An Inside Look at Copacking

A copacker, also know as a contract packager, is a company that packages and labels products for clients.



What will we cover?

Why do you utilize a copacker?

What you need to provide when approaching a copacker.

What is included in a detailed product specification sheet.

How to cost your business.

Keys to a successful ongoing relationship.

Capacity

Many companies need to expand beyond their current facilities capacity. Adding a copacker can allow you to deliver on demand or capitalize on a seasonal or club store placement.

Reduce Costs

Copackers have already made investments in infrastructure (labor, equipment, certifications) and can deliver quickly at a cost not possible for a start up company.

Efficiency

Copackers already produce for other clients that have similar needs such as sourcing, packing, developing, and warehousing that can be turnkey for your needs.

Speed to Market

When you have a hot product, timing is often half the battle. Getting your product on shelf quickly while trends are hot can get you the placements needed to be successful. To build a plant or even capacity can take months or even years.

Experience

Copackers have walked the walk before and can help guide your product to shelf. Obtaining the necessary skills to operate a facility comes with only years of experience.

Equipment

- Automated packaging equipment is very costly and requires many outputs to support its proper operation.
 - Floor space
 - Conveyance
 - Electricity/Air
 - Maintenance
 - Etc.

Certifications

- Maintaining and operating within compliance of a certification takes discipline and knowhow. Many copackers will carry necessary certifications to support quality expectations of their clients.
 - SQF
 - Organic/Kosher
 - Non GMO

Quality

Copackers operate under strict operating principals that ensure consistent quality. This discipline includes following SOP's set forth by the client to detailed reporting.

What do you need to have ready when approaching a copacker?

A detailed **specification sheet** of your product.

This ensures your product is consistent each time it is produced.

What all is included in a product specification sheet?

Product Name Revision Date

Lyour product needs to have a clear identifier of what it is. The revision date will ensure only the most updated version is being utilized for live production.



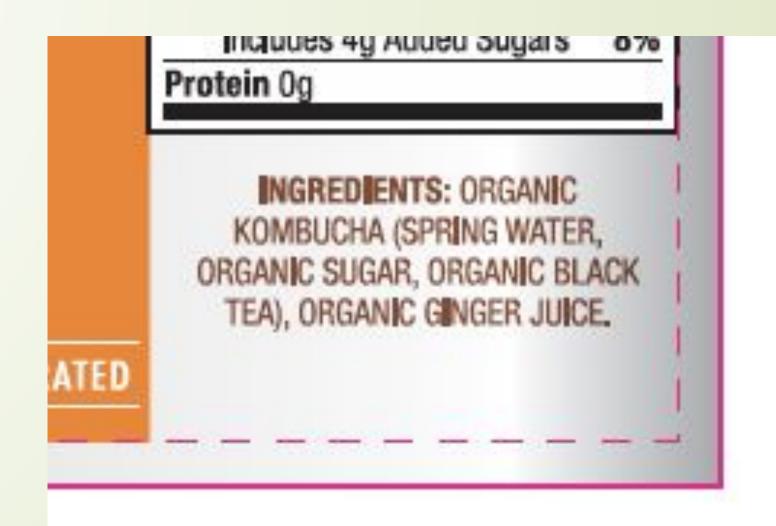
2. Product Description & Attributes

This is a visual description of your product. In the case of a Kombucha beverage you might say it is "A golden effervescent liquid with floating ginger root puree throughout the product."



3. Ingredient Statement

IPretty straight forward. List the ingredients just as you want them to read on your product label. List ingredients in the order of percent of total volume.



4. Nutritional Panel

Insert a copy of your nutritional panel as it should read on your label. A certified food laboratory can conduct a nutritional analysis of your product and provide you an accurate nutritional panel.

Nutrition Facts

servings per container

12 oz. (340g) Serving size

Amount per serving

Calories

	% Daily Value*
Total Fat 0g	0%
Saturated Fat 0g	0%
Trans Fat 0g	
Cholesterol 0mg	0%
Sodium 0mg	0%
Total Carbohydrate 10g	4%
Dietary Fiber 0g	0%
Total Sugars 10g	
Includes 10g Added Su	igars 20%
Protein 0g	

Vitamin D 0mcg	0%
Calcium 0mg	0%
Iron 0mg	0%
Potassium 0mg	0%

^{*}The % Daily Value tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.

5. Formulation

Provide the formula in a 100% breakdown.

Ginger Ko (887)		
<u>Name</u>	<u>Ingredient</u> <u>Number</u>	<u>Percent</u>
Base Kombucha	100	94.50%
Ginger Juice Puree	255	5%
Lemon Juice Concentrate	655	0.50%
	Total:	100.00%

6. Processing Steps

Processing steps outline exactly how to process your product including equipment, temperatures, times, etc.

Example

- 1 Brewing/Blending: Heat water and steep tea in boiler kettle for 45 minutes at 165 degrease F.
- 2 Culturing: Pump kombucha tea into bulk mixing vat. Chill base tea to 80 degrease F before pumping into ferment vessel.
- 3 Fermentation: Pump base tea into fermentation vessels, introduce 5% solution of starter, and add mother culture.

Fermentation Spec				
Starting				
Brix	6.6			
SG	1.026			
pН	3.6-3.7			
Temperature	74-76F			

4 Harvest: Once finished fermentation specs are reached pump kombucha gently from fermentation vessels through strainer into chille

Fermentation Spec					
Finished					
Brix	3.1				
\$G	1.012				
pН	3.0-3.1				
ABV	0.05%				

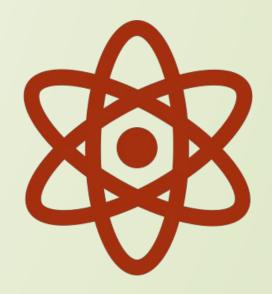
5 Package: Pump chilled and flavored tea through heat exchanger reaching a temp of 36 degrees F to the carbonator, filler, labeler, ca

Kombucha pac	kaging spec
Package size	16 oz. glass bottle
Visual	Bright yellow gold, 80% clarity
Aroma	Tart fresh cut citrus, clean
Taste	Round tangy front, with tart spicy bite, no off taste
Storage	Store on refrigeration (34-38F) for entirely of product shelf life
Handling	Transport products in wholesale cardboard packaging palletized with support wrapping until placed on retail shelf

6 Test/Ship: Retain sample of beginning, middle, end of packaging run and retain for QA testing. Include appropriate shipping paperw

7. Acceptable Quality Control Tolerances

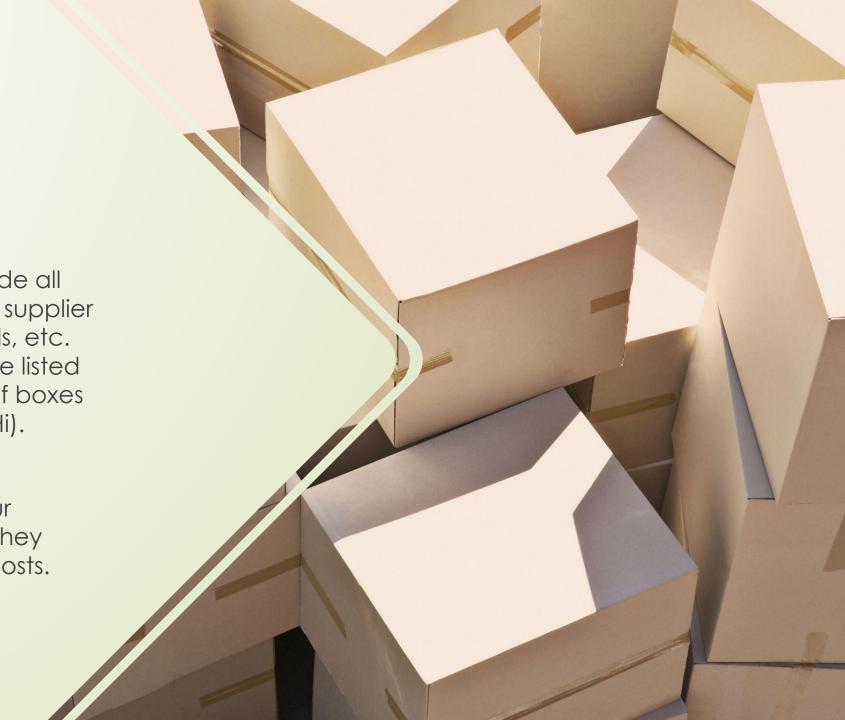
The acceptable QC measurables define traits specific to your product. This may include, PH, Brix, Specific Gravity, ABV, sensory or some other measurable. Often a +/- of some acceptable range is given to ensure consistent quality.



8. Packaging Information

Packaging information will include all packaging materials used. Any supplier SKUs for the container, lids, labels, etc. will go here in this section and be listed out. The box SKU and number of boxes that are placed on a pallet (Ti/Hi).

"You often want to work with your copacker on what efficiencies they already have in place to save costs."



Costing your business:

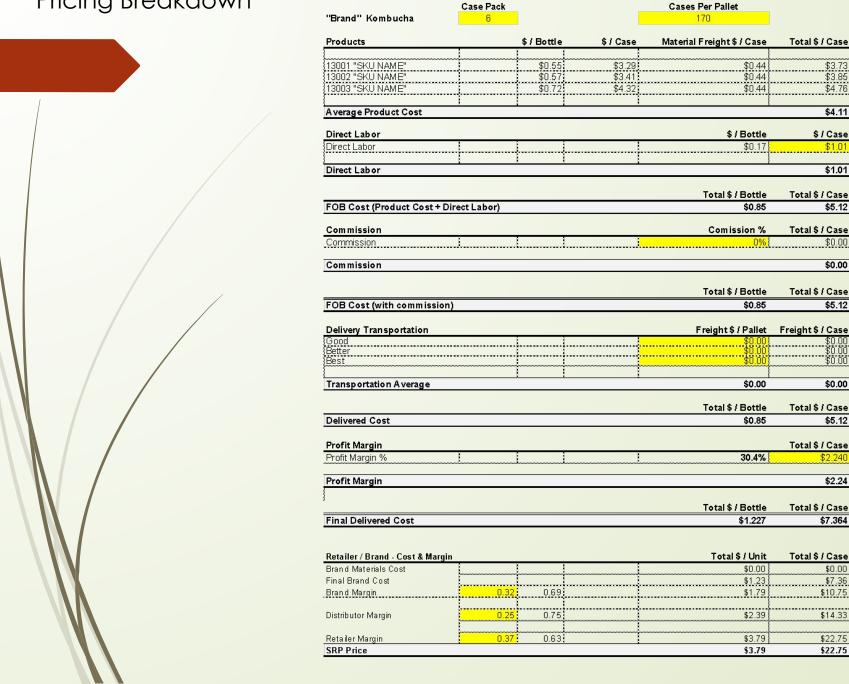
COGS, Labor, Freight, down the line margin to SRP

Costs of Goods Sold

Cost of Goods Sold: Ingredients, bottle, cap, label, secondary packaging, etc...

	Cost/Case Po	ckage	Flavored batch	label cO2	?/pallet/wrap	cap boxe	s bottle	es Cost,	'Cs
	"Brand Name"								
	13001 "SKU Name" \$2.8639	6/16 oz	\$0.5581	\$0.4414	\$0.1200	\$0.3006	\$0.2660	\$1.2978	\$2.86
/	13002 "SKU Name" \$2.9890	6/16 oz	\$0.6832	\$0.4414	\$0.1200	\$0.3006	\$0.2660	\$1.2978	\$2.99
	13003 "SKU Name" \$2.6551	6/16 oz	\$0.3492	\$0.4414	\$0.1200	\$0.3006	\$0.2660	\$1.2978	\$2.66
								Average	\$2.84

Pricing Breakdown



Total \$ / Case

\$4.11

\$ / Case

\$1.01

\$5.12

\$0.00

\$0.00

\$5.12

\$2.24

\$7.364

\$0.00

\$10.75

\$14.33

\$22.75

\$22.75

Total \$ / Case

\$0.44 \$0.44 \$0.44

\$0.00

\$0.85

30.4%

\$1.227

\$0.00

\$1.23

\$2.39

\$3.79

\$3.79

COGS + Direct labor

	Case Pack			Cases Per Pallet	
"Brand" Kombucha	6			170	
Products		\$ / Bottle	\$ / Case	Material Freight \$ / Case	Total \$ / Case
13001 "SKU NAME"		\$0.55	\$3.29	\$0.44	\$3.73
13002 "SKU NAME"		\$0.57	\$3.41	\$0.44	\$3.85
13003 "SKU NAME"		\$0.72	\$4.32	\$0.44	\$4.76
Average Product Cost	}	•	i	•	\$4.11
Direct Labor				\$ / Bottle	\$ / Case
Direct Labor	}		į	\$0.17	\$1.0
		;			
	{	• (
Direct Labor	1	•	,	·	\$1.0°
	\			Total \$ / Bottle	\$1.0° Total \$ / Case

Commission + Freight

Commission	Comission %	Total \$ / Case	
Commission	0%:	\$0.00	
Commission		\$0.00	
	Total \$ / Bottle	Total \$ / Case	
FOB Cost (with commission)	\$0.85	\$5.12	
	Freight \$ / Pallet	Freight \$ / Case	
Good	Freight \$ / Pallet \$0.00 \$0.00	\$0.00	
Good Better	\$0.00	\$0.00 \$0.00	
Good Better Best	\$0.00 \$0.00	\$0.00 \$0.00 \$0.00	
Delivery Transportation Good Better Best Transportation Average	\$0.00 \$0.00 \$0.00	Freight \$ / Case \$0.00 \$0.00 \$0.00 Total \$ / Case	

Profit Margin & Final Delivered Cost

Profit Margin			Total \$ / Case
Profit Margin %		30.4%	\$2.240
Profit Margin			\$2.24
		Total \$ / Bottle	Total \$ / Case
Final Delivered Cost		\$1.227	\$7.364

Brand, Distributor & Retail Pricing

Retailer / Brand - Cost & Margin			Total \$ / Unit	Total \$ / Case
Brand Materials Cost			\$0.00	\$0.00
Final Brand Cost			\$1.23	\$7.36
Brand Margin	0.32	0.69	\$1.79	\$10.75
Distributor Margin	0.25	0.75	\$2.39	\$14.33
Retailer Margin	0.37	0.63	\$3.79	\$22.75
SRP Price		ST COMMO	\$3.79	\$22.75

How will a copacker charge for their services?

- Tolling fee per unit
- Volume pricing per unit
- Additional Services
 - Set up fee
 - Warehousing fee
 - Dry/Chilled
 - Picking & Fulfillment
 - Receiving fees (non contracted goods)
 - R&D fees
 - Formulating/spec sheet
 - Laboratory analysis
 - Product Spec Sheet development
 - Shelf-life testing
 - Bench samples
 - Sample shipping
 - Live production run (1st run)
 - Certification fee
 - Disposal fee

Example Quote





\$ 7.12

\$ 7.07 \$ 7.02

\$ 6.87

6.88

Production / Tolling				
Receiving		\$	0.1688	
Batch / Blend		\$	0.9563	
Water		\$	0.0281	
C o 2		\$	0.0225	
Bottling Line		\$	2.5009	
N/A		\$	-	
Raw		\$	-	
	Subtotal Production			\$ 3.6765
Materials (Landed cost)				
16 oz Glass Bottle		\$	1.6448	
38mm Cap (white)		\$	0.2964	
6pk box		\$	0.3594	
WA		\$	-	
Box print		\$	0.0006	
Pallet / Shrink wrap			0.1182	
Labels			0.3781	
J uic es		\$	0.4725	
WA		\$	-	
Ņ∕A		\$	-	
N/A Kombucha		\$		
kombucha N/A		\$ \$	0.2249	
IW A		Þ	-	
	Subtotal Materials			\$ 3.4949
MOQ Pricing FOB Gypsum, CO				
Production Materials		\$	3.6765	
Materials		\$	3.4949	
Total Cost		\$	7.1714	

1500 G allons

2000 G allons 3000 G allons 4000 G allons

5000 G allons

Tier Pricing Schedule

Tolling & Packaging Margin

Quoted on Perlunit basis (MOQ)	0.75 6pk Bottle			
Production /	Tolling			
1	Receiving	\$	0.1688	
	Batch / Blend	\$	0.9563	
	Water	\$	0.0281	
	Co2	\$	0.0225	
1	Bottling Line	\$	2.5009	
1	N/A	\$	-	
	Raw	\$	-	
	Subtotal Prod	uction		\$ 3.6765

Materials

Materials (Landed cost)			
16 oz Glass Bottle	\$	1.6448	
38mm Cap (white)	\$		
6pk box	\$	0.3594	
N/A	\$	_	
Box print	\$	0.0006	
Pallet / Shrink wrap	\$	0.1182	
Labels	\$	0.3781	
Juices	\$	0.4725	
N/A	\$	-	
N/A	\$	_	
N/A	\$	-	
Kombucha	\$	0.2249	
N/A	\$	-	
	Subtotal Materials		\$ 3.4949

Total Cost

MOQ Pricing FOB Gypsum, CO

Production Materials \$ 3.6765 \$ 3.4949

Total Cost

\$ 7.1714

Volume Discounting

Tier Pricing Schedule

 1500 Gallons
 \$ 7.12

 2000 Gallons
 \$ 7.07

 3000 Gallons
 \$ 7.02

 4000 Gallons
 \$ 6.88

 5000 Gallons
 \$ 6.87

Keys to a successful ongoing relationship when utilizing a copacker.

- Appointing a point person to manage your brands production.
- Projecting volume requirements (30/60/90).
- Communicating issues and corrective actions with key production leadership.
- Attend all new production and formulation runs.
- Ensure timely payment with copacker to ensure strong supply.

Thanks for participating!

- **Shane Dickman**
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