

Guidelines - Agricultural Development Fund

INTRODUCTION

A comprehensive, well-prepared business proposal serves two main objectives. First, it demonstrates that the entrepreneur has conducted a thorough analysis of his (her) industry, and his (her) plans for facilitating the achievement of the goals established for the farming or fishing enterprise over the period of the project. Second, it reduces the time to be spent by the Agricultural Development Fund in evaluating the farmer or fisher folk's request, by eliminating some of the questions that would have been raised. The agri-business proposal plays a key role in the decision by the Agricultural Development Fund to invest further time and energy in analysing the farmer or fisher folk's situation for the purpose of determining whether he or she is a suitable candidate for loan financing. Accordingly, Agri-Business Proposals should contain the following information:

1. Summary

- *Name of (Farm, Farmer), Location of Farm, Address, Telephone/Fax Numbers, M.A.R.D Registration No., Land tenure*
- *Company Name, Address and Telephone/Fax Numbers*
- *Contact Person*
- *Type of Agri-Business*
- *Brief Profiles (2-3 sentences) of Key Personnel*
- *Product/Service and Competition*
- *Funds Requested*
- *Breakdown of the use of the Proceeds in a tabular form*

The summary is essentially a highly condensed version of the topics covered in the complete proposal. Each item under the summary should not be longer than a paragraph.

2. Overview of the Farming and Fishing Enterprise

- *Nature of the Agri-Business Activity – general synopsis of the type of the agri-business that you are involved in e.g*
Crops :- Vegetables, Fruit, Root Crops, Herbs, Spices, Cut flowers & Foliage etc;
Livestock :- Dairy, Poultry, Beef, Small rudiments etc;
Fishing, Agro-Processing and other Agri-business services provided.

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- *Business History* – Identify previous experience in fishing and agri-business activities and the most important milestones (including dates). In the case of companies specify date of incorporation. This should be no longer than a page.
- *Future Plans* – list in chronological sequence the plan for the farming or fishing enterprise, indicating critical milestones over a five-year period. The objective is to state clearly how do you intend to move your farming or fishing enterprise from its current position to where you would like it to be in five years.
- *Unique Features* – identify what makes your farming or fishing enterprise unique in its respective agro-industry e.g. product or service, production process or technology, special contractual arrangements, unique skills of management and workers etc. The important point is that there must be something that differentiates the product, production process from all others, in order to make it a feasible proposition for loan financing.

3. Product/Market Considerations

- *Product or Service* – should be described precisely in this section, in order to leave no doubt in the mind of the Agricultural Development Fund as to what you produce or plan to produce as well as the service you intend to offer. If the farming or fishing enterprise has several products or services, each should be described in a separate paragraph. Specify the species and varieties (crop, livestock or fish) to be produced and the form (Fresh, Chilled or Frozen) in which the product will be presented to the market.
- *Customers* – describe in detail the customers of the product or service: who uses it, what they use it for, why they buy the product or services (e.g. solely because of the price, or based on other considerations?). Also detail the terms of payment for goods sold or services rendered.
- *Industry or Market* – describe the general marketplace for your product or service. Demonstrate the understanding of the dynamics of the market and the potential for sale of the product you are producing. Where available provide the total dollar volume, the rate of growth, the overall demand for the product or service as well as the projection for the future size of the market.

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- *Competition* – describe the major competing products and substitutes for the product you are producing and the nature of competition from other farming or fishing enterprises. Including where possible, information on sales volumes and market share of the major competitors. In this section identify how your product is different from those of your competitors. If you have reason to believe that competitors may enter the industry in the future, indicate each potential competitor and possible time of entry in the market. If you have no competition, please list the reasons for this situation, e.g. proprietary technology, patent position.
- *Pricing* – Provide wholesale, retail and imported information regarding the price of the product or service, including the method by which the price of your product was determined and the amount of gross profit. Be prepared to explain, in straightforward terms, the rationale behind the pricing e.g. due to competitive forces or because the market is such that you can set your own price?
- *Promotion* – Specify how you intend to provide your product or service on the market e.g newspaper ads, television, radio, e-commerce etc.
- *Marketing and Distribution* – provide information about your process and the channels of distribution. Information should cover the means by which your product or service is delivered to the ultimate user and any special arrangements that govern the marketing of your product e.g contract grower arrangements.

4. Production and Post-Harvest Processes and Systems

- *Production and Post-Harvest* – describe all stages of the production and post-harvest process and factors affecting production and post-harvest handling, as well as the method by which costs of goods sold is calculated. This section should also include a description of the production and post-harvest strategies and should be accompanied by a clearly presented production plan which identifies harvesting schedule, yields crop rotation and other planning parameters. Particular emphasis should be placed on describing the technology to be employed as well as the operational aspects of managing the agri-business activity. Specifies practices that cater for best practice, food safety and environmental protection.

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- *Employees* – describe the number and categories of employees, whether permanent, seasonal, skilled or casual labourers. Indicate the sources of the labour utilized and management’s relationship with work force, unionised or non- unionised. If the company is unionised, describe the union contract, the relationship with the union, and expiration date of the contract.
- *Service Providers and Suppliers of Inputs* – list the top three or four companies that supply your farm or fishing enterprise with items essential for operations. Include the type of inputs and the associated dollar value, technical requirements, engineering services or specialized technical support i.e crop protection. In addition, contracted services for essential operations should be included eg. hiring of tractors for spraying of crops, fields, land preparation, accounting legal, HACCP Management etc.
- *Equipment, Property and Facilities* – describe what you currently own or intend to purchase, provide initial cost of such facilities, specifications, estimated useful life and salvage value.
- *Patents and Trademarks* – Identified as appropriate
- *Land, tenure, area, value.*

5. Legal / Regulatory Considerations

- *Litigation* – provide details of any litigation that your farm or fishing enterprise is currently involved in, whether as complainant or defendant, as well as any potential litigation.
- *Government Regulations* – identify Government’s regulations that are key to agri-business activities including but not restricted to water use, pesticide importation, plant quarantine regulation, land use considerations, product standards, foreign exchange regulations etc.
- *Environmental Factors* – list all aspects of your farm or fishing enterprise operations and their impact either positively or negatively on the environment e.g impact on soil stability, pesticides and fertilizer application, impact on water quality.
- *Security Arrangements* - all legal and security documentation must be in place prior to the first loan disbursement wherever possible. The

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ADF will seek to have a first legal charge on assets but may accept a subordinated charge if the realizable market value of the underlying assets is adequate to cover the Fund's exposure.

- *Conflicts of Interest* – e.g MAR, ADF
- *Insurance* – information on farm and fishing assets; Assets include machinery, equipment, buildings boats etc
- *NIS*
- *Taxes* – Value added Tax, Income Tax

6. Organisation and Management

- *Organisational Structure* – many farmers are owner/managers of the enterprise.
- *Directors and Officers*– information on owner/managers arrangements if applicable.
- *Key Employees* – provide a resume style summary of the background and work experience of the key three or four employees.
- *Remuneration* – list the names of the key employees, directors or officers, the capacity in which they are or will be serving, the salary or remuneration that they have received or will receive.
- *Principal Shareholders*
- *Employment Agreements* (if applicable)
- *Conflicts of Interest*
- *Accountants, Consultants, Lawyers, Bankers* – list names, addresses, telephone numbers.

7. Financial Considerations

- *Identifiable Cost and Financing* – identify all elements of cost associated with the farm/fishing enterprise or any specific agri-business projects as appropriate. Identify items that will be financed

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through loans as well as items that will be financed through other sources. In the case of the latter identify the source of finance.

- *Use of the Proceeds* – specify how you intend to use the funds.
- *Risk factors* – describe the major drawback(s) to investing in your farm or fishing enterprise e.g. limited operating history, limited resources, limited management expertise, market or production uncertainties, dependence on key management, pradial larceny, natural disaster (hurricanes, drought), depressed international prices, unavailability of labour to undertake key activities, pest and disease out breaks, untimely availability such as land cultivation post harvest losses etc. Identify key actions to manage these factors.
- *Financial Projections* – clear and realistic assumptions regarding:

Income Statement

Sales volumes by product

Product prices

Production expenses

Overhead expenses

Balance Sheet

Working capital

Fixed assets

Capital structure

It is noted that many farms may not have records to allow for the preparation of audited balance sheets, income statements or cash flow statements for even a minimum period of three (3) years. The same issue would apply to financial projection as well. Specialised expertise, particularly in the area of accounting and financial management will be required if agri-business operators are to meet the requirement with respect to financial statement and projections.

In this context, EGFL in collaboration with the MAR (for technical inputs) and the sponsor of the agri-business entity will assist with the preparation of financial projections.

- 8. Illustrative Information** – such as pictures of the product, brochures, etc.