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What is a Feasibility Study?

s the name implies, a feasibility study is an analysis of the viability of an idea. The feasibility study focuses on helping answer the essential question of "should we proceed with the proposed project idea?" All activities of the study are directed toward helping answer this question.

Feasibility studies can be used in many ways but primarily focus on proposed business ventures. Farmers and others with a business idea should conduct a feasibility study to determine the viability of their idea before proceeding with the development of a business. Determining early that a business idea will not work saves time, money and heartache later.

A feasible business venture is one where the business will generate adequate cash-flow and profits, withstand the risks it will encounter, remain viable in the long-term and meet the goals of the founders. The venture can be either a start-up business, the purchase of an existing business, an expansion of current business operations or a new enterprise for an existing business. *Information File C5-66*, **Feasibility Study Outline** is provided to give you guidance on how to proceed with the study and what to include. Also, *Information File C5-64*, **How to Use and When to Do a Feasibility Study** will help you through the process and help you get the most out of your study.

A feasibility study is only one step in the business idea assessment and business development process (*Information File C5-02*). Reviewing this process and reading the information below will help put the role of the feasibility study in perspective.

Evaluate Alternatives

A feasibility study is usually conducted after producers have discussed a series of business ideas or scenarios. The feasibility study helps to "frame" and "flesh-out" specific business scenarios so they can be studied in-depth. During this process the number of

business alternatives under consideration is usually quickly reduced.

During the feasibility process you may investigate a variety of ways of organizing the business and positioning your product in the marketplace. It is like an exploratory journey and you may take several paths before you reach your destination. Just because the initial analysis is negative does not mean that the proposal does not have merit. Sometimes limitations or flaws in the proposal can be corrected.

Pre-Feasibility Study

A pre-feasibility study may be conducted first to help sort out relevant scenarios. Before proceeding with a full-blown feasibility study, you may want to do some pre-feasibility analysis of your own. If you find out early-on that the proposed business idea is not feasible, it will save you time and money. If the findings lead you to proceed with the feasibility study, your work may have resolved some basic issues. A consultant (http://www.agmrc.org/directories__state_resources/agmrc_directories/consultants_and_businesses.cfm/valueadded_agricultural_consultants_and_service_providers_2) may help you with the pre-feasibility study, but you should be involved. This is an opportunity for you to understand the issues of business development.

Market Assessment

Also, a market assessment (*Information File C5-30*) may be conducted that will help determine the viability of a proposed product in the marketplace. The market assessment will help to identify opportunities in a market or market segment. If no opportunities are found, there may be no reason to proceed with a feasibility study. If opportunities are found, the market assessment can give focus and direction to the construction of business scenarios to investigate in the feasibility study. A market assessment will provide much of the information for the marketing feasibility section of the feasibility study.

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Results and Conclusions

The conclusions of the feasibility study should outline in depth the various scenarios examined and the implications, strengths and weaknesses of each. The project leaders need to study the feasibility study and challenge its underlying assumptions. This is the time to be skeptical.

Don't expect one alternative to "jump off the page" as being the best scenario. Feasibility studies do not suddenly become positive or negative. As you accumulate information and investigate alternatives, neither a positive nor negative outcome may emerge. The decision of whether to proceed is often not clear cut. Major stumbling blocks may emerge that negate the project. Sometimes these weaknesses can be overcome. Rarely does the analysis come out overwhelmingly positive. The study will help you assess the tradeoff between the risks and rewards of moving forward with the business project.

Remember, it is not the purpose of the feasibility study or the role of the consultant to decide whether or not to proceed with a business idea. It is the role of the project leaders to make this decision, using information from the feasibility study and input from consultants.

Go/No-Go Decision

The go/no-go decision is one of the most critical in business development. It is the point of no return. Once you have definitely decided to pursue a business scenario, there is usually no turning back. The feasibility study will be a major information source in making this decision. This indicates the importance of a properly developed feasibility study.

Feasibility Study vs. Business Plan

A feasibility study is not a business plan. The separate roles of the feasibility study and the business plan are frequently misunderstood. The feasibility study provides an investigating function. It addresses the question of "Is this a viable business venture?" The business plan provides a planning function. The business plan outlines the actions needed to take the proposal from "idea" to "reality."

The feasibility study outlines and analyzes several alternatives or methods of achieving business success. The feasibility study helps to narrow the scope of the project to identify the best business scenario(s). The business plan deals with only one alternative or scenario. The feasibility study helps to narrow the scope of the project to identify and define two or three scenarios or alternatives. The person or business conducting the feasibility study may work with the group to identify the "best" alternative for their situation. This becomes the basis for the business plan.

The feasibility study is conducted before the business plan. A business plan is prepared only after the business venture has been deemed to be feasible. If a proposed business venture is considered to be feasible, a business plan is usually constructed next that provides a "roadmap" of how the business will be created and developed. The business plan provides the "blueprint" for project implementation. If the venture is deemed not to be feasible, efforts may be made to correct its deficiencies, other alternatives may be explored, or the idea is dropped.

Reasons Given Not to Do a Feasibility Study

Project leaders may find themselves under pressure to skip the "feasibility analysis" step and go directly to building a business. Individuals from within and outside of the project may push to skip this step. Reasons given for not doing a feasibility analysis include:

- We know it's feasible. An existing business is already doing it.
- Why do another feasibility study when one was done just a few years ago?
- Feasibility studies are just a way for consultants to make money.
- The market analysis has already been done by the business that is going to sell us the equipment.
- Why not just hire a general manager who can do the study?

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 Feasibility studies are a waste of time. We need to buy the building, tie up the site and bid on the equipment.

The reasons given above should not dissuade you from conducting a meaningful and accurate feasibility study. Once decisions have been made about proceeding with a proposed business, they are often very difficult to change. You may need to live with these decisions for a long time.

Reasons to Do a Feasibility Study

Conducting a feasibility study is a good business practice. If you examine successful businesses, you will find that they did not go into a new business venture without first thoroughly examining all of the issues and assessing the probability of business success.

Below are other reasons to conduct a feasibility study.

- Gives focus to the project and outline alternatives.
- Narrows business alternatives

- Identifies new opportunities through the investigative process.
- Identifies reasons not to proceed.
- Enhances the probability of success by addressing and mitigating factors early on that could affect the project.
- Provides quality information for decision making.
- Provides documentation that the business venture was thoroughly investigated.
- Helps in securing funding from lending institutions and other monetary sources.
- Helps to attract equity investment.

The feasibility study is a critical step in the business assessment process. If properly conducted, it may be the best investment you ever made.

... and justice for all

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