

# **BUSINESS PLAN**

**prepared for**

## **Prospect Vineyard**

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## Section 1: Business Overview

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### 1.1 MISSION STATEMENT

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***“To grow quality grapes as profitably as possible”***

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### 1.2 SHORT TERM GOALS

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- Reduce debt levels
- Remove frost risk to protect income
- Pay for any new capital expenditure through existing cashflows rather than new borrowings
- To manage the vineyard environment in a sustainable manner
- Maintain a 45-hour working week for Chris

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### 1.3 LONG TERM GOALS

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- Develop and maintain strategic partnerships with clients, in particular, wineries
- Reduce debt-servicing costs to less than 5% of gross income
- To diversify investments and increase vineyard size, which may include investigating the financial viability of leasing
- Increase drawings from current level to around \$70,000
- To be recognised as a quality producer of wine grapes

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### 1.4 CONSTRAINTS TO BUSINESS GOALS

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- Debt servicing costs
- The need to increase profitability by reducing costs as the vineyard approaches its income limit
- Market pressure on wine and grape prices
- Other time commitments e.g., young family and involvement in industry

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### 1.5 FAMILY GOALS

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- Improving the family income to the market value of Chris’s skills
- Taking holidays as a family
- Getting the house finished

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## **1.6 BUSINESS HISTORY**

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1993: Catherine finished her Post Graduate Diploma in Viticulture and Oenology at Lincoln University

1994: Chris and Catherine purchased the land in Maraekakaho Rd

1995: First vines were planted (5 acres)

1996: The house was moved onto the property and 3 more acres were planted in vines

1998: Five more acres were planted

2001: Seventeen acres were planted and the first frost protection was installed in winter

2002: Final two acres planted to achieve final vineyard size of 32 acres

2004: Further frost protection installed – wind machines and rotators

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## **1.7 BUSINESS PROFILE/EXECUTIVE SUMMARY**

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Prospect vineyard is a producer of high quality grapes, with a focus on sustainable production. The vineyard covers 12.5 canopy hectares over a total of 15.7 ha and the grapes are sold to five different wineries. The business is around ten years old and is just approaching the end of its development stage. Debt has been a large constraint to profitability with new plantings, installation of frost protection and the large losses of production from frosts all having a significant impact on the level of new borrowings. The increased debt levels, combined with the size of the property make it hard to repay the debt quickly. Chris and Catherine now wish to focus on profitability as the vineyard approaches its income limit. The main method of increasing profitability will have to be through reducing their costs of production.

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## **1.8 BUSINESS ORGANIZATION**

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The business is a 50/50 partnership where Chris takes care of the day-to-day management of the vineyard, while Catherine takes the role of administrator and financial accountant. Together they make strategic decisions and discuss the day-to-day activities on the property. The business also has a strong family focus.

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**1.9 SWOT ANALYSIS**

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Table 1: SWOT analysis for Prospect Vineyard

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Site</li> <li>• Chris’s role as president of HBGGA</li> <li>• Vineyard age – high health vines</li> <li>• Use of new clones</li> <li>• Frost protection</li> <li>• Good spray programme</li> <li>• SWNZ membership</li> <li>• Stream – access to water for frost protection</li> <li>• Existing skills and ongoing knowledge accumulation</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on Bordeaux reds</li> <li>• Level of debt</li> <li>• Information systems</li> <li>• Number of other commitments</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Development of new wine label</li> <li>• Ability to concentrate on growing grapes now, rather than focussing on vineyard development</li> </ul>	<ul style="list-style-type: none"> <li>• Downward pressure on grape prices due to supply and \$NZ</li> <li>• Lack of international identification for Hawke’s Bay as a quality winegrowing region</li> <li>• Climatic events</li> </ul>

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**1.10 KPI’S AND MONITORING**

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Many KPIs are monitored on the vineyard, these include:

- Pest and disease levels – monitored by Fruitfed Supplies and own ‘feel’
- Yield levels – bud counts, flower counts, shoot counts, bunch numbers. Monitored using own spreadsheets, counts, and ‘eyeballing’. While counting is very accurate, it is also very time consuming.
- Soil moisture monitoring – professional monitoring company
- Climate – temperature loggers, GDDs, frost alarms, metris forecasts
- Soil tests every 3 years and petiole tests every year as required in different blocks
- Harvest assessment – ripening charts
- Financial monitoring – part of MAF viticulture farm monitoring programme, accountants advice to help improve profitability

The Key Performance Indicators for vineyard performance at Prospect Vineyard are as follows:

- Yield
- Ripeness parameters
- Quality/cleanliness of the grapes
- Financial margin
- Renewal of winery contracts
- No unsustainable scores on the SWNZ scorecard and identification of where scores could be improved each year

## **Section 2: Marketing Plan**

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### **2.1 DESCRIPTION OF INDUSTRY/WHERE OPERATION FITS IN**

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Hawke's Bay is a major region in New Zealand for the production of wine grapes, with currently around 4,000 ha in production. Hawke's Bay harvested around 18% of the total national crop of 166,000 tonnes in 2004.

Prospect Vineyard focuses on producing grapes for the premium to super-premium wine categories. The main varieties grown are Bordeaux reds, with some Chardonnay and Semillon also. The area is one of the best for growing Bordeaux reds and this is reflected in the high percentage of merlot grown at Prospect.

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### **2.2 MARKETING STRATEGY**

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Prospect has contracts with five wineries at present – two in Auckland, two in Hawke's Bay and one in Wairarapa. These are primarily Category One wineries.

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### **2.3 PRICING**

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Ranges of prices are paid for the grapes produced at Prospect and contracts are based on both per tonne and per acre bases. The wine grown for retails at a price of about \$25 per bottle.

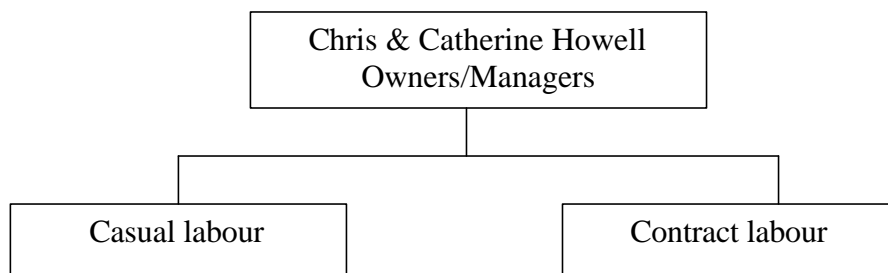
## **Section 3: Human Resource Plan**

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### **3.1 ORGANISATIONAL CHART**

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Figure 1: Prospect Vineyard organisational structure



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### **3.2 EMPLOYEE PLAN**

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The long-term employee plan is to grow the business to a size where it is economic to employ a permanent vineyard worker to free up Chris's time.

Chris and Catherine's knowledge is continually improved by attending workshops, field days and seminars etc.

## **Section 4: Production Plan**

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### **4.1 LAND, BUILDINGS, FACILITIES**

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The soil type is a mixture of Ngatawara sandy loam and Takapau sandy loam. The site is more or less level, with a stream running along the boundary and through the centre of the property.

The property, which is situated on Maraekakaho Road in Hastings, has the following buildings on site: a house, shed, spray shed, and a pump shed.

Irrigation consists of under-vine drippers and frost protection is installed to protect most of the property.

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### **4.2 EQUIPMENT**

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Prospect Vineyard owns the standard vineyard equipment and future purchases include a mulching mower, frost pots and extension of the shed. Contract machinery work is employed as required.

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### **4.3 PRODUCTION STRATEGIES BY BLOCK**

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The average yield target is around 8-8.5 tonnes/ha for all blocks except for the Semillon, which has a higher yield target.

Spray programmes are reasonably uniform over all blocks in the vineyard, with timing differences for each variety accounting for the major variations. All vines are grown on VSP trellis at a standard spacing of 2.4m by 1.8m (2,315 vines/ha).

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### **4.4 REDEVELOPMENT**

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A possible redevelopment plan at this stage is to top graft some vines to syrah or another variety that is in demand by the market. Any redevelopment ideas at this stage are however long term plans.

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### **4.5 ENVIRONMENTAL ASSESSMENT**

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Sustainable Winegrowing New Zealand Scorecard

## **Section 5: Financial Plan**

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### **5.1 BLOCK PROFIT SUMMARY**

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(Confidential)

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### **5.2 RISK ASSESSMENT**

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Two major identified risks to production are:

- Market forces and their impact on prices
- Debt levels and servicing cost