

North Pulaski Farms

Business Plan

North Pulaski Farms LLC
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Overview and Executive Summary

North Pulaski Farms was formed to operate a 3-4 acre USDA certified organic vegetable garden serving Arkansas with 100% quality produce grown in a sustainable fashion. According to the [Organic Trade Association](#), U.S. sales of organic food and beverages have grown from \$1 billion in 1990 to an estimated \$20 billion in 2007 and are projected to reach nearly \$23.6 billion in 2008. Our farm seeks to be a part of this high growth industry. The farm will primarily grow in high tunnel green houses to extend the growing season and assist in pest management. The farm will market to wholesale distributors and local farmers markets. The initial investment will be approximately \$200,000 and seeks gross revenue in excess of \$100,000 annually with operating expenses of \$40,000 yielding a profit of \$60,000.

Management

The farm is operated by Kelly Carney, a retired IT executive with 20 years of experience in the online and government travel industry. Kelly was the CIO and one of the principals of World Wide Travel Service Inc. WWTS was sold in 2003 and he was retained by the new owners to assist with the transition of the online travel management tool QualityAgent he had created in 1991. In 2007 he retired from Carlson Wagonlit Travel and has a small IT consulting firm, [Kreative Logic](#). His extensive experience in online marketing will be leveraged to help raise awareness of the farm. Kelly has maintained a hobby garden growing tomato's and peppers. He has retained growing and certification consultants to assist in building his agriculture knowledge base. Additionally he believes in using process driven methodologies in his management practices. These methodologies will be leveraged to assist in the record keeping and management policies required to maintain organic certification and to help ensure a quality product and a well managed farm.

Consultants & Resources

Building a knowledge base for any new project is a critical priority, for organic agriculture it's even more so. There is an abundance of online resources available to assist farmers in organic farming. The following online sources are being used and have been commonly recommended:

ATTRA - [National Sustainable Agricultural Information Service](#) is managed by the National Center for Appropriate Technology (NCAT) and is funded under a grant from the United States Department of Agriculture's Rural Business-Cooperative Service. It provides information and other technical assistance to farmers, ranchers, extension agents, educators, and others involved in sustainable agriculture in the United States. (ATTRA was formerly known as the "Appropriate Technology Transfer for Rural Areas" project.) This organization has an office in Fayetteville that helped develop some of the online workbooks.

OTA – The [Organic Trade Association](#) sponsors a [HowToGoOrganic](#) website that assists producers and processors with links to support organizations, growing tips and several insights on the complexity of the [National Organic Program](#).

[CCOF](#) – Organic Certification, Trade Association, Education & Outreach, Political Advocacy

CCOF promotes and supports organic food and agriculture through a [premier organic certification program](#), trade support, [producer and consumer education](#) and [political advocacy](#). CCOF is involved in every facet of organics, with over 750 different organic crops and products, including livestock, processed products and services. CCOF provides certification services to all stages of the organic food chain from farms to processors, restaurants and retailers. CCOF certifies to the [USDA National Organic Program](#) standards and CCOF international standards. They have online templates that are used to complete organic system plans.

Consultants & Resources (cont.)

In addition to the online sources, several human and organizational resources have provided information, insights and shared experiences.

Patrice Gros is the founder of [FoundationFarm](#) north of Eureka Springs. Foundation Farm is a certified organic farm that supplies the Fayetteville and Eureka Springs area restaurants with vegetables.

Jay Fulbright is the owner of Arkansas Natural Produce. Jay operates a large scale “Naturally Grown” green house operation in Malvern that supplies lettuces to central Arkansas area restaurants. Additionally he markets through the Little Rock and North Little Rock farmers market, Little Rock’s locally grown network and has a retail store in Malvern.

Tom LeuBauch is an uncertified organic farmer in Mayflower and is assisting with growing tips and honeybee support. Tom has a ½ acre farm and donates his crop to family and friends.

A key element in the process of building the farms knowledge base is to have a readily available knowledge base to draw from. North Pulaski Farms has retained Karen Troxell with [The Organic Consulting Firm](#) to assist with certification, planning, growing and risk mitigation practices needed to maintain a successful organic farm. She and her partners have reviewed the farm design plan and advised that it is compliant.

The University of Arkansas Cooperative Extension Service has provided soil testing and several resources. Additional outreach is planed to offer internships and investigate research opportunities using the farms growing system.

Marketing & Distribution

The farm plans to sell to wholesale and retail markets. The farm seeks to leverage several factors to ensure the sales of the produce it grows.

Quality Product -

The first and most important factor is to grow a quality organic product. Using the cold frame green houses will help manage several variables including water, temperature, disease and pests. The soil and crop testing services of the UA Cooperative Extension service will be used in all steps of the growing process. Testing the soil prior to planting, evaluating the plants nutritional need during growth and providing resources for pest and disease management will help ensure important variables are identified and evaluated. Several experienced farming resources have and will continue to be consulted during the growing process to provide insights. The farm will be actively managed to identify issues early on, thus helping mitigate those issues at an early stage before they can adversely affect quality.

Locally Grown – Food safety is an important factor with fresh vegetables. In 2007, widespread reports of salmonella poisoning caused nation wide shortages of some vegetables. These outbreaks were magnified because consolidated production and distribution channels were unable to isolate where the outbreak started. Locally grown produce has a reduced risk of safety issues because fewer hands touch the product. The strict produce handling guidelines for organic farmers ensures proper hygiene is maintained on the farm. Potential issues are mitigated in their severity because of the smaller scale of the operations. Locally grown produce is also of strategic importance to our country, maintaining local diverse agriculture ensures a viable food supply is readily available. Additionally, the recent enactment of the COOL laws (country of origin labeling) that assist consumers in knowing where their produce originated should help increase demand for locally grown produce.

100% Certified Organic –

Strict adherence to the USDA's [National Organic Program](#) will not only ensure environmental sustainability and a well managed farm with a better product, it will add great value in differentiating the produce grown. At this time, there are no certified organic vegetable farms in central Arkansas. There are several operations that market as "Natural" and use organic practices, but not having the "USDA Certified Organic" label puts them at a disadvantage. Maintaining that certification requires third party audits of the farms Organic System Plan. Marketing the fact that an independent party registered with the USDA verifies our practices will give our farms customers a level of comfort that our products are 100% organic. Additionally, a recently completed 10 year study of organic produce by the University of California at Davis showed over a 70% increase in the level of anti-oxidants for organically grown tomatoes vs. conventional tomatoes. The value of pesticide and synthetic fertilizer free produce is tangible and marketable.

Marketing (cont.)

Retail Channels - The farm is located in the most populous county in Arkansas. Leveraging its proximity will help raise awareness and help reduce costs associated with selling its produce. NP Farms plans to participate in The Little Rock, North Little Rock and Conway Farmers Market's, they all are within 20 miles of the farm. We will also participate in the [ASN Local Food Club](#) . This is a program of the Arkansas Sustainability Network that sells online to the Little Rock area. Additionally, outreach programs to promote locally grown produce will be initiated to area schools, restaurants and grocers. After the first year, a [CSA](#) (community sponsored agriculture) program may be evaluated as another distribution method.

Wholesale Distribution Channels-

There are several produce suppliers located in central Arkansas that have been interviewed. The following organizations buy from local farmers and sell to area Kroger and Wal-mart stores. Both have advised that they would probably buy all the Heirloom Tomatoes the farm can grow.

Kyzer Produce in North Little Rock

David Kyzer with Kyzer produce in NLR advised that the demand for Heirloom tomato's consistently outweighs the supply. He estimates wholesale prices to be approximately \$1.50 per pound. He wants a follow-up early in the spring so he can prepare his marketing process to get the word out to the Kroger stores.

Carpenter's Produce in Little Rock

Abraham Carpenter runs this company and they have a small organic farm in Brady. They focus on greens and sell to area Wal-Mart's. He also wants a follow-up early in the spring to get an idea what will be available.

Outreach is ongoing to other produce distributors in Little Rock and Searcy.

Interactive Website-

The North Pulaski Farms website will be a well designed site that will have several features to help promote the farm. The site will provide information on the value of certified organic produce, links to research promoting organics, information about the farm's growing schedule and much more. Online virtual tours and live video feeds will help market the farm's transparency and promote a sense of ownership with customers of the growing process. Additionally, special design consideration will be done to ensure the content of the farm will be well placed during internet searches by google.com, hotbot.com and ask.com.

Location and Operations

The farm is located in the northern most part of Pulaski County, 13018 Ellen Cv. Cabot AR 72023. It is situated on a slight rise in a valley between two ridge lines ½ mile from AR Highway 107. The soil is a mix of Leadvale silt loam 1-3% slopes and Linker gravelly fine sand loam 3-8% slopes. The land is well drained and located in frost zone C (Oct31 thru Apr1). The farm will be worked and managed fulltime by Kelly Carney, have one full time farm hand, and use seasonal help during planting and harvesting.

The farms growing areas will be a 2 ½ acre cold frame high tunnel, a 20x100 warm frame high tunnel and ½ acre for long term field crops. A drip irrigation system will be deployed to draw water from a pond fed by a well. A 2 ½ acre [Haygrove](#) high tunnel will grow most of the production crop. The main advantage of this growing system is to extend the growing season and reduce pest damage. Crop's can be started 3-4 weeks earlier than the mean frost dates. This enables the farm to capitalize on early season premiums paid for produce and establish a market prior to competing growers. Additionally extending the growing season allows for sales to continue into mid November. Some specific advantages to the [Haygrove](#) growing systems include:

- Luminance THB polythene – better light diffusion and resistant to temperature spikes during hot summer months

- Better ventilation than traditional green houses - growing systems vent from ends and roof

- Increased yields – 20 to 60% increases over the USDA field averages have been documented by growers using this system

- Low cost - .75 per square foot is the most economical system marketed

Controlling the application of water reduces the risks of fungus and blossom end rot. The high tunnel combined with the farm's drip irrigation system increases yields and ensures that plants are healthy and better able to withstand diseases. The physical barrier the high tunnel provides helps reduce the amount of crop loss due to insects, varmints and birds. A 20x100 warm frame (hot house) will be used for seed starting, evaluating production strains of vegetables and some year round production of high value crops. A ½ acre field crop of blueberries, raspberries and asparagus will be planted the first season. These are multi-year crops that can be harvested 3 years after planting and are considered high value crops. These crops will continue to produce each year after the 3rd year and increase the farms profitability once established.

Location and Operations (cont.)

The 2009 growing plan calls for .8 of an acre of tomatoes to be sold mostly to the wholesale market and 1.6 acres of a variety of vegetables to be sold at the retail farmers markets. After the first growing season, the profits will be evaluated and the percentage of wholesale/retail growing will be adjusted plus or minus 25%. This will allow the farm to capitalize on the more successful marketing scheme while still maintaining a diverse crop and distribution system.

A complete Organic System Plan (OSP) is required for organic certification. This plan details the farms sustainability process such as; what measures are taken to prevent contamination from restricted chemicals, insect management, and explains the record keeping process required to demonstrate compliance with the NOP standards. More details on the farms operations are contained within that plan. A Risk Assessment (RA) will be completed as well to clearly list potential risks and mitigation strategies for dealing with the risks.

Projected Expenses and Revenue

The farm has isolated 3 separate areas of expense; startup costs, fixed re-occurring and variable re-occurring. The current revenue forecast is based on an USDA average yield for field crops at \$1 per pound for the produce grown. Profitability should be reached during the 3rd year of operation. Existing Capitol resources are planned to fund the farm, but consideration is being given to finance 50-80% of the first year costs.

Startup Costs Summary:

Land	\$35,000
Land Prep	\$3,000
2 1/2 Acre HT	\$85,850
20x100 HT	\$5,327
Equipment, Fencing and Storage	\$48,777
Total	\$177,954

Projected Expenses and Revenue (cont.)

Fixed Costs Summary:

Mortgage/Lease	\$12,000
Tax	\$100
Labor	\$20,000
Insurance	\$2,500
Accounting	\$500
Security & Monitoring	\$1,300
Maintenance	\$500
Bank Fees	\$600
Tunnel Main. (new film every 4yrs)	\$1,500
 Total	 \$39,000

Variable Costs Summary:

Irrigation Tape	\$1,750
Mulch-poly film	\$575
Electric	\$1,600
Seed	\$1,100
Cardboard tomato boxes wholesale	\$4,500
Fertilizer (manure)	\$2,500
Fungicide (organic)	\$400
Other Pest Control	\$300
Propane	\$300
Commuting Costs	\$1,908
Marketing	\$2,500
Labor (harvest)	\$1,000
Twine	\$75
Fuel	\$250
Personal Bug spray	\$50
 Total	 \$18,808

Projected Year 1 P&L

Revenue	-Startup	-Fixed	-Variable	= Profit
\$92,000	-\$177,954	-\$39,000	-\$18,808	= (\$143,762)

Projected Year 2 P&L

Revenue	-Fixed	-Variable	= Profit
\$115,000	-\$39,000	-\$18,808	= \$57,192

Projected Year 3 P&L

Revenue	-Fixed	-Variable	= Profit
\$140,000	-\$39,000	-\$18,808	= \$82,192

On-going year's profitability should increase due to higher yields gained by expanding the knowledge base of the farm. Profitability can be reached sooner depending on what level of capital amortization is executed for the startup costs. The current scheme is to not depreciate the startup expense and absorb the loss during the first few years.

Definitions of links used in this Business Plan

[Organic Trade Association](#)

www.ota.com

[Kreative Logic](#)

www.kreativelogic.com

[National Sustainable Agricultural Information Service](#)

www.attra.ncat.org

[HowToGoOrganic](#)

www.howtogoorganic.com

[National Organic Program](#)

www.ams.usda.gov/nop

[CCOF](#)

www.ccof.org

[FoundationFarm](#)

www.foundationfarm.com

[The Organic Consulting Firm](#)

www.theocf.com

[ASN Local Food Club](#)

www.littlerock.locallygrown.net

[CSA](#)

www.nal.usda.gov/afsic/pubs/csa/csa.shtml

[Haygrove](#)

www.haygrove.co.uk/index.php