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Business Plan: HP Farm

Haley A. Herbst

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## **Executive Summary**

HP Farm, started by Haley Herbst, is a nut butter food production business located in Boerne, TX. HP Farm is beginning their nut butter business by focusing on almond butter and roasted almond butter, with the intent to extend the food product line to include maple almond butter, cinnamon almond butter, pecan butter, and cashew butter. As the company grows and prospers, variations like cashew almond butter, pecan peach butter, or cinnamon raisin almond butter can be added to the product line. With the large amount of peanut allergy cases, HP Farm will be a peanut free food business. All products that are produced by HP Farm will use only USDA certified organic nuts. As a supporter of sustainable agriculture, the natural foods industry, and advocate for healthy living, Herbst wants to increase the selection of healthy, organic food products available to the public. To bring this into action, HP Farm has been created. The plan for HP Farm is to begin slow and sell locally at farmers' markets in Kendall, Gillespie, Bexar and Travis County, and on their online website. Within a year of business, HNP Farm will be have established business with farmers' markets, and then expand business into grocery stores in the surrounding areas. The goal for HP Farm is to eventually have their organic nut butters available in stores across the United States, while also supporting sustainable agriculture, and a healthy, active lifestyle. HP Farm plans to start business on August 1, 2013.

## **Business Description**

### **Vision**

When Haley Herbst stepped foot onto a track at a young age, a love for fitness enveloped her, which was accompanied by a curiosity for properly fueling her body for peak performance and nourishment. A healthy lifestyle of physical activity and good nutrition inspired her to help people lead a happy, healthy life. In order to best guide people to a healthy life, she completed a Bachelor of Science in Nutritional Science, followed by a dietetic internship to become a Registered Dietitian.

Herbst always envisioned helping people in a non-traditional way. Having grown up around farming and having an adoration for the outdoors, she knew the two had to be incorporated into her working life. It then occurred to her, there was no better way to reach out and impact more people in the United States than to create a food product that would increase the availability of a natural, healthy food option. Early in her college years, Herbst began making her own almond butter, so this was an “AH-HA!” moment for her that has since resonated in her thoughts.

The location for Herbst’s business was an easy decision for her because her family already owned a farm that has produced their own crops and products since 1901, always known as HP Farm. Since the farm bears so much history, Herbst wanted the nut butter business to carry the name as well. “HP” first stood for Herman Potschernik, the purchaser of the land. It then changed to Herbst/Potschernik when Herbst’s grandfather married Potschernik’s daughter (Herbst’s grandmother).

HP Farm wants people to realize that nuts have an excellent nutrient profile. However, many people ruin the benefits of consuming nuts by eating them in the form of peanut butter that

contains hydrogenated oils. With so many peanut allergies, HP Farm will stay away from the use of peanuts completely. HP Farm will provide the public with a high quality USDA certified organic product, safe for those with peanut and gluten allergies, and be advocates for healthy lifestyles and supporters of sustainable farming practices.

### **Mission**

At HP Farms, our mission is to:

- Use only the highest quality natural ingredients and USDA certified organic nuts
- Support and increase awareness on living a healthy, active lifestyle
- Support organic and sustainable farming practices
- Be a business that is peanut and gluten free

### **Objectives and Expectations**

- In the first year of business, HP Farm will establish credibility with the communities of Gillespie, Bexar, Kendall and Travis County. HP Farm nut butter will have a finalized recipe for Almond Butter, which will be the base for other almond butter products like Maple Almond Butter and Cinnamon Almond Butter. HP Farm will also be experimenting with various recipes for the future such as, Pecan Butter, Cashew Butter, Cashew/Almond or Pecan Peach Butter. Also, HP Farm plans to start speaking with grocery stores in the surrounding areas to have their product available for sale in stores.
- In 5 years, HP Farm will have grown enough and have already entered the grocery store market place. HP nut butters will be sold at Whole Foods stores and HEB stores throughout Texas.

- In 10 years, HP Farm will have expanded to stores throughout the United States and be a recognized and reputable nut butter business.

**Business Structure**

HP Farm will begin with sole proprietorship under Haley Herbst. Herbst will receive all profits, and will be responsible for all losses or debts. As the company grows, and when the time is right, HP Farm will move from sole proprietorship under Herbst to a Limited Liability Company.

**Management**

**Current Positions**

To start the HP Farm nut butter production business, there will not be any paid positions. Herbst will be responsible for the start-up and management of HP Farm. Herbst will create almond butter labels for the jars, make necessary orders for ingredients and equipment, physically make the food product, package the product, advertise and sell the product, and maintain sales and finances. Garrett Herbst, Herbst’s brother will volunteer his time and create a website for HP Farm, and help with advertising. Alton Herbst, a retired teacher and Herbst’s father, will be helping with production, packaging and selling. Mitchell Rider, an experienced business owner, and Dan Crow, an accountant, will both be mentors for Herbst and HP Farm.

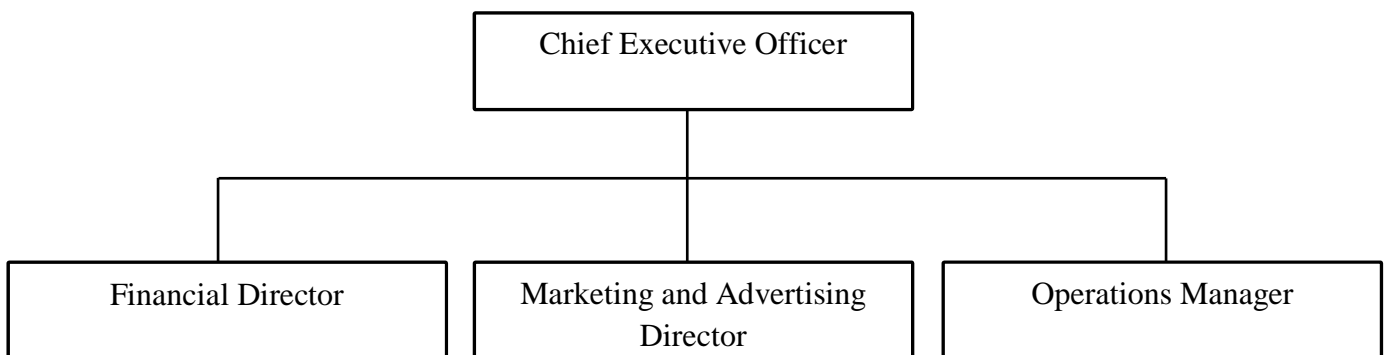
Chief Executive Officer: Haley Herbst

Website Creator/Advertisement: Garret Herbst

Business and Financial Mentors: Mitchell Rider, Dan Crow

**Future Positions**

As business for HP Farm grows and the demand for more product increases, paid positions will be necessary for prosperity in the business. Within the 5<sup>th</sup> year of business, HP Farm plans to be selling in grocery stores across Texas, which will require the addition the following paid positions: Financial Director, Director of Marketing and Advertising, and Operations Manager.



### **The Market**

According to the Organic Trade Association, the sales of organic food and beverages in the United States grew from \$1 billion in 1990 to \$26.7 billion in 2010. In 2011, the total retail sales for organic products topped \$30 billion. Since 1990, organic product retail sales had a 30-fold increase. Across the world, there has been increased demand for organically produced food, and a growth of farmers' markets providing locally produced crops and products (OTA, 2011). HP Farm is supportive of the movement and will be a part of it by providing nut butter products using only USDA certified organic nuts.

Despite the economic crisis the United States has dealt with over the past years, the organic industry stayed strong. The steady increase in sales of organic food products has proved that organic products are in high demand and people are willing to spend the extra money. The current economy is not seen as threat to the successfulness of HP Farm. In addition to increased organic food sales, natural nut butters has also increased, making it a good time for HP Farm to step into the organic nut butter market.

Technology has made online shopping convenient, and has allowed businesses to advertise their business for free through social media networking. HP Farm will take advantage of technology by operating a website, and having product available for purchase through the website to help supplement sales. Additionally, HP Farm will create accounts with Facebook, Twitter, and Pinterest to help advertise the business.

Organic food consumers are not homogenous in demographics or beliefs, so it is not accurate to say there is only one type of client that will purchase HP Farm nut butters (Hughner et al., 2007). HP Farm does not want to target a specific age, gender or religious affiliation. HP Farm believes in providing a healthy, organic food product and bettering the health of all people

in the United States. However, in general, those that purchase organic food products are willing to pay more money for a healthier food option; therefore, consumers will be more health conscious and of higher economic status. By default, the majority of clients that HP Farm will be servicing to will be of higher economic status, those interested in healthy lifestyles, consume organic food, are active and use nuts as a source of energy, have peanut allergies, or are on a grain-free or gluten-free diet.

The market niche HP Farm plans to enter is the certified organic food industry. Currently, in the San Antonio area there is one certified organic almond butter that is sold in grocery stores, and is more expensive than the one HP Farm will be selling. There are other almond butters, but do not use USDA certified organic nuts. Corporate controlled agriculture is still more predominating in the United States, which makes organic food production a more unique market niche. However, with steadily increasing sales in organic food products, it proves that it can be a successful niche to enter.

**Competition**

HP Farm will be competing with other established nut butter businesses that have products being sold in grocery stores across the United States. However, there are currently not any almond butters being sold at farmers’ markets in the surrounding area, so HP Farm would not have a competitor in that market. The competitors for HP Farm will be Artisana, Barney Butter, Justin’s, MaraNatha, Once Again Nut Butters, and 365. Of these companies, the main competitors will be Artisana, MaraNatha and Once Again Nut Butters because they are the only ones that sell a USDA certified organic almond butter. At HEB grocery stores and Whole Foods Grocery in San Antonio, the only USDA organic almond butter being sold was MaraNatha’s Organic Raw Almond Butter, and was only available at Whole Foods, not HEB. Artisana and Once Again Nut Butters organic almond butter are sold in stores in the United States, but they are not sold in stores in the surrounding area. Table 1 compares the main competitor’s prices online and at grocery stores in San Antonio.

Table 1					
<i>Almond Butter Competition Comparison</i>					
Brand	Product	Price: Whole Foods	Price: HEB	Price: Online	Ingredients
Artisana	16 oz. Organic Raw Almond Butter		N/A	\$17.99 Unit Price/oz: \$1.12	Organic Raw Almonds
MaraNatha	16 oz. Organic Raw Almond Butter	\$16.99 Unit Price/oz: \$1.06	\$16.99 Unit Price/oz: \$1.06		Organic Raw Almonds
Once Again Nut Butters	16 oz. Organic Raw Almond Butter		N/A	\$17.50 Unit Price/oz: \$1.09	Organic Raw Almonds

Each company has been established for more than 5 years, and has a strong reputation. MaraNatha controls most of the market share when it comes to USDA organic almond butter purchases. MaraNatha has been in business for 25 years and is the cheapest organic almond butter to purchase. It is also the only organic almond butter sold at HEB. However, it is expensive and HP Farm will have an organic almond butter for a cheaper price. Artisana and Once Again Nut Butters are not as well-known and are primarily sold in health focused grocery stores, like Whole Foods. Additionally, they are more expensive than MaraNatha, and will also be more expensive than HP Farm's products.

### **Products & Services**

HP Farm will begin their business with almond butter products only, and then expand to products using other nuts. Almonds used by HP Farm will be outsourced and provided from Baugher Ranch Organics, a USDA certified almond farm in Orland, California. HP Farm will offer the following products in the first year of business:

- Organic Raw Almond Butter
  - Ingredients: Organic Raw Almonds
- Organic Roasted Almond Butter
  - Ingredients: Organic Dry Roasted Almonds

If the business is doing well, HP Farm may include the following products within the first year:

- Organic Maple Almond Butter
  - Ingredients: Organic Dry Roasted Almonds, Maple Sugar
- Organic Cinnamon Almond Butter
  - Ingredients: Organic Dry Roasted Almonds, Maple Sugar, Cinnamon

HP Farm will be the first nut butter business to create different varieties of almond butters using USDA certified organic almonds. Justin's has a maple almond butter product, but does not use certified organic almonds. The main competitor, MaraNatha, only has an organic almond butter, and does not have any variations like HP Farm plans to provide.

In the future, HP Farm plans to expand the product line to include other nut butter variations. Again, HP Farm plans to only use USDA certified organic nuts. The following are the products HP Farm would like to introduce in the future: Organic Cashew Butter, Organic Pecan Butter, Organic Cashew/Almond Butter, Organic Pecan/Peach Butter, and Organic

Cinnamon Raisin Almond Butter. MaraNatha does have an organic cashew butter and organic pecan butter, but does not have unique variations like pecan/peach or cinnamon raisin.

### **Action Plan with Timelines**

By August 1, 2013, HP Farm will have the following completed:

- Almond butter product recipe perfected.
- 145 Upper Cibolo Creek, Boerne, TX 78006 will be recognized as the official site of HP Farm, with a functional facility for nut butter production.
- HP Farm will purchase a hand washing sink, and 3 compartment sink and be approved by a Kendall County health inspector.
- There will also be a contract agreement with Baugher Ranch Organics stating that they will provide at least 4,500 pounds of Non-Pariel almonds in the first year of business.

By February 1, 2014, HP Farm should assess the business and determine if they should continue or end business. If the business is doing mediocre, HP Farm should contemplate ways to improve the business and increase sales. If the business continues, by August 1, 2014, HP Farm should be speaking with grocery stores in the area to have their product available in stores. HP Farm should also be working on other recipes to expand their product line. By August 1, 2018, HP Farm products should be available in grocery stores throughout Texas. By August 1, 2024, HP Farm should be available in grocery stores throughout the United States.

### **Contingency Plan**

The difference in price of USDA certified organic almonds and regular almonds is significant. The most difficult problem expected for HP Farm will be the high price consumers are expected to pay for the HP Farm products. The selling price will be cheaper than the competitors, but is still a high price food product that only certain people will be able to afford. If HP Farm finds that this is a problem and is making the business unsuccessful, offering a product using almonds that are not USDA organic certified might have to be an alternative route. If this is the case, HP Farm will purchase almonds from almond farms that are CCOF (California Certified Organic Farmers) certified, with Anderson Almonds being the farm of choice to purchase from. An almond butter made from CCOF almonds will allow HP Farm to have a cheaper product for the consumer, while still using “organic” almonds.

HP Farm could also be hindered by a poor almond crop yield due to bad weather circumstances or insect problems. Almond yield and almond bearing acreage has steadily increased over the years, so it is not a likely issue. However, as HP Farm grows and makes profit, money will be put aside in the event that a poor crop yield occurs and HP Farm does not have a sufficient amount of almonds.

## **Marketing Action Plan**

### **Public relations**

Herbst will be responsible for all public relations with HP Farm. In order to bring awareness to the public about HP Farm, it is imperative to utilize social networking, the internet, and networking with companies, groups of interest and healthcare professionals.

### **Website marketing**

After HP Farm begins business and starts selling at farmers' markets, the business will create a website. The website will have information about HP Farm and will have the products available for purchase. Having a website will help increase sales, profit and awareness for HP Farm.

### **Advertising**

HP Farm will utilize social networking to make HP Farm more recognizable and well-known. The social networks HP Farm will be a part of are Facebook, Twitter, and Pinterest. HP Farm will also advertise by selling and providing informational handouts about the business at farmers' markets.

### **Direct sales**

Direct sales for HP Farm will be made through the internet at the HP Farm website, and at farmers' markets.

### **Speaking/writing opportunities**

Since HP Farm will be selling at farmers' markets, the chance to communicate and speak directly with consumers and inform them about HP Farm will be a great networking opportunity. Also, Herbst is a Registered Dietitian and a member of the San Antonio Dietetic Association, which will give her a chance to speak and reach out to other healthcare professionals.

Additionally, Herbst can write articles for newspapers in the areas surrounding Boerne, San Antonio, and Austin.

### **Cross-marketing**

HP Farm will be able to network directly with healthcare professionals, like Registered Dietitians.

### **Networking opportunities**

In addition to social media networking, and networking with Registered Dietitians, HP Farm plans on networking with the fitness community. This community includes gyms and crossfit centers. Crossfit centers will be the primary focus since the majority of “crossfitters” are interested in organic, grain-free or gluten-free diets. HP Farm will also network with gluten-free associations, as well as peanut-free trade associations.

**Financials**

A savings fund of \$10,000 from Haley Herbst will be used to start the HP Farm business. Therefore, no loans will be needed. Also, since the facility used for HP Farm is already owned, there will never be a rent cost. To save on costs, HP Farm will purchase facility equipment that is on sale or has a reduced price from the website, foodservicewarehouse.com. Table 2 represents the costs for starting the business.

Table 2	
<i>Start-up Business Costs</i>	
Sole Proprietorship	\$10.00
Local Health Permit (Kendall County)	\$100.00
State Food Manufactures License	\$104.00
Federal Tax	\$53.20
Industrial Nut Grinding Machine	\$1,550.00
Hand washing sink	\$470.00
3 Compartment Sink	\$844.27
Printer	\$299.99
Labels	\$58.55
Computer	\$649.50
<b>TOTAL</b>	<b>\$4,139.51</b>

HP Farm will buy almonds, jars and lids in bulk to receive a reduced purchase price. Almonds will be purchased bi-weekly to maintain freshness and quality, and the jars/lids will be purchased in 6 month increments or less if needed. HP Farm plans to sell 50 jars of almond butter in the first month, and then increase sales by 50 jars for each consecutive month. By the 12<sup>th</sup> month, HP Farm's goal is to sell 600 jars of almond butter. This means HP Farm plans to sell 3,900 jars of almond butter in the first year of business. The bulk cost of 1,300 16 oz. glass jars and lids (including shipping) from the Container and Packaging Supply will cost \$1,248.71. Therefore, the cost is \$0.96 per jar of almond butter. The cost of Non-Pariel almonds from Baugher Ranch Organics including shipping will be \$225.00 for 25 pounds. It takes 3 pounds of almonds to make one 16 oz. jar of almond butter, so almonds will cost \$9.00 per jar of almond butter. The total production cost per jar will be \$9.96. With a 30% gross margin, HP Farm will charge \$14.25 per jar of almond butter, which is \$2.75 cheaper than the biggest competitor, MaraNatha. The total profit made on each jar of almond butter sold will be \$4.29. With \$4,139.51 invested, HP Farm will break even when 965 jars of almond butter are sold. If HP Farm is able to increase sales by 50 jars each month, HP Farm will break even at the end of the 6<sup>th</sup> month of business. If HP Farm meets their goal of selling 3,900 jars of almond butter in 12 months, then the total profit will be \$12,591.41 for the first year. Table 3 represents the costs and profit amount for the first year of business. Finances are projected as if costs and sales will not change by the time HP Farm begins business on August 1, 2013.

Table 3		
<i>Cash Flow and Profit</i>		
	Sales Profit	Account Total
Fees and Equipment		-\$4,139.51
1 <sup>st</sup> month sales	+\$214.50	-\$3925.01
2 <sup>nd</sup> month sales	+\$429.00	-\$3,496.01
3 <sup>rd</sup> moth sales	+\$643.50	-\$2,852.51
4 <sup>th</sup> month sales	+\$858.00	-\$1,994.51
5 <sup>th</sup> month sales	+\$1,072.50	-\$922.01
6 <sup>th</sup> month sales	+\$1,287.00	+\$364.99
7 <sup>th</sup> moth sales	+1,501.50	+\$1,866.49
8 <sup>th</sup> month sales	+1,716.00	+\$3,582.49
9 <sup>th</sup> month sales	+1,930.50	+\$5,512.99
10 <sup>th</sup> month sales	+\$2,145.00	+\$7,657.99
11 <sup>th</sup> month sales	+\$2,359.50	+\$10,017.49
12 <sup>th</sup> month sales	+\$2,574.00	+\$12,591.49
Total First Year Profit		\$12,591.49

### References

Organic Trade Association: Industry Statistics and Projected Growth. (2011). Retrieved from

<http://www.ota.com/organic/mt/business.html>

Hughner, R., McDonagh P., Prothero, A., Shultz C., Stanton, J. (2007). Who are organic food consumers? A compilation and review of why people purchase organic food. *Journal of Consumer Behaviour*. 6: 94-110.