

Feasibility Plan

Situation Overview:

- A. *Why did the farm need a feasibility study?* We needed a feasibility study because our lenders required it to consider lending us money for our new facility. Without completing the plan, the construction projects would not have received approval or funding from the bank.
- B. *Where did the farm turn for help in developing the plan?* To develop a feasibility study, we turned to Pennsylvania Farm Bureau for help.
- C. *What peripheral resource people did the team use to build the plan?* Within Farm Bureau, our major resource person was Lee Wenger.

Challenges and Opportunities:

- D. *What challenges, if any, developed during the feasibility study process?* At the completion of the first draft of the study, it incorrectly reflected the number of cows that the farm planned in its expansion. We had to develop a second study, with updated cow numbers, for approval.
- E. *How did the team overcome those challenges?* After realizing the problem with the original study, we worked with Mr. Wenger to correctly reflect the planned expansion. When those changes were made, the study was more readily accepted by lenders and others on the Transformation Team. As this updated study was being completed, we learned to stay actively involved, to catch any further issues or misunderstandings.

Actions:

- F. *What are the key components to the feasibility study?* The components included looking at the past history, current production and future plans for the farm. All facets of the farm, including cropping, milk production, internal herd growth, commodity prices and labor costs were considered for the study.
- G. *Approximately how much did the feasibility study cost?* Approximately \$3,000.

Feasibility Plan...continued

Results:

I. *How did the feasibility study help the farm move forward and make better decision?* At the completion of the study, we were given the green light to go ahead with our planned expansion and manure separator. If a feasibility study revealed that the expansion was not practical, the project would have ended.

J. *Did the feasibility study reveal any surprising information about various scenarios?* The study showed the impact of low and volatile milk prices and how the farm business would perform if prices dropped again, in the future. Different scenarios also gave a sense of payback schedule, if expansion costs increased or decreased for the project and business profitability.

K. *What might you have done differently in regards to the feasibility study?* The bank required a feasibility study to move forward. In hindsight, we should have pushed and considered more detail on feed costs with the planned number of cows. We were more focused on milk prices, and we probably should have focused on feed costs. Feed jumped dramatically in our first year. We had looked at very low milk price, but not very high input costs. It really impacts our cash flow.

