

The Ohio State University South Centers

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**INSTITUTIONAL/WHOLESALE SPECIALTY CROPS  
GROWER WORKER-OWNER COOPERATIVE  
XYZ Business Plan Model **(DRAFT TEMPLATE)****

**2013**

**INSTITUTIONAL/WHOLESALE SPECIALTY CROPS  
GROWER WORKER-OWNER COOPERATIVE  
XYZ Business Plan Model (DRAFT TEMPLATE)**

This is a template of a specialty crops worker-owner cooperative business plan. This model is targeted at a farm operation that achieves a break-over point when the business becomes a profitable operation while marketing to institutions and wholesale buyers. Some content in this template are estimations and some content will not fit your particular situation. When this is the case, please change or edit content as you deem necessary. Actual individual farm business plans could vary greatly!

(Brad Bergefurd and Tom Snyder)

1234 ST. RT. #1 Anywhere, USA, 87654

1/1/2013

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## Section I: Executive Summary

*The Executive Summary comes first, but may be written last, after the Human Resources, Operations, Marketing, Finance and Strategic Planning & Management sections are completed. The purpose of this business plan is to provide a practical tool so that board members, staff, and managers of a specialty crops farm can edit to be able to have a common understanding of:*

- *Type of cooperative emphasis such as union, business, training, and/or faith based.*
- *The work that needs to be accomplished to meet the mission, vision, and goals of the farm.*
- *What production, financing, services, and development activities are needed.*
- *How success is measured.*

### A. Company Overview

1. **Company Name** – XYZ Specialty Crops (SC) Farm
2. **Location** – 1234 ST. RT. # 1 Anywhere, USA 87654
3. **Legal Structure & When Formed** - cooperative, formed 2012
4. **Type** - A business and training worker-owner Specialty Crops (SC) growing and institutional/wholesale marketing cooperative
5. **Size** - When fully operational sales are equal to approximately \$5,000,000 gross income per year on 660 acres and a 51 (30x96) high tunnel operation
6. **History Highlights** - TBD
7. **Mission – Why you exist (values)** - The mission of the farm is to improve the local economic conditions and personal health of our community and to employ unemployed and under-employed individuals in a cost-effective, profitable, regional, grower-owned business and training cooperative.
8. **Vision – Where you want to go (directional, motivational)** - We want to provide an environment to support the employment and training of over 125 worker-owner growers, the development of local organically/naturally grown foods, and a marketing systems for institutional and wholesale buyers. It is hoped the institutional buyers will eventually include most school districts in the region. The goal is to develop an 8,500 acre farm to produce over \$65,000,000 in annual sales, employ over 1,625 employees, and become owner-operators of the food value-chain related businesses in 10-15 years. The long term goal is to create a 5% shift in the sourcing of foods locally, including other non SC and value-added products. An overall food hub related business plan will need to be developed for the hub and other value chain related businesses expansion.
9. **Important company features (customers, employees, other Stakeholders value)** - The farm would include multiple growing sites located and operated by the XYZ cooperative board in partnership with other interested community agencies using the resources and leadership available through those resources. Customers may include county schools, colleges, hospitals, other institutions, stores, and wholesale buyers such as DNO, Republic Food Enterprise Center (RFEC), Blue Ridge, etc.

**B. Nature of the Business**

1. **What product/service you sell?** - Specialty crops such as fruits and vegetables. The specific fruits and vegetables, quantity, and quality will be determined by the buyers institutions' menu and customers' needs. Contracts for product will be secured ahead of time for the development of the season's growing and planting plans. Employee, apprenticeship, and trainee positions will be created with the number of openings matched to current and future labor needs. Some employees will leave our cooperative to start their own related businesses which could also be supported by this effort through cooperative membership.
2. **What need/problem/opportunity? (Benefit to buyer?)** - The cooperative will produce and sell safe, fresh locally grown, organic/naturally grown fruits and vegetables to meet the buyers' specifications. Buyer contracts, land, equipment, facilities, worker/trainees, and funding will need to be secured and production provided based on the buyer contracted needs.
3. **For what market area and target audience? (market potential)** - The market area will be the local community of approximately a 100 mile radius of the XYZ cooperative aggregation facility. The target audience will be local schools, colleges, hospitals, grocery stores, or wholesale buyers.
4. **What are the alternatives to your product/service?** - Retail markets such as CSA's, farmers/farm markets, restaurants, food banks, etc.
5. **What is your competitive advantage?** - Being a work-owner cooperative will offers the opportunity for our growers to cost-effectively work together to provide the quantity/quality of product needed in order to have a profitable institutional/wholesale business. The cooperative members can also share equipment, facilities, purchasing, services, management, marketing personnel, etc. to help make their local operation competitive.

**C. Key Characteristics of the Industry**

**Brief Summary of the Size of the Industry, Types of Businesses, History, Trends, Critical Issues and Your Business "Fit" in the Industry** - Estimating Ohio Consumption in 2009 the Ohio Food Policy Council; Food Assessment Task Force, Michael Webb and Jill K. Clark, concluded (see chart below) that the yearly consumption suggest that many opportunities exist for producers.

	Yearly Per Capita Consumption in Ohio (pounds)	Total Yearly Consumption in Ohio (pounds)
Vegetables	405.59	4,650,904,948
Meats	293.82	3,369,160,913
Fruits	268.89	3,083,302,249
Dairy	266.63	3,057,380,474
Fats & Sugars	242.99	2,786,320,049
Grains	<u>192.84</u>	<u>2,211,325,602</u>
	1,674.76	19,158,394,235

Note: Ohio students (K-12) = 485,760,000 lbs./year

\*Leopold Center, Iowa State

## Wholesale Business Plan Edits - 4/9/2013 edits

A report, Ohio's Food Systems, Farms at the Heart of It All, 2011, by Ken Meter, said that Ohio consumers buy \$29 billion of food each year. Yet about \$26 billion (89%) of this food is sourced outside of the state. Also it is reported by Brad Masi, Leslie Schaller, and Michael H. Shuman in the 25% Shift, 2010, that the impact of a 16-county northeast Ohio region moving a quarter of the way toward meeting local demand could create 27,664 new jobs in that area.

A West Virginia specialty crops study completed in 2013 said that crop farming is a 'viable option' to enhance the state's economic future. The West Virginia Food and Farm Coalition enlisted the help of the West Virginia University Extension Service, WVU Davis College of Agriculture, Natural Resources and Design, WVU Extension's Small Farm Center and Downstream Strategies for this effort. The following are some conclusions of the study:

- Fruits and vegetable farming can be a viable business option in the state and it's an opportunity that could be missed if not invested in and protected.
- There is enough farm land for fruits and vegetable crops without disturbing the existing land used.
- The USDA Agriculture Census statistics indicate that only about 20 percent of all farms in the state see annual sales beyond \$10,000 and now the demand greatly outweighs the supply.
- Farming shouldn't just be a hobby or pastime for West Virginians, with proper planning and legislation it can really be considered part of the state's economic future.

Also a food hub packing houses study/plan, READY TO GROW, 2010, was a study/plan completed for helping to increasing Illinois fruit and vegetable production and the results indicated the following:

- Farmers markets CSAs are growing rapidly, yet 99% of agricultural products consumed are purchased through wholesale channels
- Serious ambition to scale up food production requires reaching wholesale markets
- Conveniently located packing house would be a potential solution to some of the barriers growers face in scaling up
- The financial model for the packing house was designed to serve 1,000 – 2,000 acres, with capacity for additional acreage
- An 18,000 square-foot facility would require approximately 1,200 acres to break even, and can serve up to 3,500 acres at 95% capacity
- There must be buy-in from growers to the pricing arrangement and participation in pre-season crop planning
- The Ready to Grow Action Plan concludes, that there are strong signals of grower interest in increasing participation in the wholesale market if a packing house were established

The following conclusions and strategies were based on reports, studies, and client contacts of the business and horticulture specialist staff, Tom Snyder and Brad Bergefurd, of The Ohio State University South Centers (2008-2013).

- Many mid-size to large farms are needed to impact local foods community goals
- Forming 50 + acre and/or 35 + high tunnels (30x96) farms could result in creation of new jobs with \$12/hour, healthcare, and retirement benefits

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- Mid-size and large farms could be organized into traditional or worker-owner food hub cooperatives of ~ 1,000 acres and 75 high tunnels farms creating 250 new jobs and ~ \$6,500,000 to \$10,000,000 of gross sales
- Hubs could own/operate other value chain and value added businesses (Food processing, stores, restaurants, distribution, etc.) with grower worker-owners having the business ownership benefits
- Once the worker-owned farms/hub are established the cooperative could recruit other independent existing farmers to participate in their worker-owner business
- Extension, apprenticeship program providers, community service providers, secondary agriculture programs, community colleges, and other stakeholders need to assist in achieving these goals

Our XYZ cooperative will work in partnership with other interested community stakeholders using the resources and leadership available through those resources to achieve its business and training goals.

### D. Brief Financial Highlights

**Start-up Costs (In three years):** \$2,118,600 (660 acres & 51 high tunnels)

- Irrigation/water systems development = \$105,600
- Small equipment/computers/hand tools = \$30,000
- Large Equipment = \$1,000,000
  - Tractor and attachments, harvest equipment, truck, and trailer
- Fifty one high tunnels = \$510,000
- Fences = \$5,000
- Parking and driveway development = \$3,000
- Barn (Residents, storage, vehicles, and office facilities) = \$150,000
- Cooling Facilities = \$265,000
- House renovations (Farm manager and family) = \$25,000
- Loss over three years = \$25,000

**Operational Costs (In year four):** \$4,770,086

- Farm executive manager 2,080 hours x \$25/hour (S/F) = \$52,000
- Office and site managers 2,080 hours x \$19/hour (S/F) x 4 = \$158,080
- Farm workers ~ \$12.50/hr (S/F) x 2,000 hrs. x 120 = \$3,001,440
- Lease 660 @ \$300/acres = \$198,000 (Purchase option)
- Small equipment/tool repair/replacement = \$15,000
- General repair = \$30,000
- Insurance: Farm = \$15,000, Product liability = \$20,000, GAP Certification = \$3,000 and NAP = \$750
- Utilities = \$60,000
- Pollination = \$4,800
- Large equipment gasoline/oil/etc. = \$200,000 and repair = \$20,000
- Seeds, plants, etc. = \$60,000
- Fertilizer and lime = \$85,000
- Chemicals = \$150,000
- Field plastic and water/drip lines = \$42,000
- Miscellanies supplies = \$15,000
- Start-up loan Interest and principle annual payments (10 years @ 5%) = \$206,016
- Operational (line-of-credit) loan interest payments = ~ \$434,000



## Wholesale Business Plan Edits - 4/9/2013 edits

- **Sales forecast for early production (First three years)** - A 120 acre operation expanding to a 660 acres and 17 high tunnels expanding to 51 high tunnels in SC production that shows average gross income revenue: Starting at \$1,650,000 and increasing to \$5,000,000 per year (year one 2014 - 120 acres/17 high tunnels, year two 2015 - 240 acres/34 high tunnels, and year three 2016 - 660 acres/51 high tunnels)
- **Estimated returns for three years = (- \$25,000)**
- **Estimated returns in year four** = \$81,231
- **Sales forecast at target/break-even point (In year four)** - Sales equal to approximately \$5,000,000 gross income per year on 660 acres and a 51 (30x96) high tunnel operation in SC production
- **Estimated capital loan amount** = \$1,618,600 (with \$500,000 community grant)
- **Estimated annual loan payment** = \$206,016 over 10 years: Our financial worksheets show a loan being obtained for a tractor/implements purchase, facilities, and necessary other fixed assets for a produce farm as well as an operating loan. This loan is amortized for 120 months at a 5% rate. This is not necessarily based off of a current bank's rate and terms it is just showing the payment that may be expected for this type of request. This may be an area you can save significantly based on variable factor such as; lender, credit, and interest rates at the time of obtaining a loan. (NOTE: this loan is list as one loan but some of the start-up cost are in year two and three)
- **Estimated operational loan amount in year four** = \$4,770,086. Your financial worksheets should show a line-of-credit loan being obtained for operating at a 5% interest rate.

## E. Strategic Management

### 1. How you are addressing internal strengths?

- We will utilize our experienced wholesale grower on staff for leadership
- The locally grown advantage needs to be well marketed to buyers and community leaders
- The safety, food security, and nutritional advantage will also need to be well marketed to buyers and community leaders

### 2. What are the external opportunities and threats?

#### Opportunities

- Public opinion about buying local, safe, and fresh foods
- We will utilize Extension and university horticulture specialists support
- We will utilize Cooperative Development Centers and Small Business Development specialists support
- We will utilize union and community leaders and financial supporters
- Take advantage of cooperative tax and anti-trust laws favorable to cooperatives



## Wholesale Business Plan Edits - 4/9/2013 edits

- Once the cooperative is operational small farmers can be assisted and can participate in benefits as part of the larger operation

### Threats/Barriers

- Obtaining financing and loans
- Large producers may adjust their prices and business procedures to undercut the cooperative
- Worker-owners boards are hard to maintain at an effective and consistent level
- Obtaining, training, and maintaining a strong workforce

**3. Summary of short range & long range goals** - We want to provide an environment to support the employment and training of over 125 worker-owner growers and the development of local organically/naturally grown foods and a marketing systems for institutional and wholesale buyers. It is hoped the institutional buyers will eventually include most school districts in the region. The goal of a 8,500 acre farm is to produce over \$65,000,000 in annual sales, employ over 1,625 employees, and become owner-operators of the food value-chain related businesses in 10 -15 years with the long term goal of creating a 5% shift in the sourcing of foods locally. An overall food hub business plan that includes the value-chain related businesses that will need to be developed for this businesses expansion. The cooperative would like to provide the population in 100 mile radius with much of their yearly consumption of fruits/vegetables, help unemployment/under-employment, and keep food dollars in the local community.

### **4. Key measurable “drivers” that impact your costs, revenue and business goals, return on investment, inventory turns, product rejection rate, quality, capacity?**

For this model we have used 5 different buyers for income:

- Fifteen counties public schools (40%)
- Wholesale buyer(s) (40%)
- Retail Store (8%)
- CSA - 300 member (8%) - temporary buyers until institutional and wholesale buyers are fully established
- Food Banks (4%) for product rejection option

Operational costs are in 5 major areas:

- Cooperative management and sales
- Labor costs (~65%)
- Total cost of inputs (seed/plants, fertilizers, chemicals)
- Fixed business expenses (repairs, insurance, fuel, supplies)
- Other expenses (loan, lease, depreciation, etc.)

Our goal is to not necessarily to obtain a large return on our investment on the farm but to be able to provide fresh safe local foods, create jobs, and generate capital for farm/business expansion. The cooperative and other local farms will produce products that can be processed, marketed, and distributed to customers. This part of the value chain is where more of the profits will be realized. In a worker-owner cooperative as these profits can also be shared by the workers on the farms.

## Section II: Management

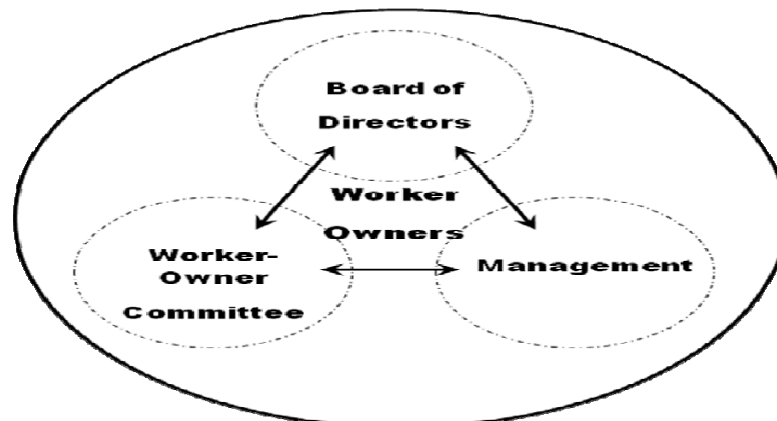
### Human Resources

#### A. Owner, Manager/s

**Experience and key skills – skill level)** - Most of the workers would be the owners of the cooperative business. A board of directors is formed with bylaws, jobs/pay levels, and policy and procedures manuals needing to be developed ASAP to govern the operation. A farm manager is already secured with the experience and skills necessary to operate/manage the farm. Key employees, who would have experience in farm operation and management, will need to be secured at most farm satellite sites. An office manager will also need to be secured with the experience and skills necessary to operate and manage the bookkeeping and records of the operation.

#### B. Employees

**HR Policies & Procedures (Job descriptions, hiring strategy, compensation, performance evaluation process, worker-owner status, employee training, retention, motivation)** - The labor needed to operate the farm will be supplied by mostly worker-owner employees, some workers on probation for worker-owners status, seasonal, and student/trainee workers. Job description, compensation, workforce in-services, and training will be base on staff needs, operational needs, and on a growers' DACUM analysis completed by OSU South Centers. Employee and trainee recruitment will be mostly from local sources and the process will be structured to reflect the varied demographics of the community. A blend of applicants that represent local/non-local community and socially minded people, individuals just needing employment, and the disabled/disadvantaged will be targeted for the cooperative. However, all applicants hired must meet the high standards for becoming a strong and productive employee and worker-owners. The workers-owners will form a worker committee and interact with the cooperative structure as per the following.



### C. Consultants & Advisors

**Attorney, Accountant, Insurance Agent, Consultant, Advisors, etc. -**

The following examples are service providers who could be secured for the cooperative:

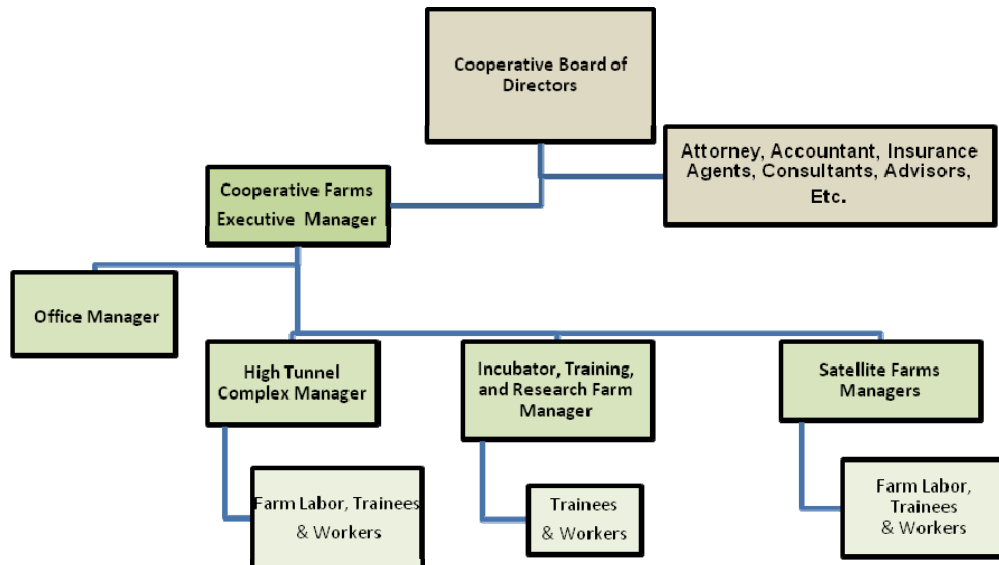
- Jeff Harr, Balestra Harr and Scherer, CPA
- Robert Moore, Attorney at Law, Wright Law Co. LPA
- Joel Gerber, Agent, Nationwide Insurance
- John Tebbs, Agent, Diversified Services, RCIS

The following examples are advisors that could be ex officio members of the cooperative board of directors:

- Brad Bergefurd, OSU Horticulture Specialist
- Christie Welch, Program Manager and Tom Snyder, Partnership Program Manager, The Ohio State University South Centers, OCDC
- Roy J. Messing, Interim Director and Chris Cooper, Business Succession Planning Program Coordinator, Ohio Employee Ownership Center, Kent State University
- Joe Rinehart, USFWC/DAWN Technical Assistance Center, California

### D. Organizational Structure/Communications

**Job descriptions - who does what and reports to whom** - Job descriptions are to be developed based on the following cooperative organization chart:



## E. Individual & Organizational Development

***As the business owner, how will you prepare for on-going continuous improvement for yourself and others throughout the organization? Establish an advisory/steering committee to provide on-going feedback.*** - The advisory committee will be made up of the managers, representatives from the worker-owner committee, the board, and ex officio members. This committee will assess the cooperative and satellite units' performances and the personnel's' overall performances based on business successes and job description requirements. Committee reports will be shared with the worker committee, the whole board and ex officio members, and with farm managers. Strategies to address issues will be developed by the executive manager and presented to the board and worker committee.

## F. Management Strategies

***How will you make the most of the people involved with your business? What can you delegate or outsource? What help and support do you need? How would you describe your organizational culture?*** - The dynamics of worker ownership will continually be emphasized and address. Continuous improvement data and follow-up statistics will also be shared with the employees to motivate workers to perform at a high level. Related businesses in the food value chain are planned for future expansion for worker ownership. These new value-added and value chain businesses, where growers can share in the profits of this effort, will help create incentive for employees to work hard and be productive. Wellness training and support services as well as healthy eating instruction will also be provided for the workers.

## Operations

### A. Equipment & Location

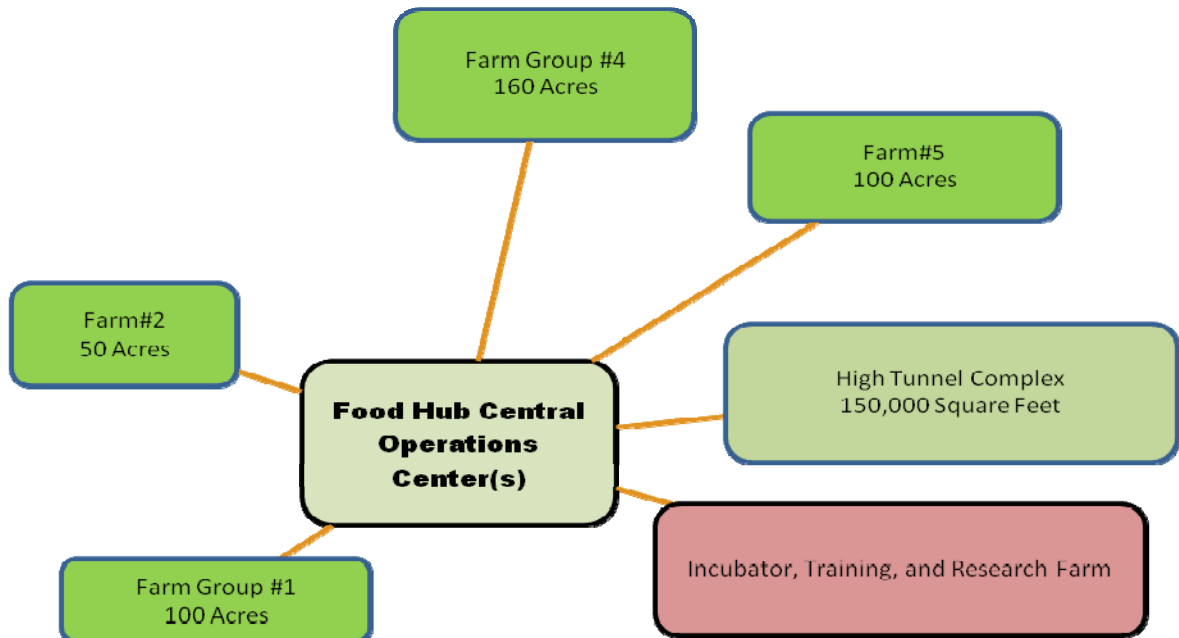
***What equipment and inventory items are required to start and run your business? What do you currently own? What will you purchase? What will you lease? Where is the business located and conducted? (why: features? any zoning issues?)*** - The large equipment budget is \$1,000,000 and the following items need to be purchased for start-up operations:

- Tractor and attachments
- Two planters and Two harvesters
- Truck
- Trailer

\*Refer to the attached projected financial start-up and operational cost spreadsheet projections for needed workforce, equipment and operating costs. Note: The cost spreadsheet documents should be developed as cooperatives customize this plan to fit their situation.

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The central business operations center is located in the metro area and the satellite farms are located within a 50 miles radius from the central operational area (see operational areas below):



## B. Hours of Operation

***When does your business operate?*** - The addition of high tunnels to the operation serves two main purposes. One, it can extend the growing season so that fresh vegetables can be supplied in the fall-winter-spring months to supply schools and other buyers with product in a timely fashion with much of the product supplied without processing expense. Second, this strategy will help to maintain full-time positions for the workers. Work hours will be approximately 40 hours per week and will have to be flexible based on weather and growing conditions. Increased labor needs will also be experienced during field harvest season for the five to six months from June to November.

## C. How do you Purchase, Produce and Distribute?

***Production and Inventory Procedures/Sales and Distribution/Quality*** - Production quantity and quality as well as the type of product grown will be based on pre-season contracts. Early in the cooperative start-up period aggregation and distribution services will be contracted to local vendors. Some inventory will be maintained for the month and a half of the coldest period of the year to maintain continuous product availability. Collaborating with other growers for purchasing of inputs, services, and supplies will also be necessary to keep costs low.

## **D. Data Management**

***How do you manage data (entry, processing, back-up, contacts, correspondence, bookkeeping, other files)?*** - The office manager will manage the bookkeeping which includes accounts receivable and payable, payroll, insurance and loan payments, training and job application records, production records, and employee performance records. We will obtain or develop crop tracking software which will help monitor all crop profit data.

## **E. Risk Management**

***How do you manage risk? (prevent & protect)*** - Based on production records for approximately the first three years we should be able to purchase crop risk insurance in year four. Also by having crops in five different locations in the region we will help reduce the risk of weather and disease related issues affecting the whole crop's annual production. We would also need to purchase liability insurance for product, property, and facility coverage. Providing safety and first-aid training will be a high priority for the staff.

## **F. Insurance**

***What insurance brokers, costs, types of insurance you need?*** - We would need to purchase coverage for risk, product, property, and facilities.

## **G. Taxes**

***Which local, state and federal regulations and taxes apply to your business?*** - Given that the cooperative is a legal corporation in the state of Ohio, it is subject to standard corporate taxes with the exception of special federal provision (Sub Chapter-T) which also allows the business to shelter 80% of its profits if reinvested into the business. A law and accounting firm, which understands all the special issues with cooperative businesses, should be secured for the cooperative.

## **H. Licenses & Permits**

***What permits and licenses have you determined apply to your business?*** Good Agriculture Practices (GAP) training and third-party audits certificates will need to be secured and maintained. Although not frequently used, special licensure related to chemical uses is also need to be secured and maintained.

## **I. Business Cycles**

***What do you know about your business cycles? (Production, Delivery, Sales, Inventory, Financials)*** Much of this depends on the type of specialty crops we are contracted to grow; however, the goal is to produce product year around. At first the cooperative will contract for aggregation and

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distribution services. Some product inventory will be maintained in the coldest winter month(s) to provide for a continuous supply to buyers. Operational/line-of-credit loans will need to be secured for the cooperative early years of operation.

### **J. Operational Strategies**

***How will you make the most of your location, purchasing & production processes?*** - The locally organic/naturally grown advantage needs to be well marketed to buyers and community leaders. Also the safety, food security, and nutritional advantage of our product will also need to be well marketed. Collaborating with other growers for purchasing of inputs, services, and supplies will be necessary to keep costs low. In the future the cooperative and other local farms will produce products that can be processed, marketed, and distributed to customers by the cooperative. This part of the value chain is where most of the profits will be realized. In a worker-owner cooperative these profits can also be shared by the workers on the farms.



## **Section III: Marketing**

### **A. Business, Industry and Situation Overview**

**General Description of the business.** The business is a training worker-owner Specialty Crops (Such as fruits and vegetables) growing and institutional/wholesale marketing cooperative. We want to provide an environment to support the employment and training of over 125 worker-owner growers, the development of local organically/naturally grown foods, and marketing systems for institutional and wholesale buyers. It is hoped the institutional buyers will eventually include all the school districts in the region.

### **B. Target Market & Trade Area**

**Who is your target market (who and where)?** - For early operations, we have the following five different buyers for customers mainly located in a 100 mile radius of our metro operations center:

- Fifteen counties public schools (40%)
- Wholesale buyer(s) (40%)
- Retail Store (8%)
- CSA - 300 member (8%) - temporary buyers until institutional and wholesale buyers are fully established
- Food Banks (4%) for product rejection option

### **C. Products/Services**

**What need/problem/opportunity?** - The cooperative will produce and sell safe, fresh locally grown, organic/naturally grown fruits and vegetables to meet the buyers' specifications. Communities have an increased interest in safe, fresh locally grown produce such as fruits and vegetables and are willing to pay more for the product.

### **D. Competitive Advantage**

**What is your competitive advantage/positioning?** - Being a work-owner cooperative will offers the opportunity for our growers to cost-effectively work together to provide the quantity/quality of product needed in order to have a profitable institutional/wholesale business. The cooperative members can also share equipment, facilities, purchasing, services, management, marketing personnel, etc. to help make their local operation competitive. Buying local and supporting local businesses, especially those who produce safe, fresh, nutritious foods, is very popular in our community.

### **E. Marketing Strategies**

**What is your overall marketing strategies?** - Our strategy is to sell as much as possible to institutions, then to wholesale buyers, and some will be sold

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retail. We are going to go after pre-season contracts to direct our production plans and labor needs. Having locally produced products is in high demand with few local growers to supply the need. We hope to capture the market before others scale up their production to meet the demand.

### F. Sales Forecasts and Assumptions

***How much money will you generate? Include a sale forecast summary and narrative on your assumptions - how you develop projected review.***

- ***Sales forecast for early production (First three years)*** - A 120 acre operation expanding to a 660 acre and 17 high tunnels expanding to 51 high tunnels in SC production that shows average gross income revenue: Starting at \$1,650,000 and increasing to \$5,000,000 per year in year four (year one 2014 - 120 acres/17 high tunnels, year two 2015 - 240 acres/34 high tunnels, and year three 2016 - 660 acres/51 high tunnels)
- ***Estimated returns for three years = (- \$25,000)***
- ***Estimated returns year four = \$81,231***
- ***Sales forecast at target/break-even point (In year four)*** - Sales equal to approximately \$5,000,000 gross income per year on 660 acres and a 51 (30x96) high tunnel operation in SC production

**Note:** Data for forecasting came from university based specialty crop research and resent local/Ohio history in the industry.

### G. Measures of Success

***What are the key factors you will measure and when will you measure them? (\$/customer, number of customers/day or month, expansion of trade area, product return rate, etc.)***

The following key factors will be measured and reported to the board and cooperative members annually:

- Number of individuals employed
- Number of individuals who start their own business
- Value of product purchased locally as opposed to out of state/region
- Profit/loss on each product after expenses
- Total profit/loss for the incubator farm operation
- Total profit/loss for the each satellite farming field operation
- Total profit/loss for the high tunnel farming operation
- Total profit/loss for the total cooperative

## Section IV: Money

### A. Financial Assumptions

**1. Discuss assumptions made to arrive at financial projections – how did you determine your cost of production, pricing, dollars of sales, etc.**

Financial projections were reached in this model by compiling industry standard averages. These numbers will change from operation to operation as it depends on what type of specialty crop you are raising and the costs associated with such crop. Once you determine your buyer and desired crops you will then have a better idea on the total income and expenses expected. Data use for forecasting in this plan came from university based specialty crop research and resent local/Ohio history in the industry.

**2. If seeking funding for your project, discuss how much money you are seeking and what that money will be used for. How will the money be repaid? Do your financial worksheets support this? Discuss your Break Even Analysis.** Your financial worksheets should shows start-up and operational loans needed being supporting by your plan. See examples below:

- **Sales forecast for early production (First three years)** - A 120 acre operation expanding to a 660 acre and 17 high tunnels expanding to 51 high tunnels in SC production that shows the following revenue: Starting with \$1,650,000 and increasing to \$5,000,000 per year in year four (year one 2014 - 120 acres/17 high tunnels, year two 2015 - 240 acres/34 high tunnels, and year three 2016 - 660 acres/51 high tunnels)
- **Estimated returns for three years = (- \$25,000)**
- **Estimated returns year four = \$81,231**
- **Sales forecast at target/break-even point (in year four)** - Sales equal to approximately \$5,000,000 income per year on 660 acres and a 51 (30x96) high tunnel operation in SC production
- **Foundation Grant = \$500,000, Estimated capital loan amount = \$1,618,168** for a total start-up amount of \$2,118,600 (NOTE: this loan is listed as one loan but some of the start-up costs are in year two and three)
- **Estimated annual loan payment = \$206,016** over 10 years:

**3. Describe where needed funds will be obtained and what all funds will be used for. (i.e., personal contribution of ~ 20% used to acquire equipment, loan for building, etc.)** This cooperative example needs to raise ~ \$500,000 for start-up. Initial grant and loan sources will be determined by the each cooperative differently depending on their unique situation. When the cooperative is ready to start, your cost worksheets should have all costs itemized.

### B. Bookkeeping, Record-keeping, Accounting System & Process

**1. Ratio Analysis (liquidity, leverage, activity, profitability, growth).**  
This needs to be addressed when a specific cooperative is being formed.

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- 2. Business Financing (personal savings, equity financing - risk & reward, debt financing - can you pay/debt ratio; will you pay/credit score; what if you don't pay/loan to value, other sources of financing)**

In this model we show there is a need for a line of credit due to the desired level of cash flow not being available at the time expenses come due. At years end however everything evens out. The debt we are seeking to finance should be eligible for 100% financing as their income statement supports that monthly payment.

- 3. Discuss factors such as character, capacity, capital, collateral, credit, cash flow, conditions of the industry, market & economy, confidence and commitment.** - This needs to be addressed when a specific cooperative is being formed.

### C. Financial Worksheets Included as Attachments

Note: The documents listed below should be developed as cooperatives customize this plan to fit their situation.

1. Start-up Costs Worksheet
2. Salaries and Wages Worksheet
3. Year One Projected Income Statement
4. Year One Projected Cash Flow Statement
5. Year One Balance Sheet

## Section V: Milestones & Measures

### A. Goals

1. **Where do you want to go? (vision; short & long range strategic objectives/priorities) SMART Goals – Specific Measurable Attainable Rewarding Timed Tactics - How are you are going to get there? (manageable tasks & precise action plans**
2. **Data Gathering & Analysis - Track & adjust to progress.**
3. **How does performance compare to target measures? What are your key milestones and critical success factors?**
4. **What “benchmark” information do you need for data-based decisions? Who will measure what/when? Measure what is meaningful.**

The needed information requested above needs to be specifically addressed when an actual cooperative is being formed.

### B. SCENARIO PLANNING

1. **Long View ... If/Then - Key crossroads, milestones and other factors that prompt you to continue or modify strategic directions?**

The following outlines the possible steps to be completed to realize the start-up needs and goals of the cooperative:

- 1) Identify customers, cooperating county school districts, other institutions, and/or wholesale buyer(s) (Such as County Schools, DNO, RFEC, Blue Ridge, Etc.).

**Person responsible:** Interim Board Member **Start Date:** 1/1/13 **End Date:** 2/1/13

- 2) Determine feasibility of using existing local growers in the area to supply some of the needed products.
  - Use the process used with the Cincinnati hub 50 mile radius survey in the counties.
  - Complete the feasibility report and estimate the product quantity/quality available.

**Person responsible:** Contract Services **Start Date:** 1/1/13 **End Date:** 3/1/13

- 3) Develop estimated customer prices and annual product needs of the county school districts, other institutions, and/or wholesale buyer(s).
  - Have horticulture specialist and business plan technical support person(s) meet with buyer(s) to determine the products that can be grown to meet the identified need.
  - Develop a specification document to assist in the business plan development.

**Person responsible:** Interim Board Member **Start Date:** 3/1/13 **End Date:** 4/1/13

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- 4) Utilize grants and the Department of Education reimbursement for purchase of local fruits and vegetables (if available)
  - Meet with the Department of Education personnel to determine potential reimbursement and duration of funding.
  - Identify and document the process for obtaining the reimbursement.

**Person responsible:** Executive Farm Manager **Start Date:** 3/1/13 **End Date:** 4/1/13

- 5) Develop start-up costs for the worker-owner farm.
  - Include cold weather production high tunnels and warm weather field production.
  - Identify and assess possible/available start-up grants and funding sources.

**Person responsible:** Executive Farm Manager **Start Date:** 4/1/13 **End Date:** 6/1/13

- 6) Develop a feasibility study, production farm plan, and budget to meet the annual product needs.
  - Develop an operational plan which should be large enough to make a profit in approximately three-four years and will also be able to invest in business expansion.
  - Develop a document of the phase-in production/planting schedules.

**Person responsible:** Executive Farm Manager **Start Date:** 4/1/13 **End Date:** 8/1/13

- 7) Identify business managers and review/edit plans.
  - Develop job description and pay schedule for managers.
  - Recruit/identify individuals for the positions.
  - Interview and hire needed personnel.

**Person responsible:** Interim Board Members **Start Date:** 6/1/13 **End Date:** 8/1/13

- 8) Develop a workforce recruitment/training plan to meet the staff needs of the phase-in production/planting schedules.
  - Determine needed job areas, pay levels, and develop job descriptions.
  - Meet with DOE/high schools, Jobs and Family Services, and other one stop agencies to determine availability and support for the trainee recruitment process.
  - Identify and develop certificate, apprenticeship, and/or semi-skilled training options to be provided to meet the needed workforce.
  - Develop a recruitment plan for trainee/employee participation.
  - Recruit and screen applicants for training/employment.

**Person responsible:** Incubator Farm Manager **Start Date:** 7/1/13 **End Date:** 3/1/14

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- 9) Identify a permanent full board of directors and ex officio members.
- Determine expertise needed for the board.
  - Identify and recruit board members.
  - Begin to develop policy and procedure manuals.

**Person responsible:** Interim Board Member **Start Date:** 4/1/14 **End Date:** 6/1/14

- 10) Development and start-up incubator farm.
- Will function as a business incubator, training, production, aggregate, storage, process, research farm which is ideally on a non-profit location (School, camp, public/government lands, etc.).
  - Identify the details and conditions of use of the property.

**Person responsible:** Permanent Board **Start Date:** 4/1/14 **End Date:** Ongoing

- 11) Obtain funding for farming units start-up and operational costs.
- Identify possible funding sources and determine feasibility of access.
  - Develop funding plan and pursue funding.

**Person responsible:** Permanent Board **Start Date:**7/1/14 **End Date:** 11/1/14

- 12) Implement start-up, and operational plans.

**Person responsible:** Executive Farm Manager **Start Date:**1/1/15 **End Date:** Ongoing



## **Section VI: Appendix**

*In the appendix attach any supporting information such as resumes, promotional materials, contacts with comers, etc.*

Note: The appendix documents will be developed as cooperatives customize this plan to fit their situation.

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