

Once Upon a Farm: Where Should the Next Growth Dollar Go?

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Teaching case. This case is an analyst-created decision exercise based on public information. It does not describe a documented management budget vote.

The choice

Once Upon a Farm PBC had just reported second-quarter 2026 net sales of \$85.4 million, up 42.3% from a year earlier. Gross margin, however, had declined to 35.9% from 40.7%. Adjusted EBITDA was a loss of \$1.7 million, while the company reported a \$5.0 million GAAP net loss. The measures tell different stories: management attributed the gross-margin decline to trade spending and mix, partly offset by pricing and lower cooler slotting fees; it attributed the Adjusted EBITDA decline chiefly to higher selling, general and administrative expense. The GAAP loss also reflected non-operating items. None identifies the return from a particular cooler, product launch or channel. [Q2 2026 earnings release, lines 26-48](#)

The Q2 Form 10-Q, [accepted at 4:16:27 p.m. EDT](#), added detail to the release. At that moment, the company's 5:00 p.m. earnings call had not begun. Imagine you are advising the leadership team using only information publicly available by the cutoff. You have been asked to recommend where a **hypothetical, fixed next tranche of growth resources** should receive priority:

1. **Cooler placements and store distribution:** expand the refrigerated display footprint and deepen the assortment in existing retail relationships.
2. **Product innovation:** fund product development, listings and launch support for new products and categories.
3. **Channel development:** build retailer e-commerce, direct-to-consumer or delivery capabilities, or develop international retail opportunities.

These are competing marginal priorities for the exercise. They are not mutually exclusive activities in the actual business. Public filings do not disclose a single growth budget, a split across these uses, or a management vote on how to allocate one. You may recommend staging as a way to pace your chosen priority, but staging is not a fourth use of resources. First determine whether retailer calendars, commitments or production schedules would allow a staged approach.

A brand built around fresh food

Once Upon a Farm sells organic, refrigerated and shelf-stable food for babies and children. Its proposition combines organic ingredients, convenience and products designed for young children. Refrigerated products require cold-chain execution, while the company also has shelf-stable products. It relies on U.S. manufacturing and packaging partners and describes production capacity and distribution as important to growth. Product quality, availability and execution therefore have to work across a portfolio with different handling needs. [Form 10-Q, pp. 21-23](#)

Retail is central to the company's route to market. Management describes its cooler as a branded refrigerated display intended to give products more prominent placement and a broader assortment. As of June 30, 2026, the company reported more than 4,100 deployed coolers and said it believed North America could support more than 15,000. The second figure is management's estimate, not an independently verified count of available sites. The filing says the sales impact of a new cooler can vary with store traffic and cooler size. The company uses slotting fees and other incentives to secure placement. [Form 10-Q, pp. 21-22](#)

The company also sells through retailer websites, direct channels and third-party e-commerce or delivery platforms, and identifies new retail and international markets as opportunities. In its FY2025 filing, management said 40% of sales volume "started with a click" across several types of online purchasing. Separately, it reported that 24% of "our business" at key retail customers was online, compared with 10% typically for other brands at those retailers. These are different, management-defined scopes; neither is online share of net sales or a directly comparable measure of channel profitability. [FY2025 Form 10-K, pp. 3-4](#)

Growth, with an unresolved mix

Q2 net sales were \$85.392 million, compared with \$60.017 million in Q2 2025. Volume increased 40.3%. Management said both incremental distribution of existing products and new product introductions drove volume growth; the public figures do not isolate either contribution. The company said Q2 net sales increased by \$14.3 million in baby and kid snacks and \$11.2 million in pouches. Those rounded category increases add to \$25.5 million, slightly above the exact \$25.375 million total increase because of rounding. They are category-level changes, not launch-level revenue or profit. [Form 10-Q, pp. 24-26](#)

The company reported 91 new SKUs launched since 2025, including 12 in Q2. Its filing describes product innovation across refrigerated oat bars, shelf-stable snacks, meat and broth pouches, and legume pouches. Launch count and category growth show activity, but do not reveal product-level reorders, repeat purchase, survival, cannibalization or contribution after listing and promotion costs. [Form 10-Q, pp. 21-22, 25-26](#)

Q2 gross profit was \$30.649 million. The release reported gross margin of 35.9%, down 485 basis points from 40.7% a year earlier. Management attributed the decline to trade spending-including a national club program-and mix, partly offset by pricing and lower cooler slotting fees. Slotting fees for new coolers, which reduce net sales, were \$1.5 million in Q2 compared with \$3.1 million a year earlier. Management said the year-over-year decline reflected installation timing and expected fees to rise as the program expanded. Those quarterly amounts do not establish a steady-state cooler cost. [Earnings release, lines 43-48; Form 10-Q, p. 25](#)

At June 30, cash and cash equivalents were \$93.5 million, and the company reported no debt. It used \$17.9 million of operating cash in the first half of 2026. Cash is a capacity indicator, not an uncommitted growth budget. Management raised FY2026 guidance to net sales of \$327-335

million and Adjusted EBITDA of \$3-4.5 million. Adjusted EBITDA is a company-defined non-GAAP measure; the outlook is not a promise that any of the three priorities will meet a particular return. [Earnings release, lines 52-68; Form 10-Q, pp. 29-30](#)

One more caution applies to the headline growth rate: the company's FY2025 filing says revenue growth has historically been stronger in Q1 and Q3, associated with dairy resets and spring/back-to-school merchandising; working capital typically builds in Q2 and Q4. Management cautions that one quarter is not indicative of the full year. Q2's year-over-year increase should not simply be annualized. [FY2025 Form 10-K, p. 12](#)

The shelf is contested

Once Upon a Farm's FY2025 10-K names Nestlé, Danone, General Mills, Mondelēz, Lactalis and natural or organic food companies among its competitors. The company says larger rivals may have greater resources and compete for limited retail shelf space through product quality, brand, price, advertising and promotion. Hain Celestial's FY2025 filing lists Earth's Best Organic and Ella's Kitchen in its baby and kids portfolio, including pouches and snacks. These filings establish adjacent competition and portfolio overlap; they do not provide matched market shares, refrigerated cooler productivity or comparable unit economics. [Once Upon a Farm FY2025 Form 10-K, p. 12; Hain Celestial FY2025 Form 10-K, pp. 1-7](#)

The strategic challenge is not choosing growth or discipline in the abstract. Cooler deployment could extend retail reach but requires retailer incentives and execution before a store cohort's productivity is known. Innovation could widen the proposition but creates launch, assortment and inventory risks. Channel development could diversify routes to consumers but its acquisition, fulfillment, repeat-purchase and country economics are undisclosed. The available filings leave the key comparison open.

Exhibits

Exhibit 1. Selected Q2 2026 results

\$ millions, except percentages	Q2 2026	Q2 2025
Net sales	85.392	60.017
Year-over-year net-sales growth	42.3%	-
Volume growth	40.3%	-
Gross profit	30.649	-
Gross margin	35.9%	40.7%
GAAP net loss	(4.950)	(9.038)
Adjusted EBITDA	(1.726)	1.995

Source: Q2 2026 Form 10-Q, pp. 24-27 and 33; Q2 earnings release. Figures in the 10-Q are unaudited. The release's 485-basis-point gross-margin decline uses unrounded rates. Adjusted EBITDA is non-GAAP.

Exhibit 2. Growth and retail indicators

Indicator	Reported evidence	What it does not establish
Cooler footprint	>4,100 deployed at June 30, 2026; management believes North American opportunity exceeds 15,000	Addressable store count, cohort productivity, incremental lift or payback
New products	91 new SKUs since 2025; 12 in Q2 2026	Launch success rate, survival, repeat, profit or cannibalization
Category sales change	Snacks +\$14.3m; pouches +\$11.2m year over year in Q2	SKU-level contribution or causal launch effect; amounts are rounded
New-cooler slotting fees	\$1.5m in Q2 2026 vs. \$3.1m in Q2 2025	Steady-state spend or complete placement and merchandising costs

Source: Q2 2026 Form 10-Q, pp. 21-22 and 25-26. Counts and strategic interpretations are company-reported; the >15,000 opportunity is management's estimate.

Exhibit 3. Cash and outlook

Item	Publicly reported at cutoff
Cash and equivalents, June 30, 2026	\$93.5m
Debt, June 30, 2026	None reported
Operating cash flow used, six months ended June 30, 2026	\$17.9m
FY2026 net-sales outlook	\$327m-\$335m
FY2026 Adjusted EBITDA outlook	\$3m-\$4.5m

Sources: Q2 2026 Form 10-Q, pp. 1 and 29-30; August 6 earnings release. Cash does not equal discretionary budget; Adjusted EBITDA is non-GAAP guidance.

Questions for discussion

1. Which of the three uses should receive priority for the hypothetical next tranche? What evidence supports your choice, and what evidence is missing?
2. What would you need to know to distinguish incremental cooler sales from distribution growth, new-product effects, pricing, promotion and mix?
3. How would your recommendation change if retailer reset windows or production commitments made a small pilot infeasible?
4. Which leading indicators and economic outcomes would you track for your chosen priority? How would you define an appropriate comparison group?
5. What trade-offs arise among growth, gross margin, operating expense, working capital and cash conversion? What would cause you to revise your recommendation?

Information boundary: this case uses public materials available by August 6, 2026, 4:16:27 p.m. EDT. The 5:00 p.m. earnings call and later events are excluded.