

SAMPLE BUSINESS PLAN FOR A MICROBREWERY



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LAW FIRM

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To the future microbrewery entrepreneur:

This is a sample plan that we hope will help you create a business plan for your new microbrewery. Every business plan is unique and this should reflect your unique vision. This business plan does not imply an offering of securities.

Disclaimer

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RESTAURANT, WINERY & LIQUOR LAW

At Tracy Jong Law Firm, we help entrepreneurs in the New York food and beverage industry (restaurants, franchises, wineries, bars, nightclubs, bed and breakfasts, country clubs, microbreweries, microdistilleries, liquor stores, catering establishments, and alcohol retail markets). Our clients need an attorney familiar with the regulatory environment and business practices in their industry. We help you review a potential transaction, identify potential pitfalls and mitigate your risks. We help you draft, review and negotiate agreements and obtain permits and licenses necessary to operate your business. We educate you on how to comply with the law and avoid violations, and help you respond if you receive a violation notice. When you are ready to expand or sell, we help you navigate the process to maximize the return on your investment. Our experience in this area is very broad, so we can swiftly address any of our clients' needs.

Whether you are a start-up establishment, entrepreneur with a dream or a successful business dealing with a business issue or planning for growth, you should consider talking with our experienced legal team. We can help you to keep your business running smoothly, and guide you as you plan for growth.

WE WORK TOGETHER FOR YOUR SUCCESS

Tracy Jong Law Firm has built a solid reputation of competence and integrity in representing entrepreneurs in both start-ups and established small- to mid-sized businesses in realizing their creative potential. In addition to a focus on restaurant, winery and liquor law, our team has experience in immigration, patent, trademark and copyright protection that have unique applications for these industries. Our attorneys assist clients in expert areas important to New York small business owners. We help clients achieve success throughout the life of their business, from its formation to its operation and even to its eventual sale or dissolution.

Whatever your needs, we work closely with you, focused on your objectives in each situation, keeping you informed of our activities and inviting your participation throughout the process. Our goal is to offer outstanding value through speed and customer service. Our firm turns most projects around in 5 to 10 business days. When expedited processing is necessary, our teams are flexible and can accommodate even same day service in certain cases. While we work quickly to meet your needs, we still take the time to do a thorough and comprehensive job—offering speedy service without compromising quality.

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BUSINESS PLAN OF MICROBREWERY

As of [Date]

Confidentiality Agreement

The undersigned Reader acknowledges that the information provided by the Microbrewery in this business plan is proprietary and confidential; therefore, Reader agrees not to disclose it without the express written permission of the Microbrewery. The Reader agrees not to use this information for its own benefit or to the detriment of the Microbrewery.

It is acknowledged by Reader that information furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means. Any disclosure or use of this confidential information by reader may cause serious harm or damage to the Microbrewery and the Microbrewery will use all legal means available to protect its confidential information, including judicial action for injunctive relief and recovery of attorney fees.

Upon request, this document is to be immediately returned to the Microbrewery.

Reader's Signature

Name (typed or printed)

Date

Statement of Purpose

The purpose of this business plan is to secure a \$200,000 loan to successfully purchase and develop a craft microbrewery in Finger Lakes, New York. This sum, along with a \$100,000 investment by the owner(s) will be sufficient to purchase a commercial building in manufacturing district, equipment, and construction of a tasting room and retail portion with future expandability to a brew pub, and provide sufficient operations capital during the initial phase of the business or for application for a business investment or other entrepreneurial visa from USCIS.

This business plan will also be used as a management tool and policy guide for the Microbrewery.

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1.0 Executive Summary

Microbrewery is located in the city of Rochester, New York. The microbrewery's core product lines will include India Pale Ale, Lager and Stout. The microbrewery will be launched with an initial investment of \$ 200,000. \$100,000 will be raised by debt or equity investment to provide working capital for 12-18 months. Sales projections are \$ 300,000 over the first 3 years.

Microbrewery will handcraft its beers in small 20-barrel batches under the close personal attention of its brewers. The latest brewing equipment and technologies are seamlessly combined with traditional brewing methods to ensure consistently excellent taste, whether packaged in bottles or draft kegs.

Microbrewery is planning to expand its distribution to selected metro areas within the state of New York. The Microbrewery will introduce one new product each year for the next two years, an Oktoberfest brew and an organic beer. Owner funding and internally generated cash flow will enable the expansion plan. Microbrewery will apply a craft brewery sales strategy that promotes artisan beverage making, locavorism and the sheer fun of craft brewing. Once the customer tastes the product, he or she will know the quality and craftsmanship that goes into every bottle of craft beer.

Microbrew products will be available in bars as well as retail outlets such as local markets and corner stores, especially those featuring local products and quality artisan food and beverages. It will also aim to distribute through supermarkets, but it is envisioned that getting shelf space in regional and national supermarkets will be more difficult and more expensive.

Operating hours are 10am-8pm Wednesday to Thursday and 10am-10pm Friday and Saturday, 12pm-6pm on Sunday.

The current facility is 10,000 square feet of industrial warehouse space. This gives room to expand operations by as much as 50% for additional manufacturing, storage or a brew pub. It is anticipated a new location will be required in 10 years.

As popularity gains a market foothold, Microbrewery will expand into retail promotional items such as clothing and barware.

1.1 Objectives

The objectives of Microbrewery are the following:

- Establish strong relationships with local beer distributors in selected sales areas.
- Maintain tight control of cost and operation during expansion.
- Maintain the high-quality product.
- Establish a popular local following of craft brew enthusiasts.

2.0 Microbrewery Summary

Microbrewery will build a reputation for handcrafted care, time-honored methodology, and the finest natural ingredients from around the world.

The Microbrewery's product lines will include India Pale Ale, Lager and Stout.

Microbrewery handcrafts its beers in small 20 barrel batches under the close personal attention of our brewers. The latest brewing equipment and technologies are seamlessly combined with traditional brewing methods to ensure consistently excellent taste, whether packaged in bottles or draft kegs.

Microbrewery is planning to expand its distribution to selected metro areas within the state of New York including New York City, Buffalo, Syracuse, Albany, Binghamton and Plattsburg. The Microbrewery will introduce a new product each year for the next two years, an Oktoberfest brew and an organic beer. Owner funding and internally generated cash flow will enable the expansion plan.

2.1 Microbrewery Ownership

Microbrewery is owned by Johnny Homebrew.

3.0 Products

Microbrewery has three product lines: India Pale Ale, Lager and Stout. Microbrewery owner has experimented with many recipes and found several he believes will have mass appeal based on consumer testing. Future products include an Oktoberfest brew and an organic beer.

4.0 Market Analysis Summary

Over the past ten years, regional microbreweries have gained market share of beer sales in the state of New York. A number of regional brands have moved from specialty market to the supermarket and are featured in local restaurants and bars. With the synergy of the Finger Lakes Wine Trail, there has formed a Finger Lakes Beer Trail. There are several brewpubs in the metropolitan Rochester area and several bars and eateries that specialize in craft brews. The numbers have been impressive. At present, regional microbrews represent 25% of local beer sales. This represents a steady increase in sales numbers over recent years. Most importantly, the increased sales have occurred in the affluent and young professional communities.

Traditionally, microbrews have been favored by college students and young professional men and women in their late twenties and early thirties. These will be the microbrewery's target market.

Note to Entrepreneur:

Discuss Your Competitive Landscape:

1. Market Competitors
2. Local Competitors
3. Synergistic Businesses

4.1 Market Segmentation

Microbrewery plans to focus on the following market segments:

- Locavore enthusiasts
- Craft brew enthusiasts

- Customers in university campus communities.
- Professional men and women aged 25 - 35 living in affluent metro communities.

Marketing and promotional activities will be grassroots based, rather than more expensive mass marketing. Microbrewery will reach these people through sponsorship of local entertainment of cultural events and advertising in small niche magazines targeted towards young "fashionable" professionals and sponsorship of activity groups. Social media and tasting events at popular bars will be key promotional endeavors.

5.0 Strategy and Implementation Summary

The first step in the launch plan is to introduce the Microbrewery product line into the selected areas. New sales representatives will be assigned to the specific regional markets. The retail marketing focus will be on bars, restaurants and speciality stores that carry regional microbrews. Microbrewery will promote sales by reducing wholesale prices 15% for the first three months of sales.

Microbrewery products will be distributed in the Finger Lakes area by distributor ACME company.

Microbrewery's new products are unique enough in taste and processing to be attractive to any business that serves beer to customers. The added advantage is that the Finger Lakes lager has no local competitors. Microbrewery will promote sales by reducing wholesale prices 15% for the first three months of sales.

5.1 Sales Strategy

Once the customer tastes the product, he or she will know the quality and craftsmanship that goes into every bottle of our Product. Products will be available in bars, restaurants, and specialty retail outlets. It will also aim to distribute through supermarkets, but it is envisioned that getting shelf space in local supermarkets will be more difficult and more expensive.

Note to Entrepreneur:

Discuss beer trails or other organizations that might bring tourism or foot traffic through cooperative marketing efforts.

Discuss your Sales Channels:

1. Wholesale
 - A. Distributors;
 - B. Casinos;
 - C. Bars;
 - D. Restaurants; and
 - E. Liquor Stores.
2. Retail
 - A. On-premises;
 - B. Off-premises;
 - C. E-commerce;
 - D. Farmers Markets;
 - E. Fairs & Events.

5.2 Sales Forecast

Note to Entrepreneur:

Sales Forecast – this is the meat of the business Plan Consider consulting with a professional to develop a realistic budget.

Sales

Microbrews

Other

Total Sales

Direct Cost of Sales

Microbrews

Other

Subtotal Direct Cost of Sales

5.3 Competitive Edge

Microbrewery's competitive edge is as follows:

- Quality process and ingredients: Our beers are the highest quality and include only the finest natural ingredients. Carefully selected for their distinctive flavor profile, the beers are classically fermented and cold-lagered for a smooth, bold taste. We use fine North American two-row barley malt in addition to imported Belgian specialty malts, generally regarded as among the finest malts in the world. We use hops from the Pacific Northwest in our ales, and use imported German hops to give our product their distinctive taste.
- Handcrafted: Our beers are stored in small 20-barrel batches under the close personal attention of our brewers. The latest brewing equipment and technologies are seamlessly combined with traditional brewing methods to ensure consistently excellent taste, whether packaged in bottles or draft kegs.

6.0 Management Summary

The following is the management summary for Microbrewery:

- Mike Smith will manage the bottling and shipping operation.
- Brewmasters will manage the brewing process.
- Chris Piper will manage marketing and sales.

Note to Entrepreneur:

This section will contain details about your operation. An outline of key topics to discuss is suggested below, but there may be additional or other factors that are important in your situation.

6.1 Personnel Plan

Microbrewery's personnel plan is as follows:

- Bottling and shipping manager;
- Brewing managers;

- Marketing/sales manager;
- Bottling staff;
- Shipping staff.

Personnel Plan

Bottling and Shipping Mgr

Brewing Mgrs

Marketing and Sales Mgr

Bottling Staff

Shipping Staff

Total People

Total Payroll

6.2 Regulatory Landscape

Regulatory Compliance Agencies to include

1. Department of Health
2. Department of Environmental Conservation
3. Army Corp of Engineers (wetlands)
4. Zoning (local) – Planning Board
5. Building and Fire Code
6. TTB (federal)
7. SLA (state)

6.3 Licensing/Permitting

1. Local permits (health, planning board, fire, environmental)
2. State permits (SLA)
3. Federal permits (TTB, FDA)

6.4 Packaging

1. Bottles
2. Labels
3. Branding: trademarks, logos, trade dress, design patents

6.5 Storage/Warehousing

6.6 Transportation

6.7 Taxes

1. Income
2. Alcohol
3. Sales
4. Franchise (state business)

6.8 Equipment

Note to Entrepreneur:

Determine the equipment you will need. Will you be automated?

1. Boiler
2. Fermenter
3. Mash/lauter
4. Barrels
5. Thermometer
6. Scales
7. Hydrometers
8. Filter
9. Water system
10. Office furniture
11. Vehicles
12. Bottling equipment/labeling equipment
13. Storage racks
14. HVAC/refrigeration systems
15. Truck mountable
16. Food grade plastic containers
17. Fruit press sinks

6.9 Site location

Looking for a site for a craft brewery or distillery

1. Warehouse space is affordable if local zoning allows this type of commercial activity.
2. Primary considerations are environmental, zoning, utility and fire/building code.

Determine the size and type of brewery buildings needed for your operation.

Determine if you need a retail site or tasting room.

Other factors to consider include:

1. Expandability; and
2. Easements;

6.10 Architectural Planning:

1. State Liquor Authority or Federal TTB requirements
2. Utility hook-up
3. Waste water effluent
4. Gas emissions
5. Security (padlocks, panic bars)

6.11 Insurance

2. Theft & Liability
3. Liquor bonds for state & federal licenses

6.12 More things to consider

Note to Entrepreneur:

Determine where you will purchase your ingredients. You will want to research the state regulations for making products from non-NY-ingredients.

Consider hiring a brewery consultant, architect and/or general contractor to assist with design and construction.

7.0 Financial Plan

Identify your funding sources

1. Home equity loan
2. Loans
3. Farm credit
4. (SBA) Small Business Administration
5. Farmers Home Administration
6. Regional Development Agencies
7. Private Investors or Subscriber groups

Revenue Streams:

1. Whole distribution;
2. On-premises retail sales;
3. Facility tours;
4. Space rental for special events;
5. Workshop hosting;
6. E-commerce retail sales;
7. Other products/services at on-premises retail (farm stand, tourism products, restaurant, etc.)
8. Contract manufacturing operations

7.1 Break-even Analysis

The monthly break-even point is \$_____.

Break-even Analysis

Monthly Revenue Break-even

Assumptions:

Average Percent Variable Cost

Estimated Monthly Fixed Cost

7.2 Projected Profit and Loss

The following table and charts highlight the projected profit and loss for the next three years.

Pro Forma Profit and Loss

Sales

Direct Cost of Sales

Other Production Expenses

Total Cost of Sales

Gross Margin

Gross Margin %

Expenses

Payroll

Sales and Marketing and Other Expenses
Depreciation
Sales Commission
Utilities
Insurance
Rent
Payroll Taxes
Other

Total Operating Expenses

Profit Before Interest and Taxes

EBITDA

Interest Expense

Taxes Incurred

Net Profit

Net Profit/Sales

7.3 Projected Cash Flow

The following table and chart highlight the projected cash flow for the next three years.

Pro Forma Cash Flow

Cash Received

Cash from Operations

Cash Sales

Cash from Receivables

Subtotal Cash from Operations

Additional Cash Received

Sales Tax, VAT, HST/GST Received

New Current Borrowing

New Other Liabilities (interest-free)

New Long-term Liabilities

Sales of Other Current Assets

Sales of Long-term Assets

New Investment Received

Subtotal Cash Received

Expenditures

Expenditures from Operations

Cash Spending

Bill Payments

Subtotal Spent on Operations

Additional Cash Spent
Sales Tax, VAT, HST/GST Paid Out
Principal Repayment of Current
Borrowing
Other Liabilities Principal Repayment
Long-term Liabilities Principal
Repayment
Purchase Other Current Assets
Purchase Long-term Assets
Dividends
Subtotal Cash Spent
Net Cash Flow
Cash Balance

7.4 Projected Balance Sheet

The following table highlights the projected balance sheet for the next three years.

Pro Forma Balance Sheet

Assets

Current Assets

Cash

Accounts Receivable

Inventory

Other Current Assets

Total Current Assets

Long-term Assets

Long-term Assets

Accumulated Depreciation

Total Long-term Assets

Total Assets

Liabilities and Capital

Current Liabilities

Accounts Payable

Current Borrowing

Other Current Liabilities

Subtotal Current Liabilities

Long-term Liabilities

Total Liabilities

Paid-in Capital

Retained Earnings

Earnings

Total Capital

Total Liabilities and Capital

Net Worth

7.5 Business Ratios

Industry profile ratios based on the Standard Industrial Classification (SIC) code 5181, Beer and Ale, are shown for comparison.

Ratio Analysis

	Industry Profile
Sales Growth	6.20%
Percent of Total Assets	
Accounts Receivable	19.00%
Inventory	28.70%
Other Current Assets	31.50%
Total Current Assets	79.20%
Long-term Assets	20.80%
Total Assets	100.00%
Current Liabilities	32.00%
Long-term Liabilities	18.40%
Total Liabilities	50.40%
Net Worth	49.60%
Percent of Sales	
Sales	100.00%
Gross Margin	24.60%
Selling, General & Administrative Expenses	15.60%
Advertising Expenses	0.60%
Profit Before Interest and Taxes	2.80%
Main Ratios	
Current	2.24
Quick	1.07
Total Debt to Total Assets	50.40%
Pre-tax Return on Net Worth	9.10%
Pre-tax Return on Assets	18.40%
Additional Ratios	
Net Profit Margin	n.a
Return on Equity	n.a
Activity Ratios	

Accounts Receivable Turnover	n.a
Collection Days	n.a
Inventory Turnover	n.a
Accounts Payable Turnover	n.a
Payment Days	n.a
Total Asset Turnover	n.a
Debt Ratios	
Debt to Net Worth	n.a
Current Liab. to Liab.	n.a
Liquidity Ratios	
Net Working Capital	n.a
Interest Coverage	n.a
Additional Ratios	
Assets to Sales	n.a
Current Debt/Total Assets	n.a
Acid Test	n.a
Sales/Net Worth	n.a
Dividend Payout	n.a