

Minnesota Elderberry Coop

Business Plan

[Edited Summary]

2015-2018

August, 2014

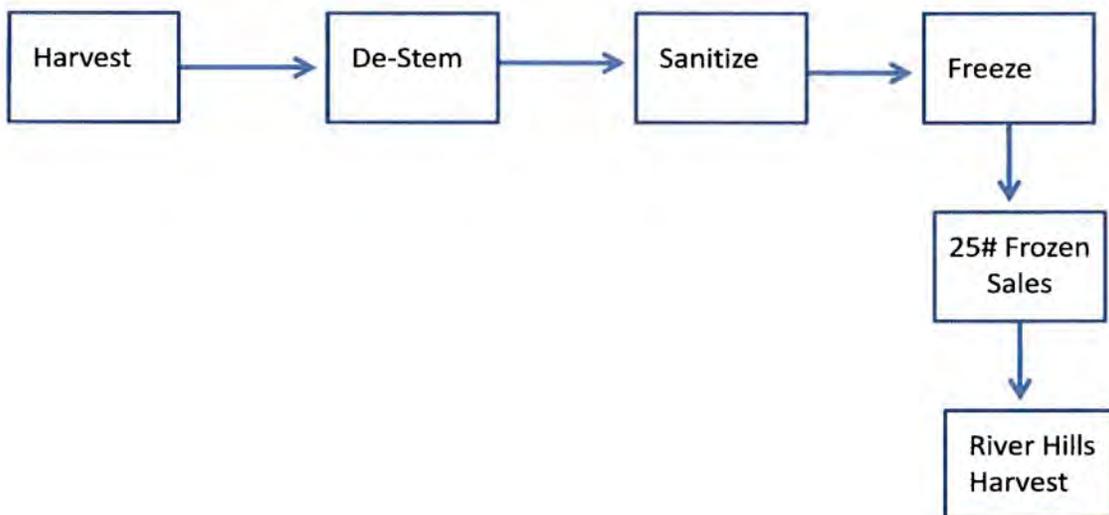


Overview

This Business Plan establishes a 4-year roadmap for the launch of the Minnesota Elderberry Cooperative (MEC) commercial enterprise. Significant research led to the development of a Feasibility Study that concluded:

- A market for domestically produced elderberries exists in the winery and food ingredient markets.
- Commercial production of climate-adapted elderberries in Minnesota appears realistic based upon observation of native stands.
- Potential growers of elderberry indicate interest in cultivating commercial-scale plantings and participating in MEC aggregation programs.
- River Hills Harvest (RHH), a Missouri-based aggregator, appears to be the primary confirmed market for MEC elderberries.
- The RHH market requires elderberries to be de-stemmed, sanitized, and frozen in 25# pails for processing into fresh (non-heat-processed) juice and preserves.
- The RHH market will require strict adherence to RHH production and post-harvest protocols.

Flow Chart for Intended RHH market



Supply

Insufficient supply of fresh elderberries will be MEC's most limiting factor during the initial years as growers plant new acreage and as established plantings mature. As a result, MEC will be seeking all the fresh elderberries it can reasonably acquire from MEC members as well as non-members during the start up years (as long as projected markets are realized). With an estimated 8,000 pounds expected to be processed in 2015, MEC anticipates a steady build-up from this small base such that 2018 supply is projected to realize the 27,000 pound level.

Stem-on Fruit

For the purpose of this Business Plan, MEC assumes elderberries will be supplied in the form of fresh, stem-on fruit sourced by MEC members. Because MEC anticipates robust demand from RHH, the board may, at their discretion, purchase stem-on fruit from non-members. Further, MEC anticipates providing/facilitating de-stemming, sanitizing, and freezing services at one or more approved processing sites.

De-stemmed Fruit

For the purpose of this Business Plan, MEC assumes they will purchase stem-on fruit. However, because demand is expected to be robust, the board may, at their discretion, purchase de-stemmed fruit from members and/or non-members at their discretion. All of this fruit must meet or exceed MEC-established quality standards.

Member Sanitized and Frozen Fruit

For the purpose of this Business Plan, MEC assumes they will purchase stem-on fruit. However, because demand is expected to be robust, the board may, at their discretion, purchase member sourced *sanitized and frozen* fruit that meets or exceeds MEC-established quality standards. Only member-sourced sanitized and frozen fruit will be acceptable.

Cost of Goods- Purchasing Elderberries

One of the primary purposes of MEC is to provide a fair market for member elderberries. Inadequate berry supply is anticipated in the initial years such that MEC will likely purchase berries from non-members to bolster supply. The MEC board will be tasked with establishing annual pay prices and establishing member and non-member purchase quantities.

For the purpose of this business plan, the pay price for berries is established at \$0.75/pound in 2015 and \$1.00/pound for 2016 to 2018. Because of MEC's cash position, members selling berries harvested in 2015 would be paid their \$0.75/pound in increments corresponding to the sale of frozen berries (December, 2015; February, 2016; May, 2016). In 2016 and beyond, however, MEC anticipates paying members their \$1.00/lb. when elderberries are de-stemmed in August/September. MEC will require a line of credit to accommodate the needs of cash at harvest season (as well as throughout the year).

[The remainder of the business Plan provides financial projections year by year of harvested pounds vs. production, storage costs and sales. In short, the projections indicate that MEC will be profitable in the third to fourth year of implementation of the capital investment required to process fresh berries into buckets holding 25 lbs. of frozen de-stemmed and sanitized elderberries such as required by River Hills Harvest Elderberry Producers and many other commercial food processors.]

