

CURIOUS HEIFER



Curiously
moo-tritious

NEW MEXICO STATE UNIVERSITY 2021 EXECUTIVE SUMMARY

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INTRODUCTION

All of our lives we have been told to drink milk. It's good for your bones, healthy and has lots of protein. Plain milk is just boring - today's consumers want more than just healthy - they are curious and want to try new flavors! What if we told you that we have a drink that is just as nutritious as fresh milk but has all the flavor and fun of today's juices and sodas?

Our creation, Curious Heifer Floats, sets itself apart with new ideas for an old product, with the goal of supporting a time honored industry while crafting products that will not only leave consumers satisfied, but curious to try other flavors.

Introducing Curious Floats, a shelf-stable, "curiously moo-tritious", flavored milk drink that is perfect for all ages. Strategically located in New Mexico's dairy region, Curious Heifer is "moo-ving" into the grocery market with two new products. Curious Heifer, subsidiary of Freanna LLC, is a family owned and operated dairy business located in Portales, NM. With over 40 years of experience in the industry, this family has made the decision to diversify and break away from the traditional refrigerated milk case. This move out of the dairy case is only possible with adoption of the the new ultra-high temperature pasteurization (UHT) technology that extends the shelf life of our milk to up to six months without refrigeration¹. Our shelf-stable Curious Floats are both satisfying and tasty to all who consume it. Curious Heifer will be shaking up your expectations of a low-fat, flavored shelf-stable milk product, challenging the traditional perceptions of a household staple and going where few milk products have gone - lunch boxes, brief cases, road trips, snack packs and pantries all around New Mexico.

MARKET ANALYSIS

NEED

The North American flavored fluid milk market is predicted to be on the rise within the next marketing period of 2020 to 2025, with an expected CAGR (Compound Annual Growth Rate) of 4.4% in approaching years².

The global beverage market is projected to grow 12% annually to reach \$1 billion by 2022. The functional beverage market is predicted to be the fastest growing subsector³; as of June 2020, 80% of consumers said they were planning to eat healthier due to COVID-19⁴.

Curious Heifer Floats will satisfy this demand for a nutritional, functional beverage.

MARKET SIZE & POTENTIAL

- New Mexico citizens consumed 35.44 million gallons of fluid milk in 2019⁵.
- According to the USDA, the average U.S. citizens consumes 16.9 gallons of milk per year⁶.
- Currently New Mexico has 1,230 operating retail food stores⁷.
- New Mexico dairies contributed \$1,380,400 to the NM economy in 2019⁸; in New Mexico, the dairy industry comprised 40% of the \$2.6 billion in agriculture cash receipts⁹.
- New Mexico is in the top 10 dairy-producing states in the nation¹⁰.

BENEFIT TO THE PRODUCER

- Located in Portales, NM, Curious Heifer's family farm operates a dairy and processing plant that will benefit from this investment by receiving a higher price for their milk because it is a consumer product verses a generic commodity priced truckload of milk.

*Consumer Value-Added Product Pricing vs.
Bulk Milk Commodity Pricing*

- Curious Heifer will receive market exposure through the New Mexico True initiative, enhancing local support.
- Curious Heifer will benefit from NMSU NAMA's professional partnership, presentation efforts, and guidance.

MARKET TRENDS

- The USDA ERS reports 780 million pounds of flavored whole milk sold in 2019¹¹ in the US.
- Fluid milk production in the United States has seen a 13% increase over the past 10-year period¹².
- 2,082 million pounds of flavored reduced-fat milk were sold globally in 2020¹³.
- At home milk consumption accounted for 54% of total food spending in August 2020¹⁴.
- U.S. consumers are spending more of their grocery dollars online. with 52% of grocery stores offering store pick-ups and delivery options.¹⁵

TARGET MARKET

Primary Target:

New Mexico Mothers and primary caregivers that seek to provide nutritional, functional food options for their families.

Secondary Target:

New Mexico SNAP (Supplemental Nutrition Assistance Program) users account for 448,000 people¹⁶. Of these SNAP users 67% are families with children under the age of 18¹⁷.



COMPETITIVE ANALYSIS

Competitors	Price	Packaging	Nutrition	Flavors
Curious Floats	\$12.38	12pk of 8oz. TetraPak	Low-fat	Orangeicle & Root Beer Float
Fairlife	\$23.99	12pk of 14oz. Plastic Bottles	2% reduced fat	Cookies N Cream, Chocolate, Strawberry
Nesquik	\$11.78	12pk of 8oz. Plastic Bottles	Low-fat	Chocolate and Strawberry
Horizon	\$11.98	12pk of 8oz. TetraPak	Whole and Low-fat	Plain, Chocolate, Strawberry, Vanilla
Organic Valley	\$15.99	12pk of 6.75oz TetraPak	Whole and Low-fat	Organic Plain & Reduced Fat

The shelf-stable aseptic fluid milk market is a relatively new milk category that was established in 2013 when Horizon® introduced its single-serve product. Since then, the category has experienced some fluctuation depending on consumer preferences. When introduced, Horizon's® product had mixed reviews and was often perceived as an inferior product to fresh fluid, traditional milk. We are here to change consumers perceptions about aseptic milk and introduce them to a product that will change their milk consumption habits for life. Curious Heifer's product line of Floats provides the enjoyment of drinking a creamy treat with the nutrition of traditional milk. Priced competitively, Curious Heifer's unique flavors and colorful packaging will catch the eyes of grocery shoppers and entice excitement from children!

INTERNAL STRENGTHS AND WEAKNESS



- Curious unique flavors
- Local New Mexico product
- Nutrition and functional food
- Shelf stable - No need to refrigerate
- Access to reliable Dairy Farmers of America fluid milk supply



- Established aseptic competitors
- Lack of product awareness
- Lack of brand awareness
- Decline in fluid milk consumption

EXTERNAL OPPORTUNITIES AND THREATS



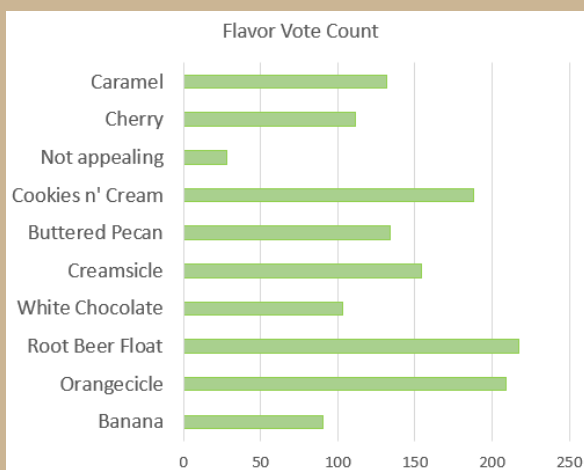
- Increased demand for shelf stable products
- "Curious" labeling allows for product line expansion
- In-store & online retail purchasing options



- Non-dairy alternatives threaten product ventures
- Potential aseptic market saturation
- Changes in consumer milk perceptions

SURVEY DATA

A survey utilizing Qualtrics was constructed to better understand New Mexico consumers preferences of milk. This research collected survey responses from over 800 respondents, which aided in narrowing the introductory flavors of Curious Floats.



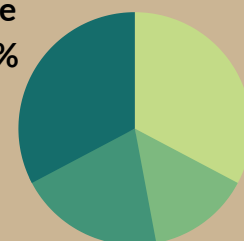
When consumers were asked "Why do you currently drink Milk?", they responded:

Taste
32.7%

Nutrition
32.7%

Satisfaction
20.2%

Do not consume
14.3%



BUSINESS PROPOSITION

Curious Heifer is a family owned and operated New Mexico dairy committed to supporting New Mexico citizens while providing fun, healthy and nutritious milk based beverages. Our company is founded on solid family values with dedication, hard work and determination establishing the core of our company. Our line of aseptic dairy products merge both the "curiously moo-tritious" flavors of today with desired nutritional benefits of milk in a safe and convenient package for consumers of all demographics to enjoy.

STRATEGY STATEMENT

Curious Heifer sets the bar for innovation in the aseptic, flavored milk beverage market. Curious Heifer aims to provide consumers an enjoyable and convenient beverage, with the premium nutrition of milk and the unique flavors that only Curious Heifer can offer.

KEY PLANNING ASSUMPTIONS

- The flavored milk industry will continue to grow.
- U.S. consumers will continue to embrace aseptic milk.
- N.M. will continue to be a strong dairy producing state.
- The State of New Mexico will continue to fund and promote the NM True™ value-added program.
- Established retail distribution channels will remain open.
- Nutritional and functional food movements will continue to trend.
- N.M. consumers will continue to demand nutritious dairy products.

GOALS & OBJECTIVES

Curious Heifer seeks to transform the consumers' view of aseptic milk products by placing an emphasis on creative, nutritious, and functional benefits. Curious Heifer's products aim to provide a profitable value-added product to promote the nutrition of milk while demonstrating the versatility of milk. The goal is to increase consumer awareness of "Curious Floats" while providing a profitable market opportunity for Curious Heifer.

We have established the following measurable goals to be used to evaluate the overall effectiveness of our plan:

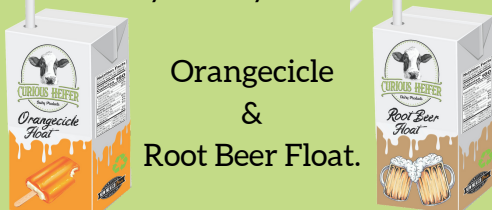
- **Sales Volume:** 0.05%, 1% and 3% of NM milk sales
- **Brand Awareness of 20%:** 13% aided and 7% unaided
- **Shelf Space in NM Food Stores:** 10%, 15% and 25%

ACTION PLAN

PRODUCT

Curious Floats will be offered in 12 packs of 8 fl. oz. TetraPaks™ to remain competitive in the aseptic milk market. Our product will be shelved near brand name competitors as an enticing and healthy alternative to sugary, carbonated beverages.

Curious Floats will be offered in two one-of-a-kind flavors, as determined by survey results.



PLACE

Curious Floats will launch in the heart and soul of NM's dairy industry and be placed in food stores statewide. Utilizing retail partner distribution center networks, Curious Floats will be available statewide, with promotional efforts targeting metropolitan areas; Albuquerque, Santa Fe, Las Cruces, and Farmington.



PRICE

Suggested Retail Price: \$12.38

Curious Heifer's pricing remains competitive when compared next to direct competitors in the aseptic milk market.

Curious Floats pricing reflects a standard "general" retail grocery markup of 15%, and well as a wholesale distribution markup of 25%. Both of these markups are typical of the standard grocery item with an extended shelf life¹⁸.

PROMOTION

Curious Heifer will hire a full time marketing director (located in Portales, NM) and a full-time sales representative (located in Albuquerque, NM) to efficiently market and promote Curious Floats within the NM region. The marketing director will be responsible for production and delivery scheduling, event coordination, website maintenance and will provide support for the sales representative in sales presentations and communication. The sales representative will travel the region to meet with grocery buyers, lead sales presentations, and assist with retail displays and weekly grocery features. The contracted graphic designer and public relations manager will work directly with the marketing director to schedule media buys, coordinate ad placements and aid creation of online app message development.



MARKET PROMOTION



- **Digital Advertisements** - A paid presence will be achieved on social media platforms such as Facebook, Instagram, and Tik-Tok in order to effectively influence younger generations and savvy mothers alike. Curious Heifer expects to reach roughly 2.1 million individuals through Digital Advertisements.



- **Streaming Ads & Podcasts** - Targeted advertisements via channels like Google AdWords, YouTube, Hulu, and Pandora places the presence of Curious Heifer's products directly in front of desired target markets, reaching approximately 263,000 people.



- **Events** - Participation in the NM State Fair booth and year-round educational events such as Ag in the Classroom allows for flexibility and quality target market engagement, reaching upwards of 1.35 million students per year. Additionally, 504,445 people visit the NM State Fair each year, and an expected 1,200 will receive promotional merchandise exposure.



- **Retail** - SNAP direct emailing campaigns, Double Up Food Bucks coupons, Grocery display (slotting) fees, and retail signage, samples, and grocery coupons provide the opportunity to make impactful and direct consumer contact.



- **Online Shopping Apps** - To remain adaptive in today's uncertain marketplace, targeted advertisements for Curious Heifer will be placed on retail apps like Walmart, Target, Instacart, and Amazon to accommodate for conscious shoppers.



- **Marketing Employees** - As Curious Heifer expands, our marketing director and sales representative will ensure accurate growth while reaching all the goals established in this plan.



- **Sample Expense** - Samples are essential to build brand awareness and grow market share for Curious Floats. Samples have been budgeted for retailers to distribute to their online shoppers at time of pickup and also for the Kids, Kows and More program, Mobile Dairy Classroom and the NM State Fair. Samples will make selling Curious Floats easy - they are delicious and people will want more of them!



- **"Other" Marketing Expenses** - Alongside Curious Heifer's own website, contracted graphic design and public relations works will exemplify branding efforts; furthermore, partnerships with influencers such as the New Mexico Milk Maid will strengthen overall PR efforts and grow brand awareness.

PHILANTHROPY

In recognizing the importance of nutrition and the large population of SNAP participants in New Mexico, Curious Heifer has partnered up with "Double Up Food Bucks" program in conjunction with SNAP. This program is funded by the New Mexico Legislature and provides opportunities for low-income individuals to double their spending power when they purchase New Mexico made/grown food items. For every \$10 spent on NM food items, the Double Up Food Bucks program will match the consumer with an additional \$10.



Curious Heifer is certified New Mexico True to emphasize our commitment to promote the local dairy industry.



For every EBT dollar you spend, we'll match, dollar for dollar, with no daily limit on the amount.

FINANCIALS

Curious Heifer will purchase two UHT and TetraPak machines to incorporate into their current milk bottling plant. This initial investment will be right at \$600,000 for equipment and installation. This initial cost will be paid with an additional \$0.04 incorporated into the COGS within the "Processing & Packaging". Based on the sales forecast, this investment will be paid off within seven years. The financial plan for the first three years will be primarily focused on building brand awareness and getting the floats into the hands of consumers. Through the use of digital advertising, streaming venues and online shopping apps, shoppers will recognize our product and look for it when shopping.

In addition, we have allocated 22% of our promotional budget to samples. We recognize the power of sampling a great product - once consumers try Curious Floats, they will want more of it!

Cost of Good Sold	
Milk delivered FOB Plant	\$ 0.20
Processing & Packaging	\$ 0.20
Flavors	\$ 0.10
Tetrapak Carton	\$ 0.02
Packaging Wrap & Pallet	\$ 0.15
per 8oz. unit	\$ 0.67

Income Statement	Year 1	Year 2	Year 3
Sales Revenue			
Units Sold	175,586	351,173	1,053,520
Wholesale Price Per Unit (unit=12pak) \$	8.84	\$ 8.84	\$ 8.84
Gross Sales	\$ 1,552,180.24	\$ 3,104,369.32	\$ 9,313,116.80
Net Returns and Allowances	\$ 38,804.51	\$ 77,609.23	\$ 232,827.92
Net Sales	\$ 1,513,375.73	\$ 3,026,760.09	\$ 9,080,288.88
COGS	\$ 1,411,711.44	\$ 2,823,430.92	\$ 8,470,300.80
Total Gross Margin	\$ 101,664.29	\$ 203,329.17	\$ 609,988.08
Promotion Expenses			
Digital Advertising	\$ 16,500.00	\$ 16,500.00	\$ 16,500.00
Streaming Ads & Podcasts	\$ 16,000.00	\$ 16,000.00	\$ 16,000.00
Events	\$ 20,552.00	\$ 20,552.00	\$ 20,552.00
Retail	\$ 41,250.00	\$ 45,375.00	\$ 49,912.50
Online Shopping Apps	\$ 10,479.88	\$ 12,051.86	\$ 13,859.64
Samples	\$ 52,500.00	\$ 57,750.00	\$ 63,525.00
Other Marketing Expenses	\$ 82,000.00	\$ 90,446.00	\$ 93,159.38
Total Promotion Expense	\$ 239,281.88	\$ 258,674.86	\$ 273,508.52
Employees Expense			
Marketing Director Salary	\$ 91,016.64	\$ 92,033.29	\$ 96,099.88
Sales Rep	\$ 51,016.64	\$ 52,033.29	\$ 59,149.82
Total Employee Salary Expense	\$ 142,033.29	\$ 144,066.58	\$ 155,249.70
Total Expenses	\$ 381,315.17	\$ 402,741.45	\$ 428,758.22
Final Net Income	\$ (279,650.87)	\$ (199,412.28)	\$ 181,229.86

MARKETING BUDGET

Promotional Tools and Budget	
Digital Advertising	Proposed Budget
Facebook	\$ 15,000.00
Tik Tok	\$ 1,500.00
Streaming Ads & Podcast	
Pandora	\$ 3,000.00
Google AdWords & YouTube	\$ 10,000.00
Hulu	\$ 3,000.00
Online Shopping Apps	
Instacart	\$ 3,000.00
Grocery store app ads: Walmart and Target	\$ 6,000.00
Amazon	\$ 1,479.88
"Other" Marketing Expenses	
Graphic Design - Contracted	\$ 25,000.00
Public Relations - Contracted	\$ 30,000.00
New Mexico Milk Maid - Influencer	\$ 12,000.00
Website: www.curiousheifer.com	\$ 15,000.00
Events	
Kids, Kows, and More Educational School Events	\$ 6,000.00
Mobile Dairy Classroom	\$ 4,000.00
Event Merchandise	\$ 5,552.00
New Mexico State Fair	\$ 5,000.00
Retail	
SNAP Direct emailing campaign	\$ 5,000.00
DoubleUp Food Bucks Coupons	\$ 5,000.00
Grocery Display Fees (slotting)	\$ 5,000.00
Retail Signage	\$ 1,250.00
Retail Grocery Coupons	\$ 25,000.00
Samples	
Retail Samples	\$ 18,900.00
Samples for School Visits	\$ 33,600.00
Total	\$ 239,281.88

Based on our targeted sales volume and promotional expenses, the income statement reflects a net profit of \$181,229.86 by year 3. The first two years will prove to be a challenge, but the impact of expanding into additional food stores and increasing the volume of product sold on the overall Net Income will make this a profitable endeavor.

MONITORING & MEASUREMENT

Objectives	Measurement	Fails to Meet Expectations	Meets or Exceeds Expectations
Sales Volume	Evaluate monthly sales data to identify markets meeting or failing to hit targeted sales volumes.	Identify specific stores and regions to better focus sampling, SNAP, and coupon redemption. Additionally reevaluate promotional spends to better target shoppers online app use and reach.	Re-invest in growing the brand and evaluate the possibility of new flavors. Purchasing additional UHT Processing Pasterizing equipment to increase production to meet the additional demand.
Brand Awareness: 13% aided and 7% unaided	Survey retail customers to evaluate aided and unaided brand awareness. Retail locations will be randomly selected to best measure brand awareness throughout our target market.	Re-evaluation promotion and outreach efforts with both children and grocery shoppers. Increase sampling in both retail and education programs.	Investigate expansion into new market segments, such as New Mexico school snack programs (National School Lunch Program) and New Mexico commissaries.
Acquired Shelf Space in NM Food Stores	Evaluate shelf space allocations at targetted retailers. Shelf space in general grocery aisle and end-cap feature locations will all be counted.	Re-evaluate shelf space negotiations and provide retailers additional incentives to place Curious Floats in action aisles and end-caps.	Evaluate the possibility of expanding into additional types of retailers.

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