

# Prospective Vineyard Owner's Worksheet

*A Three-Year Estimate For Establishing Your Own Vineyard*

*Utilizing A Vineyard Management Company*

July 2008

A partnership project between the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) and Cecil, Kent, and Queen Anne's Counties, with assistance and support from the Maryland Grape Growers Association and the Maryland Wineries Association

## WELCOME

These income and expense worksheets are part of the final report which was prepared by Mr. Stephen D. Mudd, Vice-President, Mudd Vineyards, Ltd., Southold, L.I., New York, a nationally recognized Vineyard Development and Management/Consulting firm. Mr. Mudd prepared this report under a consulting agreement with the Maryland Upper Shore Regional Council (USRC), representing Queen Anne's County, Kent County, and Cecil County, and the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO). An additional note of recognition and thanks is also given for the assistance and support provided by the Maryland Wineries Association (MWA) and the Maryland Grape Growers Association (MGGA).

This project was designed to determine if a greatly expanded number of wine-quality vineyard operations could be established in the USRC area by using a Vineyard Management Company (VMC) concept. The need for additional grape growing capacity in Maryland is real and growing with each new winery licensed in the state. While traditional row-crop farmers can usually plant a crop and know if they have made or lost money at the end of that growing season, a wine-quality grape grower must wait at least three years to recognize any return, and then wait up to seven to ten years before crop production matures and their initial investments can be recouped. Although a vineyard typically does not begin to show a return immediately, over time a well-managed operation will begin to provide income opportunities in addition to the beauty and pride provided by the vineyard itself. Given the amount of time and effort required to maintain a quality vineyard, a VMC provides potential new vineyard owners with the opportunity to do some or all of the work involved, while contracting out the balance to the VMC.

By way of brief background, a VMC is a company which establishes, operates, and/or consults for owners of new or existing vineyards. A VMC's services could be as extensive as the complete establishment and operation of a vineyard for an individual who has the land, the financial resources, and the interests in grape growing, but not the inclination or interest to do the work themselves. It could involve offering only consulting services to an established vineyard. It could also offer selected services to those owners who wish to do some of the work themselves. A VMC offers a cafeteria-style menu of services that the owner picks and chooses to fit their needs, and provides these services without the need for a land owner to have a substantial personal investment in machinery and equipment.

Mr. Mudd's report concluded that there appeared to be enough of a potential market in the USRC area to justify the establishment of a VMC. Because a VMC is recognized as critical to an aggressive expansion of vineyards, the USRC wanted to encourage potential vineyard owners to consider utilizing the services of a VMC in their analysis of how to establish and operate a vineyard. To that end, Mr. Mudd prepared a worksheet designed to help you analyze the potential for utilizing such a company. This worksheet is provided without cost to anyone interested in establishing and/or operating a vineyard in the USRC area or anywhere in Maryland. The report is in an Excel format to allow modifying data and creating "what if" scenarios for purposes of business plan creation and analysis. Although the projections indicate a positive cash flow after the

fourth year, and a probable recovery of initial investment by year fifteen, the projections are designed to be a tool, and not an absolute answer, to assist in your analysis. We suggest that anyone interested in establishing a new vineyard speak with other vineyard owners, consult with the Maryland Grape Growers Association ([www.marylandgrapes.org](http://www.marylandgrapes.org)) and the Maryland Wineries Association ([www.marylandwine.com](http://www.marylandwine.com)), and consult with their financial and legal advisors beforehand.

Please note that there are currently no VMCs operating in Maryland, however several groups have confirmed to the USRC that they are interested in establishing such companies. The financial estimates provided in these worksheets are just that...estimates. However the worksheet provides a reasonable initial overview of probable income and expense information. The projected expense figures are based upon historical costs experienced in the North Fork of Long Island vineyard region, where Mr. Mudd's operations are located. Actual expenses charged by a yet-to-be-established VMC in the USRC area of Maryland, may be different. The projected income figures are based on current prices paid to vineyard owners in the USRC area.