Financial Analysis of Starlight Dairy

Property Transfer Plan

Presented by: Karen Reed
Outline

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  – St. Lawrence County
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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 ↓
  - 3rd in nation for dairy production

- **St. Lawrence County Statistics**
  - ↓ in milk production
  - Number of farms ↓
  - 2nd 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

<table>
<thead>
<tr>
<th>Family</th>
<th>Non-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total Funds Required</td>
<td>• Total Funds Required</td>
</tr>
<tr>
<td>– $275,277.71</td>
<td>– $392,777.71</td>
</tr>
<tr>
<td>• Owner’s Injection</td>
<td>• Owner’s Injection</td>
</tr>
<tr>
<td>– $50,000</td>
<td>– $75,000</td>
</tr>
<tr>
<td>• Commercial Loan</td>
<td>• Commercial Loan</td>
</tr>
<tr>
<td>– PMT’s Yearly $17,855.88</td>
<td>– PMT’s Yearly $26,760.24</td>
</tr>
<tr>
<td>• Commercial Mortgage</td>
<td>• Commercial Mortgage</td>
</tr>
<tr>
<td>– PMT’s Yearly $8,866.32</td>
<td>– PMT’s Yearly $11,821.80</td>
</tr>
</tbody>
</table>
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 $17.28\text{ cwt}$
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?