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**DEPT: CHEMICAL ENGINEERING**

**MATRIC NO: 18/ENG01/021**

**COURSE: FOOD PRODUCTION AND HEALTH**

# Farm Business Plan

## Greenway Farms

### EXECUTIVE SUMMARY

Greenway Farms LLC is dedicated to sustainable, profitable and unique agricultural products.

Our

mission is to produce and grow quality, specialty greens, baby vegetables and fruits to supply local

restaurants and consumers on the Eastern Shore of Maryland. Our goals include high quality products to sell both wholesale and retail. Production methods include new technology utilizing sustainable agriculture and best management practices. We hope to increase production by 20% and sales by 30% in the next five years.

Greenway Farms is owned and operated by John and Mary Green. The farm is 25 acres and has two round style greenhouses for production and to reduce production risk. The Green family has been farming for 2 years and is relatively new to the industry even though John grew up on a grain

and dairy farm. The enterprise is a part-time venture since John and Mary both work off the farm.

Mary teaches school and plans on doing much of the selling and marketing during summer vacation. John helps on the production side as well as daughter Julie who plans to take over the farm in 10 years.

Through market research it is evident that consumers are interested in high end specialty products.

There is a move toward health and local that will benefit our operation. Some limitations include time and labor to devote to the operation and being new growers we are still learning. Our advantage is the specialty aspect as well as season extension.

Greenway Farms has a net worth of \$154,484. Our income statement and cash flow for 2009 is negative due to capital expenditures, start-up costs and low production. Over time these are expected to increase with the addition of fruit production and increased greens and vegetable production.

Greenway Farms is a family business and employs daughter Julie. Seasonal or custom help has been hired on an as needed basis.

## MISSION

### GOALS

Greenway Farms is a special place. The mission of our farm is to provide unique and wholesome produce that is enjoyable and sustainable. We work harmoniously with nature and the land to grow

quality, specialty vegetables and fruit to supply local restaurants and consumers on the Eastern Shore of Maryland.

- \* Grow high quality specialty greens, baby vegetables and fruits for wholesale and retail markets.

- \* Production methods are economically feasible as well as utilizing sustainable agriculture and best management practices.

- \* Increase production from 300 cases a year to 600 cases for greens and produce 9,000 pints of raspberries in the next two years. We will also begin a specialty vegetable enterprise.

- \* Increase sales from \$4,000 to \$8,000 for greens and begin marketing raspberries at \$3 a pint in the next two years.

- \* The Greens will attend courses on production and management to increase profitability. Julie Green will be the main source of labor. Seasonal help may be hired for markets or greenhouse work.

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### **Telephone:**

### **Business Advisors:**

### **Who is Involved in the Operation?**

## BACKGROUND INFORMATION

### **Business Name**

### **& Address:**

Email Address:

Web Address:

Type of Ownership:

Accountant Attorney

Bank

Other (i.e.

Insurance

Agent Etc)

Business Phone:

Home Phone:

Fax:

Fax:

Name:

Name:

Name:

Position:

Position:

Position:

Position:

Name:

John and Mary Green

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Greenville, MD 21000  
jgreen@greenwayfarm.com  
greenwayfarm.com  
Partnership  
Number & Sons Acc, Henry Numbers  
101 Business Drive  
Greenville MD 21000  
410-555-9854  
Legal Services, Tom Legal  
500 Business Parkway  
Greenville MD 2100  
410-555-3215  
Farmers Bank, Jeff Money  
302 Main Street  
Greenville MD 21000  
410-555-4589  
Farm Insurance Inc, Robert Claim  
202 Central Drive  
Greenville MD 2100  
410-555-4682  
410-555-1000  
410-555-2000  
410-555-1100  
John and Mary Green  
Julie Green  
Justin Green  
Owner  
Son  
Daughter  
Seasonal help  
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## BACKGROUND INFORMATION

### OPERATION LAYOUT

I, John Green grew up on a grain and dairy farm. I am currently employed as a full time salesman at an auto parts store and my wife of 28 years, Mary, is a teacher at the local school. We have two children Justin (22) and Julie (19). Our family had interests in starting a farm market enterprise and purchased 25 acres in 2001. It was our dream to have a farm and grow specialty products. We purchased the farm to enjoy rural living and to provide additional income however we do not expect the farm to pay the mortgage. For the past six years we rented the farm for field crop production. In 2007 we began the farm operation Greenway Farms. We purchased and built two premium round style 26'W x 12'H x48'L high tunnels. One tunnel is used for greens and other specialty vegetables grown in gutters. The other tunnel focuses on bramble production. A very small crop of greens and vegetables were harvested in 2007 and 2008. We are planning to expand the farm operation. Production in the current greenhouses can be increased as well as

adding 2 to 3 more greenhouses in the next five years. The additional acreage is in conservation programs, woodland and pasture for our horses and beef cows. Mary and I plan to retire from our off farm jobs in 10 years and will transfer the farm operation over to our daughter, Julie to operate full time. We plan to assist her with labor and farm operations.

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## **Assets/Contracts**

### **Insurance**

### **Estate Plan/Will**

### **Retirement**

## **LEGAL AND CONTRACTUAL SITUATION**

We currently have a 30 year mortgage on both our residence and farm and have 22 years left of payment. Our current off farm jobs and farm income pay for the mortgage. We have no written marketing agreements and all previous land leases were terminated.

Assets are listed with the balance sheet in the resource section.

We currently carry a farm insurance policy for structures on the farm. We are not enrolled in crop insurance program. As the farm expands to fresh market we will investigate product liability insurance. Our family has health insurance through Mary's off farm job. Auto's are insured.

Currently Mary and I are the owner and operators. Julie has shown interest in helping and taking over the farm business once she is out of college. She will acquire the farm assets and business while Justin will receive compensation for his portion. We have a written will and estate plan which outlines the fair division of the estate including land, life insurance and assets.

Mary and I both have 401K's through our current jobs. We contribute extra to it on a yearly basis. We are planning to run the operation for the next 10-15 years before turning the business over to Julie.

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## **Conservation/Environmental**

### **Other**

The farm has a Soil Conservation Plan, established buffers and filter strips through the local Soil Conservation District CREP Program. We also have a nutrient management plan written by the University of Maryland Cooperative Extension.

Greenway Farms is dedicated to environmentally sustainable management practices.

We hire custom work for the farm as needed due to machinery and equipment cost and maintenance.

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## **PRODUCTION SITUATION**

The farm includes 25 acres, 1 acre includes the high tunnels, 7 acres in crop production, 6 acres are in conservation, 2

acres are the residence and 6 are in pastures. There are two separate water sources; one well supplies the residence

and one well supplies livestock and high tunnels.

The livestock are raised as a hobby and are not currently part of the farm enterprise. The high tunnels are round style

high tunnels 26'W x 12'H x 48'L. High tunnels elevate temperatures over a period of time and offer protection from rain, wind, insects, birds and disease. They help to extend our marketing season by having crops early and late in the

year.

The high tunnels are for growing specialty greens and operating at a 40% production level. Varieties available include baby or micro greens and mesclun mixes. We are also experimenting with baby vegetables, such as squash and mini melons and fruits such as blackberries and raspberries.

We continue to research varieties and the market for new varieties and production techniques. We use minimal inputs and utilize our nutrient management plan to be more efficient. We also use scouting and IPM for pest and disease control.

See the Production Plan in the Appendix.

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Market Research Tools:

Results of Market Research:

Key Industry Trends:

## FORMULATE A FARM STRATEGY

### Step 1: Information Gathering and Market Research

Demographic information through the US Census and observation.

- \* There are approximately 85,000 people in a 60 mile radius of the farm. With an growing population.
- \* The average family size is 2.5 and the median household income is over 41,000.
- \* 83% have graduated high school and 27% have a bachelor's degree
- \* 78% are white and 18% are black.
- \* There are over 25 chain grocery stores and 8 specialty grocers
- \* During market season there are 7 farmers markets (5 are Saturday markets, 2 are Wednesday markets)
- \* Restaurants in the area include 15 fine dining areas and 22 chain restaurants.
- \* More families are health conscious and seeking healthy foods.
- \* Salads and specialty salads have become very popular menu items. Demand has also increased for baby vegetables and microgreens.
- \* Restaurants and consumers are seeking local food. Local food movement is the fastest in the US.
- \* Promotion of 5 a day and the new food pyramid.
- \* Increasing interest in local foods and resources.

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### Step 2: S.W.O.T. Analysis

Strengths

Weaknesses

Opportunities

Threats

### Strengths and Weaknesses - Evaluation of the Internal Environment

Internal Strengths of the Farm Business:

Internal Weaknesses of the Farm Business:

- \* Devotion to the farm business
- \* Off farm income is helpful for start of the farm enterprise
- \* Well known in the community and reputation for quality
- \* Commitment to quality and success
- \* Land area and capacity with good soils
- \* New high tunnels with technology
- \* Attend trainings and workshops for management and production
- \* Ability to extend the growing season and control disease
- \* Do not have some of the machinery
- \* Lack of farm experience and new to farm production
- \* Off farm jobs take precedence over farm
- \* Time and labor are an issue at peak time
- \* Transportation and delivery to restaurants have been an issue of time and money
- \* Finances are limited due to property purchase and start up costs

\* New growers entering the market

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## Threats and Opportunities -Evaluation of the External Environment

### Competitor Analysis:

#### Competitor #1:

Name:

Product

Offerings:

Promotional

Activities:

Location of Company:

Competitive

Advantages:

% Market Share:

#### Competitor #2:

Name:

Product

Offerings:

Promotional

Activities:

Location of Company:

Competitive

Advantages:

% Market Share:

Bayview Farms

seasonal vegetables and fruits

farm market

15 miles away

Have an on farm market location to sell at, on a very busy road

5%

Cali Produce Distributor

variety of specialty produce and farm items

sells and delivers to local restaurants. restaurants place weekly orders

90 miles away

market to restaurants on an order basis, access to many local products.

25%

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#### Competitor #3:

Name:

Product

Offerings:

Promotional

Activities:

Location of Company:

Competitive

Advantages:

% Market Share:

#### Competitor #4:

Name:

Product

Offerings:

Promotional

Activities:

Location of Company:

Competitive

Advantages:

% Market Share:

Competitor #5:

Name:

Product

Offerings:

Promotional

Activities:

Location of Company:

Competitive

Advantages:

% Market Share:

Solco Produce

Mid Atlantic delivery of fresh and prepared vegetables and fruits, dairy and other specialty items.  
distributor

85 miles away

Large distributor with transportation and warehousing

60%

Montgomery Farms

Fruits

Pick your own

18 miles away

Customers can come to farm and pick their fruits and vegetables.

3%

Fairview Farms

Organic vegetables including greens

Sell at farmers market

30 miles

Organic labeling and have started high tunnel production

2%

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External Threats of the Farm Business:

External Opportunities of the Farm Business:

\* Local Farms are Competitors

\* Consumer tastes and preferences vary

\* Disposable income of consumers and what they are willing to pay for fruits and salad mixes

\* Distribution costs

\* Product liability insurance are required for the farmers markets and by some restaurants

\* Local food movement is growing

\* Promotion of Farmers Markets and coupon programs by state

\* Food cooking movement

\* Lack of quality specialty vegetables at food chains

\* Chain stores shelf life of fruits are very short and lack flavor

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## **S.W.O.T. Analysis Summary**

**Internal Strengths: Internal Weaknesses:**

**External Opportunities: External Threats:**

- \* Devotion to the farm business
  - \* Well known in the community and reputation for quality
  - \* Commitment to quality and success
  - \* Off farm income is helpful for start of the farm enterprise
  - \* Land area and capacity with good soils
  - \* New high tunnels with technology
  - \* Attend trainings and workshops for management and production
  - \* Ability to extend the growing season and control disease
  - \* Do not have some of the machinery
  - \* Lack of farm experience and new to farm production
  - \* Off farm jobs take precedence over farm
  - \* Time and labor are an issue at peak time
  - \* Transportation and delivery to restaurants have been an issue of time and money
  - \* Finances are limited due to property purchase and start up costs
  - \* New growers entering the market
  - \* Local food movement is growing
  - \* Promotion of Farmers Markets and coupon programs by state
  - \* Food cooking movement
  - \* Lack of quality specialty vegetables at chain food stores
  - \* Chain stores shelf life of fruits are very short and lack flavor
  - \* Local Farms are Competitors
  - \* Consumer tastes and preferences vary
  - \* Disposable income of consumers and what they are willing to pay for fruits and salad mixes
  - \* Distribution costs
  - \* Product liability insurance are required for the farmers markets and by some restaurants
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### **Step 3: Creating alternative plans of action and identifying areas of competitive advantage.**

Plan of Action - Internal Strengths and External Opportunities:

#### **Things to Think About:**

The Farm's Competitive Advantage:

Why Other Businesses are Not Copying the Product(s):

Options

- Wholesale - Advantages are committed buyer, set price and product. Disadvantages are price, labor and quantity.
- Pick your own - Advantages are more income and less labor needed. Disadvantages are liability and privacy.
- Restaurants - Advantages are dedicated buyer and large quantities. Disadvantages are labor, delivery and preferences of the restaurant.



- Community supported agriculture - Advantages are money received early, risk is spread and customers are known. Disadvantages are the need for diverse crops, delivery and labor.

- Farmers markets - Advantages are more income, little preparation to sell and market. Disadvantages labor and competition.

Greenway's plan of action will use season extension and specialty items, greens and berries, to provide a unique product to local consumers and fine dining restaurants. We will focus on high quality products available when others are not such as early and late in the season. Our products will be fresher, local and of higher quality than distributors. We will be able to form marketing relationships with restaurants and consumers earlier by using season extension techniques. Our farm will be the first at the market to have salad mixes and berries.

Products are grown locally on a family farm.

Greenway Farm's offers a very specialized product that other businesses may not have the time or labor to grow. We are also using high tunnels which are a relatively new production practice. Fruit production generally takes a few years to get to full production and takes start up time and money. In addition our marketing relationship that we create with restaurants will not be easily copied. We will work to provide customer service and prompt delivery to get repeat buyers and brand loyalty.

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Customers Value our Product(s) Because:

#### **Step 4: Selecting the best plan that fits your overall farm mission.**

My Overall Farm Strategy:

Customers will value the quality and consistent freshness and taste of our product. Our products are not available elsewhere. We will offer convenient delivery, ease of ordering and uniqueness. We will be the first in the spring and last in the fall to have products available.

Overall Greenway Farm's will produce high quality local products that will become known for their freshness and taste. We will keep with industry trends and grow the newest varieties of specialty greens and baby vegetables for restaurants and farmers markets. Our farm will also expand our fruit production growing raspberries and blackberries to extend the market season. We will offer niche products capitalizing on the local movement and interest in unique crops.

We are committed to the farm business and a quality product. Greenway Farms is limited by time and labor. Delivery schedules will have to be well planned due to one vehicle and cost of fuel. Mary and Julie will provide much

of the marketing (Mary is a teacher and has summers off).

The market is currently interested in local products and there is a lack of specialty items in chain stores. Greenway Farms will capitalize on this market trend. We will have to price carefully due to disposable income of consumers and distribution costs.

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Market Research and Target Markets:

Reach Target Markets By:

#### **MARKETING SITUATION**

\* There are approximately 85,000 people in a 60 mile radius of the farm. With a growing population.

\* The average family size is 2.5 and the median household income is over 41,000.

\* 83% have graduated high school and 27% have a bachelor's degree

\* 78% are white and 18% are black.

\* More families are health conscious and seeking healthy foods.

\* Promotion of 5 a day and the new food pyramid.

\* Increasing interest in local foods and resources.

\* Informal survey of restaurants for products and pricing - Restaurants indicated a large interest in year-round greens for

salads. They also indicated an interest in broccoli, asparagus and peppers. There was also a strong interest in quality small

fruits. Most restaurants would pay a 10-20% premium for fresh products.

TARGET MARKET - Healthy families and high end restaurants interested in locally grown produce. The majority will be ages

30-55, well educated and live in the town or suburb. They are conscious of buying locally and sustainable.

Healthy families will be reached through farm market sales. Greenway Farms will have a weekly spot at the local farmers

market which is located in the county seat and in the downtown area. We will attend when our products are available

selling salad mixes and our fruits.

High end restaurants will be reached through marketing and samples provided to the restaurants. Targeted restaurants

will be fine dining locations. We will make personal visits to the restaurant to show the product and discuss options for

sales and delivery. Sales will begin with 3 - 5 restaurants due to labor and time constraints. We will travel to restaurants

within 30 miles of the farm provided that it is financially feasible.

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## MARKETING PLAN

Product

Price

Place

Promotion

Product

Price

Place

Promotion

Greens - Specialty, micro vegetables grown locally, fresh and sold in bunches as a mix. Personal size and bulk size mixes are available. Product is washed and bunched for customers. Marketing strategy is for a differentiated product that provides quality, local and fresh.

Specialty greens will be priced 100% above variable costs for direct sales and 75% above variable costs for wholesale to restaurants. Due to production greens will be available early and late and may demand a higher price. We do not intend to compete on price however we cannot exceed 20% above wholesale. Sell at a Saturday farmers market in an urban town and increase repeat customers. Sell to high end restaurants in a 30 mile radius. We will also promote our local delivery of products.

Invest in signage at the farmers market. Focus on fresh, sustainable and local. Participate in local food promotion. Create recipes and specialty salad ideas for consumers. Provide samples at the market for new varieties. Work one on one with chefs at restaurants to maintain and gain more interest.

Berries - They will be sold by the pint. Marketing strategy is for a differentiated product that provides quality, local and fresh. Berries do not ship and store well therefore quality can be an issue. Our ability to pick the product the same day will be a direct advantage.

Raspberries will be priced 100% above variable costs for direct sales and 75% above variable costs for wholesale to restaurants. Our research indicates that we can expect a 30% premium from wholesale sellers.

Sell at a Saturday farmers market in an urban town and increase repeat customers. Sell to high end restaurants in a 30 mile radius.

Invest in signage at the farmers market to draw busy consumers in. Focus on fresh, sustainable and local. Participate in local food promotion. Provide samples at the market. Work one on one with chefs at restaurants to maintain and gain more interest.

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Product

Price

Place

Promotion

Product

Price

Place

Promotion

Baby Vegetables - Will be sold by the case, quart or per piece depending on the market. The products will be washed and graded with a strategy of uniqueness and quality.

Will be priced 100% above variable costs for direct sales and 75% above variable costs for wholesale to restaurants. Our research indicates that we can expect a 30% premium from wholesale sellers.

Sell at a Saturday farmers market in an urban town and increase repeat customers. Sell to high end restaurants in a 30 mile radius.

Invest in signage at the farmers market to draw busy consumers in. Focus on fresh, sustainable and local. Participate in local food promotion.