



Developing a Specialty Food Business:

Courtney Smith, Bloomingcamp Ranch Bake Shop and Farm Stand & Smith Bros Farming, Oakdale, CA

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This case study of the development of Courtney Smith’s specialty food business was prepared to help new specialty food producers understand the planning and steps involved in starting a specialty food business. It includes an overview of the business, and reviews the start-up process and Smith’s processing, marketing, financial management, business management and regulatory compliance issues. It concludes with advice from Courtney Smith for others who have a small specialty food business or are considering developing one.

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Business Overview

Smith Bros Farming, started in 1999, is a family-owned diversified farm in Stanislaus County. Courtney Smith and her farmer-husband Matthew Smith leased Bloomingcamp Ranch Bake Shop and Farm Stand as an existing business in January 2015. They immediately closed for renovations and re-opened in April 2015 as a new business with the same locally-known name, selling products (primarily pies) using recipes from Joy Bloomingcamp, the original land owner, farmer, and founder of the business. Joy stopped operating the bakery/farm stand in the 1990s, although she still owns and lives on the property. After several operators of the business were not successful with the shop, Joy approached the Smiths, who farm walnuts, olives, fruits and vegetables, raise bees, make jam and olive oil and sell at local farmers’ market, and asked them to operate the business. The timing was difficult, as Courtney had a baby in November 2014, but she took over the shop, signed a three year lease, and started



up the business anyway. Matthew Smith is now managing the family's 80 acres near Waterford, as well as the 120 acres of nut and fruit trees at Bloomingcamp.

Products, brands and marketing channels

The Smiths sell their specialty food products under two different brands. Olives are one of the crops grown by Smith Bros Farming. Courtney and Matthew also planted a fruit orchard on 2 acres of their larger walnut orchard, raised bees to pollinate all their crops, and soon had more olives, fruit and honey than they could use as a family. They launched their specialty foods using crops grown by Smith Bros Farming and selling them at farmers markets using the Lucky #19 brand. The honey is raw and unfiltered. Courtney set up a cottage food operation and began producing small batches of jam, using their own fruit, for sale at the farmers' markets. Their olives are pressed by a local processor.



Their baked goods are marketed under the Bloomingcamp Ranch brand, which is well known to residents of the region and to travelers driving Highway 120 on the way to Yosemite National Park. The Bloomingcamp Ranch baked products sales started in April, 2015 with fresh fruit pies, turnovers and dumplings, then expanded to include cookies, muffins and bread rolls. The Smiths would like to add raw, unpasteurized apple cider to the Bloomingcamp Ranch product line, as well as dried fruit and nut snacks, primarily for their tourist customers.



The Smiths sell all of their products using the two brands at the Bake Shop and Farm Stand outside of Oakdale. At local farmers' markets they also sell all the products, although they have to set up two stalls to do this. The jams, olive oil, and honey produced using Smith Bros. Farm grown produce are sold in the certified producer section, and the other products in the non-

certified processed foods section. A few pies get sold to restaurants, but primarily sales are direct to the customer through the farm stand and farmers' markets.

The vision, mission and business philosophy

The Smiths did not have a written business plan or mission statement before they took over the bakeshop and farm stand. Courtney says, "We just jumped in first and hit the ground running." But they do have a vision and philosophy for their business. The message they would like to convey to the customers is "Made from crops grown by us or sourced locally. We grow

organically, but are not certified. We take special care of our specialty foods so that they are safe to be eaten by our own kids, and by our customers and their families.”

The Smiths market to families, putting up picnic tables by the pond and encouraging everyone to stay and enjoy the place. Photographers come out frequently to take pictures; they don't charge the photographers a fee for this. The area is open, with no gate on the driveway, so people can come and have a picnic any time if they like.

Planning and market research

Courtney is now working on a business plan. She says that she is a planner, but her husband is not. She took an eight-week business planning class from the Small Business Development Center (SBDC) at the Oakdale Chamber of Commerce office. The class cost \$99, and she says it was worth it to her as she didn't go to school for business. Now she's taking advantage of the 5 hours of free consulting offered by the SBDC, working with a consultant on the “one-page business plan” and will work with another consultant on their marketing plan.

The Smiths did not need to do much formal market research before they agreed to operate the shop as they were already familiar with the shop, its products and its customer base. Sentimentality was a major reason for taking over the bake shop and farm stand. Matthew Smith is from around the Escalon area and has been farming the property for the past 15 years. Also, his mother ran the business for about 4 years, but gave it up to spend more time with family. Courtney remembered going to Bloomingcamp Ranch over the years for turnovers and cider on her way to Sonora. Smith is local, and knows that the shop has been popular with locals and tourists for many years. Courtney and Matthew have been doing local farmers' markets for 7 or 8 years, and have been experimenting with products there.



Courtney has additional experience that helped her understand the specialty foods business. She had worked as a tour guide at Hilmar Cheese, and had also worked for a nut processor, including four to five months in its new specialty foods division.

Product development and testing

Courtney's mother-in-law, who had operated the bakery, trained her in pie and baked goods production techniques. To develop the jams, Courtney developed her recipes to be as natural as possible. She uses natural pectin and low sugar so you can taste the fruit. She tests her recipes on friends and family. She likes lots of variety and produces different combinations, such as plum/pepper and blueberry peach. She still produces the jams in a cottage food operation at her home ranch. Batch sizes are small – using only 16 cups of fruit.

Business start-up process and major costs

For the cottage food operation, Courtney attended a workshop at the California Small Farm Conference to learn the basic rules. She says that working with the county was great. The inspection was easy. The application process and approval took longer than expected. Submitting recipes for her Class B Cottage Food registration was easy.

The bake shop was a turnkey operation, for the most part. When the Smiths took it over, they shut the shop down prior to opening. A major startup cost was electrical work that needed to be redone before re-opening. The walk-in also needed some repairs, and they got it fixed. The other major cost is employees, which include 3 part-time bakers, a full-time manager, a full-time grounds-keeper who also sells at farmers' markets and peels apples, and 2 store salespeople. Everyone is cross-trained as much as possible.

When they took over the shop, Courtney asked the county what they needed to do to be permitted to operate the existing production kitchen. The county Environmental Health Department did a courtesy inspection after the Smiths had cleaned everything, and only required a few minor changes to be made. They returned a few weeks later and approved the kitchen for re-opening. The inspector returned six months later, and again only had a few small requests, including a requirement that the bakers all have food handler cards.

Courtney operates her own commercial kitchen at the shop for the baked goods, and also maintains the cottage food operation at the home ranch in Waterford for the jams. She would like to also have a processed food registration for the kitchen so that she can also produce acidified foods including table olives. The Smiths grow most major ingredients, and source other ingredients locally, including apples from Linden. They freeze their own fruit to use over the year.

To open and start operating the farm stand and bake shop, the Smiths had no outside financing. Everything is under the Smith Bros Farming umbrella. They will need financing in order to complete their plans to expand and to move the bake shop and farm stand up the driveway to be next to the highway.

Courtney did not have many problems with her initial production runs in the new kitchen. Early on they burned some pies before they were fully cooked. They fixed this problem by fixing the thermometer and covering the pies with parchment paper as they baked. They now have



limited storage space for dry goods ingredients, but will fix this issue by building some more shelves and remodeling the cider bar to add a storage room.

Packaging and labeling

The Bloomingcamp Ranch products are all hand packed. The Lucky #19 olive oil is delivered to the commercial kitchen in a 100-gallon stainless steel Fusti (large container for liquids) and hand bottled. The Lucky #19 honey is all packed by hand. The commercial kitchen staff also hand packs the nuts in 1 lb. bags for the farmers' markets. They wrap each cookie in plastic by hand, but will soon switch to heat-sealed plastic pouches.

Courtney does her own graphic design for the specialty food product labels and marketing materials. The honey and olive oil labels have UPC codes in case they are needed for wholesale sales in the future. Courtney purchased 20 or so UPC codes from Speedybarcodes.com for about \$20.

The Smiths developed their first brand name because #19 is a lucky number for the family. It was the number of Matthew's winning go-cart, the date they were married, date their son was born and part of their address – so the brand "Lucky #19" was born. The Bloomingcamp Ranch name and brand came with the business. It was already known and popular in the region. Courtney created a new logo with a tree image, but retained the red color that Bloomingcamp Ranch was already known for.



Sales and marketing

The Smiths began selling olive oil, produce and honey at the farmers' markets about seven years ago. They added jams to their farmers market sales after the Cottage Food Law was enacted. Their Bloomingcamp Ranch Bake Shop and Farm Stand has been open less than a year. Although Courtney had anticipated the bake shop's monthly sales to be about \$10,000, they have averaged about \$14,000. Two salespeople work part time in the shop and employees help to sell at the farmers' markets.

Currently, there are few wholesale customers for the Smith's specialty food products. A few restaurants buy a few pies a week. The Smiths may offer the pies in the future to organizations to do fund-raising events. About 50 percent of the bake shop's sales are to tourists on their way to Yosemite.

The Smiths put on a Bloomingcamp Ranch Harvest Festival at the end of September and plan to have a similar event in the spring. The festival generated a boost in sales at the bake shop and farm stand.

Courtney markets the business on the website, through Facebook, Instagram, coupon giveaways through local media, and sampling at public events including several "Taste of Oakdale" events. She has been disappointed in the effectiveness of newspaper ads; few

coupons have been redeemed. Courtney uses Square to process credit card sales and is collecting customers' email addresses for future promotions. She is also a member of California Women for Agriculture, the Farm Bureau, and Stanislaus Grown, but none of these organizations are major marketing partners.



Financial Considerations

For their bake shop's first year in business, the Smiths projected \$10,000 monthly in sales and \$8,000 monthly in expenses. Both sales and expenses were actually a little higher than expected. Courtney says they are still learning how to manage labor costs and staffing. The company currently has five part-time and two full-time employees

The electrical work needed before opening the bake shop was unexpected. Their electrical and building improvements cost about \$10,000. Also the ingredient costs were higher than expected, particularly for berries this year.

For the bake shop, they use a cost sheet for all costs, and make sure that they make at least a few dollars on each pie. Most of the baked goods are sold at retail. Their seasonal pumpkin pie sells for \$13; all other pies are sold for \$15 (although the berry pie has the highest ingredient costs). Restaurants get a 20 percent discount. Courtney's target gross margin, at least for the pies and the baked goods, is 40 to 60 percent.

The bake shop and farm stand's sales totaled \$112,000 during its seven and a half months of operation--from April 1 through November 14, 2015. The pies generated about 70 percent of revenues; the produce items are not very popular. Labor is the highest cost category for the Smith's specialty food business. The Smiths pay rent on the shop, with a 3 year lease. They paid for their leasehold improvements out of their own pockets. Marketing expenses are estimated at \$12,000 since opening day.

Business has been pretty stable so far at the bake shop. Weekends are busier. The Harvest Festival in September brought a great boost in cash flow. When it rains, sales drop, and then

pick up when the sun comes out. When bad weather is predicted, they bake fewer pies and other baked goods. During the summer, they baked 120 pies on Fridays.

Business Management and Operations

Courtney did the bookkeeping initially for the specialty food business, but now uses the Smith Bros Farming's bookkeeper. A CPA does the payroll.



The shop manager does a regular inventory, discusses needs with Courtney, who places the orders for ingredients and supplies. They order dry ingredients through a Fresno distributor once a week. They buy apples by the pallet or bin from Linden every 3 weeks or so. They buy lots of butter from Costco. They use an inventory management form for produced goods. They have the needed in-stock numbers in their heads for dry ingredients. The bakers and store-keepers fill out a sheet each day to track the baked goods.

The company bakes 3 or 4 times each week, usually producing about 100 pies in a batch, but 80 in bad weather. The baked goods are stored in the kitchen. After 3 days, they are discounted, frozen or donated.



Courtney evaluates the number of pies baked seasonally, as weather changes the quantity sold. Regular customers are asking for cider, so they may bring it back. The cider will be fresh-pressed, unpasteurized, and sold in half-gallon bottles under the Bloomingcamp Ranch label.

Regulatory Issues

The Smiths experienced no zoning issues from Stanislaus County, except for putting on events. They are allowed to put on six events/year, such as festivals and weddings, but would like to do more. This will probably mean applying for a conditional use permit. The county's Environmental Health process for licensing the bake shop as a commercial kitchen along with the farm stand was relatively easy.

Courtney will next try to obtain a Processed Food Registration (PFR) for the bake shop's kitchen from the California's Department of Public Health, so that she can expand the product line into table olives, tomato sauce, and other products. Currently, she follows state law in creating labels for her commercially produced products. Her jam labels conform to the cottage food rules. The Lucky #19 olive oil label follows the state's Olive Oil Law.

The Smith's regulatory costs for starting their specialty food business were as follows:

Business license - \$800

Environmental Health permit - \$600

Food Safety class- \$100

\$4,000 for employee training costs and inspection fees

Technically the business is a farm stand. There are no county fees for operating this.

Their annual costs for government permits are:

- Environmental Health Dept. - \$600
- Cottage Food registration - \$385
- No annual business license fee

Plans and projections for the next three years

These are Courtney's plans for the next three years at Bloomingcamp Ranch Bake Shop and Farm Stand:

- Produce apple cider and dried fruit and nut snacks
- Process acidified foods, such as olives and tomato sauce
- Offer a picnic lunch; the current bake shop manager had a catering business
- Expand the bread line
- Start selling gift items
- Do more events and host weddings

Courtney projects \$300,000 in revenues next year, and an additional \$100,000 each year, to reach revenues of \$500,000 in 2018. She projects expenses to be about half of the gross revenues.



Lessons learned

Courtney Smith shares this advice for others starting a specialty food business:

1. *Research customers and suppliers*—“We could have spent a lot more time on researching. Research is key on deciding recipe ingredients and suppliers. Our customer base at the farmers’ markets also helped us build up the bake shop business and helped us understand what products to offer. Before we bought the place, we talked to lots of people and knew that the bake shop was popular and had a good reputation. Listen to your customers when they ask for new products.”
2. *Time management*--How much time do you anticipate giving of yourself? Courtney, having young children, tries to limit her work to 3-4 days per week, and no work in the evenings. Her husband manages 200 acres of the family farm and another 2,000 acres for another farm, so his ability to help with the specialty food business is very limited.
3. *Communication with employees*—“You have to establish lines of communication. They can come to me anytime, but employees need to know that the shop manager is their main go-to person.”