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**A BUISNESS PLAN ON A BOTANICAL FARM**

 Business name: Botanical bounty

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**Introduction**

## Botanical Bounty is a 10 acre farm that concentrates on the growing of botanical medicinals. Botanical Bounty has chosen five plant species that have significant market demand as well being well suited for growth in the Willamette River Valley. Botanical Bounty will feature: Echinacea - an immune system booster; Ginseng - a source of energy; St John's Wort - for mild depression; Skullcap- for inflammation; and Ginger- a soother.

## **Executive Summary**

Botanical Bounty is a farm dedicated to the production of botanical perennials. Botanical Bounty has been formed as an Oregon-based Limited Liability Corp. (L.L.C.) located outside of Albany, Oregon. Botanical Bounty is working hard to become a leading producer of botanical plants for the natural supplement industry as well as plant nurseries. By leveraging a well thought out business plan executed by a skilled management team, Botanical Bounty will generate over $216,000 in year three sales.

### Vision

The Botanical Bounty has identified several objectives for the business:

1. Become a leading supplier of botanical perennials for the health/vitamin industry.
2. Reach the point of sustainable profitability.
3. Enjoy work while making a good living

### Mission

It is Botanical Bounty's mission to become the leading provider of botanical perennials to the health/vitamin industry. This will be accomplished by providing quality plants at fair prices while exceeding customer's expectations.

## **Company Summary**

Botanical Bounty is an Oregon based perennial farm that grows a variety of botanical medicinal perennials. The company has been formed as an Oregon L.L.C. The farm has been in existence for two years now, initially operating as a hobby as rather than a profit producing business.

### Company Ownership

Botanical Bounty is an Oregon L.L.C. owned by Aishat and AAaron Omogbai The L.L.C. business formation has been chosen as a strategic way to shield the Omogbai from personal liability

**Products**

Botanical Bounty offers a range of botanical perennials (plants where the root structure remains, allowing the plant to regrow every year). Botanical perennials were chosen for two main reasons. The first is the medicinal value that they offer, therefore the plants have a positive contribution to society by improving people's health. The second reason is that the market for medicinal herbs is a very strong industry with excellent growth, ensuring demand for their plants. Botanical Bounty will offer the following excellent:

**Echinacea**Echinacea was used extensively by Native Americans and the early settlers also adopted its use. It has been used for years in alternative medicine to support the immune system, and to purify the blood, especially during season changes and during the cold and flu season. Scientific studies have confirmed the presence of natural chemicals, echinacosides, which increase white blood cell activity.

**Ginseng**
Ginseng stimulates and increases endocrine activity in the body. Promotes a mild increase in metabolic activity and relaxes heart and artery movements. Stimulates the medulla centers and relaxes the central nervous system.

**St. John's Wort**
St. John's Wort has been used as a medicinal for thousands of years, but has only recently been studied for its medicinal value. Now proven to have many highly active compounds including rutin, pectin, choline, sitosterol, hypericin and pseudohypericin. The flowers and leaves are medicinal as analgesic, antiseptic, antispasmodic, aromatic, astringent, cholagogue, digestive, diuretic, expectorant, nervine, resolvent, stimulant, vermifuge and vulnerary. Some compounds of the plant have been shown to have potent anti-retroviral activity without serious side effects and they are being researched in the treatment of AIDS.

**Skullcap**Skullcap is a powerful medicinal herb, it is used in alternative medicine as an anti-inflammatory, abortifacient, antispasmodic, slightly astringent, emmenagogue, febrifuge, nervine, sedative and strongly tonic. Some valuable constituents found in the plant are scutellarin, catalpol, other volatile oils, bitter iridoids and tannins. Scientific studies are proving this to be a valuable plant in many areas for mental disorders. Skullcap is used in the treatment of a wide range of nervous conditions including epilepsy, insomnia, hysteria, anxiety, delirium tremens, withdrawal from barbiturates and tranquilizers.

**Ginger**
Ginger roots and dried herb are medicinal and edible, it has a spicy, hot, crispy, taste and can be eaten fresh in small quantities in salads, used as a relish, a condiment, or made into a sauce for meat, especially good on chicken, or used to make ginger candy. Widely used as an alternative medicine ginger contains the valuable constituent aristolochic acid, scientific study shows it to have anti-inflammatory, antiviral, antitumor activity, cures warts in some cases and is a broad-spectrum antibacterial and antifungal.

## Botanical Bounty sells these excellent perennials in plant form for the botanicals to be extracted by their customers. Botanical Bounty concentrates on producing the healthiest plants which have the highest concentration of active.

##  Market Analysis Summary

### Botanical Bounty has identified three main customer groups: supplement companies; botanical processors; and other nurseries. The customer segments are distinct enough to be able to target each one differently. The industry that Botanical Bounty produces for has been undergoing consolidation for several years now. Botanical Bounty will be able to serve the industry by leveraging their competitive edge of healthy, potent persona **Market Segmentation**

Botanical Bounty has identified three different target market segments which they will sell to:

**Supplement Companies**
This customer group manufactures botanical supplements for their own label products. The companies purchase the plants and extract the active ingredients and transform them into sellable products for their own brand. There are a handful of large companies that operate in this market space. Ten years ago there were many different ones but through consolidation the industry has grown in size but decreased in the number of different players.

**Processors**
These customers purchase the the plants, extract the botanicals and either sell the concentrated botanicals to the end producers or they themselves produce the supplement and sell the final product to other companies for their private label products. In essence they are the subcontractor for the supplement companies. These companies therefore are one layer within the manufacturing system and do not sell to the end consumer. They act as a supplier/processor for the retail brands.

**Other Nurseries/Garden Centers**
This customer group purchases the plants which they in turn sell at retail to the individual end consumer. The typical consumer is a health conscious individual who is interested in either extracting the botanical from the plant immediately or growing the plant in their own garden for future use

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Target Market Segment Strategy

Botanical Bounty has chosen the three market segments based on the consistent demand for botanical extracts. While there are other potential customers, they are smaller, less consistent in terms of demand, and more difficult to reach. The supplement companies, processors, and to a smaller degree the nurseries are attractive customers due to the their consistent demand and typical long-term contract needs. There is significant value to these customers for a grower to consistently offer the same high level of active botanicals in each plant and to be able to meet the needs of large volume, long duration contracts.

### Industry Analysis

The botanical perennial growing market is typically concentrated in several regions around the U.S. which have optimum growing conditions. While there are a couple mega farms, on the whole, 78% of the U.S. production comes from growers with 5-20 acres of land. Approximately 23% of botanical extracts are grown abroad and imported into the United States. Reasons for botanical growth to occur overseas is typically based on the type of herb and its ability to grow better in the respective region.

The market for supplements is huge and growing:

**U.S. Supplement Market**
Surveys show that over 158 million consumers (over 55% of the U.S. population) use dietary supplements. An estimated 115.3 million consumers buy vitamins and minerals for themselves, and 55.8 million purchase them for other members of their family, including children. Consumer surveys consistently find that nearly half of all Americans now use herbs - a statistic that is particularly remarkable when we realize that today's herbal products industry is just over a quarter century old.

The basic reason cited for dietary supplement growth is the desire for self-care. Consumers use dietary supplement products to help them achieve their self-care goals that arise out of a sense of alienation from the established health care system. Results from a national survey conducted in 1999 by Men's Health magazine show that consumers use dietary supplements as a means of ensuring good health. They also use supplements for very specific medicinal purposes such as treating and preventing serious illnesses, colds, and the flu; increasing mental sharpness; and alleviating depression.

The consumer's desire for self-care and the widespread use of dietary supplements may cause problems for public health. An estimated 22.8 million consumers use herbal remedies instead of prescription medicine, and an estimated 19.6 million use them with a prescription product.

In the past, except for vitamin and mineral products, dietary supplements, particularly botanical products, were sold mainly to adults in health food stores. In contrast, now such products are available in supermarkets, other retail stores, and on the Internet, making these products readily accessible to children and other vulnerable populations. The Nutrition Business Journal estimated that in 1999, U.S. consumer sales of supplements over the Internet amounted to $142 million, almost three times the previous year's total of $48 million.

The five main channels of distribution are: consumer-direct (includes direct mail/catalog, direct from sales representatives, multi-level marketing, Internet & infomercial/direct from television); food, drug, mass-market stores, health and natural food stores, healthcare professionals and practitioners, others.

**Competition and buying patterns**

As mentioned previously, competition takes two forms, farms similar in size and production capacity to Botanical Bounty and megafarms. The similarly sized farms range in size from 5-30 acres. The number of different herbs grown varies from a handful to upwards of 50. The choice of plants grown is based on owner preference as well as location and the ability of the local growing conditions to support the different plants.

On the other end of spectrum is the megafarm. These farms have a similar range of species cultivated, however they differ greatly in production capacity. These farms are huge, typically not less than 100 acres, peaking at 300 acres. These growers however are few number.

The buying patterns of the different customers are typically based on these variables:

* Price
* Availability
* Ability to deliver consistently on long-term contracts
* Significant % of active ingredients
* Consistency

## Strategy and Implementation Summary

Botanical Bounty will leverage their competitive edge in order to gain significant market share. Their competitive edge is their ability to consistently produce plants with high active botanical percentages as well as a high ratio of healthy plants (sellable).

The marketing strategy will have the objective of raising awareness and visibility of their industry-leading percentages of active botanicals. The strategy will communicate the fact that Botanical Bounty's plants will yield a significantly higher amount of botanicals measured per plant.

The sales strategy, in addition to reinforcing the competitive edge, will seek to qualify leads by concentrating on Botanical Bounty's ability to perform reliably on long-term contracts, becoming a stable supplier to the larger companies that need a steady supply stream.

### Competitive Edge

Botanical Bounty has a dual competitive edge:

**Healthy Plants**The healthier the plant, the faster it will grow, the more botanicals that can be extracted from it. This means an increase in production efficiency due to a larger percentage of plants that are sellable. Other characteristics of healthy plants which are important on the production side is: lower pest counts, more established root structures, and high biomass.

**High Concentration of Active Botanicals**This is beneficial to the purchaser because they are buying the plants precisely for the active botanicals. High concentration levels are valuable to Botanical Bounty because they increase the amount of botanicals produced per plant or per acre, increasing the production capacity of a given amount of land, thereby increasing their return on investment and increasing the attractiveness of Botanical Bounty's plants relative to the competition.

###  Marketing Strategy

The marketing strategy will be based on generating awareness and visibility of Botanical Bounty and their ability to produce the highest percentages of botanicals. The strategy will rely on several different forms of communication. The main form is participation in the numerous trade shows for the industry. The trade shows are where everyone from the industry gathers to meet and transact business. t is a wonderful place to network as well as learn about new developments in the industry. The second form of communication will be the use of advertisements. The main venues for advertisements will be industry trade magazines. The trade magazines are a well read source of information that buyers and sellers refer to for many different transactions.

### Sales Strategy

Botanical Bounty's sales strategy efforts will focus on identifying qualified leads and turning them into paying customers. The main sales effort that Botanical Bounty will undertake is the reinforcement of the fact that Botanical Bounty's plants have the industry's highest percentage of botanicals. This will be quite appealing to the buyers as this is exactly what they want, more botanicals per plant. In addition to selling the buyers on Botanical Bounty's competitive edge of potent plants, there will be an emphasis on Botanical Bounty's ability to perform on long-term contracts.

Botanical Bounty recognizes that the transactions should not be thought of as individual sales, but as long-term relationships. This is a reasonable assumption based on the fact that the customers are in the business of utilizing botanicals, that they will continually have the need for the botanicals, and that it is far less expensive to establish a relationship with one vendor than to continually have to find new vendors that can meet their needs.

## Management Summary

The Botanical Bounty management team is made up of the siblings team Aishat and Aaron Omogbai.

###  Personnel Plan

* **Aaron:** Operations including vendor relations, accounting, and some growing responsibility.
* **Aishat:** Head grower and sales. As head grower she is responsible for supervising, scheduling plant production, the cutting schedules, crop selection, growing schedules, fertilizer selection and application schedules, irrigation system development, and pest control. Because Sue has the technical knowledge regarding the plants and their industry leading botanical concentrations, she will be in charge of sales which will include qualifying leads as well as participating in the final negotiations and account management.
* **Grower:** Sue will have the assistance of a full-time grower in order to allow her to meet her sales responsibilities.
* **Laborers:** The laborer positions will be seasonal as there is more work required in the summer months, however, there will always be some laborers on staff throughout the year. Some of the responsibilities of the laborers are soil tilling, compost distribution, plant collections and trimming.

## Financial Plan

### The following sections will outline important financial information

### Important Assumptions

* Break-even analysis
* Projected profit an loss
* Projected cash flow
* Projected balance sheet
* Business ratio

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| --- |
| **PRO FORMA PROFIT AND LOSS** |
|  | **2003** | **2004** | **2005** |
| Sales | $84,839 | $190,835 | $216,613 |
| Direct Cost of Sales | $6,363 | $14,313 | $16,246 |
| Other Costs of Goods | $0 | $0 | $0 |
| **TOTAL COST OF SALES** | **$6,363** | **$14,313** | **$16,246** |
| Gross Margin | $78,476 | $176,522 | $200,367 |
| Gross Margin % | 92.50% | 92.50% | 92.50% |
| Expenses |  |  |  |
| Payroll | $87,000 | $92,000 | $97,000 |
| Sales and Marketing and Other Expenses | $10,000 | $12,000 | $14,000 |
| Depreciation | $6,996 | $6,996 | $6,996 |
| Mortgage | $24,000 | $24,000 | $24,000 |
| Utilities | $7,000 | $7,000 | $7,000 |
| Insurance | $2,400 | $2,400 | $2,400 |
| Payroll Taxes | $13,050 | $13,800 | $14,550 |
| Other | $2,400 | $2,400 | $2,400 |
| Total Operating Expenses | $152,846 | $160,596 | $168,346 |
| Profit Before Interest and Taxes | ($74,370) | $15,926 | $32,021 |
| EBITDA | ($67,374) | $22,922 | $39,017 |
| Interest Expense | $3,908 | $3,640 | $3,280 |
| Taxes Incurred | $0 | $3,686 | $8,623 |
| Net Profit | ($78,278) | $8,600 | $20,119 |
| Net Profit/Sales | -92.27% | 4.51% | 9.29% |