Business Glossary

Accounts payable: Money a company owes for merchandise or services bought on credit.

Accounts receivable: Money owed to a company for merchandise or services bought on credit.

Assets: Everything a company owns or is owed.

Balance of payments: A statement of a country's trade and financial transactions with the rest of the world over a period of time.

Balance of trade: The difference between a country's imports and exports during a specific time period.

Balance sheet: Financial statement that lists a company's assets and liabilities as of a specified date.

Book value: The difference between a company's assets and its liabilities, usually expressed in per-share terms. It takes into account all money invested in the company since its founding, as well as retained earnings. It is calculated by subtracting liabilities from assets and dividing the result by the number of shares outstanding. Comparing book value to share price is one way to gauge if a company's stock is undervalued or overvalued.

Consumer Comfort Index: A measure of consumers' feelings about their finances and the economy as a whole. The numbers are calculated through a weekly survey by Money magazine and ABC News.

Consumer credit: Money loaned to individuals, usually on an unsecured basis, requiring monthly repayment. Bank loans, credit cards and installment credit are examples of consumer credit.

Consumer price index: A gauge of inflation that measures changes in the prices of consumer goods. The index is based on a list of specific goods and services purchased in urban areas. It is released monthly by the Labor Department. Abbreviated as CPI.

Currency: Money that circulates in an economy. Also refers to a country's official unit of exchange.

Current account balance: One of the components of a country's balance of payments, The current account balance covers the imports and exports of goods and services.

Current ratio: A measure of a company's liquidity, or its ability to pay its short-term debts. Calculated by dividing current assets by current liabilities

Devaluation: The government's reduction of the value of its currency in relation to the currency of other counties. When a nation devalues its currency, the goods it imports become more expensive, while its exports become less expensive abroad and thus more competitive.

Disinflation: A slowdown in the rate of price increases. Disinflation occurs during a recession, when sales drop and retailers are unable to pass higher prices along to consumers.

Dividends: A portion of a company's income paid to shareholders as a return on their investment.

Earnings per share: A portion of the company's earnings allocated to each share outstanding. Calculated by dividing the number of outstanding shares into earnings.

EBIT: Earnings before interest and taxes. The figures are often used gauge the financial performance of companies with high levels of debt and interest expenses.

Equity: part of a company's net worth that belongs to shareholders.

European Currency Unit: A monetary unit created in 1979 by nine European nations to promote currency stability in the European Union. The European Currency Unit consists of weighted amounts of the national currencies of members of the European Monetary System. The value of the European Currency Unit in relation to other currencies is published daily in newspapers. Also called the ECU.

European Monetary System: An exchange-rate system adopted by European Union members in an effort to move toward a unified European currency.

European Union: An intergovernmental organization of 15 Western European nations created by the Maastricht treaty of December 1991 with its own institutional structures and decision-making framework.

Also called the European Community or the Common Market at one time. Its members are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. Its council of ministers and the European Commission are based in Brussels, Belgium, and its parliament is based in Strasbourg, France. Also called the EU.

Exports: Goods and services one country produces and sells to others.

F.o.b.: The practice of the buyer paying all delivery costs for an item. An abbreviation for free on board.

Foreign exchange: Money instruments used to make payments between countries.

Foreign exchange market: Market in which foreign currencies are bought and sold and exchange rates between currencies are determined.

Forward exchange rate: A currency exchange contract that traders have agreed upon for a future date. The forward rate is usually for one, two, three or six months and referred to as 30-day forward, 60-day forward, etc.

Forward trading: Trade, usually at the current price, in which actual delivery and settlement is made at a future date. Forward trade occurs in the commodity, foreign exchange, stock, bond and futures markets.

Futures: An agreement to purchase or sell a given quantity of a currency at a specified date in the future. Also called a futures contract.

Futures option: An option on a futures contract.

General Agreement on Tariffs and Trade: A trade pact ratified in 1994 that cut tariffs world-wide, reduced agricultural subsidies, standardized copyright and patent protection and set up arbitration panels. GATT was also an institution that oversaw international trade issues. The institution changed its name to the World Trade Organization after the trade pact was ratified.

Gold standard: A monetary system based on gold. The basic currency unit of a country is pegged to a specified amount of gold.

Gross domestic product: The total value of goods and services produced by a nation. In the U.S. it is calculated by the Commerce Department, and it is the main measure of U.S. economic output. Abbreviated as GDP.

Gross national product: The dollar value of all goods and services produced in a nation's economy. Unlike gross domestic product, it includes goods and services produced abroad. Abbreviated as GNP.

Group of Seven: An organization of the seven major industrialized nations. The countries' leaders meet annually to discuss their approaches to monetary and fiscal issues in an effort to foster a stable world economy. The countries are the U.S., Canada, Britain, France, Italy, Germany and Japan. Abbreviated as G-7.

Import price index: The Labor Department's monthly measure of the change in prices for imported products.

Imports: Goods and services one country purchases from another country.

Inflation: A sustained rise in prices in an economy.

Infrastructure: A nation's basic transportation, communications, power and sewage systems that are necessary for its economy to operate.

International Monetary Fund: An organization that makes loans and provides other services intended to stabilize world currencies and promote orderly and balanced trade. Member nations may obtain foreign currency when needed, making it possible to make adjustments in their balance of payments without currency depreciation. Abbreviated as IMF.

Lagging economic indicators: A composite of seven economic measurements that tend to trail developments in the economy as a whole. It is compiled by the Conference Board. Those indicators are duration of unemployment, ratio of inventories to sales, index of labor costs per unit of output, average prime rate, outstanding commercial and industrial loans, ratio of outstanding consumer installment credit to personal income and consumer price index for services.

Leading economic indicators: A composite of 11 economic measurements developed to help forecast likely changes in the economy as a whole. It is compiled by the Conference Board. The components are: average work week, unemployment claims, orders for consumer goods, slower deliveries, plant and equipment orders; building permits, durable order backlog, materials prices, stock prices, M2 money supply and consumer expectations.

Long-term debt: Debt that must be paid in a year or more.

Market capitalization: The total market value of a company or stock. Market capitalization is calculated by multiplying the number of shares by the current market price of the shares.

Net income: The amount left after a company's taxes and all other expenses have been paid. Also called earnings or profit.

Net worth: The amount by which assets exceed liabilities.

Operating margin: Ratio of operating income to sales. The ratio is calculated with operating income (income before interest and taxes) divided by sales.

Price-to-book ratio (P/B): A company's stock price divided by its per-share book value. If a company's stock is trading below book value, that may mean the shares are undervalued.

Price-to-earnings ratio (P/E): A ratio to evaluate a stock's worth. It is calculated by dividing the stock's price by an earnings-per-share figure. If calculated with the past year's earnings, it is called the trailing P/E. If calculated with an analyst's forecast for next year's earnings, it is called a forward P/E. Also called the P/E ratio or multiple.

Pro forma results: A projection of a financial statement that shows how the actual statement would look under certain conditions. For example, pro forma results are used to show the earnings that newly merged companies would have achieved had they been combined throughout the entire period.

Producer price index: A group of statistics compiled by the Labor Department that are used as a gauge of inflation at the wholesale level. The index for finished goods -- which tracks commodities that will not undergo further processing and are ready for sale to the ultimate user -- is the most prominently reported of the statistics. Abbreviated as PPI.

Profit: The amount left after the company's taxes and all other expenses have been paid. Also called net income, or earnings.

Profit margin: A measure of a company's profitability, cost structure and efficiency, calculated by dividing a measure of profits by sales. Gross margins are based on gross profits -- sales minus the cost of producing the goods sold. Pretax profit margins are based on pretax profits -- sales minus all operating expenses. After-tax profit margins are based on after-tax profits -- sales minus operating expenses and taxes.

Return on equity: A measure of how much the company earns on the investment of its shareholders. It is calculated by dividing a company's net income by its common shareholders' equity.

Return on investment: Measure of a corporation's profitability. It is calculated by dividing capital -- common stock and preferred stock equity plus long-term debt -- into earnings before interest, taxes and dividends. Also known as return on invested capital.

Revenue: Money a company takes in, including interest earned and receipts from sales, services provided, rents and royalties.

Sales: Money a company receives from the goods and services it sold. In some cases, the amount includes receipts from rents and royalties.

Spot market: A market for buying or selling foreign exchange for immediate delivery and for cash payment.

Spot price: The price of a currency available for immediate sale and delivery.

Stock: An investment that represents part ownership of a company. There are two different types of stock: common and preferred. Common stocks provide voting rights but no guarantee of dividend payments. Preferred stocks provide no voting rights but have a set, guaranteed dividend payment. Also called shares.

Turnover: In accounting terms, the number of times an asset is replaced during a set period. In trading, the volume of shares traded on the exchange on a given day. In employment matters, turnover refers to the total number of employees divided by the number of employees replaced during a certain period. In the U.K., the term refers to a company's annual sales volume.

World Bank: An organization created to make loans primarily to developing countries, with the stipulation that these governments must guarantee the loan. Its full name is the International Bank for Reconstruction and Development. Also called the IBRD.

World Trade Organization: An institution created by the General Agreement on Tariffs and Trade that oversees international trade issues, resolves trade disputes and enforces the GATT trade pact. Abbreviated as WTO.

Business Management Definitions

A

Abatement. The IRS's partial or complete cancellation of taxes, penalties, or interest owed by a taxpayer.

Ability. The consumer's knowledge about the product category sufficient to understand the advertised message.

Accelerated Depreciation. A method of depreciation that allows a business to deduct the cost of property more rapidly than by using straight-line depreciation.

Accessibility. The degree to which a firm can reach intended target segments efficiently with its products and communications.

Accounting Methods

Accrual Basis of Accounting. With the accrual method, you record income when the sale occurs, whether it be the delivery of a product or the rendering of a service on your part, regardless of when you get paid. You record an expense when you receive goods or services, even though you may not pay for them until later. The accrual method gives you a more accurate picture of your financial situation than the cash method. This is because you record income on the books when it is truly earned, and you record expenses when they are incurred. Income earned in one period is accurately matched against the expenses that correspond to that period, so you get a better picture of your net profits for each period. Contrast to cash basis of accounting when revenue is recorded only when cash is received and expenses are recorded only when cash is paid.

Accrual Adjusted. A financial statement (balance sheet, income statement, statement of cash flows, and/or statement of owner equity) wherein the basis of financial accounting has been changed from cash basis of accounting, or modified cash basis accounting, to approximate accrual basis of accounting by incorporating into the cash basis numbers the changes to accounts receivable, inventories, prepaid expenses, raised breeding livestock, accounts payable, accrued liabilities deferred income taxes and other accrual amounts not otherwise already recorded in the cash basis, or modified cash basis, numbers

Cash Basis of Accounting. If you use the cash method of accounting, you record income only when you receive cash from your customers. You record an expense only when you write the check to the vendor. Most individuals use the cash method for their personal finances because it's simpler and less time-consuming. However, this method can distort your income and expenses, especially if you extend credit to your customers, if you buy on credit from your suppliers, or you keep an inventory of the products you sell.

Acid test Ratio. Cash, plus other assets that can be immediately converted to cash, should equal or exceed current liabilities. The acid test ratio is one of the most important credit barometers used by lending institutions, as it indicates the ability of a business enterprise to meet its current obligations.

Activity-based costing. A retail measurement tool used to examine costs through comparisons of how products are bought and prepared. Retailers can use this to determine cost benefits of cutting produce in-store vs. buying precut or allocating display space or making decisions on the variety of items they will offer. This method differs from direct product profit in that it takes both direct and indirect costs of a product into account.

Adopters, Early. Farmers who accept and implement technology earlier than most farmers, although they are not the very first in their communities to do so.

Adoption Diffusion Curve. A normal distribution of farmers on a bell curve, according to the speed with which they adopt new ideas.

Adoption Process. The process by which new technologies or ideas are embraced, accepted and implemented by the customer.

Advertising. The element of the marketing communications mix that is nonpersonal, paid for by an identified sponsor, and disseminated through mass channels of communication to promote the adoption of goods, services, persons, or ideas.

AIDA (Attention, Interest, Desire, Action). Acronym used to remember the sequence of steps in making a sale. gain the prospect's Attention, arouse Interest in the product or service, arouse Desire for the product or service, secure Action (a decision to buy or not to buy).

Analysis, feasibility. An investment is considered feasible if it will allow the increased loan payment requirements to be paid from the additional net revenue generated by the investments.

Asset (Business). Any property with a useful life of at least one year that is used in a trade or business. Examples: grain inventory, machinery, buildings, vehicles, equipment patents, and monies held or owed to a business. See also Accounts Receivable.

Asset Turnover. Measures the dollars of gross income generated each year compared to the total dollars invested (gross revenues divided by average total farm assets).

Audit. Verification of financial records and accounting procedures generally conducted by a CPA or accounting firm or if you're really unlucky, the IRS. An IRS audit is the examination of a taxpayer, his/her tax return, and supporting data to determine whether he/she has violated the tax laws.

Aquaculture. The cultivation or farming of food or feed products in water.

B

Bait and Switch. Advertising a product at an attractively low price to get customers into the store but not making it available, so customers must trade up to a more expensive version.

Barriers to entry. Those conditions that make it difficult or impossible for new competitors to enter the market. Two barriers to entry are patents and high start-up costs.

Basic Product. The hard good or core product that is the central item featured by a manufacturer. The basic product may be surrounded by complementary goods and services.

Basis (also called Tax Basis, Depreciable Basis, or Adjusted Basis). The tax cost of an asset, which may be adjusted upward by improvements or downward by depreciation. Basis is used to calculate depreciation and amortization deductions and to determine gain or loss on the sale or other disposition of an asset.

Benchmarking. The process of comparing our performance with the performance of the business or businesses considered the leaders in the field. Used to identify gaps between the leader's performance and ours that will lead to our improved competitiveness.

Benefits. The positive results experienced by a customer when a product or service is purchased and used.

Benefit Segmentation. Segmenting the market by the attributes or benefits consumers need or segmenting the market by the attributes or benefits consumers need or desire, such as quality, service, or unique features.

Board of Advisers. the informal (or formal) group of people that a business operator turns to for advice or feedback. They may or may not be compensated.

Brand equity. The added value a brand name identity brings to a product or service beyond the functional benefits provided.

Branding. Identifying a firm's products to distinguish them from competitors'

Break-even Point. The volume of sales at which the business makes just enough revenue to cover its costs.

Broker. An intermediary that brings buyers and sellers together and is paid a commission by whichever party it represents in a given transaction.

Bulk Product. Products such as pesticides that are delivered in large quantities and stored in large trans at the retailer on a farm until used.

Bundling. The practice of marketing two or more products or service items in a single package with one price.

Business. An activity carried on with the intent to make a profit.

Business Model. Concept of how a business will make a profit.

Business Plan. The written document that details a proposed or existing venture. It seeks to capture the vision, current status, expected needs, defined markets, and projected results of the business. A business plan "tells the story" by describing the operational and financial position of the company, as well as its purpose, basis, reason and future of the business.

Business plan aspects - Vision, mission, goals, objectives

Vision. A vision is a mental picture of a preferred future state, a description of what the farm would be like some years from now. It is more than a dream or set of hopes; it is a commitment. The vision provides the context for designing and managing the changes that will be necessary to reach goals. Visions are rooted in reality but focused on the future.

Mission A business mission provides management's customized answer to the question, "What is your business and what are we to accomplish on behalf of our customers." The mission statement provides guiding direction for developing strategy, searching out key opportunities, and making resource allocation choices. It describes who we are, what we do, and for whom we do it.

Goals Long-term goals help provide direction in moving you toward your vision; they present challenges that affect you positively, and they are easy to visualize. Remember long-term goals DRIVE–they are directional, reasonable, inspiring, visible, and eventual. Business goals can be influenced by individual and family goals. In the spaces below, write down your long-run goals for your business, and how they might be influenced by individual or family goals.

Objective With short-term business objectives, we are going to be much more specific. These objectives should be SMART. specific, measurable, attainable, rewarding, and timed. The short-term objectives help accomplish the long-term business goals. Write your long-term goals below, and beneath each, list the supporting short-term goals.

Business Unit. The fundamental unit of analysis for a business.

Buying Power Index (BPI). A measure of a particular market's relative ability to buy, based on population, effective buying income, and retail sales and expressed as a percentage of the total U.S. potential.

C

Capital. Capital funds are those funds that are needed for the base of the business. Usually, they are put into the business in a fairly permanent form such as in fixed assets, plant and equipment, or are used in other ways that are not recoverable in the short run unless the entire business is sold.

Capital assets. Long-term assets, also known as Plant and Equipment, or fixed assets that have a useful life of more than one year. These terms are interchangeable. Assets are generally divided into short-term and long-term assets, the distinction depending on how long they last. Usually the difference between short term and long term is a matter of accounting and financial policy. Five years is probably the most frequent division point, meaning that assets that depreciate over more than five years are long-term assets. Ten years and three years are also common.

Capital Budgeting. Using discounted cash flow techniques to assess the financial viability of investments

Capital Equipment. Equipment used to manufacture a product, provide a service, or to sell, store, and deliver merchandise. Such equipment will not be sold in the normal course of business but will be used and worn out or be consumed over time as business is conducted.

Capital Products. Expensive items that are used in business operations but do not become part of any finished product.

Capital Replacement & Term Debt Repayment Margin (C.R. & T.D.R. Margin). Net Farm Income + Non-Farm Income + Depreciation + Interest Paid – Income Tax Expense – Family Living Withdrawals = C.R. & T.D.R. Capacity – Payment on Unpaid Operating Debt – Principal Payment of Term Debt – Capital Lease Payments – Payments on Personal Liabilities = C.R. & T.D.R. Margin.

Cash flow. The movement of money into and out of a company; actual income received and actual payments made out.

Cash flow budget. An estimate of all cash receipts and expenditures in a period. This budget only examines cash movement, not profitability.

Capital Gain. For income tax purposes, in most cases, the amount by which proceeds received from the disposition of a capital asset (as classified under tax law) is greater than the tax basis, which is usually its historical cost (or original cost) less accumulated depreciation of that capital asset.

CEO (Chief Executive Officer) person to which members of a business are ultimately responsible, and which is ultimately responsible for the profitability of the organization

Certified Public Accountant (CPA). The most highly qualified of all accounting professionals. CPAs are licensed by the state and must meet rigorous educational and testing requirements.

CFO (Chief Financial Officer). Person responsible mainly for the finances of an organization.

Channel Strategy. An expression of a general action plan and guidelines for allocating resources to achieve the objective of a marketing channel.

Co-branding. When two brand names appear on the same product.

Combination Strategy. Aiming marketing communications at both resellers and ultimate consumers in a push-pull approach.

Commodity. A product whose characteristics are the same regardless of who sells it.

Competition. Businesses competing for the same market dollars. May be direct (selling the same product or service in the same way to the same people) or indirect.

Competitive Advantage. Those aspects of a business that give it an edge over its competition.

Competitive Analysis. Structured analysis of competitors to discern differences and similarities.

Competitive Position. One company's strength and weaknesses in comparison with another.

Competitive Strategies. A business plan designed to maintain or increase a company's position in the market relative to competing suppliers.

Contingency. A response to a low-probability event anticipated by a planner.

Concentrated Strategy. A strategy in which a firm seeks a large share of one or a few profitable segments of the total market, often concentrating on serving the selected segments innovatively and creatively.

Concentration Goals. Goals relating to the proportion of each customer's business that is captured by a company or product.

Concept Development. The process of shaping and refining the idea for a new product into a complete description

Consideration Set. A mental "short" list of companies and suppliers that a grower will consider as viable suppliers, based on needs and values.

Consumer Behavior. The mental and emotional processes and the physical activities people engage in when they select, purchase, use, and dispose of products or services to satisfy particular needs and desires.

Core competencies. A bundle of resources and capabilities that gives a company a competitive advantage over rivals.

Core Purpose. The company's reason for being or its idealistic motivation for doing work.

Core Markets. Markets essential to a business's success.

Core Values. The small set of guiding principles that represents the enduring tenets of the organization.

Corporation. A business incorporated under the laws of a state or other jurisdiction. Corporations are recognized as entities unto themselves, separate and distinct from the owners. They have limited liability so owners cannot be sued for the debts of the business unless they have personally guaranteed those debts. Therefore, the only potential loss to owners is the investment. Corporations are either the standard C corporation or the small business S corporation. The C corporation is the classic legal entity of the vast majority of large companies in the United States. This is a separate legal entity, different from its owners, which pays its own taxes. An S-Corporation has the same legal liability properties as a C-Corporation and the shareholders must vote or elect to become an S-Corporation. S-Corporations are owned by shareholders, shares may be sold or transferred. They are separate legal entities and organized under state law. An S-Corporation differs from a C-Corporation in regard to tax considerations.

Cost of goods sold (COGS)—The various costs to the manufacturer/service provider in order to produce the finished good/service. These costs include labor (the human effort required in production and operations), material (the physical materials used in production), and fixed costs (those production factors whose price does not change).

Counter Selling. Selling in a retail or farm store environment as opposed to on-farm selling.

Countersegmentation. Combining market segments to appeal to a broad range of consumers and assuming an increasing consumer willingness to accept fewer product and service variations for lower prices.

Creditworthiness. Not the same as profitability. A lender examines a business with the idea in mind of being repaid. Not all profitable businesses are creditworthy.

Credit Terms. The guidelines agreed to when a company offers to finance the sale of a product and allow payment later or over time.

Cross-Sell. A product strategy that encourages the purchase of a second product or service when a first is bought.

Cross Elasticity of Demand. The relation of the percentage change in quantity demanded for one product to percentage price changes for other products.

Current Ratio. Indicates the dollars of current assets that are available on the balance sheet date for every dollar of current liabilities on that date. It is indicative of the farm's ability to pay current obligations and so is classified as a measure of current liquidity (total current assets divided by total current liabilities). Total current assets include inventories, cash, accounts receivable, etc. Total current liabilities include operating loan payments, accounts payable, unpaid taxes due, this year's payments on term loans, accrued interest and rent, etc.

Customer. A person who buys from or patronizes an establishment regularly.

Customer Turnover Goals. Goals relating to the number of customers retained or lost in a given time period.

D

Database (customer). A system for organizing, categorizing, and updating customer records and information on a regular basis.

Debt: borrowed funds, whether from individuals, banks, institutions or yourself. Generally it is secured with a note, which may be secured by a lien against property or other assets. Some debt may be converted to direct ownership under certain stated conditions.

Debt/Asset Ratio. Total Farm Liabilities/Total Farm Assets

Debt/Equity Ratio. Total Farm Liabilities/Total Farm Equity

Decision trigger. The preset event that at which an action is taken – common triggers are financial ratio levels.

Deduction. An expense that the IRS allows an individual or business to subtract from its gross income to determine its taxable income.

Deferred Taxes. A liability or asset reflecting the difference between the amount of taxes payable or refundable in future years as a result of events recognized in the financial statements in the current or preceding years. The concept is based on the premise that the reported amounts of assets and liabilities on an enterprise's balance sheet will be recovered and settled, respectively. Includes primarily (1) the results of timing differences between taxable and accrual-adjusted income; and (2) the result of differences between balance sheet value and tax basis of capital assets (if values other than the tax basis are used as the basis for balance sheet presentation).

Demand Curve. Relationship that shows how many units a market will purchase at a given price in a given time period; generally, customers buy more units as prices drop and fewer units as prices rise.

Demographics. Information about people that can be observed, collected and measured, such as age, income level, education, or employment.

Demographic Segments. Groups of people recognized according to common demographic criteria, such as "all producers over the age of 50."

Depreciation. As an economic concept: the decline over time in the potential usefulness (or value) of capital assets having limited life, which decline results from ordinary wear and tear, natural deterioration from exposure to the elements, and technical obsolescence. Depreciation of equipment used for business is a tax-deductible expense.

As an accounting procedure: an allocation over time of the historical cost (or original cost), less salvage value, of a capital asset having a limited useful life (i.e. machinery, buildings, purchased breeding livestock, etc.) by a non-cash expense periodically charged against income over the service, or useful, life of that asset in a rational and systematic manner. Such charges may be calculated using one or more of the following methods (a) units of production or activity, (b) straight line, (c) accelerated (sum of the years digits, declining balance, or double declining balance) and (d) any special depreciation method selected and appropriately approved because the assets involved have unique characteristics.

Depreciation Expense Ratio. Depreciation/Amortization/Gross Revenues

Deregulation. Promotes free competition, in some cases by means of legislation. It is one aspect of the legal environment.

Derived Demand. Demand for business to business products that is dependent upon demand for other products, as when increased consumer demand for new automobiles causes the demand for products used to make them to also go up.

Differentiation. An approach to create a competitive advantage based on obtaining a significant value difference that customers will appreciate and be willing to pay for, and which ideally will increase their loyalty as a result.

Differential Advantage. A benefit or service that makes a product or company unique and worth paying more.

Differential Pricing. Selling the same product to different buyers at a variety of prices; such price discrimination works because there are differences in reactions to price among consumers or consumer segments.

Differentiation. Offering consumers products or services that are better than the competition; one way to gain a competitive advantage.

Direct Channel. The movement of the product from the producer to the user without intermediaries.

Direct Marketing. Distributing goods, services, information, or promotional benefits to carefully targeted consumers through interactive (two-way) communication while tracking response, sales, interests, or desires through a computer database.

Discounts, cash. A pricing discount for goods or services purchased when cash is paid.

Discounts, Volume. A pricing discount for products or services when they are purchased in a large quantity.

Dissonance. In sales, the lack of confidence or doubt that customers sometimes feel after the sale, when they question whether they made a good decision.

Distribution Channel. A specific path a product takes from manufacture to use; may also refer to companies that distribute product.

Distributor Brand. A brand sponsored by a distributor such as a wholesaler or retailer; the distributor is responsible for the product's quality and marketing.

Diversification Strategy. Expanding into new products and new markets; the riskiest growth strategy, since the company cannot build directly on its strengths in its current markets or products.

Downscoping. Refers to divestiture, spin-off, or some other means of eliminating businesses that are unrelated to a firm's core businesses. Often accompanied by downsizing. This is a refocusing of the business on its main business. Generally it is a reduction in the number of activities performed by the business.

Downsizing. Reduction in the number of a firm's employees and, sometimes, in the number of operating units, but it may or may not change the composition of businesses in the company's portfolio.

DuPont Analysis. Examination of the profitability of a company using a system of ratios. Developed by the DuPont company.

E

Early adopters. One type of adopter in Everett Rogers' diffusion of innovations framework that describes buyers that follow "innovators" rather than be the first to purchase.

Early Majority. Early majority farmers comprise the approximately 34 percent of the farmer population willing to try a new idea or technology as the “second wave” of adopters.

Economies of scale. The benefit that larger production volumes allow fixed costs to be spread over more units lowering the average unit costs and offering a competitive price and margin advantage. Producing in large volume often generates economies of scale. The per-unit cost of something goes down with volume because vendors charge less per unit for larger orders, and often production techniques and facilities cost less per unit as volume increases. Fixed costs are spread over larger volume.

Elastic demand. Demand for a product that changes substantially in response to small changes in price; when demand is elastic, a small decrease in price may substantially increase total revenues.

Employee. A worker under the direction or control of an employer and subject to payroll tax code rules.

Employer Identification Number (EIN). A number obtained by a business from the IRS by filing form SS-4. If you are a sole proprietorship, your EIN is your social security number.

Entrepreneur. Someone who is willing to assume the responsibility, risk and rewards of starting and operating a business.

Equity: the owner’s investment in the business. Equity is what remains after the liabilities of the company are subtracted from the assets (thus it may be greater or less than the capital invested in the business). With equity comes a share in the ownership and usually profits and management. Owner equity is increased by the retained net income of the business or reduced by net losses of the business. Owner equity is increased by the owner contributions (of cash or other assets) to the business and decreased by the owner withdrawals from the business. The actual name shown for the equity amounts will be different depending on the organizational structure of the business.

Equity/Asset Ratio. Total Farm Equity/Total Farm Assets

External Analysis. External factors to consider in developing the market plan, factors which affect everyone in the marketplace, such as the current economic environment, political climate, cropping or livestock numbers, technology, the regulatory climate etc.

F

Fair Market Value. The price a buyer and seller of any kind of property agree on as just, when neither is under any compulsion to buy or sell.

Feature. A statement of fact about some aspect of a product or service (as opposed to a benefit, which is what the feature can do for the customer.

Fiduciary. A person or company entrusted with assets owned by another party (beneficiary), and responsible for investing the assets until they are turned over to the beneficiary.

Financial Efficiency. The intensity with which a business uses its assets to generate gross revenues and the effectiveness of production, purchasing, pricing, financing, and marketing decisions in generating a profit.

Financial Performance. The results of production and financial decisions, over one or more period(s) of time. Measures of financial performance include both the impact of external forces that are beyond anyone's control (drought, grain embargoes, etc.), and the results of operating and financing decisions made in the ordinary course of business.

Financial Position. The total resources controlled by a business and total claims against those resources, at a single point in time. Accounting data which express the financial position are presented in a statement of financial position (commonly referred to as a balance sheet). Measures of financial position provide an indication of the capacity of the business to withstand risk from future operations and provide a benchmark against which to measure the results of future business decisions.

Financial Position (Statement of Changes in). The Statement of Changes in Financial Position provides information on two important items. One is the changes in the sources and uses of funds and the resulting change in Working Capital. Another is the change in Working Capital resulting from a change in current assets compared to current liabilities.

Financial Statements. The general purpose financial reports (which include statement of financial position [or balance sheet], statement of income, statement of cash flows, and statement of owner equity) that reflect the collection, tabulation, and final summarization of the accounting data which represents the financial position of a business at a point in time and the results of operation of that business over time. Those general purpose financial reports provide a consistent history, quantified in terms of money, of economic resources and obligations of a business and of the economic activities that change those resources and obligations over time.

Combined Financial Statements. Financial statements which represent an aggregation of all assets, liabilities, income, expenses, cash flows, and changes in owner equity for two or more firms which are not parent-subsidiary (-ies), but which are affiliated through common ownership or common management or both, with all inter-company transactions and balances having been eliminated.

Consolidated Financial Statements. Financial statements which represent an aggregation of all assets, liabilities, income, expenses, cash flows, and changes in owner equity for a parent firm and its subsidiary(ies), with all inter-company transactions and balances having been eliminated.

Statement of Cash Flows. The financial statement which reports the cash provided and the cash used by the operating, investing, and financing activities of a business during a specific accounting period.

Statement of Financial Position. The financial statement which shows the assets, liabilities and owner equity of a business at a specific date. Sometimes referred to as the balance sheet.

Statement of Income. The financial statement that measures the results of operations by presenting the revenues and expenses of a business during a specific accounting period.

Statement of Net Worth. Same as statement of owner equity except that it also includes the equity accounts of individuals.

Statement of Owner Equity. The financial statement which summarizes the changes in owner equity of a business enterprise during a specific accounting period, but does not include changes to the equity accounts of individual persons. Such changes generally result from net income or net loss, capital contributions by owners or owner withdrawals, and changes, if any, to valuation equity.

Fixed Cost. Costs that cannot be changed in the short run and do not vary with the quantity produced; they include plant investments, interest, and the costs of production facilities.

Five forces model. Porter's model that considers these forces as they impact and industry and the overall competitive climate: 1) Risk of entry by potential competitors 2) Bargaining power of suppliers 3) Bargaining power of buyers 4) Threat of substitute products 5) Rivalry among established firms.

Foresting. In sales, prediction the amount of a product that will be sold in a specific time in a specific geography.

Free on Board (FOB). Commercial term in which the seller's obligations are fulfilled when the goods reach a point specified in the contract.

G

Gain. Increases in equity (or net assets) from all transactions, events, and circumstances affecting the business during an accounting period; but not including any increase in equity resulting from capital contributions from owners.

Gatekeepers. Decision makers who control the flow of information and communication among buying-center participants.

Generics. Products that are not branded; they are labeled only by their generic name and usually cost less and may be of lower quality than their branded competitors.

Goals. The necessary levels of achievement that must be met to achieve a company's mission. It is a long-term goal if it will be accomplished in more than five years.

Going-Rate Price. Completion- oriented pricing where a company tries to keep its price at the average level charged by the industry.

Gross margin. The difference between total sales revenue and total cost of goods sold (also called total cost of sales). This can also be expressed as the difference between unit selling price and unit cost of goods sold. Gross margin can be expressed in dollar or percentage terms. As a percentage it is calculated as the gross margin divided by sales. Sales$ - Cost of Goods$ = Gross Margin$

Guerrilla Marketing Concept. Effective and pragmatic marketing can be done with limited resources and should focus on meeting the needs of existing customers in everything that is done, while building the base of prospects through creating additional awareness within the market

H-K

Improvements. Additions to or alterations of a capital asset, which either increase its value or extend its useful life.

Individual Retirement Account (IRA). A retirement plan established by an individual allowing up to $2,000 in tax-deductible contributions of earned income per year, and tax-deferred accumulation of income in the account.

Inelastic Demand. The demand that exists when price changes do not result in significant changes in the quantity of a product demanded

Innovators. The first 2.5% of farmers anxious to try a new brand or idea. Innovators keep abreast of industry development, use a scientific approach to problem solving and have an ability to deal with abstract ideas.

Interest Expense Ratio. Total Farm Interest Expense/Gross Revenues.

Internal Analysis. A careful evaluation of a company's capabilities – processes, procedures, resources, expertise, flexibility – to compete in the marketplace. Usually completed as part of the market planning process.

Inventory. The materials owned and held by a business firm, including new materials, intermediate products and parts, work-in-process, and finished goods, intended either for internal consumption or for sale.

Inventory turns. Inventory turnover (above). Total cost of sales divided by inventory. Usually calculated using the average inventory over an accounting period, not an ending-inventory value.

ISO 9000. The International Standards Organization's 25-page set of quality standards; certification shows that a company meets world standards.

Keogh Plan. A type of retirement plan for self-employed people, allowing part of their earnings to be taken from their income and accumulate tax-deferred in an investment account until withdrawn.

Kickbacks. A return of a part of the price received for purchase; may result from a confidential agreement or from coercion.

L

Laggards. One type of adopter in Everett Rogers' diffusion of innovations framework describing the risk adverse group that follows the late majority that is generally not interested in new technology and are the last group of customers to adopt. Represent about 16% of a market.

Late Majority. The 34 percent of the farm community that adopts innovation more slowly than average. They are often skeptical about new ideas and tend towards a "wait-and-see" attitude.

Lease. A rental agreement for the use of property, such as buildings or equipment. Lease payments are deductible if the property is used in a trade or business.

Capital Lease (or Financial lease). A direct substitute for purchase of an item with borrowed money. Technically, it is a noncancellable agreement whereby the owner of an asset (lessor) transfers to someone else (lessee) most of the benefits and risks incident to the ownership of property and which agreement meets any one of the following four criteria:

a. At the end of the lease term, ownership of the leased property is transferred to the lessee.

b. The lease contains a bargain purchase option.

c. The term of the lease is at least 75% of the estimated economic life of the leased property.

d. The present value of the minimum lease payments equals or exceeds 90% of the fair market value of the leased property.

Operating Lease (or Non-Financial Lease). An agreement whereby the owner of an asset (lessor) generally retains most of the benefits and risks incident to property ownership but allows someone else (lessee) temporary use of the property for periods of time shorter than the useful life of the property, and the terms of the agreement clearly would not meet any of the four criteria used in determining a capital lease

Leverage. When have a fixed change and receive a higher return to the variable component. Two types: financial and operating.

Liability. A probable future sacrifice of economic benefits (i.e., payment of cash) arising from present obligations of a business to transfer assets or provide services to other businesses or individuals in the future as a result of past transactions or events. A sum of money owing by one party (the debtor) to another (the creditor) payable either on demand or at some future time.

Accrued Liability. A liability (debt) arising from the purchase or receipt of goods or services (including interest for the use of money) which, at the date of reporting, has only been partially delivered or performed, which has not yet been billed for payment and which has not been paid. While similar to an account payable, an accrued liability is different because (i) it includes an element of estimation to determine the amount and (ii) it is accumulated with the passage of time. Examples include accrued interest on debt, accrued utility bill, accrued wages for only a portion of a pay period, etc.

Contingent Liability. A potential expense, which may or may not eventuate, but which might need to be provided for by the business.

Current Liability. A liability (debt) whose payment (i) is scheduled to, or is reasonably expected to occur within one year or the operating cycle, whichever is longer, or (ii) is expected to require either the use of existing resources properly classified as current assets or the creation of other current liabilities for its satisfaction.

Current Portion of Non-Current Liability. That portion of principal (of a long term debt) that is scheduled and due to be paid within 12 months from the date of the statement of financial position (balance sheet). Sometimes referred to as current portion-term debt. theoretically sound because, by definition, current assets and current liabilities both have a one-year time horizon by when they are to be converted to cash (for current assets) or satisfied (for current liabilities).

Intermediate Liability. A term not recommended for use, usually meaning a liability due in one to ten years. Included in non-current liabilities.

Non-Current Liability. A liability (debt) with a date for payment due beyond one year from the date of the statement of financial position (balance sheet) or beyond the normal operating cycle (where the cycle is longer than one year). Non-current liabilities (long term debt) exclude that portion of the debt principal due for payment within one year (i.e., current liability (debt)).

Tax Liability. Amounts owed (whether due and payable or deferred) to any governmental body (federal, state, or local) having lawful taxing authority.

Liquidity. A theoretical measure of the relative length of time expected to elapse until (i) an asset can be converted into cash or (ii) a liability has to be paid with cash. However, for reasons of practicality, liquidity is measured not by units of time, but by simply comparing cash, near cash assets, or all current assets to current liabilities of a business for the purpose of assessing the ability of the business to meet current and maturing obligations as they come due in the ordinary course of business and without disrupting the normal operation of the business. Such a measure for liquidity is not only practical, but also theoretically sound because, by definition, current assets and current liabilities both have a one-year time horizon by when they are to be converted to cash (for current assets) or satisfied (for current liabilities).

Limited Liability Company (LLC). A relatively new form of business recognized by the IRS that is taxed much like a partnership, and shields its owners from liability for business debts, like a corporation.

Limited Partnership. A type of partnership that consists of at least one general partner with unlimited liability for business debts, and one or more limited partners whose liability is limited to their investment in the partnership.

Loans. Debt money for business. A secured loan is a loan that is backed up by a claim against some asset or assets of a business. An unsecured loan is backed by the faith the bank has in the borrower's ability to pay back the money.

Long term liabilities. On the balance sheet, debt and other financial obligations that must be paid after a year from the date of the balance sheet.

M-N

Management team. Provides the leadership for the business and must include combined strength in both management and technical areas. The management team should be selected for complementary talents rather than overlapping or duplicate skills.

Margin. Revenue less cost.

Market Intelligence. Knowledge about an existing market and the trends in that marketplace; may come from formal research or information sources.

Market Penetration. Increasing the number of customers who buy a product.

Market Share. A percentage of a market that is controlled by a company, business, or individual.

Market Strategy. The planning process that analyses the market, identifies opportunities and develops tactical approaches to achieving goals.

Marketing Mix. The complete set of activities involved in marketing: Product, Price, Place, Promotion, and People as they relate to a specific product or service.

Marketing Channel. A combination of organizations and individuals who perform the activities required to link producers to users to products to accomplish marketing objectives.

Marketing. Anticipating the needs and want of target customers and meeting those needs profitably.

Maturity Stage. The third stage of the product life cycle, when competition intensifies and sales growth slows.

Mission Statement. Short statement of the justification for existence for the business, what it wants to accomplish and be famous for.

Mode of Action. The biological or chemical activity of a product that results in its performance or efficacy.

Net Farm Income (NFI). A measure of the results of an agricultural operation and the gain or loss from the sale of farm capital assets in the ordinary course of business including those adjustments (to approximate the accrual basis of accounting) for changes to accounts receivable, inventories, prepaid expenses, raised breeding livestock, accounts payable, accrued liabilities, and other accrual amounts not otherwise already recognized and recorded, but before accounting for other revenue, other expenses, income taxes, and extraordinary items.

Net Farm Income From Operations Ratio. Net Farm Income From Operations/Gross Revenues.

Net Income. The excess of all revenues (including other revenues, income tax refunds and extraordinary gains) from whatever source, over all expenses (including other expenses, income taxes, and extraordinary losses) incurred in a specific accounting period, including those adjustments (to approximate the accrual basis of accounting) for changes to accounts receivable, inventories, prepaid expenses, raised breeding livestock, accounts payable, accrued liabilities, deferred income taxes, and other accrual amounts not otherwise already recognized and recorded.

Net Worth. Same as equity. Essentially the net remainder after total liabilities are subtracted from total assets.

New Task Buying. A purchase where the customer has very little experience or knowledge of a product or service.

Nonprice competition. Competition between brands for sales based on factors other than price, such as quality, service, or specific product features.

Note: the basic short term business loan. A note states repayment and interest provisions. It will be repaid, or substantially reduced, 30, 60, or 90 days after creation at a specified interest rate.

O-Q

Objections. Statements or questions the customer asks that show doubt, disagreement, or disbelief of stated product benefits.

Operating Profit Margin Ratio, (Net Farm Income + Interest Expense – Unpaid Operator Labor & Management)/Gross Farm Revenue.

Operating Expenses Ratio. Total Operating Expenses – Depreciation / Gross Revenues.

Opportunity Cost. The potential benefit (i.e. net income) that is forgone as the result of rejecting one or more alternatives while accepting another.

Outsource. Purchasing an item or service from an outside vendor for your business to replace something currently performed in house. It is implied that it can be done better or cheaper by someone else.

Orientation. Training offered to new employees or non new procedures; gives basic familiarity and information.

Owner Equity. Same as equity. The term is generally used when presenting a statement of financial position for only a business enterprise and which statement does not include information for an individual person.

Parity. Same or similar performance.

Partnership: a legal relationship created by two or more people to be co-owners of a business for profit.

Post Purchase Dissonance. When a customer fears that their expectations of a product or service will not be met after the sale

Price elasticity of demand. The percentage change in quantity demanded relative to a percentage change in price for a product or service. A good with a high elasticity has a sales volume that is very sensitive to small changes in price. A price inelastic good is not sensitive to changes in price.

Pricing, Gross Margin Target. Pricing products to result in a specific gross margin. Fro example, a gross margin of 20% on a product with a cost of $1.00 would be $1.25 (20% of the price).

Product Goals. A sales volume or a unit volume target set by a supplier or manufacturer within a defined market.

Product Label. The legal statement of a product's formulation, accepted uses, rates and cautions.

Product Positioning. A marketing method based on determining what market niche a business should fill and how it should promote its products or services in light of competitive and other forces. Positioning is what a business does to the mind of the prospect. That is, a business positions the product in the mind of the prospect.

Profitability. The extent to which a business generates a profit or net income from the use of land, labor, management, and capital.

Property, plant and equipment. On the balance sheet the long-life assets, including land, buildings, improvements, machinery, vehicles, equipment and so on that are used to conduct the business over a period of years. Also known as fixed assets.

Profit. The money remaining from a sale after cost of a product and operation expenses have been paid.

Pro-forma statements. A forecast of the income statement, balance sheet and statement of cash flows

Promotion (Strategies). Activities that communicate a company's value to the customer.

Prorate. To allocate or split one figure between two items, such as prorating business and personal use of an asset.

R

Rate of Return on Total Farm Assets. (Net Farm Income + Interest Expense – Unpaid Operator Labor & Management)/Average Total Farm Assets (Market Value)

Rate of Return on Farm Equity. (Net Farm Income from Operations – Unpaid Operator Labor & Management)/Average Total Farm Equity

Ratio. One number expressed as a proportion of another.

Ratio Analysis. Using numbers from the basic financial documents to gain insight into the business. These ratios cannot be judged as good, bad, or average just on their value. What the values for these ratios indicate is dependent upon the nature of the company, comparisons to its historical ratio values (if available), and comparisons to competitive companies in the same industry.

Restructuring. A strategy in which a firm changes its set of businesses or financial structure.

Retrenchment Strategies. These strategies are used when a company has a weak competitive position in some or all of its product lines resulting in poor performance; when sales are down and profits are becoming losses. Strategies range from turnaround to selling out to bankruptcy to liquidation.

Return on investment. Net profits divided by net worth or total equity; yet a measure of profitability.

Return on Assets. The net income generated by all assets, after labor has been compensated but before interest payments, divided by total assets. .It give a measure of the return to the total dollars invested in the operation regardless of the owner's equity position.

Return on Equity. The net income after all labor and interest charges, compared to the dollars of equity in the business. Interest is included by in the expenses in this calculation because this is a measurement of the net profit to the owner's equity investment.

Revenue. Cash inflows or other enhancements of assets of a business or settlement of its liabilities (or a combination of both) during an accounting period from the delivery or production of goods, from the rendering of services, or from other activities.

Gross Revenue. The total of all revenues received for goods produced for sale or for services rendered in a specified period of time from business activities that constitute the major, ongoing, central operations of the business.

Other Revenue. Incidental revenue that is received from sources other than the major, ongoing, central operations of the business, but not including incidental revenue received from extraordinary events.

Revenue per Full-Time Labor (FT). Gross revenue divided by the person years of labor (both operator and hired) used in the farming operation.

S

Segmentation. The process of dividing your market into segments or sub-markets in order to maintain or increase and improve efficiency.

Segments. A group of customers or prospects with similar needs and /or buying processes.

Shareholders' equity. Is the value of a business to its owners after all of its obligations have been met. This net worth belongs to the owners. Shareholders' equity generally reflects the amount of capital the owners invested plus any profits that are subsequently reinvested in the company. This reinvested income is called retained earnings.

Situation analysis. The assessment of operations to determine the reasons for the gap between what was or is expected, and what has happened or will happen

Stakeholder. Someone with a vested interest in a business

Standard Industrial Classification (SIC) Code. A product of the Statistical Policy Division of the U.S. Office of Management and Budget that organizes businesses according to a four-digit code. It is a number assigned to identify a business based on the type of business or trade involved. The first two digits correspond to major groups such as construction and manufacturing, while the last two digits correspond to subgroups such as constructing homes versus constructing highways. A business can determine its SIC number by looking it up in a directory published by the Department of Commerce, or by checking in the SIC book in the reference section of a local library. SBA size standards are based on SIC codes. Statistical data produced by government, public, and private organizations usually are categorized according to SIC codes, thereby facilitating the collection, comparison, and analysis of data as well as providing a uniform method for presenting statistical information.

Strategic partnerships. Two or more businesses joining forces for collaborative work. An agreement with another company to undertake business endeavors together or on each other’s behalf; can be for financing, sales, marketing, distribution, or other activities.

Strategic planning. Going through the strategic planning process doesn’t necessarily produce a strategy, i.e. it is not synonymous with strategy formulation. Strategic planning is strategic thinking, so a plan is not the only, or even the most important outcome. Strategic planning is strategic thinking; practice it until it is second nature.

Strategy. Planning and directing operations into the most advantageous position prior to use; a plan or action based on this. Creating fit among a companies activities.

Strategy, exit. The plan for getting out of a business. Can be done for any number of reasons. succession, sellout, bankruptcy, etc.

SWOT Analysis. (Strengths, weaknesses, opportunities, threats). A framework used to examine the internal and external environments.

T-Z

Term Debt Coverage Ratio. The accrual-adjusted net income (not cash flow) from the farm business that is available annually for scheduled principal and interest payments on term debt.

Calculated as Net Farm Income From Operations + Non-Farm Income + Depreciation + Interest Paid – Income Tax Expense – Family Living Withdrawals / Scheduled Principal & Interest Payments on Term Debt + Capital Lease Payments

Term Debt Repayment Capacity. An absolute measure of the dollar amount of income available for servicing term debt.

Term Debt Repayment Margin. Measures how much of the term debt repayment capacity remains after the scheduled principal and interest payments have been made.

Term Loans. Either secured or unsecured, usually for periods of more than a year. Term loans are paid off like a mortgage—so many dollars per month for so many years. The most common uses of term loans are for purchases of equipment and real estate.

Total Assets. On the balance sheet, the gross amount of all assets without any reduction for liabilities.

Total Liabilities. On the balance sheet, the gross amount of all liabilities without any adjustment for asset values.

Trade Off. More of one thing necessitates less of another.

Transgenic Products. Genetically – engineered products created by inserting a foreign gene or genes into the genetic makeup of an organism.

Throughput. The amount of material put through a process in a given time

Useful Life. The period of time the tax code directs to be used to depreciate a business asset.

Valuation Equity. That portion of equity recognized on a statement of financial position (or balance sheet) as the difference between net book value (depreciated historical cost, base value or other basis not charged as an expense) and the market value (net of deferred taxes) of assets

Value. The worth of a thing in money or goods at a certain time; that which is desirable for its own sake; thing or quality having intrinsic worth

Value added. Revenue less the cost of all products and services used by the activities.

Value bundle. The total combination of proposed goods and services suggested by the agriseller to the customer.

Value chain. A template used to understand the cost position of a company and the means by which it might implement a business level strategy. The chain can describe the process product creation at the industry level or just within a firm. A firm's value chain can be segmented into primary and support activities. Primary activities are involved with a products physical creation, sale and distribution to buyers, and service after the sale. Support activities provide the support necessary for the primary activities to take place.

Value, Intangible. Any value or result that is not quantifiable but is based on the perception of value by the customer, e.g., a salesperson's rapport with the customer.

Value, shareholder. The value of the stream of case flows the business generates.

Value, Tangible. Any value or result that is quantifiable via testing, use, or sales.

Value-Added Activities. An incidental or deliberate extension or expansion of a contracted service that increases the worth of the product or service to the customer.

Variable Cost. Costs that fluctuate in direct proportion to the volume of units produced. The best and most obvious examples are direct costs, such as materials, products purchased for resale, production costs, etc.

Vision and mission. Describes a company's personality. It is the way the business thinks about itself. Explains to readers of a business plan why the business exists and what it hopes to achieve.

W

Wholesale. The sale of commodities in quantity for resale (as by a retail merchant)

Working capital. The absolute dollar amount by which current assets exceeds current liabilities. In other words, it is capital (debt or equity) that is used to generate sales on a current basis. It reflects the margin in short-term capacity to meet current obligations as they come due. Total Current Farm Assets – Total Current Farm Liabilities.