

Cotton Cattle Company

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**GRASS FED BEEF  
WATERSHED  
CONSERVATION  
PROJECT**

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Raising beef with  
conservation grazing for  
river lands preservation.





## EXECUTIVE SUMMARY

*This plan illustrates the pathway to:*

*(1) use Cotton Cattle Company as a business model for scaling a conservation grazing beef production farm to 1000 acres.*

*(2) Scale up by multiplying the model to include 7 farms on 8000 acres with marketing and management enterprises, supporting widespread conservation and preservation goals along the river while cultivating a profitable farming community of businesses via a top quality regional grass fed beef brand.*

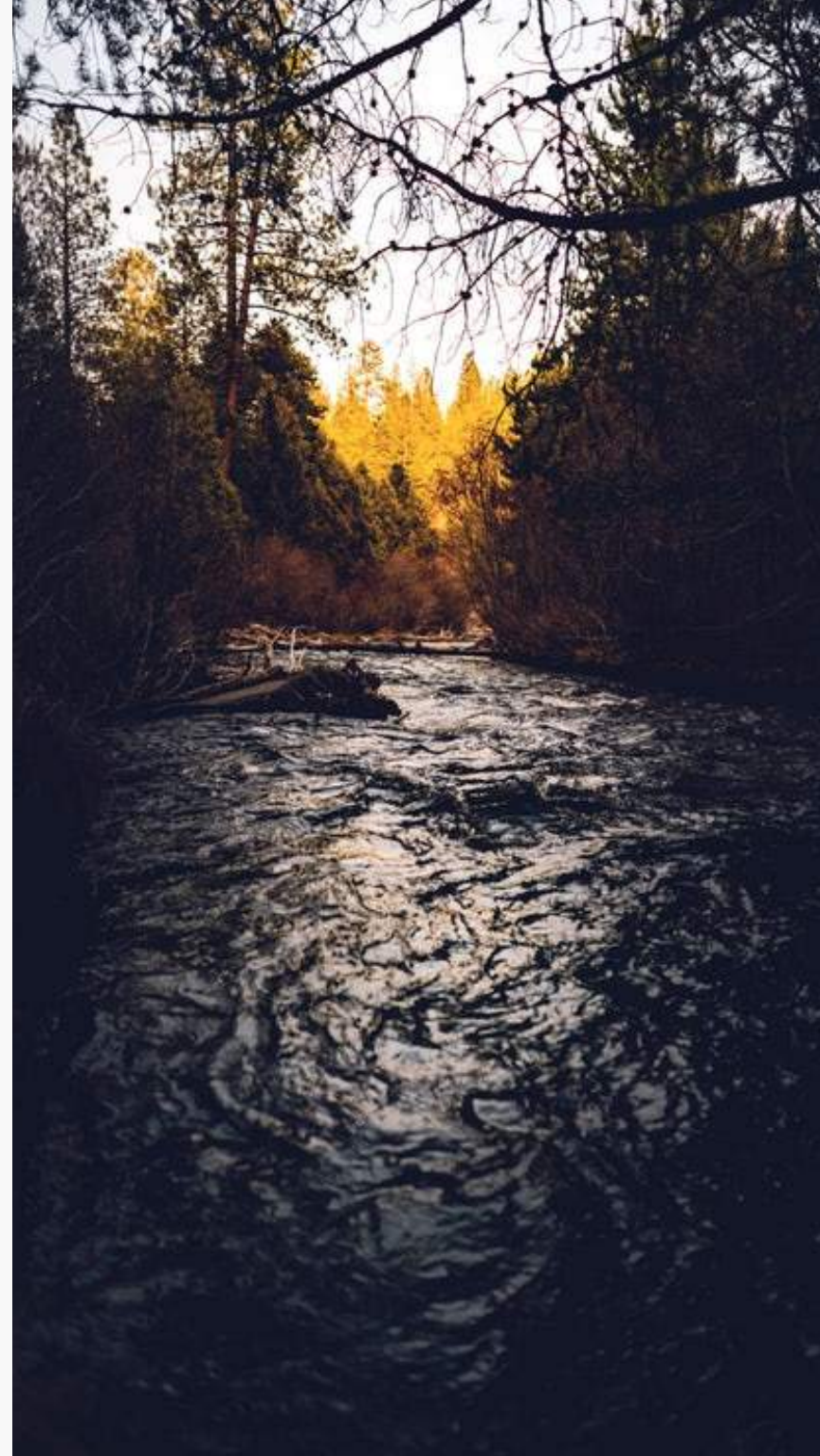


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# TABLE OF CONTENTS

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- *Background - 4*
- *Market Analysis - 8*
- *Business Structures - 16*
- *Operations Plan - 40*
- *Financial Analysis - 51*





## COMPANY DESCRIPTION

- *Cotton Cattle Company's mission is to produce our agricultural products in a manner that improves and preserves the environment to ensure sustainable resources for future generations. Our aim is to benefit our animals, farmers, and community by providing a sustainable supply of healthy, responsibly-raised beef to the surrounding community and the wider Mid-Atlantic Region.*
- *At Cotton Cattle Company we exceed "organic" and "natural" standards by managing our farm in a holistic manner that works symbiotically with the land and the laws of Mother Nature. We practice rotational grazing, riparian buffering and conservation mowing to enhance the fertility of our soils and quality of our water.*





## WHAT ARE OUR GOALS OF THIS PROJECT?

- *Conservation of watershed and habitats*
- *Using livestock grazing as a land management strategy to improve water quality via continuous cover, while raising a high quality beef product for the consumer.*
- *Bringing a community of sustainable farmers back to the land to operate 8000 acres of watershed farmlands.*
- *Creating a model that would support the success of multiple sustainable livestock businesses; addressing the whole food value chain from growing to processing to marketing.*

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## OUR PARTNERS

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NEW JERSEY  
AUDUBON  
[www.njaudubon.org](http://www.njaudubon.org)

*Farm Conservation Assistance  
Stream Restoration  
Habitat Assessment  
& Species Monitoring  
Promotion/Networking*



North Jersey Resource  
Conservation &  
Development

Dedicated to Community Needs, Through Conservation.

*Farm Conservation Assistance  
Soil Health  
Nutrient Management  
Stream Restoration*



*Water Quality Monitoring  
Stream Restoration  
Public Education  
Recreational Promotion*



*Water Quality  
Monitoring Support  
(Design, Equipment,  
Research, Modelling)*

### *Other Delaware River Watershed Initiative Partners:*

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**TROUT  
UNLIMITED**

*Stream Restoration  
Recreational Promotion*



**New Jersey Conservation  
FOUNDATION**

*Land Preservation*



**Hunterdon Land Trust**  
Protecting the places you love

*Land Preservation*



## **WHY ARE WE POISED FOR SUCCESS?**

- *Within the next 5-10 years, many if not most of the farmlands in this area will transition in ownership, presenting an opportunity to expand.*
- *The Cottons already have experience with ecological management projects wrapped into rotational grazing practices along the Musconetcong; resulting in top performing animal weights and yields, alongside increased soil organic matter, reduced runoff, and improved wildlife habitat and species diversity on their home farm.*
- *We understand the structures required to separate and to control each link in the food value chain for sound business decision making, and appropriate checks and balances in operations with the farms' budget management.*

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# MARKET ANALYSIS

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## *Market Analysis Overview*

- Methodology for Sizing the Demand
- Estimating our Market for Local Beef in the Region
- Market Penetration Rate



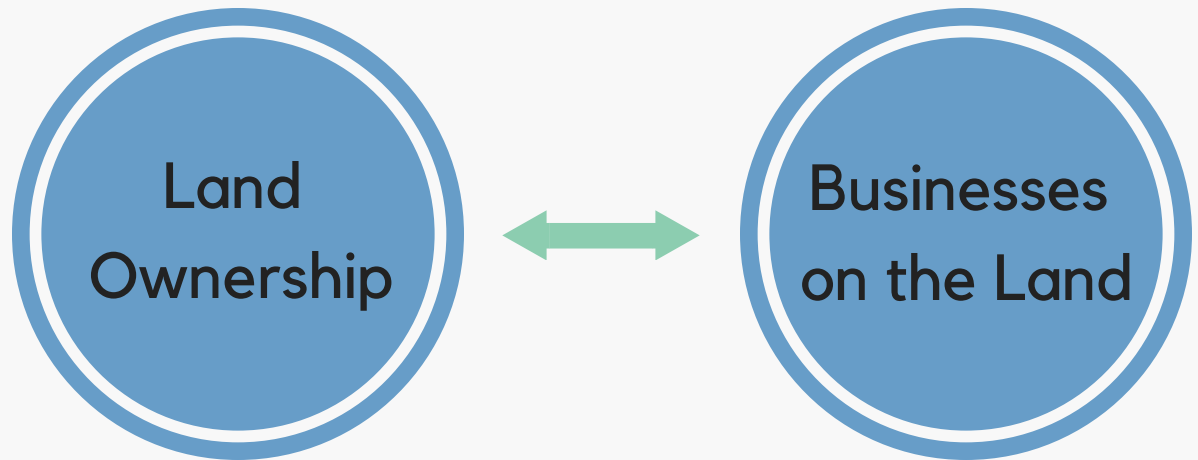


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# BUSINESS STRUCTURES

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## *Structure of Musconetcong River Farms*



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# BUSINESS STRUCTURE OVERVIEW

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## Land Ownership

### Formation of "Land Company"

Takes Loan for Land Acquisition,  
purchase or 99 year lease

### PRI Funding Mechanism

Makes Loan for Land Acquisition, with  
interest, as investment



### Private Company

- Allows more flexibility to create wealth for the farmers via land ownership / a stake in the company.

- Build Wealth for young farmers and food entrepreneurs through business opportunity and land ownership or 99 year / long term lease
- Attract top talent
- Ensure they're successful
- Build a platform for facilitating conservation of the land and watershed.



## CONSIDERATIONS FOR LAND ACQUISITION

- *Acquisition would ideally take place over 15 years, parcel by parcel.*
- *Transition creates opportunities for preservation and conservation.*
- *9,600 Acres in Target Area*
- *87% of farmland will transition ownership or leasing arrangements in the next 15 years.*
- *67% of farmland acres are not owned by Farmers*
- *3 major Owner-Operators w/ heirs will remain in 15 years.*
- *15 Owner-Operators will retire meaning 1,862 Farmer-owned acres (20%) will be for sale, and 6,478 (67%) of leased acres will transition management.*
- *This trend has already begun: 636 acres (6%) are available for sale now.*





## CONSIDERATIONS FOR BUSINESS STRUCTURES FOR THE LIVESTOCK BUSINESSES ON THE LAND

- *Livestock businesses will need funding and working capital.*
- *Need to control supply chain and get premium pricing from consumer to thrive.*
- *What are these farm businesses? Calf-cow breeding operation, feeder-finishing operation(s), Hay-forage operation(s).*
- *What collaborative businesses must exist for success? Processing, transport, marketing.*
- *Who will own the marketing operation? Another entrepreneur in agreement with these farms, or a co-managed marketing entity?*

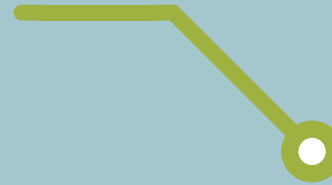
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# BUSINESS STRUCTURE OVERVIEW

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## Livestock Related Businesses

***A community of  
inter-dependently  
owned businesses***

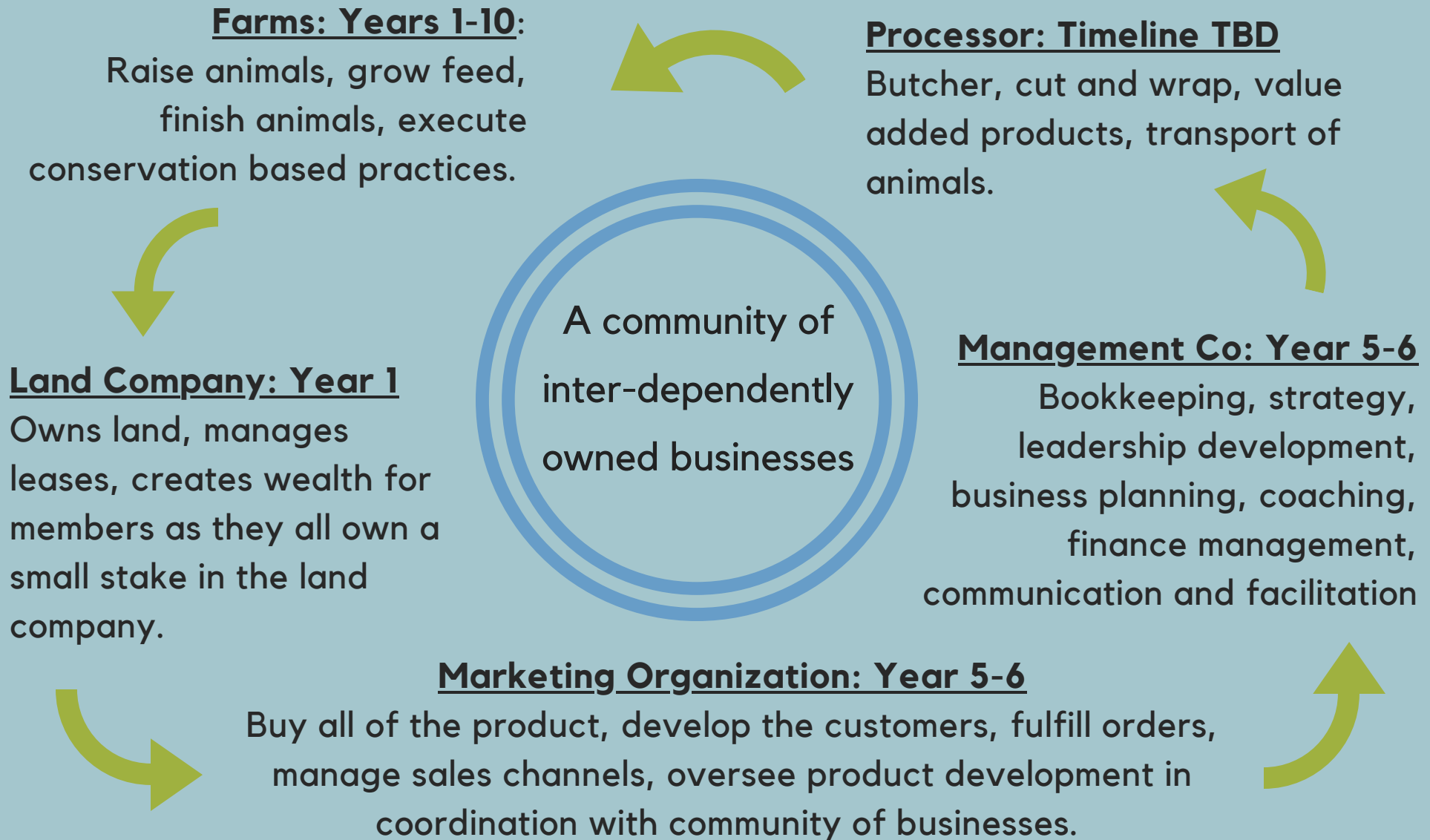


Create an incubator or accelerator where all owners on this commonly owned land own a majority of their own businesses and a small stake in every other in the group. A management entity would serve as enforcer of values, coach on accounting oversight, facilitate group engagement.

- What businesses are in this community? Farms, processor, marketing organization, and management organization.
- How does it work? 7 farms, 1 processor, 1 marketing company, 1 management company.

# BUSINESS STRUCTURE OVERVIEW

## Livestock Related Businesses







## HOW DOES THIS MODEL UPSTART?

- *Create a family of businesses that allows farmers to focus on raising and finishing animals and their feed, and marketers to focus on branding, sales and product development.*
- *Build the financial model to understand at what wholesale price the farm makes money, that would serve product to the marketing company, who buys carcasses at the point of delivery to the processor and takes product to market.*
- *Determine the size of the marketplace and the target market for the product being raised on ultimately 8000 acres; ensure the demand exists.*
- *Execute a marketing strategy to grow the sales of the business in tandem with the growth of farms on the land.*

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# CASE STUDIES

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## *Comparative Case Analysis*

What do other farmers practicing conservation grazing have to say about business structures, marketing, farm practices & lessons learned?



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# MARKETING & SALES

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Strategy



## *Marketing Plan Overview*

- Connecting Project Goals & Strategy
- Sales Models & Financials
- Recommended Approach to Business Development: a 4 Step Plan
- Branding



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# OPERATIONS PLAN

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## Considerations



***Beef Operations Plan  
Per 1000-Acre Farm***

## ***Operations Plan Overview: 500 Feeders on 1000 Acres***

- Grasslands Plan & Competitive Advantage
- Sourcing Feeder Cattle by the Numbers
- Labor & Staffing Plan
- Equipment & Start Up

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# OPERATIONS PLAN

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Grasslands Plan  
and Land Use



## ***500 Head of Cattle on Each 1000-Acre Plot***

- 20% forested lands and riparian zones
- 50% pasture lands in conservation grazing, rotating 10-year life cycles
- 30% of land for raising forage

***Beef Operations Plan  
Per 1000-Acre Farm***

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# OPERATIONS PLAN

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## Competitive Advantages of Our Grazing Plan



***Beef Operations Plan  
Per 1000-Acre Farm***

- Big investment in high nutrition grasslands means finishing in 18 months (8-9 weight feeders finish in 12 months) with 700+ hanging weights and 65% yields
- Able to raise all of our own winter feed, no hay purchase
- Farmers will put up 11 bags of haylage at 230 tons each to feed 6 tons per head throughout the winter
- Grasslands management costs \$308/head\*

***\*See attachment for grazing operations financials.***



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# OPERATIONS PLAN

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## Sourcing Feeder Cattle by the Numbers



***Beef Operations Plan  
Per 1000-Acre Farm***

- Based on genetics, Angus cross breeds for good grass fed development
- Will outgrow current supplier, continue to source from regions in Virginia and West Virginia
- With acquisition of lands along the river, could include a calving operation
- Buy 250 head 2x annually, in late May & late August: 125 head at 5-6 weight; 125 head at 8-9 weight for each purchase
- Finishing 42 head/month to processing
- Average \$1010 per head, delivered, paying slightly over market to keep relationships with breeders
- Annual feeder purchase cost: \$500K for 500 head

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# OPERATIONS PLAN

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## Labor and Staffing Plan



### **Beef Operations Plan Per 1000-Acre Farm**

## ***Annual Labor Costs***

- Herd Manager (Herdsman) - \$50K: overall management of herd, pasture, and winter forage; buffer monitoring
- Part-time Herdsman Assistant - \$30K: day-to-day support for Herd Manager; winter on-farm repairs and special projects
- Part-time Office Manager - \$20K: accounting, customer service, marketing coordination

***Marketing will remain in house years 1 through 4, until scale is reached for development of marketing enterprise.***

- Marketing Manager, \$60K
- DTC order pick and pack, part-time, \$15K
- Contract labor for IT, website, design, \$15K

***At scale by year 5 or 6, each farm will pay a fee to a management company for facilitation between farms.***

- Management Fee, \$30K

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# OPERATIONS PLAN

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## Start Up: Infrastructure and Equipment



### ***Needs for Each 1000-Acre Farm***

### ***Fencing + Water***

- Permanent posts, 5 wire, 2 hot - \$200K
- Wells, estimated at 6 for coordinated farms - \$90K
- Installation of lines (excavation/labor), water line, hydrants - \$127.5K
- Waterers for pasture - \$17.5K

### ***Equipment - Shared***

- Batwing mower - \$10K
- No till drill and planter - \$30K (reasonable rental)
- TMR mixer for winter feed - \$15K (truck mount)
- Manure spreader \$15K
- Bedding grinder - \$20K

### ***Equipment - Single User***

- Two 125-hp tractors with loader - \$70K
- Heavy duty ATV - \$13K
- Mower - \$12K, Tedder - \$6K, Merger - \$10K, Baler (special for silage) \$15K = Haymaking - \$33K



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# OPERATIONS PLAN

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## Start Up: Structures and Farm Installation



### ***Needs for Each 1000-Acre Farm***

### ***Barns + Structures***

- Summer shelter for pasture lacking shade - \$150K
- Winter shelter - \$440K
  - ~\$15 per sq ft for finished space
  - 120 sq ft per head
  - 425 head in need of winter shelter
  - Cost sharing available at 60%

### ***Pasture, Field Crops + Buffer***

- Pasture/Field crop (80% of farm): ground prep, labor, equip rental - \$53.6K
- Pasture/Field crop (80% of farm): seed - \$160K  
Cost covered 100% by grants and cost sharing
- Buffer grass: seed and labor with 70% NRCS cost share calculated - \$3.5K
- Buffer trees: planting labor - <\$1K
- Actual cost of ~180 trees for buffer is estimated at \$24K, and could be fully reimbursed through NRCS cost share

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## OPERATIONS PLAN

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Start Up:  
Cost Summary  
Chart



**Needs for Each  
1000-Acre Farm**

## **START UP COST SUMMARY: YEAR 1 PER 1000 ACRE FARM**

<i>Fencing + Water with 70% Cost Share</i>	\$145,150
<i>Equipment - Shared*</i>	\$30,000
<i>Equipment - Owned</i>	\$116,000
<i>Barns + Structures with 60% Cost Share</i>	\$326,000
<i>Pasture + Field Crops with Grant Funds</i>	\$53,600
<i>Buffer</i>	\$4,275
<i>Feeders</i>	\$505,000
<b>Start Up Total</b>	<b>\$1,180,025</b>

\* Cost is 1/3 the total for purchase of all shared equipment, assuming an average of 3 users per piece.

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# OPERATIONS PLAN

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## Processing Solutions



### *Scaling Up*

### *Current State of Meat Processing*

- Currently processing beef at Nello's, first scale increase to 500 head can continue at this processor.
- Strong value added offerings including jerky and charcuterie.

### *Meat Processing Considerations for the Future*

- Bulk wholesale buyers will indicate their processor.
- At full scale, this project will be harvesting and processing 3,500 head of beef per year.
- Several groups are talking about building custom processing in the region to serve the lacking capacity. Opening a plant may not be necessary if a partnership or collaboration can be created.



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# OPERATIONS PLAN

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## Processing Solutions



### *Scaling Up*

### *Pros & Cons of building a plant?*

- Determine capacity in the region and if it's necessary, as opposed to building relationships with processors and carcass buyers.
- High level of investment; however, 3 farms operating at capacity for the proposed model could be a reasonable time to explore building a plant based on volume of 30+ head per week.
- Major challenges include: workers to execute quality fabrication, training and consistency; profitable plant management with variety of value added services.
- Upside is total control of product and priority scheduling, ability to expand value added offerings, and implementation of modern yield tracking software.

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# FINANCIAL ANALYSIS

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## *Financial Analysis Overview*

- Scenarios & Assumptions
- Pro Forma P&L Snapshot
- Start Up Costs
- Breakeven Analysis
- Funding Request





# SCENARIOS & ASSUMPTIONS

## **Our financial model tests 3 scenarios:**

1. Grass Fed operation modeled on 200 acres, direct to consumer focus
2. Grass fed operation modeled on 1000 acres, direct to consumer focus
3. Grass fed operation with external marketing on 1000 acres, focus on production. External company buys carcasses on the hanging weight, and pays for processing, marketing, distribution.

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# FINANCIAL ANALYSIS

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P&L Snapshot:  
Assumptions



## **FINANCIAL MODEL ASSUMPTIONS FOR ALL 3 SCENARIOS**

<b>Model Assumptions &amp; Drivers</b>	
Acres per cow	2
cost of feeder cow	\$1,010.00
cost of land per acre	\$120.00
average hanging weight, pounds	710
carcass yield	65%
processing per head	\$650.00
field expenses per head	\$308.15
average price /lb, retail	\$10.67
average price/ lb wsale	\$7.00
average price/lb mktg co	\$3.50
retail sales per head	\$4,924.21
wholesale sales per head	\$3,230.50
marketing co sales per head	\$2,485.00



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# FINANCIAL ANALYSIS

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P&L Snapshot:  
Assumptions

## **SALES % BREAKDOWN: 3 SCENARIOS**

	scenario 1	scenario 2	scenario 3
Online Sales Income 2016	25%	25%	0%
Farmers Market / CSA Income / DTC	50%	25%	10%
Wholesale	25%	25%	0%
Marketing Company	0%	25%	90%

## **LABOR COSTS: 3 SCENARIOS**

	scenario 1	scenario 2	scenario 3
<b>Management</b>			
Herdsperson	\$50,000	\$50,000	\$50,000
Herdsperson Assistant	\$15,000	\$30,000	\$30,000
Outside Management			\$30,000
<b>Total Management</b>	<b>\$65,000</b>	<b>\$80,000</b>	<b>\$110,000</b>
<b>Marketing &amp; Admin</b>			
Marketing Manager	\$40,000	\$60,000	
Office Manager		\$20,000	\$20,000
Order Packer	\$10,000	\$15,000	
IT & Design	\$10,000	\$15,000	
<b>Total Marketing &amp; Admin</b>	<b>\$60,000</b>	<b>\$110,000</b>	<b>\$20,000</b>



# P&L SNAPSHOT: SALES & COGS UP CLOSE

## SCENARIO 1

## SCENARIO 2

## SCENARIO 3

Estimated Income								
Online Sales Income	25% sales	\$	123,105	25%	\$	615,526	0%	\$ -
Farmers Market / CSA Income	50% sales	\$	246,210	25%	\$	615,526	10%	\$ 246,210
Wholesale Income	25% sales	\$	80,763	25%	\$	403,813	0%	\$ -
Outside Sales Income	0% sales	\$	-	25%	\$	310,625	90%	\$ 1,118,250
<b>Total Sales</b>		\$	<b>450,078</b>		\$	<b>1,945,489</b>		\$ <b>1,364,460</b>
Costs of Goods Sold								
Beef Processing	see Assumptions	\$	65,000		\$	325,000	for 10%	\$ 32,500
Field Expenses / Raising Feed	see Assumptions	\$	30,815		\$	154,075		\$ 154,075
Beef Supplies	1% sales	\$	4,501		\$	19,455		\$ 13,645
Livestock	see Assumptions	\$	101,000		\$	505,000		\$ 505,000
Minerals	1% sales	\$	4,501		\$	19,455	Budgeted	\$ 19,455
Vet Care & Fertility	0.40% sales	\$	1,800		\$	7,782	Budgeted	\$ 7,782
<b>Total COGS</b>		\$	<b>207,617</b>		\$	<b>1,030,767</b>		\$ <b>732,456</b>
<b>GROSS PROFIT</b>		\$	<b>242,461</b>		\$	<b>914,722</b>		\$ <b>632,004</b>
			54%			47%		46%



# P&L SNAPSHOT: 3 SCENARIOS

## **SCENARIO 1** 200 ACRES, 100 HEAD DIRECT TO CONSUMER

## **SCENARIO 2** 1000 ACRES, 500 HEAD DIRECT TO CONSUMER

## **SCENARIO 3** 1000 ACRES, 500 HEAD OUTSIDE MARKETING

Total Sales	\$	450,078	\$	1,945,489	\$	1,364,460
Total COGS	\$	207,617	\$	1,030,767	\$	732,456
GROSS PROFIT	\$	242,461	\$	914,722	\$	632,004
		54%		47%		46%
<b>EXPENSES</b>						
TOTAL OPERATING EXPENSES	\$	73,267	\$	320,205	\$	62,893
TOTAL GENERAL & ADMIN	\$	55,781	\$	231,388	\$	28,548
TOTAL LABOR	\$	143,750	\$	218,500	\$	149,500
TOTAL OVERHEAD	\$	37,400	\$	166,373	\$	142,887
TOTAL ONE TIME	\$	18,003	\$	77,820	\$	54,578
TOTAL EXPENSES	\$	328,202	\$	1,014,285	\$	438,406
NET PROFIT	\$	<b>(85,741)</b>	\$	<b>(99,563)</b>	\$	<b>193,598</b>
<b>DEBT SERVICE</b>						
Startup	\$	<b>(61,787)</b>	\$	<b>(160,328)</b>	\$	<b>(160,328)</b>
OPERATING CASH FLOW	\$	<b>(147,528)</b>	\$	<b>(259,891)</b>	\$	<b>33,270</b>
Investment in 10 year pasture reseedi	\$	<b>2,990</b>	\$	<b>14,952</b>	\$	<b>14,952</b>
NET OPERATING CASH FLOW	\$	<b>(150,518)</b>	\$	<b>(274,843)</b>	\$	<b>18,318</b>

\*See financial packet for full expanded version

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# FINANCIAL ANALYSIS

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## Strategy



## **MAKING THE CASE: SCENARIO 3**

*What are farmers good at? Farming, of course!  
This model celebrates efficiency: all parties  
focusing on specific skills and doing them well.*

- Distribution and marketing organizations specialize in those activities. Farmers focus on raising feed, animals and getting top yields.
- Allows us to scale more quickly and with less risk, focusing on building specific relationships that can move beef at volume.
- Allows farms to reduce expenses related to marketing, logistics and overpriced processing.
- Eventually farmer controls a stake in the whole supply chain when marketing company grows into family of businesses

**"VOLUME IS VANITY, PROFIT IS SANITY"**



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# FINANCIAL ANALYSIS

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## Start Up Costs

### *Start Up Costs for Farms*

	200 Acres	1000 Acres
<u>Infrastructure</u>	\$ 37,850	\$ 145,150
<u>Barns &amp; Structures</u>	\$ 118,000	\$ 326,000
<u>Pastures, Field Crops &amp; Buffers</u>	\$ 11,910	\$ 57,875
<u>Equipment</u>	\$ 186,000	\$ 146,000
<u>Start up Capital for First Herd</u>	\$ 101,000	\$ 505,000
	\$ 454,760	\$ 1,180,025

- *Includes cost sharing programs*
- *Some equipment is shared at scale, across 3 farming operations*
- *Working Capital needs on a 5 year model are an additional \$130,000 per farmer (x3). That could be grant funded, or require farmers to contribute their own equity. Grants matching a percent of farmer investment is another option.*



# P&L SNAPSHOT: 5 YEAR PRO FORMA, SCENARIO TIMELINE

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Scenario Description	Add 800 acres to Cotton home farm, investment in scaling up to 1000 acres. Focus on building wholesale relationships. 200 acres in production.	1000 acres working at Cotton home farm.	Investment in 1000 acres. Farmer recruitment. Land preparation for new farm.	2000 acres working, Cotton plus 1 more farmer. Invest in 3rd parcel, recruit and prep land.	3000 acres working in the Musconetcong River Farms model.
# head cattle	\$ 100	\$ 500	\$ 500	\$ 1,000	\$ 1,500
acres of production	\$ 200	\$ 1,000	\$ 1,000	\$ 2,000	\$ 3,000
acres of land purchased	\$ 800	\$ -	\$ 1,000	\$ 1,000	\$ -
acres of land held	\$ 1,000	\$ 1,000	\$ 2,000	\$ 3,000	\$ 3,000
model baseline	scenario 1	scenario 3	scenario 3	scenario 3	scenario 3

\*See financial packet for full expanded version

# P&L SNAPSHOT: 5 YEAR PRO FORMA, CONDENSED, SALES TO NET PROFIT

			Add 800 acres to Cotton home farm, investment in scaling up to 1000 acres. Focus on building wholesale relationships. 200 acres in production.	1000 acres working at Cotton home farm.	Investment in 1000 acres. Farmer recruitment. Land preparation for new farm.	2000 acres working, Cotton plus 1 more farmer. Invest in 3rd parcel, recruit and prep land.	3000 acres working in the Musconetcong River Farms model.
Total Sales			\$ 450,078	\$ 1,364,460	\$ 1,364,460	\$ 2,728,921	\$ 4,093,381
Total COGS			\$ 207,617	\$ 732,456	\$ 732,456	\$ 1,464,913	\$ 2,197,369
GROSS PROFIT			\$ 242,461	\$ 632,004	\$ 632,004	\$ 1,264,008	\$ 1,896,011
			54%	46%	46%	46%	46%
TOTAL OPERATING EXPENSES			\$ 73,267	\$ 62,893	\$ 62,893	\$ 125,786	\$ 188,679
TOTAL GENERAL & ADMIN			\$ 55,781	\$ 35,934	\$ 31,010	\$ 62,019	\$ 85,643
TOTAL LABOR			\$ 143,750	\$ 149,500	\$ 149,500	\$ 299,000	\$ 448,500
TOTAL OVERHEAD			\$ 37,400	\$ 142,887	\$ 142,887	\$ 285,774	\$ 428,660
TOTAL ONE TIME			\$ 18,003	\$ 54,578	\$ 54,578	\$ 109,157	\$ 163,735
TOTAL EXPENSES			\$ 328,202	\$ 438,406	\$ 438,406	\$ 876,812	\$ 1,315,218
NET PROFIT			\$ (85,741)	\$ 193,598	\$ 193,598	\$ 387,196	\$ 580,794

\*See financial packet for full expanded version



# P&L SNAPSHOT: 5 YEAR PRO FORMA, CONDENSED, OPERATING CASH & DEBT SERVICE

- Assumes 400K in grant funding for new farmer start ups to bridge low point in net operating cash flow
- 3 farms on 3000 acres breaks even in year 5, paying on their debt at 6% over 10 years
- Any additional working capital needs to supplement the seasonality of the business would be done via a credit line

			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Total Sales			\$ 450,078	\$ 1,364,460	\$ 1,364,460	\$ 2,728,921	\$ 4,093,381
Total COGS			\$ 207,617	\$ 732,456	\$ 732,456	\$ 1,464,913	\$ 2,197,369
GROSS PROFIT			\$ 242,461	\$ 632,004	\$ 632,004	\$ 1,264,008	\$ 1,896,011
TOTAL EXPENSES			\$ 328,202	\$ 438,406	\$ 438,406	\$ 876,812	\$ 1,315,218
NET PROFIT			\$ (85,741)	\$ 193,598	\$ 193,598	\$ 387,196	\$ 580,794
<b>DEBT SERVICE ON STARTUP COSTS</b>							
	Term Years:	10		\$ -			
Farm 1	Rate:	6%	\$ (128,262)	\$ (128,262)	\$ (128,262)	\$ (128,262)	\$ (128,262)
Farm 2			\$ -	\$ -	\$ (160,328)	\$ (160,328)	\$ (160,328)
Farm 3			\$ -	\$ -	\$ -	\$ (160,328)	\$ (160,328)
TOTAL DEBT SERVICE ON START UP COSTS			\$ (128,262)	\$ (128,262)	\$ (288,590)	\$ (448,917)	\$ (448,917)
OPERATING CASH FLOW			\$ (214,003)	\$ 65,336	\$ (94,992)	\$ (61,721)	\$ 131,876
Investment in 10 year pasture reseeding			\$ 2,990	\$ 14,952	\$ 14,952	\$ 29,904	\$ 44,856
NET OPERATING CASH FLOW			\$ (216,993)	\$ 50,384	\$ (109,944)	\$ (91,625)	\$ 87,020
CUMULATIVE NET OPERATING CASH FLOW			\$ (216,993)	\$ (166,609)	\$ (276,553)	\$ (368,178)	\$ (281,158)
<b>Breakeven Analysis: Net operating positive turns positive in year 5 with 3000 acre model on 5 year scale up</b>							
<b>Assumes 400K in grant or equity funding for new farmer start ups to fund initial operating expenses. Approximately 130K per farm.</b>							

\*See financial packet for full expanded version



# 5 YEAR PRO FORMA FUNDING NEEDS

## Start Up Loans

- Farmers need \$3.3 M in start up loans to fund infrastructure, equipment purchase, and pasture installation.
- In year 1, Cotton's farm scales up to 1000 acres.
- In Year 3 & 4, 2 more farms are entering at 1000 acres each.

## Working Capital

- 400K or 130K per farm, will cover operating losses during ramp up period. Grant funds, matching funds or equity investment from farmers are all options.
- Working capital needs are approximately 100K per farm at scale, which require a line of credit for each farm.

## Land Purchase & Conservation Easement

- Land is assumed at \$11,000 per acre, broken down as \$5000/acre costs of conservation and \$6,000 per acre for purchase of land under conservation easement.
- \$14M in public or nonprofit funds required for conservation easement of first 2800 acres.
- \$16.8M investment via PRI to acquire 2800 acres of land in conservation easement to be mortgaged to Land Company.

			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	
CAPITAL NEEDS FOR STARTUP FARMS' LOANS			\$ 944,020	\$ -	\$ 1,180,025	\$ 1,180,025	\$ -	
WORKING CAPITAL NEEDS TO FUND OPERATING LOSSES			\$ 216,993	\$ 166,609	\$ 276,553	\$ 368,178	\$ 281,158	
WORKING CAPITAL NEEDS TO FUND CASH FLOW			\$ 100,000	\$ 100,000	\$ 100,000	\$ 200,000	\$ 300,000	
			20% Expenses					
CAPITAL NEEDS FOR LAND PURCHASE & CONSERVATION EASEMENT		per acre cost	\$ 11,000	\$ 8,800,000	\$ -	\$ 11,000,000	\$ 11,000,000	\$ -

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# FINANCIAL ANALYSIS

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## Funding Request & ROI



### ***Return on Investment: by the Numbers***

- *At \$6000 per acre, conserved land can be purchased via PRI investment.*
- *When mortgaged to Land Company on a 99 year term, at 1%, the payment per acre is \$96/year.*
- *Land Company leases to the farmers at \$120/acre.*
- *\$24/acre net profit built in for the operating costs of Land Company, \$180K for managing the full 8,000 acres.*
- *99 year lease model allows farms a pathway to start up loans.*
- *1% mortgage pays back PRI with interest.*

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# FINANCIAL ANALYSIS

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## Funding Request & ROI



### ***Return on Investment: Project Strategy***

- 1. Create a pathway to purchase and conserve land along the scenic watershed*
- 2. This leads to long term environmental benefits*
- 3. Generational wealth for farmers is built - slow money concept creates wealth for 3+ generations*
- 4. The next wave of farmers comes back to the region via a living wage model that practices sustainable, conservation minded agriculture*
- 5. Funding organization achieves return on endowment at 1%, with triple bottom line fringe benefits, and a land asset backing the investment*

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# FINANCIAL ANALYSIS

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## Funding Request & ROI



### *Project Value Proposition for Funders*

- *Using endowment for a mission aligned project focused on watershed conservation, habitat preservation, and local economies.*
- *Asset backing the investment of the endowment.*
- *Project is funding a business with the ability to pay back the investment*





***Questions? Get in touch!***

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**THANK YOU!**

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