financial

Strategic planning

Second of two parts

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In the last installment of the "Financial" column, we covered the beginning steps required for a strategic business plan, an essential element of your blueprint for success. Today, most investors and banks will not even consider putting money into your company without first seeing a strategic plan. Here, I finish explaining how to organize your outline.

Space requirements

Many people do not realize that with increased sales comes an increase in inventory. This requires a larger amount of space to store the inventory and more people to service the extra warehouse space.

In writing this section, you must ask yourself the following questions:

• Is the current available space large enough to handle the projected sales?

• Where will the company acquire extra warehouse space?

• How will the company pay for the extra labor required?

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• Will the extra costs associated with the inventory bring a greater profit? If you answer no to this, please consider stopping this process.

There is no worse feeling than not being fully prepared when entering into a business venture. Having these questions answered provides the business owner with a sense of confidence in his strategic business plan, as well as his business.

Financial information

It is critical that the funding needs be documented with financial statements that are dependable and reliable, showing an overall asset and debt structure on a current basis together with the operational aspects of the business.

Once the financial structure is prepared, the next step involves forecasting. A strategic plan will need financial statements and projections for the next three to five years, including:

• Projected statement of operations

• Balance sheets

• Cash flow statement, and

• Break-even analysis.

This section requires some knowledge of accounting and finance so if you do not have the expertise, it is imperative to obtain some outside help with this section of the strategic plan.

Even though it said that money is the root of all evil, it is difficult to run a business without it. You should always address your plans for cashing out the investors or paying off debt when you are structuring the deal. Lenders want to know how long you plan on having the outstanding debt. By addressing these concerns in the beginning, a bank is much more likely to commit the funds to the business, since the payoff is incorporated into the initial plan. The end result should be cash flow projections for three to five years that are very accurate.

The strategic business plan is your most important strategic document. It is used as the blueprint to finance your business and represents the foundation on which any future deal will be structured.

It should be regarded as a key marketing proposal that will gain the maximum level of interest from potential investors. An adviser will play a key role in the drafting of the business plan, ensuring that it is drawn up in a way that will appeal to the finance community.

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Antidumping

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more later as the duties can be retroactively adjusted for as long as the government feels harm is being done to U.S. manufacturers.

There is still an opportunity for the rates to get dismissed as defendants have until Dec. 22 to choose to appeal the decision, though it could still take years for a final decision to be made if the appeal is accepted.

Until such time, though, the rates for both antidumping (AD) and countervailing duties (CVD) announced by DOC are in effect.

There are technically three groups of concern: mandatory respondents, which consisted of four Chinese manufactures; separate rate companies, representing 67 mills that responded to DOC requests for information and who, together with the four mandatories, reportedly represent upwards of 95% of the imported wood, and all the rest—also known as PRC wide or all industry—which are those companies that did not reply to U.S. government requests.

Exporter	Final Ad Rate	Final CVD Rate
Zhejiang Layo	3.97%	0
Zhejiang Yuhua	0	0
Samling Group	2.63%	1.5%
Fine Furniture	3.3%	1.5%
Separate Rate Companies (represents majority of imports)	3.3%	1.5%
PRC-Wide "all industry" Entity (estimated at less than 5% of imports)	58.84%	26.73%

*Information courtesy of the Alliance for Free Choice and Jobs in Flooring.

The mandatories, which along with Yuhua, were Zhejiang Layo Wood Industry Co. (Layo), Samling Group (Samling) and Fine Furniture, each received their own rates AD rates: 3.97% for Layo, 3.3% for Fine and 2.63% for Samling. As noted above, Yuhua was cleared of any unfair trade practices and thus received a 0% rate.

The separate rate companies had their AD rates set at 3.3%, which is the average of the three rates given to the mandatories.

Meanwhile, the PRC wide mills have been given a 58.84% AD duty on their products.

With regard to the CVD rates, DOC issued a 0% rate for Yuhua and also for Layo, while Samling and Fine Furniture each received a 1.5% rate, which is also the same figure for the separate rate companies.

The PRC wide companies were given a CVD rate of 26.73%.

While the AD and CVD duties are separate fees, for the purpose of importing a product, the rates are added together. This means, products from Samling are subjected to a 4.13% fee; those from Layo a 3.97% fee, and Fine Furniture a 4.8% fee. Manufacturers listed as separate rate companies have a 4.8% fee, and all others will be assessed at a combined rate of 85.57%.

Obviously, response to ITC's affirmative vote drew different responses from those who filed the unfair trade petition, formally known as the Coalition for American Hardwood Parity (CAHP) and those who were against it, led by a group of U.S. importers and Chinese manufacturers known as the Alliance for Free Choice and Jobs in Flooring (AFCJF).

Jeff Levin, lead counsel for CAHP, stated, "We are very pleased with ITC's determination. This marks a successful conclusion to a hard-fought battle, and represents an important win for American manufacturing, and the fight to keep honest paying manufacturing jobs in this country. [It] also represents a substantial step toward redressing the harmful impact of unfair trading in the U.S. market."

The companies making up CAHP include Anderson Hardwood Floors, Award Hardwood Floors, From the Forest, Howell Hardwood Flooring, Mannington Wood Floors, Nydree Flooring and Shaw Industries (*Editor's note: Even though Anderson was bought by Shaw, it is run as a wholly owned subsidiary and, as such, is a separate legal entity*). Baker's Creek, which was part of CAHP when the petition was filed, left the group in April after being purchased by Home Legend.

Meanwhile, Jonathan Train, import product manager of Swiff-Train and president of AFCJF, said, "Of course we are all very disappointed." He told *FCNews*, "The commissioners voted 4 to 2 to affirm the petition. From our standpoint, that's a loss. The ultimate win would have been to dismiss the case altogether."

In AFCJF's official release on the vote, Train maintained the group's position there are "fundamental flaws in the petitioners' case" that "the ITC failed to recognize…We knew when we started, the system is designed to make it nearly impossible for the ITC to deny a petition even in the face of overwhelming evidence to the contrary. We see this as a failure of the system rather than any validation of the petitioners' claims."

He later told *FCNews*, "But from the other standpoint, I don't think they got anywhere near what they expected. The fact the rates [for the vast majority of imports is] so low gives us a window to still conduct business as usual and transition to other options if need be."

The biggest thing seeming to come from this, beyond the rates set, has to do with retroactive liability.

Every year from the date the rates are officially published, which is expected to be near the end of the month, the government puts out a notice stating anyone who would like to challenge the rates for any or all companies having to pay them. If a review is requested the government not only looks at new information from the previous year, it goes back and to day one and re-examines everything. If it concludes the rates need to be changed—up or, possibly, down—they are adjusted accordingly and go into effect until the next year when another review can be requested.

As Train told *FCNews*, if the result of these audits and reviews are higher, "the importer is liable for that difference retroactively for all shipments to December 2011. But I may not know the results until April 2013. Then the same process starts all over again starting December 2012. It is the annual rate change and retroactive liability that will cause constant price volatility. Also, the rates can change on an exporter by exporter basis."

If no review is requested, the original rates remain in effect for at least another year.

Plus, every five years the government does an automatic sunset review. An official with the International Trade Administration told *FCNews*, the sunset review looks to see if revoking the AD and CVD duties would lead to what it deems unfair trade to return. If so, the order is stayed and will continue for another five-year period. During such time, annual requests for audits can take place.

(Editor's note: Overall, it is a complicated issue and companies from both sides of the dispute have been making their feelings known on the hows and whys of the case. FCNews *will continue to provide coverage in upcoming issues and online at fcnews.net to ensure readers are well informed on how this will affect them.)*