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Key Steps for Completing a Vineyard Business Plan

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Introduction

Completing a business plan for a grape vineyard can seem overwhelming. This fact sheet describes the key components of writing a successful business plan. Producers should carefully review these steps to make sure all components are covered in the business plan.

Information provided in a business plan can be used by a lending institution to make decisions as to whether or not you will receive a loan. Investors interested in cooperating with you financially will also need some type of written assurance that you are committed to making this vineyard profitable and that you possess the skills to properly manage a vineyard.

Potential investors and lenders need to have a clear understanding of your business plan. A specific time line should be laid out as to when the vineyard will be profitable. Lenders want assurance that loan repayment will be met each month, and investors are interested in how soon there will be a return on their investment.

Enough information should be provided in order to make a logical business decision on whether or not to invest money in your vineyard.

If sections of your business plan are not complete or show lack of planning, this might dissuade them from financially backing your operation.

Cover Letter

A brief cover letter should be provided to give an introduction to your business plan. It will serve as an invitation to the lender to read the document.

Executive Summary

The executive summary provides a brief description of the business goals for the vineyard. Information found in the summary statement helps readers determine whether or not it is worth their time to read the full text of your business plan. An executive summary should be concise and not exceed one full page. It provides details as to why you want to own and operate a vineyard.

Ohio Winegrape Industry

A description of the current status of the grape industry should be included in your business plan. This will enable the lender or investor to better understand how your vineyard business

will fit into the existing industry. Some of the information to include:

- Number of wineries and vineyards in your state and immediate region
- Acres of wine, juice, or table grapes grown locally, statewide, and regionally
- Projection of future production in the grape industry
- Analysis of market conditions and prices received for grapes and juice

Business Objectives and Goals

This section allows the owners to provide a summary of why they are starting the business. A summary of your mission statement and the major objectives for your business should be described. This information should provide the reader with enough detail to answer the question of why you (and your partners) are interested in owning and operating this business.

Investors are certainly concerned with the expected financial results. It is important to indicate the specific date set to start the vineyard operation and the approximate time frame at which the vineyard will be profitable. A flow chart can be used to diagram key points of the business's financial progress.

Business and Management Structure

It is also important to report the management structure for the vineyard operation. A list of owners should include all business partners whether active or silent. An organizational chart should be developed that defines the areas of responsibility for each active partner and all hired management personnel (i.e., vineyard manager).

This section should also report the business structure of the operation (i.e., Sole Proprietor, Partnership, Limited Liability Company or Corporation). This should include how the business is equipped to handle financial, tax liability, and any potential litigation issues.

Vineyard Description

In this section, the owner should describe the physical location of the vineyard so the lender or investor can understand the vineyard production site and environment. Total acreage of your farming operation should be provided along with the number of acres that will be devoted to the vineyard itself. This will give a lender/investor an opportunity to see the entire picture of your farming operation.

It is also beneficial to list the land preparation activities, such as land leveling or installing drain tile, necessary to adequately establish a new vineyard. It is critical in the grape production to select a site that will allow grapes to ripen to the fullest potential. The length of the average growing season for your area will determine the feasibility of growing certain grape varieties in your vineyard. Some wine, juice, and table grape varieties require a longer growing season to fully mature and produce enough sugar content (Brix^o) to enhance the flavor of the grapes.

General vineyard practices (i.e., mowing, spraying, trellis system) should be briefly outlined to demonstrate how the grape crop is going to be maintained to assure good yields. A specific listing of wine, juice, and table grapes will provide important information on potential yield and profit.

Grape Production Influences and Risk Assessment

There are several reasons why a vineyard operation may be very successful or why it may fail. Certain factors that play an important role in the success or failure of a vineyard are not easily controlled by the grape grower. Some of the key factors of grape production include the following:

- Demand for winegrapes in Ohio
- Grower produces varieties needed
- Cost of producing winegrapes

- Tax liability on a vineyard business
- Machinery needed for a vineyard
- Labor availability and expense

Naturally occurring events can have a major impact on grape production. Some of the more common reasons why grapes may not be as productive include the following:

- Abnormal weather
- Air pollution
- Wildlife feeding
- Pests (i.e., diseases, insects, weeds)
- Soil compaction and poor drainage

The vineyard business should include a summary on these production risks and should describe the steps the operator will take to mitigate these risks.

Grape Marketing Analysis

A market analysis is one of the most important components of a business plan. The difference between a hobby and a business is PROFIT. Can you make a profit?

Market demand for winegrapes is critical to the profitability of your vineyard. Local, state, and national market trends can all play an important part in your marketing plan.

In order to measure the potential profit in grape production, the overall yield per acre and price received per ton will determine the total income from the vineyard operation. Income realized is also dependent on the variety of grape grown. Some varieties of wine, juice, and table grapes have a greater demand and receive a much higher price per ton.

To show evidence of sales, a list of wineries and markets, with contact information, should be included in the business plan. It is also beneficial for the producer to include any market survey data and a sample marketing plan.

Financial Information

A vineyard budget should be prepared and presented along with your business plan. The budget should focus on the estimated profit (or loss) for each growing season. A yearly schedule of estimated grape yields and prices should be outlined. This will enable the reader to follow the overall cash flow of the operation.

Your document should show the total expected income and expenses from the date the vineyard was established. Be sure to include your current financial position (i.e., balance sheet) and capital investments. A financial plan for the new vineyard should show how the business will cover expenses until the vineyard is generating income.

All existing loans (and need for future loans) should be outlined to show existing debt and future cash flow needs. Also, provide a description of how the existing loan monies will be invested in the business.

Estimate when the vineyard operation will show a profit. You should have a specific goal in mind as to when income generated by grape sales will exceed all expenses in the business.

A sample vineyard production schedule:

Year 0 — prepare vineyard site

Year 1 — vineyard is planted

Year 2 — training/pruning grapevines

Year 3 — ½ of normal production

Years 4–20+ — full production

The physical preparation of the vineyard land, construction of the trellis, and the purchase of the grapevines will require considerable financial resources to start the vineyard.

Transfer Management or Ownership

A succession plan should be established to determine how the owners will transfer control of the business in the future. As an owner, you should contact an attorney to make sure the

rightful heirs are listed in a will or trust. A plan should be developed to train the next generation to assume management of the operation and allow a partner(s) to retire from the business.

Summary

Success in securing financial support will depend on how well your business plan is prepared. This will be your best opportunity to receive full attention from a potential lender or investor. A business plan will show the complete picture of how your vineyard operation is structured including ownership, management, financial structure, future income and expenses, and how you will be able to repay loans and show profitability for investors.

Potential Resource Materials

- Bordelon, B. 2001. *Business Planning and Economics of Midwestern Grape Production*. Purdue University (<http://viticulture.hort.iastate.edu/wsfeb01/business.html>).
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- Moore, R., & M. Brown. 2000. *French Hybrid Budget*. Ohio State University Extension (<http://aede.osu.edu/people/moore.301/grape/index.htm>).
- Owen, W., & G. Passewitz. 1994. *Organizing a Business Plan*. The Ohio State University (<http://ohioline.osu.edu/cd-fact/1101.html>).
- Vineyard Business Plan Workbook*. 2000. Southern Illinois University, Carbondale Small Business Development Center, Office of Economic and Regional Development and Dunn-Richmond Economic Development Center (<http://www.siu.edu/~readi/viticulture/vineyardbusplan.pdf>).

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