

## **ABC Cider Mill's Business Plan**

**Table of Contents**  
SEC. 1

<b>1.0 Executive Summary .....</b>	<b>1</b>
1.1 Objectives .....	1
1.2 Mission.....	1
1.3 Keys to Success .....	2
<b>2.0 Company Summary.....</b>	<b>2</b>
2.1 Company Ownership .....	2
2.2 Company Locations and Facilities .....	3
<b>3.0 Products and Services .....</b>	<b>3</b>
3.1 Product and Service Description .....	3
3.2 Competitive Comparison.....	3
3.3 Fulfillment.....	4
3.4 Technology .....	4
3.5 Future Products and Services.....	4
<b>4.0 Market Analysis Summary.....</b>	<b>4</b>
4.1 Target Market Segment Strategy .....	5
4.1.1 Market Needs.....	5
4.1.2 Market Trends .....	5
4.1.3 Market Growth.....	6
4.2 Service Business Analysis .....	6
4.2.1 Business Participants.....	7
4.2.2 Distribution Patterns.....	7
4.2.3 Competition and Buying Patterns.....	7
4.3 Market Segmentation.....	7
<b>5.0 Strategies and Implementation Summary .....</b>	<b>8</b>
5.1 Value Proposition.....	8
5.2 Competitive Edge.....	8
5.3 Marketing Strategy.....	8
5.3.1 Positioning Statements .....	8
5.3.2 Pricing Strategy.....	9
5.3.3 Promotion Strategy .....	9
5.3.4 Distribution Strategy.....	9
5.3.5 Marketing Programs.....	9
5.4 Sales Strategy.....	10
5.4.1 Sales Forecast .....	10
5.4.2 Sales Programs .....	17
<b>6.0 Web Plan Summary .....</b>	<b>17</b>
<b>7.0 Management Summary.....</b>	<b>17</b>
7.1 Organizational Structure .....	17
7.2 Management Team.....	18
7.2.1 Important Assumptions .....	22
7.2.1.1 Projected Profit and Loss .....	23
7.3 Management Team Gaps .....	26

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

## **1.0 Executive Summary**

ABC Cider Mill is a cider mill that is diversified into many different product lines. The firm is well established in Clinton County, Michigan, having been in the cider business for 30 years. In Clinton County there are three other firms in the same line of business with nine other firms in the surrounding counties.

Our target markets include the following:

- Individuals that are driving along U8-27 on the way to and from northern Michigan.
- Families with children between the ages of 5 and 14 years of age that are looking for family entertainment.

Demographics of the target market:

- Caucasian children of blue collar workers, between 5 and 14 years of age.
- Caucasian blue collar workers with children, between 25 and 39 years of age.
- Caucasian blue collar workers/retirees with grand children, between 39 and 70 years of age.

The company believes in diversification of the revenue streams and leveraging the core strengths that will help secure market position and revenues into the future.

## **1.1 Objectives**

1. To sell 12,000 units of wine (750ml) the first year.
2. To sell a retails value of \$80,000 in related gift merchandise.

## **1.2 Mission**

ABC Cider Mill has built its reputation over the last 30 years by providing a quality experience for the family. ABC Cider Mill is a seasonal business, tailoring most of it's activities around the fall harvest season. Visitors can enjoy live entertainment, outdoor rides, activities and festivals, as well as three retail outlets for their products.

New to the business, is the concept of a winery. The winery will follow the "seasonal" schedule of the rest of the farm, and allow visitors to watch wine being made first hand, just as they currently can watch cider being made.

The winery will be it's own separate building, and feature things such as: homemade wines, vinegars and wine and food related gifts.

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### 1.3 Keys to Success

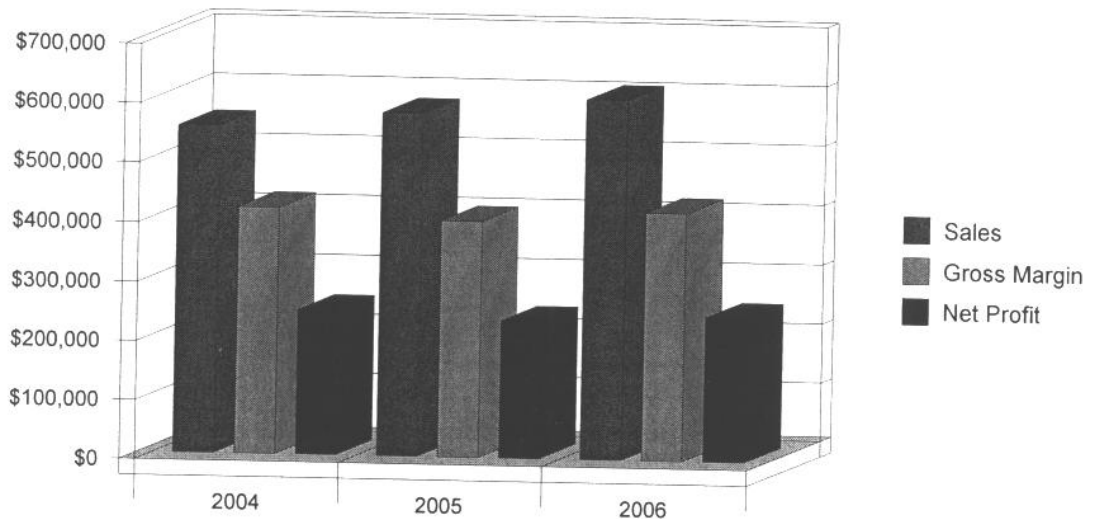
The keys to success in this business are:

Marketing: designing an advertising campaign to bring recognition to the winery. Product

quality: producing high-quality products at fair prices

Management: products delivered on time, costs controlled, marketing budgets managed.

#### Highlights (Planned)



### 2.0 Company Summary

ABC Cider Mill is a family-owned business that direct markets its products to its consumers. By direct marketing its products and offering entertainment to those visiting the farm, it has been able to sustain through tough economic times and is currently in its 30th year of operations.

### 2.1 Company Ownership

ABC Cider Mill, Inc. is a family owned Type C Limited Liability Corporation. The farm it operates on is a Michigan Centennial Farm. The cider mill and farm market has been sustainable and profitable for 30 years. Current management has a proven track record of reliability. ABC Cider Mill, Inc. management has been some of the leaders in the farming and farm marketing industry. ABC Cider Mill, Inc. corporate officers have won several awards and recognitions for their contributions to farming and farm marketing. ABC Cider Mill has made good business relationships in the Mid-Michigan area and the state's apple industry. Corporate officers have good relationships with essential members of the local community, such as: municipalities, schools, public safety, clergy, business leaders, township officials, contractors, and political leaders.

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<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

## Winery

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### 2.2 Company Locations and Facilities

ABC Cider Mill has one location. We are conveniently located on US-27 seven miles north of St. Johns. By being on the highway, we are able to "pull" many travelers aside for a quick stop, as well as being an end destination in the fall.

Our main retail areas are broken down into four parts: A Cider Mill, where you can purchase cider, donuts, caramel apples and watch us make cider; a Pie Barn, where you can purchase baked goods, fresh apples, preserves and many gift items; a Gift Shop, where you can purchase many different types of gifts for your home or others; and the "outdoor" area which consists of the entertainment, train, wagons, pumpkin patch, fun house and more.

We have a full service office for the company officers and management team, as well as a shipping and receiving area for daily shipments.

### 3.0 Products and Services

ABC Cider Mill is a retail outlet that makes cider, donuts, and caramel apples, fresh baked goods and offers a large selection of gift items.

The winery will focus on selling fermented apple cider products and related gift sales.

### 3.1 Product and Service Description

ABC Cider Mill sells retail products, and offers some services such as:

- Shipping of cider and holiday gift packages
- School tours
- Entertainment

### 3.2 Competitive Comparison

The firm does not have much direct competition in the area. Any direct competition is not considered much of a threat by the firm nor is ABC Cider Mill considered much of a threat by the other direct competition. The orchard/cider mills in the area have their own client base and don't worry about capturing the other companies' clientele. There is much copying of the first mover in the industry and there does not seem to be much concern by the owners as to if they are copied on an idea or not. This could represent a future threat/opportunity to the company if this attitude towards competition was to change.

The direct competition firms include Clearview Orchard in Ingham County. Clearview allows customers to buy apples, pumpkins, squash, and goods. The company also has no entertainment including hayrides on the weekends.

Clinton County (which the firm is located) has three orchards, ABC Cider Mill, Miller's Mill and Wyrick's Orchards. Miller's is owned by family relation to ABC Cider Mill and is primarily a wholesaler of apples in the area. However, they do allow for some picking of apples. Wyrick's Orchards has available information.

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## Winery

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Eaton County has five orchards total; AppleSchram Orchard, Conklin's Cider Mill, The Country Cider Mill, Granny's Orchard, and Witte Orchards and Farm Market. AppleSchram Orchards offers a nature/farm walk and sells apple cider, doughnuts, apple butter, and applesauce. Conklin's Cider Mill, The Country Cider Mill, and Witte Orchards and Farm Market have no available information. Granny's Orchard provides cider and doughnuts.

The competitive strength that ABC Cider Mill possess is its location next to U.S. 27. This allows for large customer base during the later months of the summer. The name is also well known for its wholesome entertainment.

The company follows a differentiation strategy. The firm offers a farm environment to consume and view the making of products.

### 3.3 Fulfillment

We will be sourcing raw product from our home farm and local orchards. Equipment for production will be sourced through a bidding process. There are numerous companies available. Packaging will be sourced from California Glass Co. Equipment and Packaging costs are fixed prices and variable by the quality you desire. Raw product prices are variable year to year depending on harvest size. However, prices over the last 5 years have been as low as 3.5 cents a pound to 10 cents a pound.

### 3.4 Technology

The winery would not be affected by technology. The industry is well established and there are no foreseeable changes in technology that would threaten our business. Due to the nature of the industry, the only technology that would affect the industry would be that of efficiencies in mass production to achieve economies of scale.

### 3.5 Future Products and Services

Beginning January of 2003, we will begin the construction of an on-site Winery to offer a full line of homemade and wholesale wines. ABC Cider Mill plans on offering its products on the company web site for sale, however this is more of a service to customers that live at a distance, and is not a planned source of significant revenue.

## 4.0 Market Analysis Summary

The market for the products of ABC Cider Mill is interested in maintenance of a wholesome family environment. The market further perceives value due to the entertainment factor and old farm feel that ABC Cider Mill provides. Further, one segment of their market is concerned about convenience in being able to visit the farm on their way up north and is moderately price sensitive.

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## **4.1 Target Market Segment Strategy**

Five to 14 year of age

Have little to no buying power; however strongly influences the purchases of the other age groups.

25 to 39 years age group

In looking at this group you have a couple of further desegregations that may be performed: those that are married and those that are not married. Next you can break them down into further groups; whether there is a presence of children or not. This is of particular use to ABC Cider Mill's analysis of their customer demographics. The customer group that primarily visits ABC Cider Mill is that of children between the ages of 5 to 14 years of age. It is the children that draw this particular group to the Mill. Married couples with children in the age group of 6 to 17 have the highest income of all other married couples. They had a median household income of \$64,311 in 2000, with the largest portion of this population in the \$50,000 to \$74,999 range.

39 to 70 years age group

This is an important demographic to ABC Cider Mill in that empty-nesters, which fall into this group, are the most affluent. Further this is the group that falls into the wine drinking age of 45 to 64, further and the household income peaks for those between the ages of 45 and 54. This group however has a lower discretionary income to percent of overall income during these years. This is the group that would be the grandparents of the 5 to 14 year-olds.

### **4.1.1 Market Needs**

The market that ABC Cider Mill is trying to appeal to is looking to satisfy the need for a place to enjoy family entertainment along with quality apple based products and products that compliment the apple based products.

### **4.1.2 Market Trends**

There is a trend of moving towards products that are natural with no preservatives added, however there is also a trend to move away from beer or wine products. The trend is moving toward alternative and unique beverages Overall the market is becoming more health conscious with an appetite for value and lower costs.

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<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.



### **4.1.3 Market Growth**

The growth for this industry is excellent. Cornell University predicts that by 2007 the Fermented Apple Beverage Industry in North America could grow to 10 million cases.

### **4.2 Service Business Analysis**

In analysis of the industry, Porter's Five Forces Model is used:

The analysis is based not on anyone particular industry which ABC Cider Mill sells products for, but on the Cider Mill concept at a whole.

- . **Potential Entrants into the Market** - The capital intensity is moderate in this industry, the apple presses and certain tractors used are not of significant capital intensity. The most intensive component for the industry would be that of the land. It takes many acres to grow the apples needed to supply the cider based products and at ABC Cider Mill there is a need for a large amount of acreage devoted to buildings, selling the products and parking to support the visitors to the mill. The land represents two different types of threats of entry. One being that of someone wishes to start up at similar business; they would have to go out into the market and purchase a large tract of land, and this would be very expensive, thus creating a significant barrier to entry. The other is that of farmers that wish to exit the traditional arena of farming and move into a cider mill concept. These individuals already have the most expensive component, the land, but will have to pay for conversion of the traditional farm buildings into places of business and selling points. Along with this, these farmers must also wait several years as the orchard matures to produce fruit. This represents a long wait of missed revenue from their traditional farming operations, and also represents more investment in the form of opportunity cost. Either way, there is a large capital investment to get into the market, and this will deter any future entrants into the market.
- . **Bargaining Power of suppliers** - The Company is its own supplier of the majority of inputs in a good harvest season. However, the apple crop is affected by swings in the temperature. The lower yield is answered by the company through purchasing apples in the market. These suppliers have no bargaining power due to apples being a commodity, with supply and demand setting the market price.
- . **Bargaining Power of Buyers** - The power of the buyers is high and there are many other companies out there that can supply wholesome family entertainment and provide goods for travelers with excess spending money. However, when you add both of these components together, the buyers have much less bargaining power. If they are looking for a cider mill to take their children they are going to be looking for the one that is the closest or they know exists.
- . **Substitute Products** - There are many substitutes for family entertainment in the area along with other products that travelers may purchase. However, few cider mills exist in the immediate area that can satisfy the demand for fresh apple cider and apple based products. Further, there are few old fashioned confectionaries in the immediate area, and non with the exposure that ABC Cider Mill has.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

## Winery

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. **Competitive Rivalry** shy;shy;shy;shy;- The differentiation of the company lowers the competitive rivalry that the company would experience in both the apple based products and candy products. However, there is not much competition in the line of business that the company is in. The owners of many of the mills in the area are friends and know each other. There is not an "out to get the others" mentality or any attempts to capture market share in the industry .

### 4.2.1 Business Participants

The cider mill industry has medium sized participants. There is no nationalized chain out there, yet there are not many different mills operating. In the greater Lansing area, there are approximately 10 orchards that are within 1-hour driving distance.

### 4.2.2 Distribution Patterns

The distribution is almost exclusively on site of the mill. Very little selling occurs via the mail or the Internet. This is due to the views within the industry on the introduction of preservative and pasteurizing the product and the effect that it has on the taste of the product. Also, people that desire cider or baked goods will typically make a short distance trip to the local grocery store to make the purchase. The purchase of products within this industry is special, like a trip to grandma or grandpa's house during the fall. The participants are selling much more than squeezed apples and baked pies, they are selling a feeling.

### 4.2.3 Competition and Buying Patterns'

The choice of who is going to provide the service depends on the mood of the purchaser. If they are looking for something that is quick and cheap to fulfill their needs, they will look to the grocery stores. If the consumer is looking for a quality product and they would like to spend the day with the family, they look to ABC Cider Mill and its competition. The choice comes down to a couple of factors. One being that of distance. The consumer wants to minimize travel time and spend more time with their family. Another factor being that of knowledge that the business exists. This is where ABC Cider Mill holds a distinct advantage over its competition. Because they are adjacent to a major highway that people use to travel to the upper parts of Michigan, they are able to reach a large amount of people for a minimal price with highway exposure.

## 4.3 Market Segmentation

The main customers that visit ABC Cider Mill are primarily blue collar Caucasians that are within the middle-income bracket. They can be further disaggregated to age classes of 5 to 14 years of age, 25 to 39 years of age, and 39 to 70 years of age. There is an equal portion of men to women.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

## Winery

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### 5.0 Strategy and Implementation Summary

1. Maintenance of a wholesome family environment.
2. Treat our employees with the same respect we wish our customers to be treated with.
3. Keep costs low in order to capture as much value from our markets.
4. Continually seek complementary products to add to the total experience.

### 5.1 Value Proposition

ABC Cider Mill views the value that it adds to its products to be that of family entertainment -- spending time with the family -- and a chance to watch the products actually be made. ABC Cider Mill captures about a 20% to 50% mark-up on products because of these two entertainment factors.

ABC Cider Mill tries to keep a "Johnny Appleseed"/old time feel within its advertising. We think we do a particularly good job in delivering on this promotional promise with the barns that are used along with the rough-cut wood that adorns the interior of the buildings.

### 5.2 Competitive Edge

The company's competitive edge is the brand name. Having served the Mid-Michigan area for the last 30 years has enabled the company to build a strong brand name built on quality and wholesome family entertainment. The highway was instrumental in spreading this brand name and will continue to facilitate in the increasing-of the ABC Cider Mill brand names value.

### 5.3 Marketing Strategy

ABC Cider Mill has the strategy of appealing to the many age segments. ABC Cider Mill does this by offering a wide range of products and entertainment.

#### 5.3.1 Positioning Statements

The sales position for this product will be marketed to adults age 21- 55. Our marketing will be enhanced by the products we already sell and the entertainment we provide. This will give our customers another product line available and another opportunity to be entertained.

The competition of ABC Cider Mill provides much of the same type of entertainment, with hayrides being the most popular.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

### **5.3.2 Pricing Strategy**

The pricing of our products reflects the value of the family entertainment along with the combination of complementary goods being sold on the premises. For example a customer is able to purchase cider in the cider barn, has the choice of consuming it there along with donuts and carmel apples that are also sold under the same roof, or they can take the cider and walk over to the pie barn to have fresh backed products along with their cider. ABC Cider Mill wants to add another choice that of wine and other related gift products. ABC Cider Mill believes that this addition of the winery will allow the company to increase revenues and also give the option to increase the selling price of all the other goods sold on the premises.

### **5.3.3 Promotion Strategy**

ABC Cider Mill believes that the adjacency to US-27 is the most valuable asset the company possesses. This gives a very cheap source of advertising to get the word out that the company exists; and that there is a place to purchase products such as cider and baked goods in the area. This also adds advertising value: When someone that may not be familiar with what is available in the area asks a friend where cider can be purchased, chances are very good that the person has been past ABC Cider Mill.

### **5.3.4 Distribution Strategy**

The company does not require a distribution channel. Customers purchase the vast majority of the products on the premises. The highway that is adjacent to ABC Cider Mill is a strength of the company, and possibly could be a weakness in the future, depending on the placement when it is converted into an interstate. The sale of products via mail or the Internet is insignificant and the company has no plans of increasing this method of distribution.

### **5.3.5 Marketing Programs**

Our marketing manager Jane Miller is in charge of the advertising and marketing within the company. She has a budget of approximately \$44,000 per year. Of this, the main marketing the company does is sending out advertising flyers to our mailing list each spring, telling of the attractions for the year and when the attractions start.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

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### **5.4 Sales Strategy**

1. ABC Cider Mill has to sell the family and old time environment to its customers, try selling just the cider and products that are based on apples will not allow the company to capture the extra mark up ABC Cider Mill pursues.

2. ABC Cider Mill also has to sell its quality service and commitment to both of these products.

ABC Cider Mill believes that the addition of the winery will significantly add to revenues of the company. This can be witnessed by the addition in 1997 of the "Pie Barn". After the approximately 100% expansion of the barn, sales jumped from \$277,872 to \$390,927 in 1998 and lead to a growth of 18.66% annualized per year. ABC Cider Mill believes this fact shows that an addition of space will help increase the overall revenues of the firm.

#### **5.4.1 Sales Forecast**

Sales forecast were based on dollar amounts that would be expected for sales in the first 3 tears of operations for the Winery. These Pro -Forma statements were prepared by Abraham and Gaffney P.C.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

**ABC Cider Mill, Inc.  
Project Balance Sheet**

	1/31/2003	2/28/2003	3/31/2003	4/30/2003	5/31/2003	6/30/2003
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 214,500	\$ 204,537	\$ 191,574	\$ 189,111	\$ 122,748	\$ 86,535
Total	\$ 214,500	\$ 204,537	\$ 191,574	\$ 189,111	\$ 122,748	\$ 86,535
<b>Property and Equipment</b>						
Building improvements					40,000	70,000
Equipment	10,000	10,000	10,000	10,000	30,650	30,650
Accumulated						
Depreciation /Amortization	(360)	(720)	(1,080)	(1,440)	(1,800)	(2,160)
Total	9,640	9,280	8,920	8,560	68,850	98,490
<b>Other Assets</b>						
Startup costs	7,500	15,000	23,000	23,000	23,000	23,000
Total	7,500	15,000	23,000	23,000	23,000	23,000
<b>Total</b>	\$ 231,640	\$ 228,817	\$ 223,494	\$ 220,671	\$ 214,598	\$ 208,025
<b>Liabilities &amp; Equity</b>						
<b>Long term liabilities</b>						
Farm credit Services	\$ 100,000	\$ 99,453	\$ 98,903	\$ 98,349	\$ 97,791	\$ 97,230
Loan Farm Shareholder	30,000	30,000	30,000	30,000	30,000	30,000
Total	\$ 130,000	\$ 129,453	\$ 128,903	\$ 128,349	\$ 127,791	\$ 127,230
<b>Stockholder's Equity</b>						
Retained Earnings	91,640	89,364	84,591	82,322	76,807	70,795
Common Stock	10,000	10,000	10,000	10,000	10,000	10,000
Total	101,640	99,364	94,591	92,322	86,807	80,795

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

<b>Total</b>	<b>\$ 231,640</b>	<b>\$ 228,817</b>	<b>\$ 223,494</b>	<b>\$ 220,671</b>	<b>\$ 214,598</b>	<b>\$ 208,025</b>
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**ABC Cider Mill, Inc.  
Project Balance Sheet**

	7/31/2003	8/31/2003	9/30/2003	10/31/2003	11/30/2003	12/31/2003
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 74,572	\$ 57,409	\$ 41,946	\$ 86,583	\$ 74,695	\$ 4,412
Total	\$ 74,572	\$ 57,409	\$ 41,946	\$ 86,583	\$ 74,695	\$ 4,412
<b>Property and Equipment</b>						
Building improvements	70,000	70,000	100,000	100,000	100,000	110,000
Equipment	30,650	30,650	50,650	60,650	70,650	100,650
Accumulated						
Depreciation /Amortization	(8,350)	(14,540)	(20,730)	(26,920)	(33,110)	(39,300)
Total	92,300	86,100	129,920	133,730	137,540	171,350
<b>Other Assets</b>						
Startup costs	23,000	23,000	23,000	23,000	23,000	23,000
Total	23,000	23,000	23,000	23,000	23,000	23,000
<b>Total</b>	<b>\$ 189,872</b>	<b>\$ 166,519</b>	<b>\$194,866</b>	<b>\$ 243,313</b>	<b>\$ 235,235</b>	<b>\$ 198,762</b>
<b>Liabilities &amp; Equity</b>						
<b>Long term liabilities</b>						
Farm credit Services	\$ 96,665	\$ 96,096	\$ 95,523	\$ 94,946	\$ 94,366	\$ 93,782
Loan Farm Shareholder	30,000	30,000	30,000	30,000	30,000	30,000
Total	\$ 126,665	\$ 126,096	\$ 125,523	\$ 124,946	\$ 124,366	\$ 123,782
<b>Stockholder's Equity</b>						
Retained Earnings	53,207	30,423	59,343	108,367	100,869	64,980
Common Stock	10,000	10,000	10,000	10,000	10,000	10,000
Total	63,207	40,423	69,343	118,367	110,869	74,980

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

<b>Total</b>	<b>\$ 189,872</b>	<b>\$ 166,519</b>	<b>\$ 194,866</b>	<b>\$ 243,313</b>	<b>\$ 235,235</b>	<b>\$ 198,762</b>

**ABC Cider Mill, Inc.**  
**Project Statement of Operations**

	January	February	March	April	May	June
<b>Revenue</b>						
Hard Cider Sales						
Gift Sales (net)						
Total						
<b>Cost of Sales</b>						
Year One Production Costs						
Raw product						
Packaging /Containers						
Salaries/Fringe Benefits						\$ 4,000
Total						\$ 4,000
Gross Profit				0	0	(4,000)
<b>Operating Expenses</b>						
Legal	\$ 2,000					
Accounting	\$ 1,000				\$ 3,000	
Utilities	250	\$ 250	\$ 250	\$ 250	250	250
Education and Seminars	1,000		2000		1,000	500
Trade Association Dues						
Travel Expenses	500		500		250	250
Merchandise & Marketing	2,000	1,000	1,000	1,000		
Insurance & Bonding						
Building Lease						
Office Expense						
Miscellaneous						
Depreciation	360	360	360	360	360	360
Total	7,110	1,610	4,110	1,610	4,860	1,360
Income(Loss) from Operations	(7,110)	(1,610)	(4,110)	(1,610)	(4,860)	(5,360)
<b>Other Income (Expense)</b>						
Grant Income	98,750					
Interest Expense		(666)	(663)	(659)	(655)	(652)
Total	98,750	(666)	(663)	(659)	(655)	(652)
Income (Loss) Before	91,640	(2,276)	(4,773)	(2,269)	(5,515)	(6,012)

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.



## Michigan Apple Committee /MSU Product Center

Taxes						
<b>Provisions for Taxes</b>						
Federal Income Tax						
Michigan Single Business Tax						
Total						
<b>Net Income</b>	\$ 91,640	\$ (2,276)	\$ (4,773)	\$ (2,269)	\$ (5,515)	\$ (6,012)

Page 13

**ABC Cider Mill, Inc.**  
**Project Statement of Operations**

	July	August	September	October	November	December	12/31/2003
<b>Revenue</b>							
Hard Cider Sales			\$ 78,350	\$ 97,900	\$ 9,800	\$ 9,805	\$ 195,855
Gift Sales (net)			16,000	20,000	2,000	2,000	40,000
Total			94,350	117,900	11,800	11,800	235,855
<b>Cost of Sales</b>							
Year One Production Costs			17,600	22,000	2,200	2,200	44,000
Raw product			2,600	3,250	325	325	6,500
Packaging /Containers			3,600	4,500	450	450	9,000
Salaries/Fringe Benefits	\$ 4,000	\$ 12,200	24,300	24,300	8,000	4,200	81,000
Total	4,000	\$ 12,200	48,100	54,050	10,975	7,175	140,500
Gross Profit	(4,000)	(12,200)	46,250	63,850	825	4,630	95,355
<b>Operating Expenses</b>							
Legal			2,000			1,000	5,000
Accounting	500	500	500	500	500	500	7,000
Utilities	250	750	750	750	250	250	4,500
Education and Seminars	500						5,000
Trade Association Dues						1,000	1,000
Travel Expenses	250	250	250	250	250	250	3,000
Merchandise & Marketing	2,000	2,000	5,000	5,000		1,000	20,000
Insurance & Bonding	3,000					1,000	4,000
Building Lease						10,000	10,000
Office Expense	250	250					500
Miscellaneous			2,000	1,500	500	500	4,500
Depreciation	6,190	6,190	6,190	6,190	6,190	6,190	39,300
Total	12,940	9,940	16,690	14,190	7,690	21,690	103,800
Income(Loss) from Operations	(16,940)	(22,140)	(29,560)	(49,660)	(6,865)	(17,060)	(8,445)
<b>Other Income (Expense)</b>							
Grant Income							98,750
Interest Expense	(648)	(644)	(640)	(636)	(633)	(629)	(7,125)
Total	(648)	(644)	(640)	(636)	(633)	(629)	91,625
Income (Loss) Before	(17,588)	(22,784)	28,920	49,024	(7,498)	(17,689)	83,180

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

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Taxes							
<b>Provisions for Taxes</b>							
Federal Income Tax						16,500	16,500
Michigan Single Business Tax						1,700	1,700
Total						18,200	18,200
<b>Net Income</b>	<b>\$(17,588)</b>	<b>\$(22,784)</b>	<b>\$ 28,920</b>	<b>\$ 49,024</b>	<b>\$ (7,498)</b>	<b>\$(35,889)</b>	<b>\$ 64,980</b>

Page 14

**ABC Cider Mill, Inc.  
Project Statement of Cash Flows**

	January	February	March	April	May	June
<b>Cash Flows from Operating Activities</b>						
Net Income (Loss)	\$ 96,640	\$(2,276)	\$(4,773)	\$(4,773)	\$(2,269)	\$(6,012)
Adjustments:						
Depreciation and amortization	360	360	360	360	360	360
Total	92,000	(1,916)	(4,413)	(1,909)	(5,155)	(5,652)
<b>Cash Flows from Investment Activities</b>						
Change in Building Improvements					(40,000)	(30,000)
Change in Equipment	(10,000)				(20,650)	
Change in Startup Costs	(7,500)	(7,500)	(8,000)			
Total	(17,500)	(7,500)	(8,000)		(60,650)	(30,000)
<b>Cash Flows from Financing Activities</b>						
Change in Farm Credit Services	100,000	(547)	(550)	(554)	(558)	(561)
Change in Loan From	30,000					
Change in Common Stock	10,000					
Total	140,000	(547)	(550)	(554)	(558)	(561)
Net Increase(Decrease) in Cash	214,500	(9,963)	(12,963)	(2,463)	(66,363)	(36,213)
Cash at Beginning of Period		214,500	204,537	191,574	189,111	122,748

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

Cash at End of Period	\$ 214,500	\$ 204,537	\$ 191,574	\$ 189,111	\$ 122,748	\$ 86,535
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**ABC Cider Mill, Inc.**  
**Project Statement of Cash Flows**

	July	August	September	October	November	December	12/31/2003
<b>Cash Flows from Operating Activities</b>							
Net Income (Loss)	\$(17,588)	\$(22,784)	\$(28,920)	\$(49,024)	\$(7,498)	\$(35,889)	\$ 64,980
Adjustments:							
Depreciation and amortization	6,190	6,190	6,190	6,190	6,190	6,190	39,300
Total	(11,398)	(16,594)	35,110	55,214	(1,308)	(29,699)	104,280
<b>Cash Flows from Investment Activities</b>							
Change in Building Improvements			(30,000)			(10,000)	(110,000)
Change in Equipment			(20,000)	(10,000)	(10,000)	(30,000)	(100,650)
Change in Startup Costs							(23,000)
Total			(50,000)	(10,000)	(10,000)	(40,000)	(233,650)
<b>Cash Flows from Financing Activities</b>							
Change in Farm Credit Services	(565)	(569)	(573)	(577)	(580)	(584)	93,782
Change in Loan From							30,000
Change in Common							10,000

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

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Stock							
Total	(565)	(569)	(573)	(577)	(580)	(584)	133,782
Net Increase (Decrease) in Cash	(11,963)	(17,163)	(15,463)	44,637	(11,888)	(70,283)	4,412
Cash at Beginning of Period	86,535	74,572	57,409	41,946	86,583	74,695	
Cash at End of Period	\$ 74,572	\$ 57,409	\$ 41,946	\$ 86,583	\$ 74,695	\$ 4,412	\$ 4,412

**Winery**

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**5.4.2 Sales Programs**

The winery sales program will be modeled after an existing program that already markets value added products.

**6.0 Web Plan Summary**

ABC Cider Mill currently has a website, and this website is primarily used as an advertising tool. ABC Cider Mill uses this site to tell customers where the business is located, along with the current events and attractions at the business. There is some selling of goods on the site, however, this is not a significant distribution source now, nor is it planned to be in the near future.

**7.0 Management Summary**

ABC Cider Mill’s management believes in managing by the golden rule, and that our employees need to be allowed to balance work, with their personal life.

**7.1 Organizational Structure**

Officers of the corporation are: CEO, Jim Miller, President, Mike Miller, Secretary, Carolyn Miller. Corporate Manager, Jane Miller.

The corporation has various other managers.

- Hilda Jones, Gift Space and Shipping Manager, Employed 13 years.
- Joan Jury, Bakery Manager, Employed 12 years
- Robin Collins, Inventory Manager, Employed 20 years
- George Tilman, Food Service Manager, Employed 4 years

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

Currently the company has roughly 100 full and part-time employees.

## **7.2 Management Team**

### **Jim Miller, CEO and Carolyn Miller, Secretary.**

Jim & Carolyn Miller, Pioneers in Entertainment Farming

Jim & Carolyn are the Owners of ABC Cider Mill 's Cider Mill in St. John's Michigan. They purchased the farm 30 years ago during the time of a depressed apple market. Realizing that they were not going to receive a "living wage" by selling their fruit on the wholesale market, they opened their farm for the public to come.

The following can summarize the growth of the business from a pick-your-own operation to a tourist destination with over 300,000 visitors a year:

- 1970 - Opened the farm to the public as a Pick Your Own Operation, selling Apples, Sweet Cherries, Peaches, Strawberries, Raspberries and other fruit.
- 1972 - Added the Cider Mill, and began selling Apple Cider and Donuts
- 1975 - Started the Gift Shop, selling preserves, fruit and some gifts
- 1978 - Began adding entertainment to bring more people to the farm. Early activities included craft shows, a flea market and music.
- 1980 - Added the Pie Barn, and started selling Baked Goods
- 1985 - Developed the Fun House and Train
- 1996 - Doubled the size of the Pie Barn

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

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- 1998 - First addition to the Gift Shop, and doubled the production size of the Cider Mill
- 1999 - Added the Kids Corral
- 2000 - Second addition to the Gift Shop
- Jim and Carolyn have served as pioneers to the entertainment farming industry. They realized early on that adding entertainment would not only bring more people to their farm, but keep them there longer.

Business Affiliations: Many board positions have been held within these organizations.

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Page 18

## **Winery**

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Michigan State Horticultural Society  
North American Direct Farm Marketing Association  
Clinton Memorial Hospital Board  
St. John's Chamber of Commerce

Other:

Guest Speakers at many national trade conferences  
Have been quoted in many newspapers and ITI magazines  
Numerous Television specials, including HGTV  
Countless Industry Awards, including Runner-up for Direct Farm Marketer of the Year in 2001

### **Mike Miller President**

Education: BS - Facilities Management, Ferris State University

AAS - Architectural Technology, Ferris State University

Experience:

General Manager - ABC Cider Mill, St. Johns, MI

Responsible for supervision of employees, coordinating sales operations, manage juice. Operations, general greens keeper and landscape designer. This includes building a 1.5 mile Nature trail, implementation of a HAACP plan for Cider Making, various research grants and the design of several building additions.

1980 to present

General Project Manager, Architectural Image Construction and Equipment, Inc.

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

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Mason, MI

Responsibilities included on-site construction supervision, budgeting, project scheduling and bidding. Completed projects in Michigan, Pennsylvania, Florida, Indiana, and Illinois, as well as establishing new business for the Company.

1994

Internship - LaSalle Construction Company, Chicago, IL. A division of LaSalle Partners, the largest interior construction company in America.

Responsibilities included: furniture inventory, office planning, building maintenance, move management and other related management functions.

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Page 19

## **Winery**

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1994

Internship - LaSalle Construction Company, Chicago, IL. A division of LaSalle Partners, the largest interior construction company in America.

Responsibilities included: furniture inventory, office planning, building maintenance, move management and other related management functions.

Summer 1993

Owner - Lake Services, Big Rapids, MI

Contracted landscaping and home improvement jobs, lawn care and landscaping maintenance.

Summer 1992 & 1993

Draftsman/Detailer - Mid Michigan Engineering, Big Rapids, MI

Created land surveys and mortgage reports using AutoCAD.

1991

Professional Affiliations:

Treasurer, Michigan Cider Makers' Guild

Chairman, Michigan Apple Research Committee

Board Member, Michigan State Horticulture Society, Resolutions Committee

### **Jane Miller, Corporate Manager**

Education: BAA Central Michigan University, May 1993

Major - Journalism, concentration in public relations

Double Minor - Advertising, Marketing

Work Experience:

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Business Manager: ABC Cider Mill, St. John's Michigan. 1997 - present.

- Accounts Payable, Payroll and bank reconciliation
- Hiring, training and supervision of up to 75 full and part time seasonal workers
- Merchandising and inventory management for both Gift and Perishable merchandise
- Ordering, receiving and price calculation for retail merchandise
- Implementation of a Deli, lunch area
- Sales tax filing and income/expense tracking
- Event coordination and up-keep of a 8,000 name mailing list
- Website maintenance

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Page 20

### **Winery**

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- Development of a Yahoo! Store
- Creation and implementation of new inventory and order tracking materials
- Creation and implementation of newsletters, calendar of events and other publications
- Employee scheduling and personnel issues
- Other duties as assigned
- Administrative Assistant: Jackson National Life Insurance, Lansing Michigan. 1996-97.
- Administrative Assistant to Vice President of Underwriting.
- Weekly Report creation, maintenance and distribution
- Department travel consultant
- Communications committee for Reengineering project - creation and revision of insurance processing letters for both internal and external use
- Forms Creation
- Payroll Calculation and personnel records management
- Other special projects as assigned.

As a temporary employee for Jackson National Life, worked in the Human Resources department.

- Recruiting of regular and temporary employees
- Interviewing applicants by telephone and in person
- Making salary recommendations and job offers
- Administering skills tests to prospective employees
- Temporary Employee: Career Quest, Lansing Michigan 1995-1996
- Accounts Receivable for a property management company

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.



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- Beginning of month, roll over and month end reports
- Billing adjustments and security deposit returns
- Maintenance of lease files and office correspondence

Personnel Supervisor, Olsten Professional Accounting Services, Grand Rapids, MI 1994-1995

- Pre screen, greet, interview and administer skill evaluations to applicants
- Assign employees to appropriate positions and follow through with clients
- Maintain progress calls and customer service for both employees and clients
- Writing and tracking of classified ads
- Responsible for development and design of direct mail items

Skills / Interests/Other Experience:

Recipient, North American Direct Farm Marketer of the Year Runner-up 2001  
 Recipient, North American Direct Farm Marketing Newcomer of the Year Winner, 2001  
 Guest Speaker NAFDMA National Conference, Ontario Canada 2001 "Building a Bakery"  
 Seminar Leader NAFDMA National Conference, Ontario Canada 2001 "Gifts 101"  
 Guest Speaker, NAFDMA National Conference, Phoenix AZ, 2000 "100 Ways to Add Entertainment to Your Farm"  
 Guest Speaker, MSU Tourism Outlook Conference, Lansing, MI2001  
 Guest Speaker, MSU Horticultural Society Annual Meeting, December 2000  
 Desktop publishing and photography  
 Planning Committee, 1998 North American Farmers Direct Marketing conference  
 Member, North American Farmers Market Association  
 Member, Michigan Horticultural Society  
 Excellent computer skills  
 Helped with the Development of a Hazards Analysis and Critical Control Points (HACCP) program for ABC Cider Mill

**7.2.1 Important Assumptions**

- The economy is going to continue for the next two years to be stagnant
- Inflation is going to creep-up to its more historic average of 3%.

**Table:** General Assumptions

General assumption			
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<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

	<b>2004</b>	<b>2005</b>	<b>2006</b>
Short-term Interest Rate %	4.63 %	7.00 %	8.00 %
Long-term Interest Rate %	10.00 %	11.00 %	12.00 %
Tax Rate %	35.00 %	35.00 %	35.00 %
Expenses in Cash %	10.00 %	10.00 %	10.00 %
Personel Burden %	15.00 %	15.00 %	15.00 %

## Winery

### 7.2.1.1 Projected Profit and Loss

- Inflation was held at a constant 3% for both revenues and expenses over the near-term.
- Expenses were estimated from actual expenses of the company for 2001 - most of the expenses were figured as marginal increases of the base expenses, and thus were approximately 25% of the related 2001 expense.
- Opportunity cost was inserted at a constant \$1,000 or \$9,000 annually to reflect a bit of conservatism in the analysis. It was left constant over the near-term due to uncertainty about capital reinvestment and depreciation.
- Advertising was raised to approximately \$18,000 with 3% inflation near-term. Because of the risk that the relocation of the highway represents to the company, the extra advertising that may be needed to attract customers to exit the interstate was included in the calculation. This was a very rough estimate.

Table: Profit and Loss (Planned)

## Pro Forma Profit and Loss

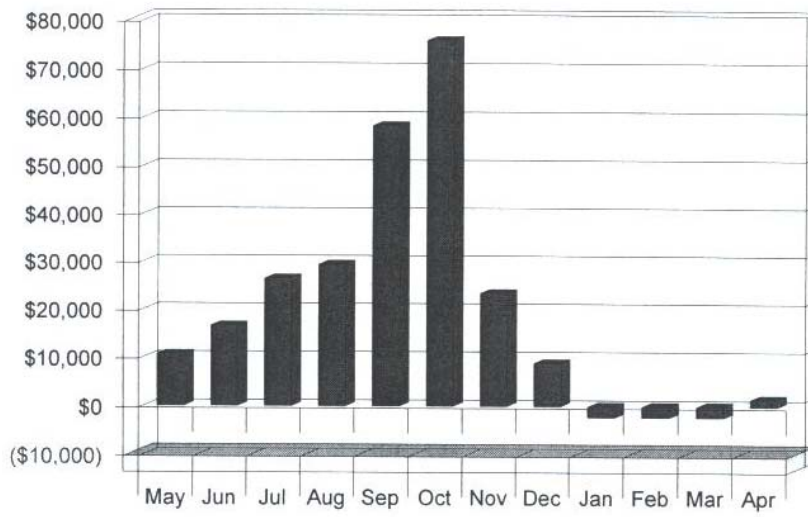
	<b>2004</b>	<b>2005</b>	<b>2006</b>
Sales	\$550,959	\$578,507	\$607,432
Direct Cost of Sales	\$135,266	\$179,337	\$188,304
Other Production Expenses	\$0	\$0	\$0
	-----	-----	-----
Total Cost of Sales	\$135,266	\$179,337	\$188,304
Gross Margin	\$415,693	\$399,170	\$419,128
Gross Margin %	75.45%	69.00%	69.00%
Operating Expenses:			
Advertising/Promotion	\$18,000	\$18,540	\$19,096
Travel	\$4,500	\$4,635	\$4,774
Miscellaneous	\$0	\$0	\$0
Payroll Expense	\$0	\$0	\$0
Payroll Burden	\$0	\$0	\$0
Depreciation	\$0	\$0	\$0
Leased Equipment	\$0	\$0	\$0

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

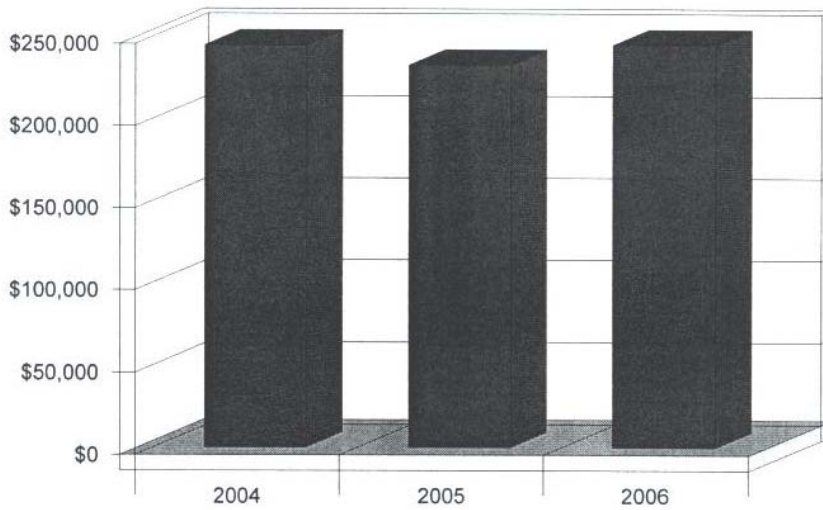
Michigan Apple Committee /MSU Product Center			
Utilities	\$3,996	\$4,120	\$4,244
Insurance	\$3,600	\$3,605	\$3,713
Opportunity Cost of Capital Employed	\$8,000	\$9,000	\$9,000
Contract/Consultants	\$900	\$1,030	\$1,061
	-----	-----	-----
Total Operating Expenses	\$38,996	\$40,930	\$41,888
Profit Before Interest and Taxes	\$376,697	\$358,240	\$377,240
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$0	\$0	\$0
Taxes Incurred	\$131,844	\$125,384	\$132,034
Extraordinary Items	\$0	\$0	\$0
Net Profit	\$244,853	\$232,856	\$245,206
Net Profit/Sales	44.44%	40.25%	40.37%

<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

### Profit Monthly (Planned)

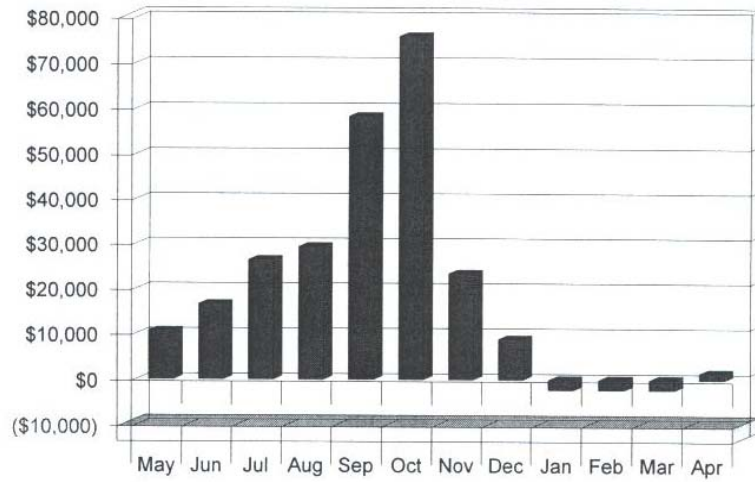


### Profit Yearly (Planned)

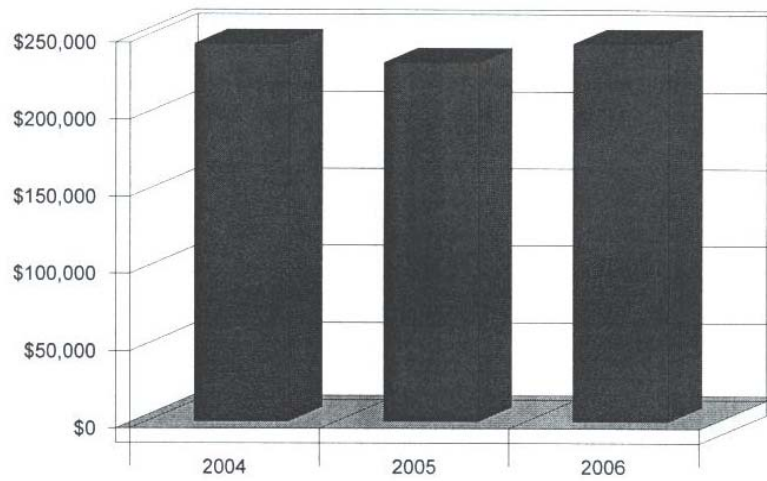


<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

**Profit Monthly (Planned)**



**Profit Yearly (Planned)**



<sup>1</sup> This research was funded by the Michigan Apple Commission through a USDA Value Added Development Grant.

### **7.3 Management Team Gaps**

ABC Cider Mill with the addition of the Candy Barn and Winery, will need an addition of a couple of competent and trusted managers, to manage and run this segment, along with the added administrative work that is going to be caused by these additions. Currently two family members are thinking of relocating back to Mid-Michigan area from Florida. It is the plan of current management at ABC Cider Mill to hire these two family members to perform duties were needed and fill in gaps that will be caused by the two additional segments.

#### **Jeff Miller, Future Corporate Manager**

- He will step in and help lighten the workload of Jim Miller. Jeff's primary responsibilities will be maintaining a maintenance schedule for equipment, running the packing house (to take from Mike Miller) as well as overseeing the grounds. He will also play a vital role in a day-to-day management, as well as development of new ventures. Jeff's strengths are his creativity, mechanical knowledge and extensive computer background. His most present work experience was for city municipalities in Florida, he was an integral part of computerizing water pumping stations for cities.
- Jeff worked at the Cider Mill for approximately 15 years before moving to Florida 7 years ago. During that time, he was an integral part of the business. Some of his accomplishments include building the train and the Halloween Fun House.

#### **Sara Miller, Future Corporate Manager**

- Sara Miller will join the family business and serve as a relief for both Carolyn Miller and Jane Miller. Some of Sara responsibilities will include: payroll, accounting, scheduling, training and purchasing. Sara does not have prior experience with ABC Cider Mill, but is very knowledgeable with computers, management and general office work. She will have a fairly big learning curve that we expect to take a good year or two. Sara will job shadow a great deal to learn bits and pieces of everything before she will settle into her own duties. Her first year will serve as a testing ground to find her strengths and weaknesses before placing her with permanent job duties.