

Appendix 7 Diversification Plan (ABP-07)

A diversification plan outlines a strategy to reduce risks or increase the profitability of the farm business. Diversification often focuses on developing a new revenue stream by modifying the mix of product outputs.

Reporting Requirements

a) What information is required in the diversification plan?

Your Advisor must prepare a written diversification plan to meet the program's reporting requirements. The minimum requirements for the diversification plan are shown below. Each section should be included unless you (the farm business) and the Advisor agree that a specific component does not apply. In that case, please include a brief explanation of why that component is not relevant.

- **Executive Summary**
Give a summary of the entire plan including an overview of goals, strategies and implementation plans.
- **Business Overview**
Provide the following information to help the reader understand the plan:
 - Background of the current operation.
 - Business description.
 - Management description.
 - Purpose of the diversification plan and the critical areas to be addressed.
- **Strategic Plan**
 - Describe the short and long-term goals of the farm business and the strategies that will be used to meet these goals.
 - Explain in a clear statement the desired outcome of the project. This statement will serve as a measure of success or a performance indicator.
- **Industry and Market Analysis**
 - Provide information on the current market conditions and status of the industry.
 - Outline the impact of economic, social or political change that could affect the commodity, or have an influence on the business within the industry.
- **Marketing**
 - Provide an analysis of market trends and opportunities, a description of the target market(s), and a comparison of this business to its competitors for products and pricing.
 - Describe key competitive advantages and value proposition.
 - Include a strategy for how the product will reach the buyer/consumer and the promotional plan to create demand within target market(s).
- **Operations / Production**
 - Describe the production systems and capacity of the farm.
 - Explain the impact of proposed diversification strategies (for example: impact of producing a new product).
- **Financial**
 - Identify expected sources of funding for the diversification, including expected income.
 - Show the overall cost of the diversification with a breakdown of specific costs for each activity. The overall costs should be presented as a budget. Include a cash flow summary.
- **Risk Management**
 - Identify risk factors that could affect the diversification and present a plan to manage or mitigate those risks (for example: production risk, marketing risk, export issues and insurance considerations).
- **Action Plan and Timetable**
 - Itemize the next steps to carry out the diversification plan. Include costs if possible (some costs may be eligible for cost share).
 - Provide details of the activities required and a timeframe to carry them out.
- **Supporting Documents**
Include all documents that contain supporting information to help a reader understand the diversification plan.

