

FEASIBILITY WORKSHOP

LINES OF BUSINESS

INTRODUCTION

I went out to a pub recently with a friend of mine. It was a Wednesday night and the manager happened to be working the bar that night. I struck up a conversation and asked him about his fusion drinks.

In Japan, where he lived for many years, he created the bar menu for a busy nightclub. He enjoyed making fusion drinks like the thai basil ginger martini, but he hated the process of finding a regular, consistent supply of herbs necessary to create them.

When I told him I could grow him a supply of mint and basil, year round, he sounded interested.

He had a couple concerns when buying mint. His first was freshness and taste. "How minty is the mint?" He mentioned that his purchases varied in quality throughout the year, and there were times when his mint did not add the spice that he needed. A classy bartender can't be serving tired drinks half the time.

He had no choice really. He usually bought his herbs at retail prices at the local grocery store. This meant he had to buy whatever was on the shelf that day.



We continued the conversation, and he said he had quite a bit of interest in mojitos. He would like to start there. But even with a fairly busy bar (I live in a college town), he wasn't good for more than a half pound a week.

Takeaways

This is a classic example of a niche market that can easily be filled by a savvy grower. The big corporate farms aren't going to be interested in these small accounts, and the small grower can potentially specialize in these markets.

My interest was piqued, and I was excited to continue my market research. I spent time

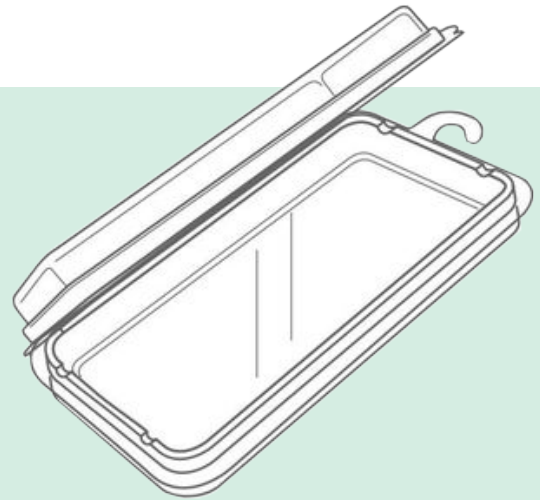
making the rounds to each of the bars and restaurants in town. Sure enough, they were all struggling with the same problems. I decided to build my lines of business around these gaps in the market.

This is what the local food market is all about: building relationships with local business owners, and growing food for your community. There are opportunities everywhere, if you just know how to look.

Let's get started!

A 2/3 oz clamshell package for herbs averages around \$70 for a case of 540.

This comes out to **\$0.13 per unit**. If your sale price is \$2.50, then **this packaging cuts your profit margin by 5%**



This document will cover:

- **Definition** - What is a line of business?
- **Methodology** - How to use your market research to identify your lines of business.
- **Promotions** - designing a winning product
- How your choices affect **labor, packaging requirements, profitability.**
- **Growing the food** - How many towers will I need?
- Examples of **winning lines of business**

UNDERSTANDING YOUR CHOICES



“In terms of profitability, lettuce is right up there with cucumbers and tomatoes”

-Jean Martin Fortier

When you are searching for a profitable crop mix, we often start with veggies that we know are popular. Lettuce, tomatoes, cucumbers, carrots, garlic, onions, and a number of others are the staples of many types of cuisine.

For herbs, we are looking at basil, parsley, cilantro and mint, followed by a number of others.

During my market research, I focused on leafy greens and herbs.

These are the crops that can be brought to harvest in 6 weeks or less, making them the perfect crop for indoor growing. I found that there were plenty of opportunities out there.

- Kale and leafy greens boxed by the pound wholesale to local restaurants
- Herbs bundled by the ounce or ½ pound wholesale to local restaurants.
- ¾ oz clamshell of herbs retail at the local grocery store
- 2 ounce clamshell of herbs retail at the local grocery
- 10 ounce clamshell of lettuce retail at the local grocery store
- Mini heads of lettuce bundled in with a CSA delivery
- 4 mini heads of lettuce in a clamshell retail at the local grocery store
- 1 lb clamshell of specialty salad mix retail at the grocery store
- Chives in a 3 ounce bundle retail at the grocery store

The list could go on. People love their fresh greens and herbs!

I even considered (briefly) how I might grow tomatoes and cucumbers before abandoning the idea (I don't think I could achieve year round production). I still plan on pursuing these veggies at some point, but need to focus on something more stable for the time being.

FABLE FARM TO TABLE (HUDSON VALLEY, NY)



Fable is bringing a line of fresh, locally grown herbs and greens to the Hudson Valley of New York.

Definition: Lines of Business

Your lines of business need to incorporate the Four Ps of the marketing mix:

PRODUCT

PLACE

PROMOTION

PRICE

This means you will need to know **what** your product looks like, **where** it will be bought/consumed, **what kind** of story you are developing to use for marketing, and **how much** it will cost your customer.

There are a number of tradeoffs with each line of business. Here are some examples of how this will play out in your farm planning.

Product

- Clamshells of herbs/greens
- Wholesale boxes of produce
- Bundles of herbs
- Live sales of produce on site
- Packaging and labeling



To wash or not to wash?

Unwashed farm produce is by far the easiest type of processing and packaging for early stage farmers. The produce is harvested and delivered without washing. This places the liability for washing and preparation on the customer or food service staff, and can reduce your labor and equipment costs significantly.

To pursue this strategy, simply design your packaging and promotions to include the description "unwashed farm produce". The public is accustomed to washing veggies anyway, and it gives you a chance to emphasize how your crops are grown.



FOR MORE INFORMATION

[Compliance issues for small producers \[webinar\]](#)
[To wash or not to wash \[University of Minnesota Extension\]](#)
[Sample marketing plan for fresh farm produce](#)

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Product

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- Bundles of herbs
- Live sales of produce on site
- Packaging and labeling choices

Price

The definitive guide to pricing strategy might be the [Blue Ocean framework](#), developed by W. Chan Kim and Renée Mauborgne. In simple terms, we are talking about offering a better product to the customer, at a price that makes it easy to purchase.

Local producers have the ability to create a fresher and tastier product than many of the other options available. The challenge is to capture this value through sales while keeping your operating expenses as low as possible.

- If you can offer a better product at the same price → they will buy
- If you can offer a better product at a higher price → you will attract the people who care about quality, and are willing to pay for it
- If you can offer a better product at a lower price → you will have a powerful product with significant growth opportunities
- If you offer an inferior product at the same price → they probably won't buy
- If you offer an inferior product at a higher price → they definitely won't buy

This is pricing strategy in a nutshell. If you are confident in the superiority of your product, don't be afraid to match or increase your price as compared to other options on the market. Then stick to your guns! People notice quality, and they are willing to pay for it!

Place

There are a number of places where you can sell your veggies. Each one has different characteristics.

The four primary markets are farmers markets, restaurants, grocery stores, and CSAs. We have gone into some depth on each of these markets in our Upstart University course. Sometimes a farmer will start with the easier sales channels, and then scale up into a larger market. When we talk about place, keep in mind that this is where the customer sees your product and has an opportunity to purchase. This is the point of decision.

- Wholesale to a restaurant → the customer sees it on your weekly order form.
- Retail clamshell on the shelf → the customer sees it on the shelf and reads the label.
- Farmers market stand → the customer sees it at the weekly farmers market.
- Office CSA → the customer sees the veggies on the CSA brochure, or is introduced to the CSA at the farmer's market
- Schools and institutions → the school administration can see your prices and crop availability on their preseason ordering form.

The tradeoffs for each of these are complex. Choosing where to sell your product can be a significant decision.

In general, CSAs and farmers markets are easier for first time growers, while restaurants and grocery stores are more difficult.



Wholesale vs. retail

The place also includes something known as a *channel*. This just means how does your product get to the customer, and in what form.

For example, a can of Coke can be bought in a 12 pack at the grocery store, or it can be bought in a single at the vending machine. The price at the vending machine is higher than a 12 pack in the store. The tradeoff is that the vending machine is there when you need it. The company is reaching you at a certain place and time. You are paying for the can of Coke, but you are also paying for the cost to keep the machine stocked.

This might be a little abstract, so let me use my own marketing mix as an example:



For Jason's early sales, he is looking at bi-weekly deliveries to restaurants and bars. With 35 stops on his delivery route, this adds a layer of service to his business. A food delivery service could handle all of this, but they bring their own considerations to the table, and they will take a percentage of the profits.

FARM TO SCHOOL

One of the largest potential markets for growth is in sales of fresh veggies and produce to local institutions such as schools, hospitals, military bases, and others. These food services bring their own considerations to the table, but with the right market research you could find yourself supplying a large and growing market. In general, institutional sales are higher volume and lower price, which requires a unique approach to your farm development. If you are planning on speaking with an institutional buyer, you can prepare by listening to [this webinar](#) from the National Farm to School Network.

Bonus: Listen to a farmer describing his sales to a local school district → [click HERE](#)

Promotion

As we mentioned in the market study document, there is a difference between a commodity and a brand.

If you have not read this article, please take a minute to read it now.

[Are You Building a Brand or Just a Commodity?](#)

Branding can be a tricky topic. In simple terms, we are talking about what sets your product apart from the rest of the products on the market. Your product is much more than lettuce or basil. It is a unique product being grown locally, and strengthening the local food system in the process. Learn how to talk about your product in a way that excites and inspires people. You should be able to describe what your product is and why it is better in 90 seconds or less (the classic “elevator speech”).

On a related note: Don’t underestimate the value of customer service. If you are providing unique, locally grown veggies with regular delivery service, then your service is a part of your product.

Your brand also includes something we might call a buyer experience. This refers to **the feeling people get when they do business with you**. Do you make it easy to do business with you? Do you provide regular deliveries? Do you smile and make small talk with them? Do you check in on quality and freshness? These are small gestures that can set you apart from your competition.

This experience will be different depending on who your customer is:

- A restaurant manager might have different order quantities on a weekly basis. This level of customer service will require consistent communication and service.
- In contrast, a farmer’s market will need a friendly and knowledgeable person to manage the farm stand.

Jason will be promoting his business with a website and branded ordering forms that the restaurant can use to confirm the crop varieties and volumes they want. He will be working to make this ordering process available over the internet or mobile phone. He will also spend some time creating a simple invoicing system using Freshbooks or another similar business accounting service. The boxes will be branded with a label showing a phone number and web address for easy customer service.



Dallas Urban Farms provides live sales from ZipGrow towers that they install and maintain onsite.

I GOT THE INFORMATION I NEEDED

How many potential customers in my area?

- 21 restaurants
- 14 bars and lounges

What crops are in focus?

- Mint
- Basil
- Lettuce and greens

How much?

The market research we conducted demonstrated a real demand for our crops. I live in a college town with a population of 30,000, where a number of students eat at the school cafeteria.

These are average restaurants with good foot traffic Wednesday through Saturday, and lower traffic Sunday through Tuesday. I feel confident that these are real numbers with plenty of room for growth.

Larger restaurants in bigger markets may easily see double these numbers.

Restaurants (on average)

- 13 pounds a week of specialty salad greens
- 1 pound a week of basil
- ½ pound a week of mint.

Bars (on average)

- ½ pound a week of basil
- 1 pound a week of mint

Total for 21 restaurants:

- 273 lbs/week of greens
- 21 lbs/week of basil
- 10.5 lbs/week of mint.

Total estimated production for early market development:

- 273 lbs/week salad greens
- 28 lbs/week basil
- 24.5 lbs/week mint
- 81.25% greens
- 18.75% herbs

Total for 14 bars:

- 14 lbs/week of mint
- 7 lbs/week basil



KEY SELLING POINTS

Freshness & taste

The chefs and restaurants owners I talked to had several key selling points: they want fresh and tasty vegetables that have that “special something” to set it apart from the tired veggies that are usually on sale. They described it as “minty” mint and “basily” basil.



According to the National Center for Appropriate Technology, “Upscale restaurants serving locally-grown produce are in the headlines nationwide.

Growing for this market is both lucrative and demanding. Profiles of growers from around the country illustrate successful strategies and points to remember when working with chefs.

[Learn more](#)

For retail products, you will need to be aware of how different packaging methods can affect the shelf life of the product. Large commercial farms often have treatment methods in place to preserve the greens for longer periods (eg. chlorine wash)

Customer service

The chefs wanted regular deliveries without a lot of hassle. They are already dealing with several delivery services, and need to keep their accounts clean and their schedule consistent.

Local

Consumers are looking for products they can trust. Locally grown food is quickly stepping in to fill this demand, leading the Hartman Group to report that “The authenticity halo around organic and natural has begun to fade, and local foods and beverages are poised to surpass them as a symbol of trust and transparency.”

Savvy farmers will capitalize on this trend, and offer products that are fresh, healthy and transparent. Your promotions should reflect your commitment to this transparency, and emphasize how you are growing the crops, where you are growing the crops, and how your efforts are contributing to the local economy.

PRODUCTION ESTIMATES

With this information in hand, we can begin to build our farm.

We are looking at a production level of roughly 300 - 350 pounds per week for 35 potential restaurants and bars. We may want to expand in the future, so I will set this number at 60% of my desired production level, with an option to add more equipment in the future to meet demand.

Personal and professional goals

With proper market research, you may find that there is an opportunity for significant growth. However, the choice to expand depends on personal goals and motivations. You may want to remain as a small family operation, or you may want to pursue growth.

Bright Agrotech constantly pursues a goal of providing our growers with the practical information they need to plan and operate a vertical farm. This production estimates guide allows farmers who are using ZipGrow towers to accurately predict seasonal production levels.

[Download the Production Estimates Guide Here](#)

The values included in the production estimates guide reflect certain conditions, including season, lighting, environment, and growing tools, as well as user factors such as grower experience and expertise. Crop selection, nutrition, cultural techniques and environmental factors can all have a profound effect on the productivity of all greenhouse crops.

These values reflect our spring and fall production seasons, which serve as a median for production rates. The summer season typically exhibits much higher production due to increased day length, and the shortest days of winter under-perform



in comparison. Over the production year, average production rates mirror fall and spring seasons.

These values apply to growing conditions with no artificial light (which might have significantly boosted production and should be taken into consideration) and represent the productivity of a single 5' ZipGrow™ tower grown in mass configuration. The use of different techniques ([vconveyor](#) and [batch production](#)) impact productivity and may be examined (see Storey, 2012)



EXAMPLE:

AMERICAN HEARTLAND ACRES



Heartland Acres has taken a specialized approach with a single crop: basil. They aim to be the premier provider of fresh, locally grown basil, sold primarily to restaurants. Their approach takes into account the production and transport of the basil, with storage facilities and trucks optimized to keep the basil at the best temperature for freshness and taste.

[Learn more](#)

TAKEAWAY - JASON'S MARKETING MIX

With all this information in hand, we can easily get a sense of where Jason is taking his lines of business. These are the questions Jason is focused on:

- What am I growing?
- How much?
- For sale to whom?
- In what kind of packaging?
- At what price?
- And with what promotions and customer service strategy?

Jason has considered these questions, and has decided to pursue a product mix consisting of basil, mint, and specialty greens. Jason will be selling these crops in boxes, wholesale to restaurants and bars. Our initial pricing will follow a baseline as follows:

- \$24 a pound wholesale for herbs
- \$3.50 a pound wholesale for greens

In addition, Jason will be handling all the harvesting, packaging, and delivery for his crops, which gives him the ability to bypass a distribution service and offer his veggies direct to the customer.

He will offer two deliveries per week, with a choice of Monday/Tuesday and Thursday/Friday.

Jason wanted to offer bi weekly deliveries so his customers could enjoy the freshest possible produce without loss of freshness at the end of the week. This will add a layer of service to his business, but will also give him an edge with freshness.

We estimate Jason's weekly expenses for delivery as follows:

- 35 stops on the route
- 1 mile per delivery, on average
- 15 additional miles for the round trip
- 50 miles per week round trip, total
- At 15 mpg for his delivery vehicle, this would require 20 gallons.
At \$2.50 a gallon this comes out to \$50.
- If this route takes 8 hours (13 minutes per stop), this route would cost \$96 in labor costs for an employee earning \$12 an hour

For two deliveries per week, this comes out to \$592 a month.

He will also be paying for insurance, registration and vehicle maintenance, although these will be covered more as a fixed cost instead of a variable cost.

CONCLUSION

Jason can estimate his weekly revenues under these scenarios:

- Salad greens -292 lbs/week @ \$3.50/lb
- Basil - 32 lbs/week @ \$24/lb
- Mint - 24 lbs/week @ \$24/lb

Jason's farm build will focus on installing the necessary facility and equipment to bring these crops to harvest.

77% greens

- Lettuce - 60%
- Chard - 10%
- Bok Choy - 15%
- Mustard Greens - 15%
- Kale - 15%

23% herbs

- 47% Mint
- 53% Basil
-

**This gives us a total
estimated revenue
of \$142,707.92.**

This is a conservative approach to Jason's market entry, and gives him plenty of room for future expansion.

Jason and his wife will be able to manage 275 ZipGrow towers relatively easily. Future sessions will look at how to design this system, how much it will cost, and what the operating expenses are for the operation.



APPENDIX - SAMPLE MARKETING MIXES

Competitive research is an important part of your business planning. Researching what other farms are offering can give you insights into how each farm approaches their marketing mix. These are often more established farms with dozens of years of experience.



EXAMPLE:

GOODLEAF FARMS

Here is a farm located in Nova Scotia with a premium product mix including kale, baby spinach, arugula, and other specialty greens.

To learn what Goodleaf Farms is selling click [here](#).



EXAMPLE:

MOCK GARDENS & FARMS

"One thing that has contributed to demand, he said, was the food safety scares and product recalls of last year, when lettuce and spinach was contaminated by E. coli bacteria. People turned to products grown without soil. "I could sell 10-fold what I'm selling now," he said."

[Learn more](#)

[Mock Farms - Lines of Business](#)

[NPR Farmer Highlight](#)



EXAMPLE:

GROWX

GrowX is an Amsterdam-based indoor vertical farm. Their marketing mix is directed towards restaurants and hotel / hospitality kitchens. One unique aspect of their business is the ability to choose the specific seeds / crops that the customer wants to be grown. While this approach may be out of reach for most small growers, it demonstrates a high level of customer service.

[Learn more](#)

DO YOU LOVE TOMATOES?

While this workshop does not focus on fruiting crops such as tomatoes and cucumbers, these are perennial favorites that also command a great profit margin. Here is one of our Upstart Farmers [talking about his tomato production.](#)



THINKING ABOUT MICROGREENS?

Microgreens can add a beautiful and profitable crop to your farm. If you are interested in microgreens, please see [this handy guide](#) from Kevin Espiritu of Epic Gardening