. This worksheet is not intended to provide a definite YES or NO answer, but merely a relative indication of your familiarity and understanding of business issues. The rating should help you determine areas of the project that require additional information and areas that offer a competitive advantage.

Classification	Score
Ready to go	300 +
Needs more study	230-299
Reconsider	Less than 230

#### Score:

A rating of **ready to go** indicates that you have a good understanding of what it requires to get started in your proposed business venture. A rating of **needs more study** indicates a need for additional research and investigation. A **reconsider** rating suggests a lack of necessary information and that pursuing the proposed business opportunity may lead to failure.

# Entrepreneurial Evaluation Sheet

----- General Rating -----  
1 ..... 5 ..... 10  
Not Very                      Somewhat                      Very  
Familiar/                      Familiar/                      Familiar/  
Knowledgeable                      Knowledgeable                      Knowledgeable

## Raw Product Supply

Required inputs (specifications, quantity, quality).....  
Availability of required inputs (timing and price).....  
Location/accessibility of inputs.....  
Alternative inputs.....  
Dependability of the input suppliers.....  
Alternative for suppliers.....  
Long-term agreements with suppliers.....

## Production and Financial Planning

Minimum facility requirements.....  
Start-up costs.....  
Money to be borrowed.....  
Sources of capital.....  
Debt & equity.....  
Interest rates.....  
Annual debt payment.....  
Employees.....  
Special skills needed for business.....  
Employee training programs.....  
Labor management issues.....  
Product development.....  
Wage rates.....  
Safety considerations.....  
Management costs.....  
Fixed costs.....  
Depreciation.....  
Insurance costs.....  
Taxes.....  
Projected cash flow.....  
Break-even point.....  
Project net income.....

## Marketing Functions

Target market.....  
Market potential.....  
Competitors.....  
Situational issues.....  
Marketing channels.....  
Salesmanship.....  
Promotional strategies.....

## Legal Concerns

Business structures (i.e., Corporations, Cooperatives).....  
Patents and trademarks.....  
Local, state, and federal regulations.....  
Liability.....

**Total Score**.....