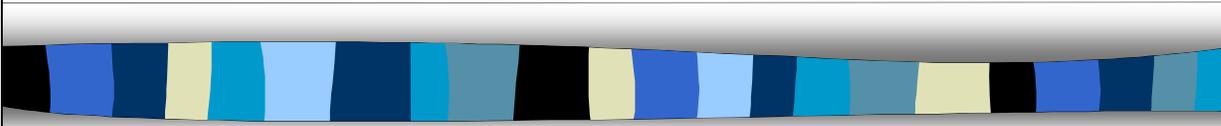
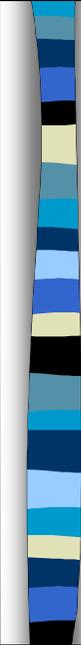


Considering a Food Business: Is it Feasible?



Rob Holland
Extension Specialist I
Agricultural Development Center

ADC web site: www.utextension.utk.edu/adc
Presentation location: www.utextension.utk.edu/adc/FoodBusiness/index.htm



Feasibility?

- A preliminary evaluation of an idea to see if it is worth pursuing
- Determining whether it is possible, practical, viable, doable
- A realistic look at positive and negative aspects of an idea
- A structured way to efficiently organize information needed for confident decision making



Investigation, determination & look . . . at what?

- Regulations
- Technology
- Markets and Marketing
- Production
- Operation
- Costs
- Revenue



Start-Up Costs

■ Processing:

Sinks, Vents etc.	2,800
Freezer & Refrigerator Units	10,000
60 Gallon Steam Kettle	10,000
Kitchen Supplies	6,000
<u>Sub-total Processing Equipment</u>	<u>28,800</u>
<u>Installations/Shipping/Tax (20%)</u>	<u>5,760</u>
Total Processing Start-Up	34,560

■ Office:

Computer & Printer	3,000
Furnishings	3,000
Fax Machine	200
Office Equipment	600
<u>Total Office Start-Up</u>	<u>6,800</u>



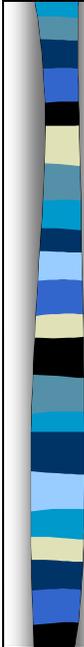
Start-Up Costs (continued)

■ Other Start-Up:

Initial Internet Site Work	2,500
Utilities Start-Up	100
Legal Fees & Consultants	600
Insurance Applications	500
Establishment of Accounts	200
Travel	1,500
Sensory evaluation	600
Product/Market Development	800
Bar Code	350
Label Design	300
Box Design & Set up	500
TDA & FDA & USDA Regs.	200
<u>Promotional Display</u>	<u>500</u>
Total Other Start-Up	8,650

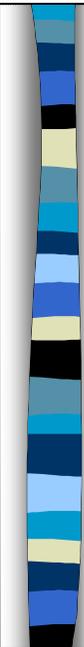
■ Total Start-Up Costs

50,010



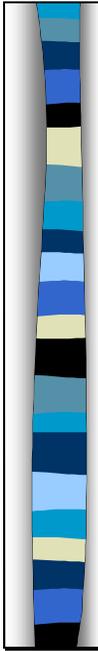
Annual Operating Costs (Fixed Costs)

Annual Debt Payment (8%, 5 years)	12,525
Facility Rent	7,200
Cold Storage	2,500
Utilities	10,000
Salaries	20,000
Bookkeeping	2,000
Service Contracts	2,000
Product Liability Insurance	2,000
Business Insurance	2,400
LLC Fees	300
Cooking Supplies	500
Training	300
Subscriptions	300
Office Supplies	600
License & Permits	200
Donations	500
Shipping & Handling	2,000
Internet	3,000
Promotions	8,000
Advertising	7,500
Travel & Auto	4,000
Dues	1,500
Trade Shows	10,000
TOTAL OPERATING COSTS	99,325



Per Unit Variable Costs

Strawberries	0.84
Sugar & Other Ingredients	0.15
Jar	0.35
Lid	0.12
Label	0.03
Labor	0.77
Payroll Tax/Benefits	0.12
Packaging Accessories	0.12
<hr/>	
Total Per Unit Variable Costs	2.50



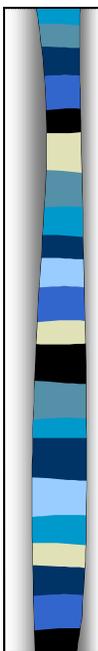
Break-Even Analysis:

Annual Break-Even Units:

$$\$99,325.00 \div (\$4.99 - \$2.50) = \underline{39,890}$$

Annual Break-Even Sales:

$$\$99,325.00 \div 1 - (\$2.50 \div \$4.99) = \underline{\$198,650}$$



Financial: “Financial Statements”

- Balance Sheet
- Cash Flow
- Income Statement

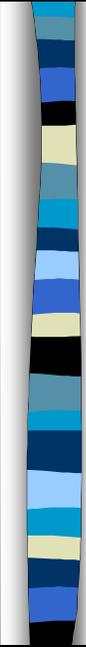
A Feasibility Study Check-List & Summary

*This form is to be used to assess and rate the general value or credit of each content item.
The overall presentation or message of the form should be helpful in the evaluation of a project's feasibility.
This form should also assist with the attempt to quantify risk.*

	- - - - - General Rating - - - - B		
- - - - - Report Contents - - - - -	1 5 10		
	Weak	Unknown	Strong
<input type="checkbox"/> Description of the Industry		_____	
<input type="checkbox"/> Description of the Product		_____	
<input type="checkbox"/> Description of the Product's History		_____	
<input type="checkbox"/> Study of the Inputs		_____	
<input type="checkbox"/> Production/Processing Analysis		_____	
<input type="checkbox"/> Quality Standards		_____	
<input type="checkbox"/> Seasonality Concerns		_____	
<input type="checkbox"/> Cost Analysis		_____	
<input type="checkbox"/> Market Analysis		_____	
<input type="checkbox"/> Market Confidence Study		_____	
<input type="checkbox"/> Price Determination Schematic		_____	
<input type="checkbox"/> Advertising & Promotion		_____	
<input type="checkbox"/> Supply & Demand Evaluation		_____	
<input type="checkbox"/> Resource Listings		_____	
<input type="checkbox"/> Cash Flow Analysis		_____	
<input type="checkbox"/> Break-Even Charts		_____	
<input type="checkbox"/> Sensitivity Analysis		_____	
- - - - - General Assessment Areas - - - - -			
<input checked="" type="checkbox"/> Technical Feasibility		_____	
<input checked="" type="checkbox"/> Financial Feasibility		_____	
<input checked="" type="checkbox"/> Economic Feasibility		_____	
<input checked="" type="checkbox"/> Market Feasibility		_____	
<input checked="" type="checkbox"/> Indication of Risk & Uncertainty		_____	

.....

Name: _____ Date: _____



Is it feasible? (summary)

- Is it worth pursuing
- Production, Marketing, Financial
- Break-Even Analysis
- Financial Statements
- “SWOT”, “Check-List” & “Worksheet” Analysis