

Business For Sale: Oklahoma Pecan Orchard

A close-up look at a business offered for sale that includes a financial summary and some pros and cons.

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The Business A fully integrated producer of pecan-related items (foods, gifts, and collectibles), this operation comprises orchard management, complete production facilities, a high-visibility retail store, and a fledgling mail-order catalog that last year accounted for 11% of sales. Wholesale product sales brought in 23% of revenues in 1994, up from 13% the previous year, and retail sales of pecan meats and wood chips, as well as other food products, accounted for the rest. The price includes 40 acres of land (27 of which are orchard), a three-bedroom house, two barns, and the main production facility, including fixtures, furnishings, and all equipment necessary for processing. Of the four full-time workers (plus up to seven seasonal workers during the four-week harvest time), one will stay on. The current owner, a former marketing executive who bought the orchard in 1982, is retiring because of ill health.

Financial Summary

	1992	1993	1994
Gross revenues	\$151,934	\$186,388	\$185,394
Recast earnings before depreciation, interest, taxes, and owner compensation	\$11,680	\$15,950	\$52,833

Price \$395,000 (two-thirds down; terms are negotiable)

Outlook Industry experts estimate that revenues from 1994's pecan crop in the United States totaled roughly \$200 million and that Oklahoma historically accounts for about 10% of U.S. pecan production. The number of pecan trees planted has been steadily decreasing as the cost of pesticides has quadrupled and extreme weather conditions have driven down profits. While sales in 1994 were flat because of the seller's illness, earnings increased because he improved the marketing of high-margin wholesale products. The infrastructure is in place to support rapid growth, but the production facility is not working at capacity. A buyer could begin to wholesale the wood products that were recently introduced as retail items, expand food production, and start to supply products to food-processing companies, all of which would add handsomely to the bottom line.

Price Rationale The price was set by taking the fair market value of the tangible assets (about \$462,500) and adjusting for the business's uneven profitability. Valuation experts call the price fair but suggest negotiating a purchase agreement that's tied to the success

of the new owner (perhaps \$100,000 down plus an earn-out, giving the seller 10% of sales per year, until it adds up to his complete asking price).

Pros A well-established operation with a recognized name and a high-quality infrastructure in place to support and sustain rapid growth. A wholesome lifestyle with no commute.

Cons No matter how hard you work, you're still at the mercy of the weather and diseases. Will future crops justify the price?

-- *Robina A. Gangemi*

Inc. has no stake in the sale of the business featured. The magazine cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Bluestem Resources Group Inc., 918-749-4315. n

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