

MARIST COLLEGE

School of
Management

Memorandum

To: Professor Mary Winby
Professor of Management

From: Peter Conlan, Angelo Costa, Patrick Martin, Joseph McDonough, and Liam Wright

Date: 14 December 2018

Subject: Assignment #5

Attached please find the resume which is due on 14 December 2018 as the final business plan assignment in BUS 100N-113, Introduction to Business and Management.

The work and writing presented in this resume unless specifically specified in an appropriately cited footnote, endnote or reference note is solely mine/ours.

Business Plan

Sprout Creek Farm

Submitted to:
Sprout Creek Farm
34 Lauer Road,
Poughkeepsie, New York 12603

By:
Peter Conlan, Angelo Costa,
Patrick Martin, Joseph McDonough,
and Liam Wright
3399 North Road,
Poughkeepsie, New York 12603

4 December 2018

Table of Contents:

- I. Execute Summary
- II. Industry
 - A. Analysis of the Firms in the Industry using P.E.S.T.
 - B. Competition in the Industry
 - C. Opportunities and Threats in the Industry
- III. Company
 - A. Who is Sprout Creek Farm
 - B. Operation and Style
 - C. Sources of Income
 - D. Critical Success Factors
 - E. Competitive Advantages
 - F. S.W.O.T. Diagram
- IV. New Product
 - A. Product
 - B. Advertising the Product
 - C. Pricing the Product
 - D. Placing of the Product
- V. Financials
 - A. Cost and Sale of Product
 - B. Cash Flow Statement and Budget
 - C. Future of the Product Line

I. Executive Summary

The dairy product industry (NAICS Code 31151) is a \$106.4 billion industry that is only expected to grow in the next five years. Since dairy products are a staple in all households, there will always be a demand and with the current health-conscious population, the ability to produce organic products will be key to a company's success. Being able to incorporate some of the new technologies in the industry as well as quickly overcoming the new political regulations will be necessary. Sprout Creek Farm specializes in producing organic products to its consumers and being an education center for school children. Because organic milk is the most expensive ingredients in organic products, Sprout Creek Farm has the ability to diversify into other markets, such as chocolate, and not pay high fees for importing organic milk. The margins on organic chocolate are high and with the most expensive ingredient already on the farm, the margins would only increase. There is a strong focus on education and Sprout Creek Farm can partner with wineries also located in Dutchess County. by doing so, they can sell their cheeses at these wineries, with little transport fees, as well as expand their education to adults and therefore entire families by offering wine and cheese tasting at the farm.

II. Industry

A. Analysis of the Firms in the Industry using P.E.S.T.

1. Political Factors in Operation

The political trends that may influence firms in this industry are new state or federal legislation. This industry is heavily regulated on both the federal and state level. On the other hand, regulations are rather steady. New laws and policies are not being constantly passed. As the policies in place presently have allowed the firms in the industry to be successful. A political trend that persistently causes the industry to adjust itself is food safety and regulation. If there is an increase in food and safety regulations, it will cause an increase in operating costs. Also in the United States, as there is a growing problem in obesity and diabetes, this may lead consumers to have a shift their food preferences. As a result, firms in this industry to serve this more health-conscious customer base will need to adjust their products to consist of healthier ingredients which may cause it to be more expensive. If new legislation is created, some Dairy Farms may be tempted to become organic. As a result, this will cause the products of production to increase in total production cost. Labor wages in each state may have an effect on the total pricing of the products sold by the firms. Furthermore, firms may be encouraged to move production to certain states that have lower minimum wages so that they can minimize production cost and

maximize the profit earned. Although legislation has remained consistent in this industry, some of these political factors stated can be easily altered and cause tremendous change across the whole industry.

2. Economic Factors in Operation

The overall economy does not heavily affect this industry because dairy and cheeses are a staple household item. As well as necessary for restaurants and other manufacturers to produce numerous products. It is a key ingredient in countless foods which will not be heavily affected by a change in the economy. The price of milk is a product that can have its price fluctuate slightly based on current desires/fads by the consumers. As a result of the fluctuations in the price of milk, other products that consist of milk will fluctuate correspondingly. But this factor can be seen as a positive effect for our firm, Sprout Creek Farm. Sprout Creek makes their own milk, so they have the ability to charge more for milk as the price of milk increases while technically paying the same price for the milk. In 2019, the per capita dairy consumption is expected to decrease from 2018. The reasoning behind this statistic is because products such as fluid milk, such as almond milk and soy milk, have significantly cut into the consumption of animal milk. Raw milk represents the largest expense for dairy producers and the price of milk is expected to rise in 2019 compared to 2018. Although milk has a stable domestic demand, consumers tastes and trends have led to a wide

variation in the price of milk. This reinforces the idea that the overall economy does not have a tremendous effect on this industry. Since milk is viewed as a necessary good rather than a luxury good. Furthermore, if there is an increase in the price of milk, it will not result in less people purchasing the product.

3. Social Factors in Operation

There are five main demographics that companies usually depend to help decide, who to aim advertisements at, and how to best market their product. The five are age, ethnicity, education, household composition, and professional/employment status. The only one that has a large impact on the cheese industry would be age. For example, a cheese company would not have a lot of success marketing to the age group of twelve and under. Better results would be seen if advertisements were directed at ages 25 and up. This is amplified even more since the product they are currently trying to push the most is artisan cheese, which is more costly, and more appealing to an older target audience.

Social trends are extremely influential in the market, and it has a large impact on what people buy. A big trend that some people live by religiously is the healthy, or organic trend. So cheeses that are healthier than regular cheese, or made with organic ingredients could possibly be marketed with great success. The competition in the cheese market is

high, so Sprout Farms needs something to set them apart from the rest of the cheese producers. And I think the healthy foods or organic option would be the best route. It stays true to one of the most popular trends in America right now. The fact that it is so popular, and people are so obsessed with buying organic foods, along with the rarity of tasty organic foods, this gives producers the ability to charge more for the cheese. Having more variety of dairy products also appeals to a wider variety of customers.

4. Technological Factors in Operation

It is important to keep up with technological change in any industry if you want to be able to compete with the top producers and stay relevant. In the cheese industry specifically, it is important to stay up to date with technology because new ways could be invented to make the cheese that is faster than older ones, more cost-efficient, and maybe even make better tasting cheese. Currently, IBISWorld says the rate of change of technology in this industry is medium, indicating “moderately paced technological changes.” The top cheese making technology is membrane filtration technology. It takes out bacteria in cheese, spores, and molecules that are bad for it. It is better than condensers and evaporators, and it helps the cheese to last longer.

Genetic engineering technology can also help with controlling diseases and impurities in cows, which would create better cheese and

milk products. For people looking to just buy the best cheese, this process would be fine with them. Because genetic engineering does have many pros, it is still a good option to use. It creates better cheese down to a molecular level, which saves the producer money because it is less likely to be contaminated. On the other hand, genetically engineered cheese is not appealing to the organic fanatics. They want all natural products, and genetic engineering is unnatural. So having both as an option would maximize profit. Money could be saved by the genetic engineering process, and for the all-natural cheese, selling it for more than the others would help cover the cost of production that uses all natural ingredients.

B. Competition in the Industry

1. Customers

To start, there are many products out on the market that is made from milk; almost too many to count. The consumption of dairy products dates all the way back to almost six-thousand years ago. Clearly, there are many demographics to include and mention that are regular consumers of dairy and milk products. As mentioned before, categorizing demographics includes looking at ethnicity, age, education, household composition, and employment status.

Ethnicity is a very important demographic category to analyze when talking about dairy products. Most ethnicities in the United States

are consumers of dairy products, however, some ethnicities and cultures are not very acquainted with dairy products and either has no interest or prefer not to consume dairy products for various reasons. Age also plays a big part when looking at the consumer market for dairy products.

Dairy products are usually consumed by just about all age groups. This is a very positive aspect of the consumer market for dairy products.

Many people encourage consuming dairy products for people of all ages.

Education, however, is not a big factor when looking at the market for dairy products. One's level of education completion does not determine whether or not they will purchase a product. The same can also be said about household composition and employment status. Employment status may only be affected if the specific product a given person wants to purchase is too expensive for their budget; due to their employment/income situation.

2. Competition and Substitutes

Sprout Creek Farms is in the agricultural industry. With that being said, anyone with the slightest bit of knowledge of agriculture knows that all you essentially need for this industry is a property and animals for the land. Therefore another farming firm in and around Poughkeepsie or Dutchess County could spring up and start their own line of dairy, meat, and vegetable products. Also, given how all their products are organic, buyers/customers might go to indirect competitors such as

larger supermarket chains like Price Chopper in Poughkeepsie or the Stop N' Shop in Hyde Park to purchase the same products at much cheaper prices. Sure organic products are healthier but it may not be economical for a certain class of buyers for residents to get organic food and just settle for supermarket food because after all food is better than no food. On top of this, there are also three other organic farms in the area that offer similar products and services such as Indoor Organic Gardens of Poughkeepsie, Hepworth Farms of Milton, New York, and Organic Milk Corporation/Fresh Farms of Montvale, New Jersey. Sprout Creek Farms will constantly be dealing with direct competition that could be difficult to beat.

3. Possibility of New Competitors

Undoubtedly, there is the possibility that new firms could enter this industry and become new competitors. While Sprout Creek Farms has their own unique way of how they produce their dairy and run their business, another firm can easily claim they are also doing the same, and force consumers to have to make a decision as to where they will purchase their dairy goods. Entering the dairy industry is a very difficult endeavor to take on, which is a positive thing for Sprout Creek Farms. Between finding the most optimal piece of land, acquiring the best livestock, a reliable group of employees, and many more factors show how much of a financial endeavor starting a firm like this can be.

4. Suppliers Influence on the Firm

Initially, suppliers were a large influence on the success of Sprout Creek Farms. They had to acquire the land from the owner of the land in order to have the farm which if they did not have, the farm would never have been able to exist. After purchasing the land, Sprout Creek Farms would have to buy the various types of cows like the Jersey and Holstein breeds, then goats such as the Nubian and Toggenburg goats, and vegetable seeds to make their products. However, after obtaining these essential ingredients, the firm would then be able to breed the animals and save the seeds or collect the seeds from the vegetables that weren't sold. The products themselves could be able to help the firm not go back to the supply and be able to sustain the source of their merchandise. However if an environmental disaster, bad famine, or virus kills off the cows, plants, or ruins the land, the farm would now have to go back to their animal and seed supplier to restock. The chances of an event like this happening are unknown and unpredictable.

C. Opportunities and Threats in the Industry

1. Opportunities

The agriculture and dairy industry is on an upward trend. One explanation behind this prediction is simply because the population is increasing. Dairy products are a staple in almost all households, resulting in the constant need for dairy products and more people in the

households means more products to be sold. In today's society, there is currently a trend of healthy living and eating styles. There is an opportunity for a company to provide its consumers with a healthier alternative and charge a higher premium for said products. Also, farms that are able to produce their own organic milk can stay ahead of the curve. Farms that are incapable of producing their own organic milk are likely to buy it from Australia or New Zealand because the demand for organic milk is typically higher than the amount available. By producing organic milk in-house, a company would be able to cut down those shipping costs and have their own supply of organic milk. This is a massive opportunity because organic milk will gain popularity and stay that way with the general population becoming more health conscious. The main expense for dairy producers is raw, unprocessed milk. By the end of 2018, the price of milk in this state is expecting to rise, which will result in companies having to spend more and therefore charge more. For companies that produce their own milk, they now have the opportunity to charge more for their products too.

2. Threats

There are a few threats appearing in the agriculture and dairy industry. The first is the high demand for raw milk and feed. Currently, there are a lot of companies trying to produce their own dairy products and need to buy raw milk and feed. The problem is that both raw milk

and feed have a cap on how much can be produced. Due to that cap, companies cannot receive all the resources they might need, hindering their product lines. The only way to avoid this problem would be for a company to expand within and maybe start producing their own.

Another concern for the agriculture and dairy industry is the increase in food and safety regulation. Although this may seem good for the customers, it will increase the operating costs for the producers. With these new regulations, companies may have to fix or upgrade certain machinery as well as work out new labor wages. The coming of new regulations is not an avoidable threat, but rather an obstacle one company must overcome to continue moving forward.

III. Company

A. Who is Sprout Creek Farm

Sprout Creek Farms was founded by nuns at Sacred Heart Greenwich in Connecticut where the Society of the Sacred Hearts Serves in 1982. In 1990, the farm moved to its current location in Dutchess County, New York. This company was started because the nuns realized a large disconnect between privileged students at the school and the earth. They used an old farm on their property to teach and inspire students with hands-on work on the farm. This basis in education is what guides today's company. Sprout Creek Farm's mission is to provide customers with the highest quality meats and cheeses through the best means while also providing an educational experience to

children and adults to teach them on the importance of caring for this earth. Their vision to produce the finest meats and cheeses in the northeast in order to become a household brand while also become one of the leading hands-on education centers in the region in the coming years. They are able to achieve these goals by hosting a variety of cultural and educational events to students as well as receiving winning national and state cheese awards from the American Cheese Society for some of the best cheeses. When the Society of the Sacred Heart put Sprout Creek Farm into their own independent 501c3 in 2011, they have vastly grown their brand, in both food and education, and continue to do so.

B. Operation and Style

Sprout Creek Farm is mainly in the fields of cheese production and education, whilst they do also produce various meats. At the moment, they are producing seven types of cow-milk cheeses, four of which are pasteurized and the rest raw, and two types of goat-milk cheeses, one pasteurized and one raw. The farm is responsible for the cheese-making-process from grass to milk to cheese to sale. They sell their cheeses through wholesale, retail, and distribution to partnering companies. Distribution is the lowest price level and retail is the highest with the average sale of cheese at all levels combined being around \$12 per pound. They market their cheeses through the website and through their labels at various stores.

The philosophy that education is the main priority is the ultimate driving force at Sprout Creek Farms. When they had received the farm from the Society of the Sacred Heart, they had agreed to run the farm with a focus on education. The management style is democratic as there is a definite chain of command but all the members of the team are passionate about what they do and always act with the company's mission in mind. Core competencies include good client service which keeps people coming to get educated, as well as good interpersonal relationships that get all the passionate people at the farm on the same page.

C. Sources of Income

The three biggest sources of income at Sprout Creek Farms are the education programs, the cheese sales, and the monetary support of others. In the years 2016 and 2017, the educational programs held at Sprout Creek Farms generated over \$550,000 and \$450,000 respectively. The cheeses sales fluctuate based on current trends and whether certain types of cheeses are well received by the market. In 2016 and 2017, Sprout Creek Farm sold their cheese to retail and wholesale for over \$470,000 and \$365,000 respectively. The third greatest source of income is the financial donations of others to the farm, which doubled from 2016 (over \$330,000) to 2017 (over \$740,000). A small portion of Sprout Creek Farms income is generated by the sale of meats which is generally below \$100,000.

D. Critical Success Factors

Sprout Creek Farms depends on various factors in order for them to succeed. The first one being the fertility of the land and resources of necessary to run the farm. If the land were to produce a bad harvest, then the vegetables that they sell will not be able to produced or sold leading to a loss in profits and reputation. Next, would be the health of the animals. If the animals were to become sick or an ingredient in the food given to the cows and goats was proven to not be organic, this could result in a loss of credibility and food sales. Finally, there are summer programs to educate participants about agriculture. The staff running this program must be trained, educated, and foster a fun learning environment that will retain and bring in more leading to an increase in revenues. All of the factors need to constantly be checked and maintained in order for Sprout Creek Farms to successful.

E. Competitive Advantages

Sprout Creek Farms have several advantages over other farms in the industry. One is the farms focus on education. It adds an entire other market for customers to consider. It is not just a way to make money for Sprout Creek, but it actually has a positive effect on society which only helps there cause and makes them look better in the eye of the public. People thinking a business does good for the people can help their sales tremendously. Another comparative advantage that Sprout Creek Farms has over its competitors is simply their quality of cheese. At some point in the past ten years, they have placed in all of the top three spots of the American Cheese Society Competition, which is one

of the most prestigious cheese awards in the country. In addition to being recognized by the American Cheese Society, they have also been named the gold medal winner at the New York State Fair and best in class at the United States Cheese Championships. Not only does Sprout Creek Farms have a competitive advantage over other manufacturers in the industry with their educational opportunities, but their quality of cheese speaks for itself with the numerous awards they have won.

F. S.W.O.T. Diagram

Strengths	Weaknesses
<p>Staple product in households and restaurants</p> <p>Provide organic products to consumers</p> <p>Production of raw milk is conducted in-house</p>	<p>Consumers go to indirect competitors, large supermarkets</p> <p>Prices are higher because of having organic products</p> <p>Multiple competitors in the local region</p>
Opportunities	Threats
<p>Population is increasing</p> <p>They produce more healthier options, organic</p> <p>The dairy industry is on an upward trend</p>	<p>Increasing food and safety regulations</p> <p>Increasing operation costs</p> <p>Labor wages in the US are increasing</p>

IV. New Product

A. Product

The new product line we intend on introducing is our line of organic chocolate bars. We will have a variety of chocolate bars to choose from; such as classic milk chocolate, dark chocolate, white chocolate, almond, macadamia nut, and many more. We have decided to release this line of products because we understand that we have very health-conscious customers who want nothing but the highest quality products available on the market.

With this new line of organic chocolate bars, ranging in different flavors, we hope to not only attract our health and organically conscious customers. We also hope to attract our customers who may not be aware of the many benefits of consuming organically produced products. Essentially, the target market is the increasing population of people always looking for an organic, healthier alternative to their everyday food. The benefits of Sprout Creek Farm's new chocolate bars is that they are the organic alternative to traditional chocolate. This is why we have created a whole line of these chocolate bars. We hope that the variety of flavors we offer will encourage our customers to give these organic chocolate bars a try.

B. Advertising the Product

Sprout Creek Farms is using cheese as their main selling point for the company. On their online store, they have a variety of eight different types of cheeses. Each cheese is different in its own way. Some cheeses are aged longer

than others, some are harder cheeses and some are softer. The prices range from eight dollars to twenty dollars per half-pound, which means some are fancier while others are more casual. Another way that the cheeses differ from each other is their ingredients. Some cheeses such as the Toussaint cheese, is made from raw cows milk, as opposed to the Chimbalito and the Madeleine, which are made from pasteurized cow milk and raw goats milk, respectively. So in order to better expose the local peoples to their products, they could start hosting wine and cheese tasting events. Wine is the perfect and notorious compliment to cheese. This would not only let people try all the delicious cheeses, but it could also expose people to the farm and all it has to offer. Plus this wine tasting could be like a free commercial for the farm, where they tell the adults, and parents, all the different things they can offer for older people, and kids. Currently, Sprout Creek Farm focuses on education for children in primary schools. By incorporating this wine element, they can now also draw in adults and provide them with the same education. It would lead to a stronger probability of drawing in families because there is something for both the children and the adults. After all, Sprout Creek Farm's mission is to educate people to understand and care for the earth. There is no reason why adults cannot receive the same education and the wine is something that caters to them and can bring in some additional revenue.

Many thriving businesses have a heavy focus on advertising. A good ad campaign can help so much with bringing businesses to the next level. I think

that Sprout Creek could start promoting through the local restaurants and wineries. This would help them make money, it would expose the adults to this farm and all of its opportunities and cheeses in case they want more, and it would help them complete one of their main goals as a company, which is to sell cheese. They already distribute cheese to local restaurants, so they could use these restaurants for the wine tastings. They could put up signs, in these restaurants and have the waiters and waitresses promote the events. This would continue and amplify the message that Sprout Creek was already sending out, that the farm is for the whole family. They have wine for the adults, education, and animals for the kids, and cheese for everybody.

This campaign fits in with the current marketing strategy because they are sticking to a target market of local customers. Reaching out to local restaurants to help spread the word is good for spreading the word quick to the people of the Hudson Valley, but that is not a strategy that would be used by companies who have many customers nationwide. The mom and pop atmosphere of the farm works well with the small business marketing strategies to heighten the results of the advertising.

C. Pricing the Product

Since organic products have more inflated prices, we can expect to sell an organic chocolate bar for around the \$5 price point for a bar of around 3 ounces. Growing cacao beans on the farm are not ideal and therefore would need to be imported. In order to minimize the number of products that need to be brought

onto the farm, we can only import the chocolate liquor and sugar. JEDWARDS International is a family founded natural oil producer located in Massachusetts. They sell the organic cocoa liquor that is needed to produce the chocolate. The price is about \$3.5 per pound, or about 21 cents per ounce, but can decrease greatly on the quantity purchased. The average chocolate bar that the farm will produce will contain about 50% cocoa. If the bars are around 3 ounces, roughly 1.5 ounces of cocoa liquor would be needed, resulting in about 63 cents of cocoa liquor per bar of chocolate. Sugar would also need to be imported to throw into the milk of milk and cocoa liquor. OliveNation is a cooking and baking supplier also located in Massachusetts. They offer the organic cane sugar the chocolate needs at around \$1.9 per pound, or about 11 cents per ounce. A typical 3-ounce chocolate bar would contain about 1 ounce of sugar, which in this case would result in 11 cents per bar. The remaining ingredient would be the cow's milk which is produced on site. The last piece of the chocolate-making puzzle is to mold the liquid chocolate and to package it. Since those machines can be very costly, it would be in the best interest to send the liquid to a local refinery where they can mold and package the bars, but upon the large success of this chocolate line, the funds would support composing the necessary equipment on the farm.

For the inclusion of wine and cheese tasting events on the farm, Sprout Creek Farm can invite some of the numerous wineries in Dutchess County to come. There, the wineries can sell and offer a tasting to individuals that show

up along with Sprout Creek's cheese. This would not cost the farm any additional money as the wineries would supply their own wine. This situation only benefits the farm because it would also bring in wine consumers to explore and receive the education Sprout Creek looks to give out. Sprout Creek can receive a payment from the wineries for allowing them a new channel of sales and in return, maybe these wineries would put Sprout Creek Farm cheeses on their shelves.

D. Placing of the Product

To further emphasize the product is an organic chocolate bar. This product distribution is similar to the company's current distribution channel. This distribution channel consists of customers having the ability to go directly to the farm in Poughkeepsie, New York where they can purchase the product from the farm's market. This guarantees total freshness because there is no shipping involved. This type of distribution affects the farm tremendously because as consumers make it to the farm, the opportunity of them being interested in other products and the educational side of the farm increase greatly. So this type of distribution is extremely important to the farm's success and growth as a company. Customers also have the option to get the products delivered directly to them. In today's world, online shopping is tremendously beneficial for all companies, especially a smaller sized company like Sprout Creek Farm. With the addition of various chocolate bars, it allows them to have a more diverse customer base leading to more distribution of products to various locations.

With the bigger market, this will strongly encourage the company to increase productions, which will enable more revenue to be earned. Always this will result in more exposure to more customers and opportunities. The addition of the chocolate bars is a big step in leading this company to grow and become more profitable. As a result, this will increase products being sold as well as the spread of education of working on a real dairy farm. Which effectively helps achieve the company's new mission.

V. Financials

A. Cost and Sale of Product

Originally, the plan would be to sell the chocolate bars at the farm and on the Sprout Creek Farm website. As the desire for the Sprout Creek Farms organic chocolate bars increase, then we can expand into the same retailers that are selling the cheese. The farm sells over 25,000 pounds of cheese every year. If we can turn one in every twenty-five customers to buy just one chocolate bar, that is one thousand chocolate bars sold. As time goes on, we would expect to turn more customers each time and get as close to every cheese buying customer buying an organic chocolate bar as possible. Also, as the sales of cheeses go up, we can expect the chocolate to go with it. By end of the year one can expect around 1,000 bars to be sold. Year two will yield 1,250 bars with one in every twenty customers buying a bar. With one in every fifteen customers buying a bar in year three, we will sell over 1,600 bars. By year four, if we get the conversion rate down to one in twelve customers, there will be over 2,000 sold

and in year five with one in ten customers, about 2,500 bars. The machines necessary to mold and wrap our new chocolates would cost around \$11,000. To make the chocolate batter to put into the machine would cost an estimated .74 cents per bar. At this rate, we would make around four dollars in profits on a single bar. The average organic chocolate bar sells between \$4-7, therefore the \$5 price point is on the lower side and is most definitely feasible. This would take Sprout Creek Farms about two years to pay off the cost of the machines.

With distributing cheeses alongside wine, we can look to target Kedem Winery in Marlboro, New York. Kedem Winery is part of a larger group, Royal Wine Corporation, that also owns Herzog Wine Cellars in Oxford, California. The ultimate goal with this is to bring some of Kedem wines onto the farm for an education program. We can do a wine and cheese tasting on the farm and we can do this at no additional cost as we can split the wine revenue with Kedem Winery. The end goal with this is not to make a lot of money, but rather build a strong relationship with Kedem Winery and Royal Wine Corporation so that they take on our cheeses. Royal Wine Company claim to sell over one million cases of wine and grape juices each year. If we can get just 1% of those sales to include cheese, that is ten thousand additional sales. The average pound of cheese at the farm is \$12 and although the amount of money Kedem Winery and Royal Wine Company would want, let's assume the farm would take at least 50%, therefore no less than \$6 per pound. Ten thousand sales at \$6 per pound totals \$60,000 in additional income for the farm. Ultimately, pairing with local

wineries would not only give Sprout Creek Farm extra advertising and exposure, but it would also be a great source of additional income.

B. Cash Flow Statement and Budget

Sprout Creek Farm

Statement of Cash Flows

For Years One, Two, and Three

	2018	%	2019	%	2020	%
Sales	\$ 5,900	100.00%	\$ 7,375	100.00%	\$ 9,440	100.00%
Cost/ Goods Sold (COGS)	11,740	198.98%	925	12.54%	1,184	12.54%
Gross Profit	<u>\$ (5,840)</u>	<u>-98.98%</u>	<u>\$ 6,450</u>	<u>87.46%</u>	<u>\$ 8,256</u>	<u>87.46%</u>
Operating Expenses						
Salary (Office & Overhead)	\$ 698,266		\$ 698,266		\$ 698,266	
Payroll (taxes etc.)	132,485		132,485		132,485	
Marketing	118	2.00%	148	2.01%	189	2.00%
Advertising	118	2.00%	148	2.01%	189	2.00%
Total Expenses	<u>\$ 830,987</u>		<u>\$ 831,047</u>		<u>\$ 831,129</u>	
Total Expected Revenue*	\$ 2,237,853		\$ 2,628,593		\$ 3,014,794	
Net Profit for Product Before Taxes	1,406,866		1,797,546		2,183,665	
Net Operating Income	1,406,866		1,797,546		2,183,665	

*Revenue based on our Assumption that:

C. Future of Product Line

The future of the product line is to continue to grow a larger customer base while still providing educational services to all customers. In the future, as the chocolate bars become more profitable as well as beneficial for the company, we can consider branching into different flavor and types of chocolate bars. For example, we can expand to making chocolate bars that contain nuts or even fruits. Another idea is to start making different products other than chocolate bars such as a cake, cupcakes, and cookies. This opens the possibility of the

company starting a bakery on the farm's property. We could also begin to pair with a local winery, by us building a strong relationship with the wineries. This will let us increase sales and also the opportunity to educate customers. For the competition of Sprout Creek Farm, this will give them a distinct edge over competing farms because they appeal to a wider audience. This will present a wider variety in the products that are available for consumers to purchase at Sprout Creek Farms. By expanding the product line we are hoping this will increase the opportunity for the farm to be able to educate more people. Which essentially is completing their mission as a company which is to provide customers with the highest quality meats and cheeses through the best means while also providing an educational experience to children and adults to teach them on the importance of caring for this earth.