



**THE OHIO STATE UNIVERSITY**

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COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

**Business Planning for  
Aquaculture/Aquaponics  
When not to start a business**



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# Agenda

- Reasons to **Not** Start a Business
- Business Planning Outline
- Importance of Financial Projections
- Funding Your Small Business
- Getting Started on your Business Plan
- Websites of Interest
- Question and Answers

## When **NOT** to start a Business

I've spent most of my career encouraging people to start a business and how to become successful.

We all have heard great fortunes can be made in Entrepreneurship, rarely do we hear reason you shouldn't start a business.

You should be open to the fact that starting a business might not be a good idea or for you.

This list of reasons is not built to discourage you but more to better educate you.

If your thinking about starting a business and any of these points rub you the wrong way, you may want to reconsider the path you're heading down.



## 15 Reasons **NOT** to start a Business

- Is there a market? Do you know that market? What varieties and how much?
- You're too Busy. Insane amount of work. Don't underestimate the labor need!
- If you fail, it is public and personal (50% year 1) (95% within the first 5 years)
- Spouse is not on board. Entrepreneurship can be lonely. No friends at work
- Success (if you ever achieve it) take time. At least 3-5 years – self sustainable
- Own your land - Don't build your infrastructure for someone else (30+years)
- Competition Is Stiff – What separates you from the competition?
- You have no Money – Cash Flow/Reserves are necessary.
- You're in debt up to your eye balls
- Getting Funding – A major hurdle especially for start-ups
- You hate your job!
- Lack of Organization – Your business demands your attention
- No experience
- You can't think of a business to start. If you're not 100% believe no one else will.
- Putting Together a Good Team Is Difficult



# Ways to overcome Business start up concerns

If after evaluating these points and gauging the risks in a sober and realistic way, you still want to start a business, the chances are that you have the disposition needed for entrepreneurship.

- Ways to overcome the previous list
  - Start small – Build the business “Rome Wasn’t build in a day” – Important work takes time
  - The 95% failure rate – Forget about it. Your odds of success are up to you.
  - If you’re in major debt (figure that out first) – Work on Credit Score and Debt-Income Ratio prior to going to lender.
  - Don’t expect millions your first week – “If you build it they will come” (although you can’t just build it and forget it.
  - If your disorganized, a business may be the best thing for you. Several websites available that help with the basic functions of running a business.
  - Spouse says no – probably a good reason. Start in your spare time nourishing it, learning and teaching your spouse about what you're doing.
  - Keep your current job (even if it stinks and you're miserable) until you have a decent plan put into action and have enough money coming in to pay for expenses.
  - Develop a Business Plan – attempt to work through all variables prior to ...



## Developing Your Business Plan

Your business plan serves as a road map. Helps answer such questions as:

- Who
- What
- When
- Where
- How



## Business Plans usually consist of Sections:

- Executive Summary
- Business Description
- Marketing
- Management
- Money







# The Executive Summary

- Brief Overview of the Business – This is read first but sometimes is easier if written last!
- Includes the compelling reason the business will succeed.
- If being used to seek financing – include how much money is needed, what is being purchased, and from where.

# Business Description

- Describe what you're plans are
  - Why does the company exist?
    - What need does the company fill?
  - What is the status of the business?
    - New start-up, or existing business planning expansion?
  - What is the current state of the industry you serve?
    - Characteristics and trends (Growing/Declining)?
  - What are your products/services?
  - What sector of the industry are you in?
    - Wholesale, Retail, etc.

# Marketing

- Develop a detailed Marketing Plan and Budget
  - Who is your target customer?
    - Age, Income Level, Level of Education, etc.
  - What is your competitive advantage?
    - Why will customers buy from you?
  - What is your marketing strategy— how will you position your products/services?
    - Best Value, Highest Quality, Cheapest, Most Convenient
  - What are your 4 P's?
    - Product, Place, Price, Promotion
  - How will you market your business?
    - TV, Newspaper, Radio, Flyers, Billboards, Social Media, etc.
    - How much will you Budget for Marketing?

# Management

- Key Owners/Managers
  - Resumes of key owners/managers
    - Demonstrate their experience, education, classes/courses, programs, etc.
  - Organizational Chart
    - Who's responsible for what?
    - How does the decision making process flow?
- Will you have Employees
  - How Many Employees will you Hire?
  - What skills do they need to possess
- How do/will you manage risk? There's a lot of risk in this industry especially. There are horror stories on entire crop loss etc.
- What Professional Support do you have/need?
  - Accountant, Attorney, Insurance Agent, etc.

# Financial Projections

- What are your start up costs
  - Land, Buildings, Equipment, Permits, etc.
- What are your Fixed Operating Expenses
  - Rent, Utilities, Feed costs, Insurance, Labor, etc.
- What Income can be achieved with this new endeavor. (conservatively)
- Begin with industry averages for income and costs related to your type of business.
  - No business is exactly the same however with the proper research you should be able to get a good handle on these two areas and how they relate to your system.
  - Work with current business owners in the industry, Extension Specialists, Business Development Specialists, etc.
  - Use excel models available that have been created to assist in figuring all the costs associated with running a business.
  - Generate 3 years projections for your Financial Institution

# Money

- There are 5 main areas lenders focus on
  - Business Plan
    - Cash Flow Projections
    - Personal Experience
  - Personal Credit History
    - 700+ preferable
    - Below 600 makes it difficult
  - Personal Financial Statement
    - Assets and Liabilities
    - Debt – Income ratio (at or below 36%)
  - Available Collateral
    - What do you have equity in?
  - Cash Contribution
    - How much \$ can you put down?



## 5 Things to include that are essential for a Lender

- Operation Overview
  - Basics of the Operation, Owners, Overall Mission & Objectives
- Identify Strengths and Weaknesses
  - Capitalize on Strengths, Address the Weaknesses
- Include a Balance Sheet – (Assets & Liabilities) “own/owe”
  - Do every December 31, Compare annually, Net Worth - Increase
- Include a Budget
  - Project Income and Expenses (conservatively), Plan for Worst Case Scenario, Avoid Under Estimating Expenses or Over Estimating Income
- Include Goals
  - Write them Down, Research shows if written down you’re more likely to achieve those goals

# Funding your Small Business

- Self-financing
  - 15+% is normally required as your “skin in the game”
- The 3 “F’s” (Friends, Family and Fools)
  - Although it’s normally frowned upon to mix business with family and friends, if pitched and treated appropriately this could be a very lucrative funding source especially in today’s economy
- Banks
  - Hometown Banks, Traditional Lending, Commercial Lending
- Government Loan Programs/Partnership Loan Programs
  - USDA, SBA, NRCS, FSA, GrowNOW, ReEnergize Ohio (through the Office of the Ohio Treasurer), ECDI (Economic & Community Development Institute)
- Other Lending Organizations
  - Gap Lenders, Micro loans, Community Revolving Loan Programs
    - Normally Regionally based - Check with Local Chamber of Commerce, Economic Development Office or Small Business Development Center for local funding opportunities that may be available.



# Funding your Small Business

- Investors
  - Venture Capitalists, Angel Investors, Go Public, Crowd Funding
- Suppliers
  - Buy now and Pay later (Discounts for quantity, terms, consignment)
- Equity Capital
  - Money raised by a business in exchange for a share of ownership in the company
- Credit Cards
  - Take advantage of 0% – low interest for period of time however run the risk of high interest in the future.
  - Make sure you are paying down your balance during the low interest time period and not just the minimum payment/interest due

\*\*\*Check with Local Chamber of Commerce, Economic Development Office or Small Business Development Center for local funding opportunities that may be available to fit your needs

# So What's Next?

- Together we are going to develop a business plan for your business.
  - If you already have one started no problem
  - If you already have one “completed” ... Let's review it.
- There are many business plan templates you can find on the web.
- To make this project easier for you and our team here at the South Centers we are going to be using an Aquaculture Business Plan template.
- This is a template that we have created over the last few years that includes industry data to help you through some of the pressing questions of the industry.
- Once you start working on this Word Document you can save and send to myself and any of the other staff members that can be of assistance with your business and we can give you feed back throughout the year.
- Please don't wait until November to start. I personally think it would be nice if each of you would take the time over the next month (between now and our next class) and at the least fill out the Executive Summary and send it back to me.
- This will allow me to become familiar with your current situation and you to become familiar with the layout of the plan and what information you need to be compiling over the next year.



## **\$\$\$ Websites of Interest**

- \$ Treasurer of Ohio [www.tos.ohio.gov](http://www.tos.ohio.gov)
- \$ Ohio Development Services Agency [www.development.ohio.gov](http://www.development.ohio.gov)
  - Has a variety of bonds, grants, loans and tax credits that can assist Ohio companies as they grow and create jobs
- \$ Finance Fund [www.financefund.org](http://www.financefund.org)
  - Connects local small business owners and entrepreneurs with public and private funding to help spark community development and create jobs.
- \$ United States Dept. of Agriculture [www.usda.gov](http://www.usda.gov)
  - \*USDA Farm Service Agency [www.fsa.usda.gov](http://www.fsa.usda.gov)
  - \*USDA Natural Resources Conservation Service [www.nrcs.usda.gov](http://www.nrcs.usda.gov)
- \$ Small Business Administration (SBA) [www.sba.gov](http://www.sba.gov)
- \$ Ohio Valley Regional Development Commission [www.ovrdc.org](http://www.ovrdc.org)
- \$ Southern Ohio Ag & Community Development Foundation [www.soacdf.net](http://www.soacdf.net)
- \$ Economic & Community Development Institute (ECDI) [www.ecdi.org](http://www.ecdi.org)



## **Informative Websites of Interest**

The Ohio State University South Centers	<a href="http://southcenters.osu.edu"><u>http://southcenters.osu.edu</u></a>
Business Development Network	<a href="http://southcenters.osu.edu/business"><u>http://southcenters.osu.edu/business</u></a>
Aquaculture	<a href="https://southcenters.osu.edu/aquaculture"><u>https://southcenters.osu.edu/aquaculture</u></a>
Ohio Small Business Development Centers	<a href="http://www.ohiosbdc.ohio.gov"><u>www.ohiosbdc.ohio.gov</u></a>
The Ohio Secretary of State	<a href="http://www.sos.state.oh.us"><u>www.sos.state.oh.us</u></a>
Ohio Business Gateway	<a href="http://www.business.ohio.gov"><u>www.business.ohio.gov</u></a>
Ohio Department of Taxation	<a href="http://www.tax.ohio.gov"><u>www.tax.ohio.gov</u></a>
Ohio Department of Agriculture	<a href="http://www.agri.oda.gov"><u>www.agri.oda.gov</u></a>
Internal Revenue Service	<a href="http://www.irs.gov"><u>www.irs.gov</u></a>
United States Dept. of Agriculture	<a href="http://www.usda.gov"><u>www.usda.gov</u></a>
*USDA Farm Service Agency	<a href="http://www.fsa.usda.gov"><u>www.fsa.usda.gov</u></a>
*USDA Natural Resources Conservation Service	<a href="http://www.nrcs.usda.gov"><u>www.nrcs.usda.gov</u></a>



# Questions or Comments??

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