

Center for Dairy Excellence

“Mastering the Dairy Business” Conference Call

Michael Boehlje

Center for Food and Agricultural Business

Purdue University

Thinking Like a CFO:
Managing the Risk-
Capturing the Reward

The Agenda

- ▣ The Business Climate
- ▣ Thinking Like a CFO
- ▣ Strategies for Success

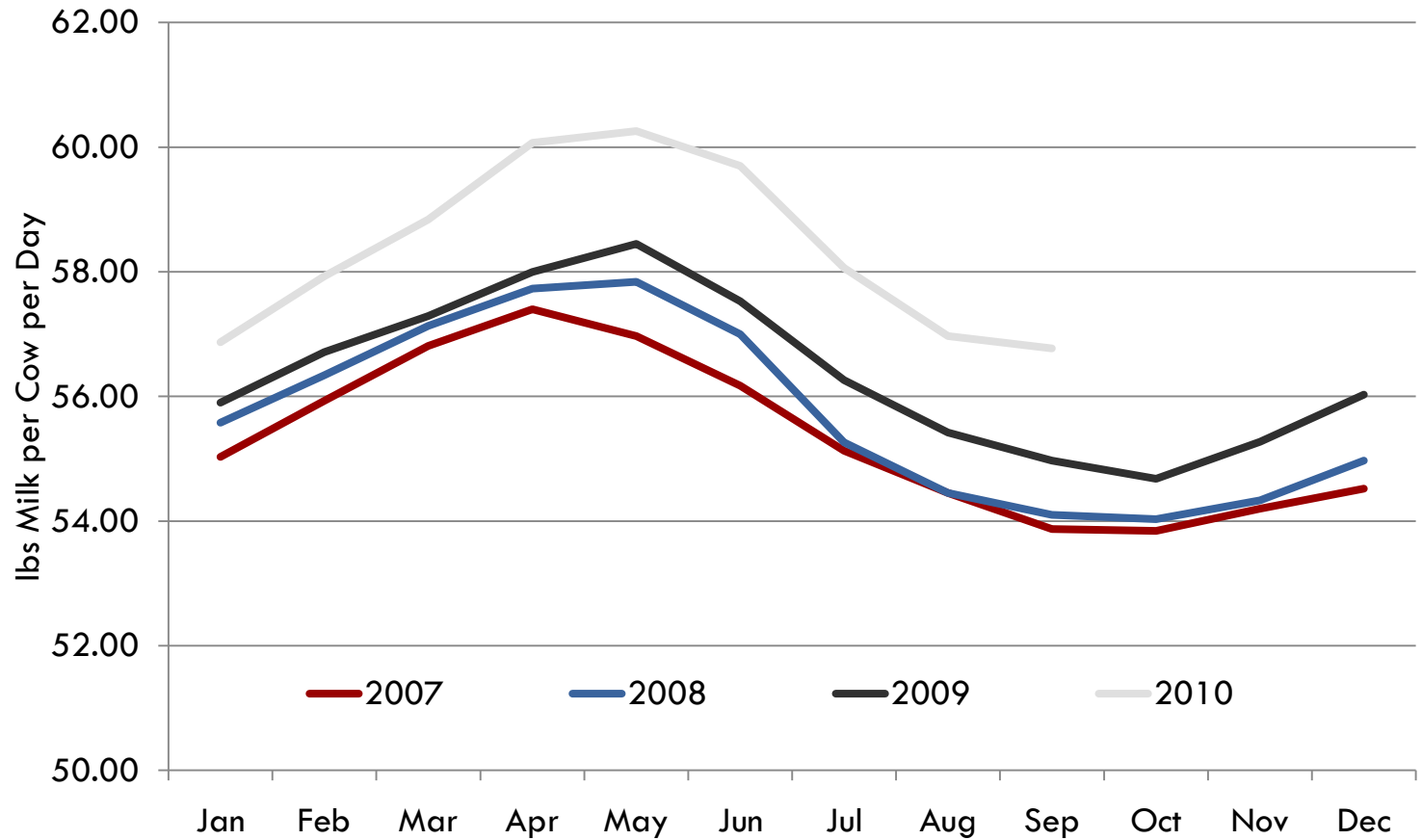
The Business Climate

- ▣ Continued weak U.S. economy

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- ▣ Continued weak U.S. economy
- ▣ Increased milk supplies

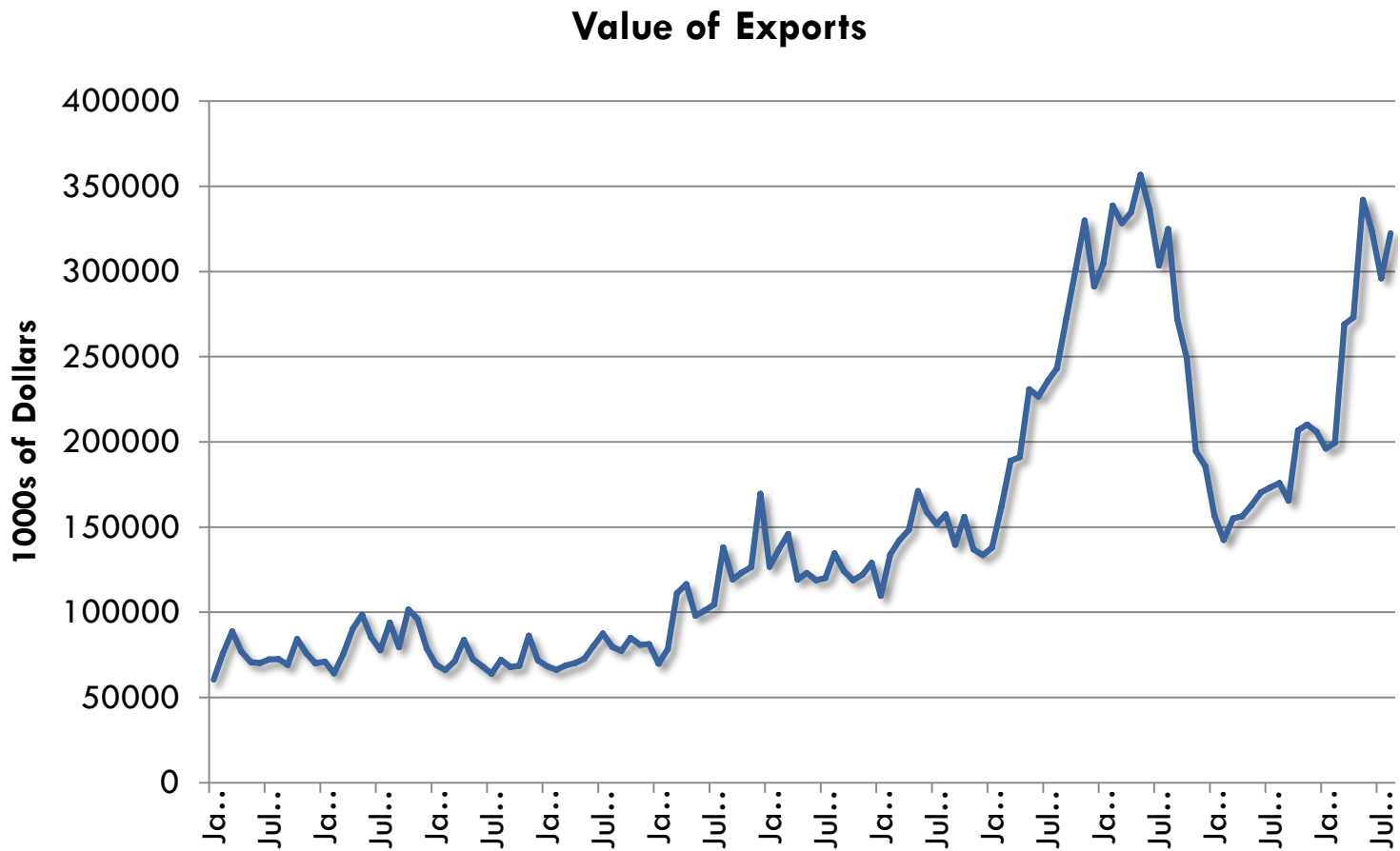
Milk per Cow



The Business Climate

- ▣ Continued weak U.S. economy
- ▣ Increased milk supplies
- ▣ Export potential

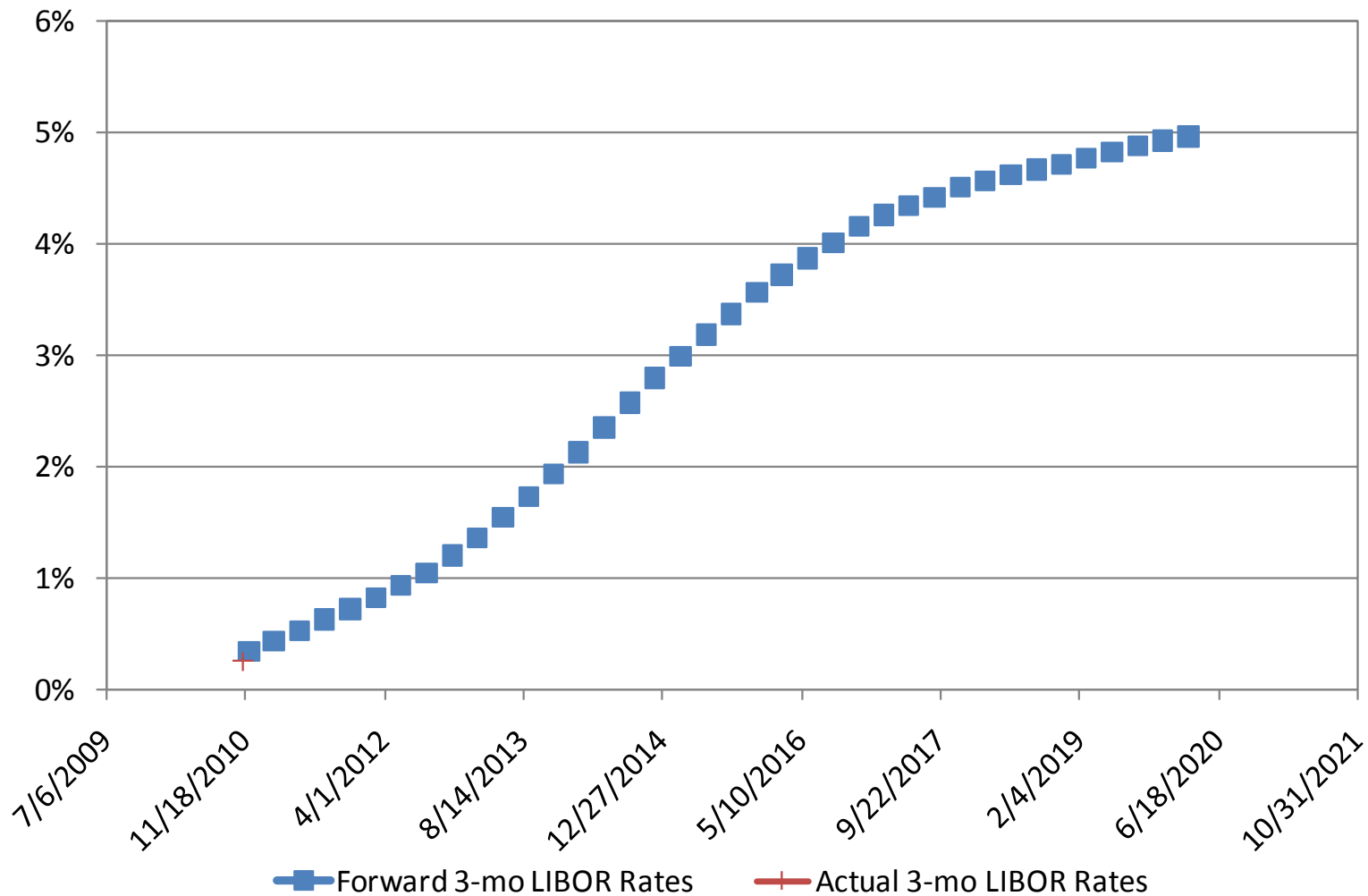
Dairy Exports are Strong



The Business Climate

- ▣ Sharply increased feed costs
- ▣ Weather and productivity
- ▣ Increased margin volatility
- ▣ Higher interest rates eventually

Forward 3-mo LIBOR Rates as of 11/9/2010



Five Key Financial Performance Areas

- ▣ Profitability
- ▣ Capital Structure and Debt Service
- ▣ Size and Growth
- ▣ Risk and Financial Documentation
- ▣ Creating Shareholder Value

Profitability

- ▣ Is the business profitable?
 - ▣ Operating profit margins
 - ▣ Asset turnover
 - ▣ ROA (return on assets)
 - ▣ Leverage/financial structure
 - ▣ ROE (return on equity)

Capital Structure and Debt Service

- ▣ Total Financial Resources
 - ▣ Liquidity?
 - ▣ Leverage and debt/equity structure
 - ▣ Cash flows and debt service
- ▣ Cost of Capital
 - ▣ Interest rate
 - ▣ Dividend payout
- ▣ Relationship with Financial Stakeholders
- ▣ Tax considerations and Management

Strategies for Success

- ▣ Protect margins
- ▣ Buy crop insurance
- ▣ Fix interest rates
- ▣ Deleverage
- ▣ Be conservative in bidding/buying
- ▣ Hold financial reserves
- ▣ Slow growth/fund with equity