It’s Viable ... Now What?
From Feasibility Study to Business Plan

January 26, 2012
Presentation Outline

- Technical Orientation
- Welcome

**John Fisk**  
*Director, Wallace Center at Winrock International*

- NGFN Overview
- Business Plans – Need, Considerations, and Use
- Case 1: Blue Ridge Produce Company
- Case 2: Franklin County Food Processing Center
- Questions and Answers
  Upcoming Opportunities, etc.
Presentation Outline

- Technical Orientation

- NGFN Overview

  **Jeff Farbman**
  *Wallace Center at Winrock International*

- Business Plans – Need, Considerations, and Use

- Case 1: Blue Ridge Produce Company

- Case 2: Franklin County Food Processing Center

- Questions and Answers

- Upcoming Opportunities, etc.
Moving more good food to more people
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.
National Food Hub Collaboration

Study and support regional aggregation and distribution entities “food hubs” across the country.

- Collaborate with USDA AMS, PPS, NAPMM and others
- Create a Resource Guide (Spring 2012)
- Establish and support a food hub Community of Practice
- Convene hub managers and supporters
- Provide technical assistance
- Document and communicate impacts, innovations, and models of success

- [http://foodhub.info](http://foodhub.info)
FIELD GUIDE TO THE NEW AMERICAN FOODSHED

Provide example-based education to producers and other participants in the food system to increase access to capital.

• Explain new opportunities for success in today’s market
• Illustrated by case studies
• Lenders can learn that their innovative investment is solid
• Comprehensive outreach program

• [Link to Foodshedguide.org]
• November 2011 NGFN webinar – [Link to NGFN Webinars]
EVALUATING AND IMPROVING EDUCATIONAL INSTRUMENTS AND OUTREACH FOR BEGINNING FARMERS

Increase effectiveness of financial skills and business literacy of beginning farmers by supporting trainers.

- Collaboration with Farm Credit
- Collect a “toolkit” of top-quality resources
- Create and nurture a Community of Practice for trainers
- Create a rubric for evaluating training programs
- Targets the Southern US states
NATIONAL GOOD FOOD NETWORK: LOCATIONS
NATIONAL GOOD FOOD NETWORK

www.ngfn.org
contact@ngfn.org

... and for the food hub project:

www.foodhub.info
contact@foodhub.info
Presentation Outline

- Technical Orientation
- NGFN Overview
- Business Plans – Need, Considerations, and Use

**Carol Coren**
*Principal, Cornerstone Ventures*

- Case 1: Blue Ridge Produce Company
- Case 2: Franklin County Food Processing Center
- Summation
- Questions and Answers
- Upcoming Opportunities, etc.
It's Viable ... Now What?
From Feasibility Study to Business Plan

National Good Food Network Webinar
January 26, 2012

Carol Coren
Principal
Cornerstone Ventures, LLC
Explores and Tests Assumptions

- Market research
- Industry research
- Customer profiling
- Stakeholder assessments
- Infrastructure analysis
- Risk Analysis
- Earning Projections
Business Plan

Sets out a strategy for realizing operations, performance, earning goals

- Executive Summary
- Company Description
- Product or Service
- Market Analysis
- Plan of Action and Timeline
- Management Team
- Finances
  - 3 Year Cash Flow Projections
  - Profit and Loss Statement
  - Balance Sheet
  - Sales Forecasts
IMPLEMENTATION

- Creating a legal structure
- Arranging for licenses and taxes
- Assuring market access
- Securing needed resources
  - Capital/Credit
  - Personnel
  - Facilities/Services
- Producing goods and services
- Earning income
- Analyzing Performance
Three C’s of Business Operations

1. **Capital**
2. **COGS** Cost of Goods (and/or Services) Sold
3. **Cash Flow**
Three T’s of Business Operations

1. Talent
2. Time
3. Tenacity
Roles Business Plans Play

- Marketing Tools for Resource Development & Recruitment
- Performance Measurement & Benchmarking Tools
- Risk Management Tools
Business Plans Are Dynamic

- Pricing Strategy
- Marketing Strategy
- Sales Strategy
- Sales Forecast
- Strategic Alliances
- Organizational Structure
- Management Team
- Personnel Plans/Costs
- Financial Assumptions
- Financial Indicators
- Earning Ratios
- Break Even Analysis
- Projected vs. Actual Profit and Loss
- Projected vs. Actual Cash Flow
- Projected vs. Actual Balance Sheet
- Costs and Conditions for Capital
## Legal Business Models

<table>
<thead>
<tr>
<th></th>
<th>Sole Proprietor</th>
<th>Partnership</th>
<th>LLC</th>
<th>C-Corp</th>
<th>Co-op</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control</strong></td>
<td>Owner</td>
<td>Partners</td>
<td>Owners</td>
<td>Shareholders, board &amp; elected officers</td>
<td>Members, board elected from membership</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>owner</td>
<td>Partners. Liability up to value of property</td>
<td>Owners. Liability limited to investment in business</td>
<td>Equity raised by selling shares</td>
<td>Equity from members</td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
<td>Profits to owner</td>
<td>Shared gain(loss) by partners, based on partnership agreement</td>
<td>Shared by owners</td>
<td>Gain(loss) distributed to shareholders as dividends</td>
<td>Allocated to members based on business done w/co-op in that year</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>Taxed once as income of owner</td>
<td>Taxed once as income of partners</td>
<td>Taxed once either as partner earning or as corporate entity earning</td>
<td>Taxed twice: corporate earning and shareholder distribution earning</td>
<td>Taxed once: as income of co-op when earned, or income of members when disbursed</td>
</tr>
<tr>
<td><strong>Dissolution</strong></td>
<td>Tied to owners’ life or dissolution</td>
<td>Tied to partners’ lives or dissolution</td>
<td>Perpetual (Tied to Owners’ decisions)</td>
<td>Perpetual (Tied to Shareholders’ decisions)</td>
<td>Perpetual (Tied to Members’ Decisions)</td>
</tr>
</tbody>
</table>

Source: Maura Schwartz and NW Cooperative Development Center
## Characteristics of Business Models

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>C-Corp</th>
<th>S-Corp</th>
<th>Cooperative</th>
<th>LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limits Liability</strong></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td><strong>Ownership Restrictions</strong></td>
<td>At least 1 shareholder</td>
<td>Maximum 100 shareholders; Shareholders can only be individuals, certain trusts (no corps, partnerships, LLCs)</td>
<td>Egalitarian Membership sets parameters for ownership: shareholders are members who derive benefits through patronage or participation in the business</td>
<td>At least 1 member; 2 members required for partnership treatment; Any individual, or business entity may be a member</td>
</tr>
<tr>
<td><strong>Flexibility in stock structure</strong></td>
<td>Very Flexible</td>
<td>Generally Inflexible</td>
<td>Some flexibility particularly with Multi-Stakeholder Models</td>
<td>Very Flexible</td>
</tr>
<tr>
<td><strong>Formation</strong></td>
<td>Relatively uncomplicated</td>
<td>Relatively uncomplicated</td>
<td>Complex and often by consensus rather than by majority vote</td>
<td>Single Member – Uncomplicated; Multiple – More complex</td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td>Board of Directors</td>
<td>Board of Directors</td>
<td>Management Committee elected by Members</td>
<td>By all members or an appointed management team</td>
</tr>
</tbody>
</table>
**Business Earning and Tax Status Options**

**Tax Status**
- **Not-for-profit**
- **For-profit**

**Mission/Service Driven**
- **Objective**
  - **Social Enterprise**
    - Offset NPO Program and/or Agency Costs Through Earnings
    - Sustain program through fees; reduce reliance on subsidies
    - Profit distribution is not primary goal; surpluses are reinvested in programs.
- **Profit/Earnings Driven**
  - Earn Income through socially purposeful business activities
  - Create a self sustaining enterprise that serves community’s development needs in some way
  - Net earnings are distributed to shareholders that include NPO on basis of shares held

**Distribution of Profits**
- **Social**, environmental, job creation programs
- Respond to Market Failure/Provide Needed Product or Service
- Pays returns on investments over extended periods of time; negotiates distribution schedules, interest rates and repayments of loans with stakeholder/investors

**Source:** Cornerstone Consultants - US
Contact:
Carol Coren
www.cornerstone-ventures.com
carolcoren@cornerstone-ventures.com
215-939-4094
Presentation Outline

- Technical Orientation
- NGFN Overview
- Business Plans – Need, Considerations, and Use
- Case 1: Blue Ridge Produce Company
  
  **Jim Epstein**  
  *Co-founder & Board Chair, Blue Ridge Produce Company*

- Case 2: Franklin County Food Processing Center
- Summation
- Questions and Answers
- Upcoming Opportunities, etc.
It's Viable ... Now What?

From Feasibility Study to Business Plan

Jim Epstein, Co-founder and Chairman
Blue Ridge Produce, LLC

Thursday, January 26
How I came to this work
Feasibility Background

- Economic Opportunities better than Legislative efforts
- Artisan Farms in Northern VA
- Initial concept a retail food hub
- FamilyFarmed.org
Feasibility Study

- 30,000 foot view
- Macro-trends, local market, supply, demand, infrastructure.
Feasibility Study Conclusions

- $16.8 billion is spent annually on fruits and vegetables in Region; less than 7% locally sourced.
- Demand off the charts.
- Supply at scale questionable in immediate area but potential with larger lens.
- No significant wholesale activity for local produce
- Some retail scale aggregation developing
Feasibility Study Conclusions (Cont.)

- Recommended for-profit model built on values-based, collaborative relationships.
- Strong management team skills, a network of growers, collaboration to strengthen the market, stakeholders engagement for supportive climate.
- A healthy local food system is based on values that recognize the interdependence of players within the supply chain: a values-based value chain.
...all well and good, except on the second day of our field research we were introduced to...
Willow Run Site

- 33 acre industrial site
- 35,000 sq ft. warehouse
- 11,000 sq ft warehouse
- 80,000 sq ft of greenhouses
- 5,000 sq ft of offices
- A residence
- 420 acres of farmland

…but no operator.
Business Development Timeline

- May 2010 – introduced to Mark Seale
  - Local
  - Serial entrepreneur
  - Wholesaling experience
  - Strong connections to local farming community
  - Experienced operator
  - Complementary skills
Business Development Timeline

- August 2010 – financial model.
  - Jim Slama of FamilyFarmed.org
  - Kathy Nyquist of New Venture Advisors

- September – November 2010 – reached out to tap experts in the field
  - Michael O’ Gorman formerly of Earthbound Farms
  - Bob Scaman – Goodness Greeness
  - Richard Naha and John Nichols of Raindrop Partners
Business Development Timeline

- December 2010 – Grower meeting
  - Address biggest weakness in study
  - 4 weeks of preparation
  - 35 growers with farms of all sizes showed up
  - Interested but remained skeptical
Greenhouse Visit

December 2010
Visit Greenhouses in Pueblo CO.
Business Development Timeline

- January 11, 2011 – Go/No Go Conference call,
- January 14, 2011 – Meeting with sellers of Willow Run
Business Development Timeline

- January – May 2011 – Wrote Business Plan based on financial model
- Up-front investment
- Fundraising
- Continued to refine financial model.
- Legal Documents
Business Development Timeline

- March 2011 - took B Lab Assessment
  - Covers all areas of sustainability
    - Accountability
    - Employees
    - Consumers
    - Community
    - Environment
- April 2011 – Warehouse rental
- Late May 2011 – First sales to Whole Foods
Grand Opening
Business Plan Contents

- Company Description
- Industry Analysis
- Market Analysis
- Management Team and Company Structure
- Operations Plan
- Product and Service design Development Plan
- Financial Projections
- Appendix

- 37 pages total
Business Development Timeline

- End of June 2011 - completed fundraising
- July 6, 2011 – Closed on Property
Lessons Learned

- No substitute for quality
  - Feasibility Study
  - Financial Model
Lessons Learned (cont.)

- Be clear who you are addressing and why
  - Sellers of Property
  - Investors
  - Bankers
  - Own Team (gives us a roadmap for growth of business and clarity on our mission)
Lessons Learned

- Build a great team
  - Experience
  - Complementary skills
  - Equity participation
  - Shared Vision
Lessons Learned

- Value of a For Profit Model
  - The discipline of the market
  - Ability of provide incentives
  - Economically sustainable
  - Look at B Lab Certification and/or benefit corporation form to add common good mission
My Mantra

- You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.

   Buckminster Fuller
Presentation Outline

- Technical Orientation
- NGFN Overview
- Business Plans – Need, Considerations, and Use
- Case 1: Blue Ridge Produce Company
- Case 2: Franklin County Food Processing Center

John Waite
Executive Director, Franklin County Community Development Corporation

- Summation
- Questions and Answers
- Upcoming Opportunities, etc.
It’s Viable ... Now what?

From Feasibility Study to Business Plan,
to Improving the Business Plan
Our Mission

The Western Mass Food Processing Center mission is to promote economic development through entrepreneurship, opportunities for sustaining local agriculture, and promoting best practices for food producers.

Our Goals

- Promote Value-Added Farm Products
- Provide Support for Wholesale & Retail Operations
- Provide Co-pack Solutions
- Professional Development Assistance

The Western MA Food Processing Center developed a Business Plan 10 years ago.
The Western MA Food Processing Center
Complete Solutions for Food Entrepreneurs

Processes raw ingredients from local farms to create value-added products.

The FPC offers training and facilities for entrepreneurs who want to create their own product, and co-pack options for those who want the FPC to do the processing for them.
Products and Services

**Facility and Equipment**
- 100 and 60-gallon Steam Kettles
- Hot-Bottling/Filling Automation
- Convection and Conventional Ovens and Range
- Large Scale Bakery Capabilities
- 49-gallon Tilting Skillet
- Large Capacity Mixers, Choppers, Shredders
- Dry, Cold and Frozen Storage
- Shipping & Receiving Area w/Loading Dock
- 24-hour Secure Access
- Vegetable Wash and Prep Areas
- Shared Office Space and Equipment

Small and Large Batch Scale Up
FDA Process Reviews
Laboratory Testing
Nutritional Analysis
Product Development
PH Testing
Safety & Sanitation Training

Western MA Food Processing Center

National Good Food Network – January 2012
Market
FPC Members and Co-pack clients

APPALACHIAN NATURALS:
ATKINS FARM:
THE BEANCAKE COMPANY:
THE BENSON PLACE:
Baku:
CHAI WALLAH
CHUBBY'S BBQ:
CISA:
CZAJKOWSKI FARM:
THE DAWG WAGGIN':
DEBORAH'S KITCHEN, INC.:
Herrells Development Co.
HEDGIE'S HOT STUFF:
HOLY SMOKES

KATALYST KOMBUCHA, LLC:
MEALS ON WHEELS
Ninis Restorante
OUTLOOK FARM:
THE PLANT COLORS GROUP:
REAL PICKLES:
Sunshine Traders
SASSY RIVER SAUCES:
SASSY SAUCES:
SAW MILL SITE FARM HORSERADISH PRODUCTS:
SHOOTFLYING HILL SAUCE COMPANY, INC.:
TORTURED ORCHARD
Feasibility Study for an Expansion of the Business

Description- Buying Local Vegetables and Freezing them for Schools

Market Demand – Do Schools Want It? Type, size, shape, delivery method, price, etc.?

Market Supply – Do Farmers Have It? Type, quantity, seasonality, size, shape, color, delivery method, price, etc.?

Technical – Facility, Equipment required, Management, SOP, HACCP, Storage, Delivery, Payment system?

Financial - COGS, Production expenses, Sales price?


Conclusions – Pilot for 2 years to get more accurate info. Year 1 looked good, year 2 worked but was too inefficient. At what scale do we need to reach to be profitable?
Market Demand

- Glenn Brunetti - Chartwells School Dining Service, Northeast Regional Executive Chef
- Works in 500 schools, K-12
Today’s Locally Grown Menu Item

Vegetable Frittata With Locally Grown Broccoli

Czajkowski Farm, Hadley, MA

Notice to Students

Market Demand – Schools really want it
5lbs bags of broccoli, 4 bags to a case

Market Demand – How do they want it?
- Size,
- Weight,
- Shape,
- Delivery method

Distributor

20 lbs boxes of frozen produce in freezer
Market Supply

Broccoli in the field
Market Supply

- Size,
- Quantity
- delivery method,
- Timing
- Size of stem, shape,

Broccoli delivered to FPC in re-usable containers.
2,000 – 3,000 lbs

Tomatoes in back of truck
Market Supply

MOU with Farmer to agree on criteria

Working Agreement

Between

the Franklin County Community Development Corporation

and ______________________________ (Grower)

For the Purchase of Produce

THIS WORKING AGREEMENT, made as of the _____ day of __________, 2011 between the Franklin County Community Development Corporation (hereinafter the FCCDC), and ______________________________ (hereinafter the Grower),

outlines the basic understandings of the parties.

BOTH PARTIES UNDERSTAND THAT:

The FCCDC, through its Western MA Food Processing Center (FPC) will purchase large quantities of fresh produce from regional growers at a fair price, process and freeze them, and then sell the frozen product to regional schools and institutions.

The Growers, will make their best effort to sell local fresh produce to the FCCDC in the amount and condition as agreed upon in this agreement. It is understood that growing crops is dependent on some factors beyond the control of the Grower.

THEREFORE THE PARTIES AGREE AS FOLLOWS:

The FCCDC shall assume responsibility for assisting the Grower insofar as possible for the purposes of efficiency by furnishing the Grower with information needed to satisfactorily complete the services.

The FCCDC shall designate Jill Fitzsimmons as project representative for this venture; telephone 413-774-7204, ext 104. Other FCCDC staff involved in this project include: Larry DiLuzio, Food Processing Center Manager; and John White, Executive Director.

The FCCDC will make payments to the Grower within 30 days of receipt of an invoice, provided the invoice is in an acceptable form and the work has been satisfactorily completed.

The Grower agrees to grow ______________________ acres of __________________________ (type of crop)
to be sold to the FCCDC during the 2011 growing season;
This acreage will yield approximately __________________ total pounds of produce;
This produce will be deliverable between ________ (earliest date) and ________ (latest date).
Western MA Food Processing Center

Technical

• Processing Equipment
• Storage space
• Operating Procedures
• HACCP

Blanching broccoli in steamer

2 - 5 lbs bags of peppers being vacuum packed

Speed rack for quick freezing

National Good Food Network – January 2012
Technical

- Management, Staff
- Facility
- Maintenance & Repairs

Production Manager cooking apple sauce

200 gallons of tomatoes boiling in kettles
New Goals
FPC Members, Co-pack Clients & Frozen Vegetables

Member Producer
- Meals on Wheels - 325 Daily Meals
- 10 Current Member Producers
- 10 New Members needed
- # of hours of billable usage

Co Packing Members
- 14 Current Co-Packing Members
- 10 New Members needed
- # of hours of billable usage
- 137 Successful FDA Approved Process

Farm to Institution
- Farmers - # of lbs of local produce.
- $ paid to local farmers
- # of Schools
- # of students served
- $ paid by schools
Western MA Food Processing Center

National Good Food Network – January 2012
95,000 lbs of local produce processed - 2011
Local Growers (Broccoli, Cauliflower, Peppers)

Wysocki Farm: 10045
Joe Czajkowski: 6993
J.J. Zgrodnik: 5444
Log Plain Farm: 11159

Western MA Food Processing Center
National Good Food Network – January 2012
Thank you!
and Eat Well!

Contact information:
Franklin County CDC
Western MA Food Processing Center

www.fccdc.org
(413) 774-7204, ext. 102
Presentation Outline

- Technical Orientation
- NGFN Overview
- Business Plans – Need, Considerations, and Use
- Case 1: Blue Ridge Produce Company
- Case 2: Franklin County Food Processing Center
- Summation

Carol Coren
*Principal, Cornerstone Ventures*

- Questions and Answers
- Upcoming Opportunities, etc.
Summary

- Focus on Three C’s (capital, COGS, Cash Flow) and Three T’s (time, talent, tenacity)
- Locate and Use Available Resources
- Plan on Revisions, particularly for Marketing, COGS & Investors
- Anticipate Changes and Budget Shortfalls
- Prepare for Risks
- Exploit Opportunities for Growth
- Develop and Reward Talent
- Keep an eye on the money – Monitor Benchmarks
Questions and Answers

Carol Coren
Cornerstone-Ventures.com
CarolCoren@cornerstone-ventures.com

Jim Epstein
Blueridgeproduce.net
jepstein@efocapitalmgmt.com

John Waite
Franklin County Community Development Corporation – fccdc.org
johnw@fccdc.org

John Fisk
Moderator
Webinars are Archived

TOPICS!

http://ngfn.org/webinars
NGFN Webinars

- 3rd Thursday of each month
  3:30p EST (12:30p PST)

- Feb 16 - The Price Point Conundrum - How the Sustainable Farmer Can Afford Her Own Tomato

- Mar 8 – BONUS! Know Your Farmer, Know Your Food

- Mar 15 - Harvesting Investment Dollars from the 99%: Cutting Edge Ways to Fund Your Food Business

http://ngfn.org/webinars
Two New Websites

- **www.FoodHub.info**
  - Food Hub “hub”
  - Research, case studies, list and map of hubs across the country, much more.

- **www.HUFED.org**
  - About the initiative
  - Grantee profiles
  - Library of many of the best food access resources
Get Connected, Stay Connected

http://ngfn.org/database

New National Good Food Network Database
Click to learn more

Search for: Wallace Center

YouTube

contact@ngfn.org

twitter

WALLACE CENTER
WINROCK INTERNATIONAL

NATIONAL GOOD FOOD NETWORK
http://ngfn.org

contact@ngfn.org