

# Financial Analysis of Starlight Dairy

## Property Transfer Plan

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# Problem Statement

- A financial analysis of Starlight Dairy. The intent is to see if a new generation could take-over the operation of this farm and continue to make a profit without having to get an off-farm job.





# Background

- New York Statistics
  - ↑ in milk production
  - ↓ in number of cows
  - Number of farms ↓
  - 3<sup>rd</sup> in nation for dairy production
- St. Lawrence County Statistics
  - ↓ in milk production
  - Number of farms ↓
  - 2<sup>nd</sup> in state for dairy production

# The Business

- Location
- Legal Entity
- Acreage
  - owned
  - additional



# Company Summary

- Maple Drive Farm
- Starlight Dairy





# Products and Services

- Milk
- Cattle & calves
- Hay



# Market Analysis Strategy

- Market Size
  - Number of marketing companies
  - Number of milk processing plants
  - Trends in milk plants
- Target Market
  - Strategy used
  - Milk marketing companies
  - Local Sale Barns

# Competitive Analysis

- Free Stalls
- Cooperatives
  - Agri-Mark
  - Dairylea
  - Dairy Farmers of America
- Organic

# Methods

- Breakeven Analysis
- Standard Deviation

# Financial Analysis

## Family

- Total Funds Required
  - \$275,277.71
- Owner's Injection
  - \$50,000
- Commercial Loan
  - PMT's Yearly \$17,855.88
- Commercial Mortgage
  - PMT's Yearly \$8,866.32

## Non-Family

- Total Funds Required
  - \$392,777.71
- Owner's Injection
  - \$75,000
- Commercial Loan
  - PMT's Yearly \$26,760.24
- Commercial Mortgage
  - PMT's Yearly \$11,821.80

# Financial Analysis Continued

- Year one milk price was averaged at \$18 cwt
- Year two milk price was averaged at \$12 cwt
- Year three milk price was averaged at \$15 cwt
- Net Farm Income
  - Family
    - Year 1-\$44,641.03
    - Year 2-\$28,175.85
    - Year 3-\$32,781.06
  - Non-Family
    - Year 1-\$32,781.19
    - Year 2-\$16,316.01
    - Year 3-\$20,921.22

# Results

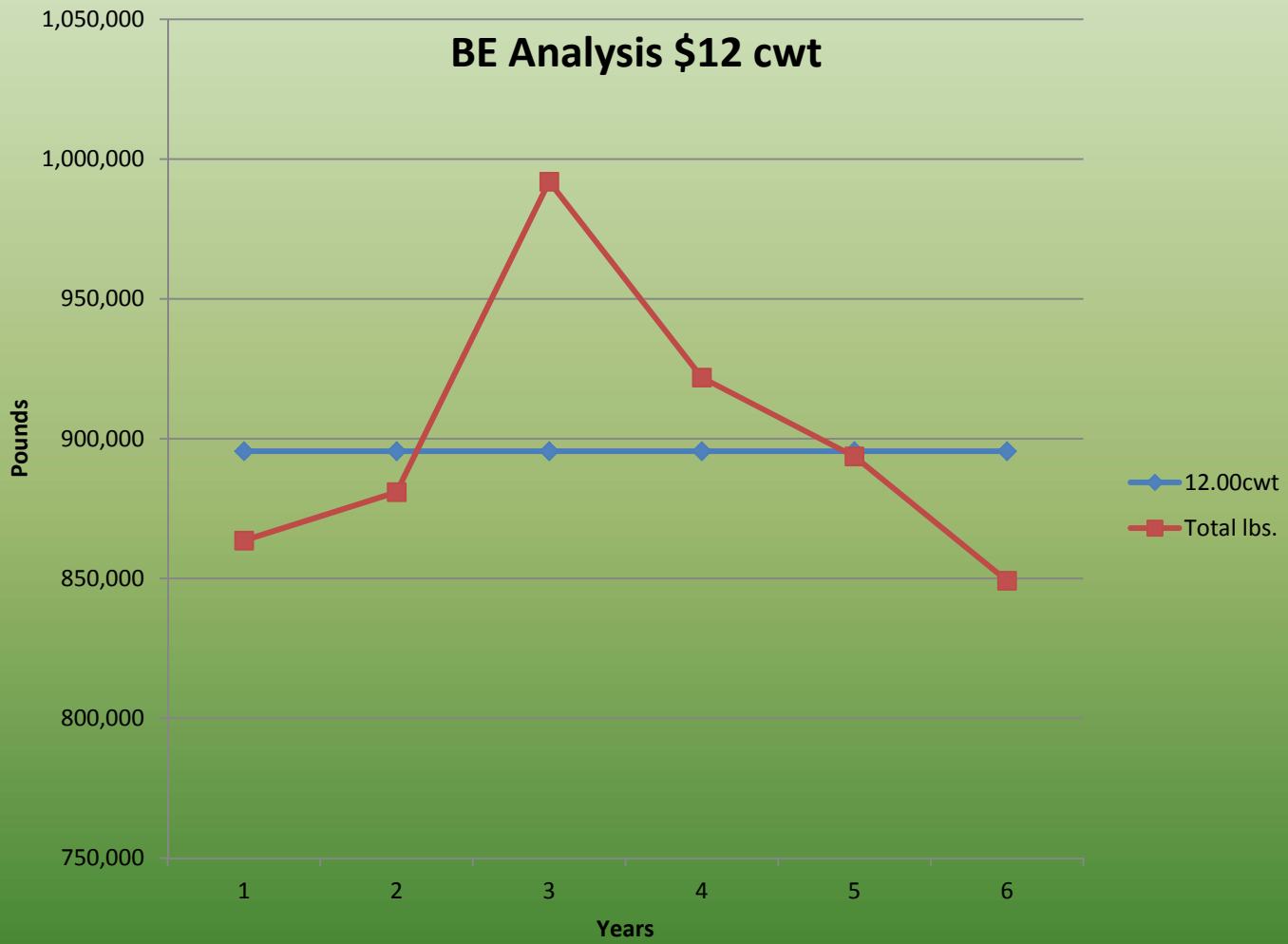
## **Breakeven Analysis**

- Lower price of milk have to produce over 895,500 lbs. of milk.
- Higher price of milk have to produce over 621,900 lbs. of milk.
- Changes in certain expense accounts must be factored in!!

## **Standard Deviation**

- Greater the range, the higher the variation.
- Shows that the amount produced each year is inconsistent.
- Allows farmer to see how often he must compensate for low months.

### BE Analysis \$12 cwt







### BE Analysis \$17.28 cwt



## 2005 v. 2006



Standard Deviation for 2005 was 8,770.65 while in 2006 it was 15,322.50.

# Conclusion/Recommendations

- Farm can support a household without supplementary income from an off-farm job
- Additional opportunities to make money on the farm
- Must have equity/assets to buy farm

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Questions?