

Ways to Improve Cash Flow...

(especially in tough times)



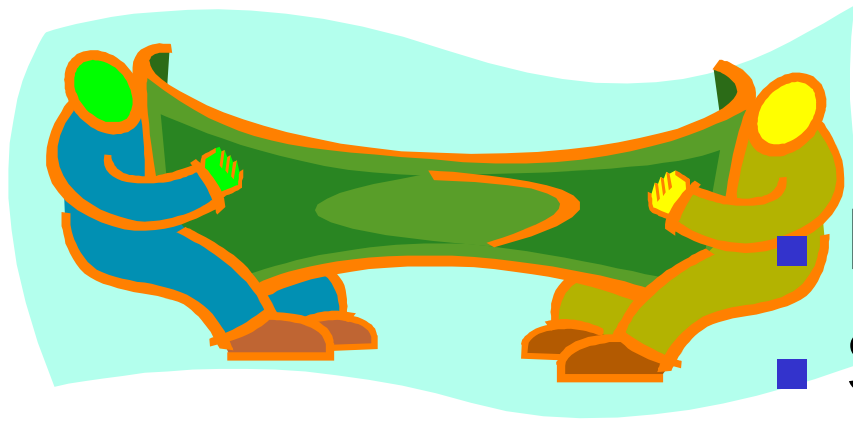
ST – Get Lender Involved

- Don't hide from reality
- Part of normal business cycle
- Draw on their expertise
- Proactive positioning/tone





ST – Financial Restructuring



- Rest principal payments
- Stretch/Balance Terms
- Additional Operating
- Manage A/P



ST - Protect Ca\$H

- No capital expenditures (other than cows) with < 4-6 mo. Payback
- Work the right accounts payable
- Weekly milk checks



ST – Find Efficiency Leaks

- LABOR!
- Feed
- Animal Health
- Bedding
- Breeding
- Anywhere!
- Everywhere!




ST – Enterprise Analysis

- Milking: Keep barns full if covering variable expenses
- Cropping: Critically evaluate costs and (especially opportunity cost of capital investment) & seek more efficient alternatives
- Heifers: Move off-balance sheet to create working capital



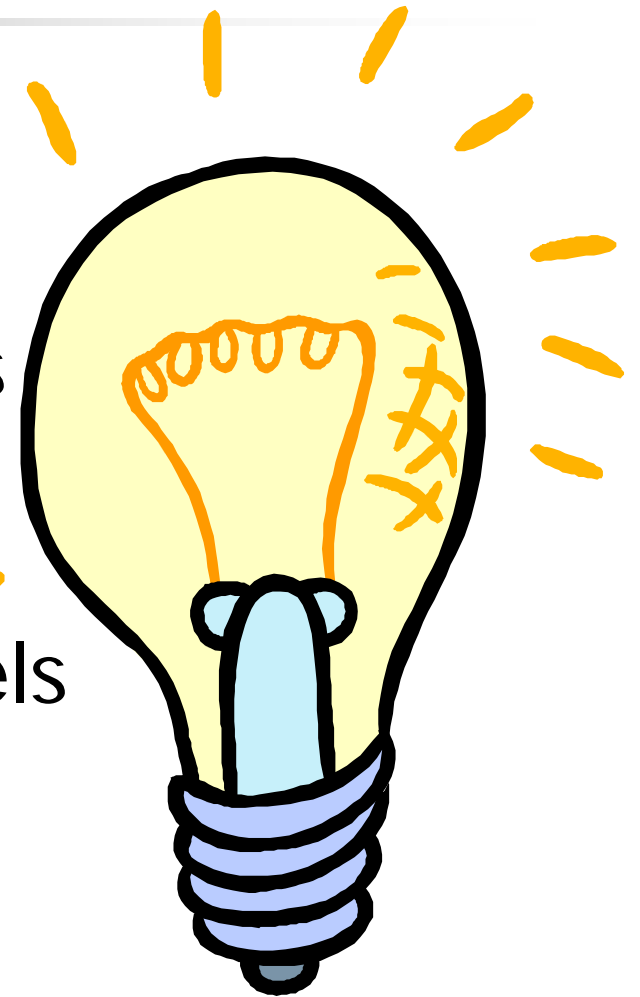


LT – Price Risk Mitigation

- Less than 10% of all U.S. milk is price protected at time of sale
 - Start-Up and recently expanded dairies are at greatest market risk
 - Must use a program approach
 - Must know own costs and understand market fundamentals
 - Give up the highs!
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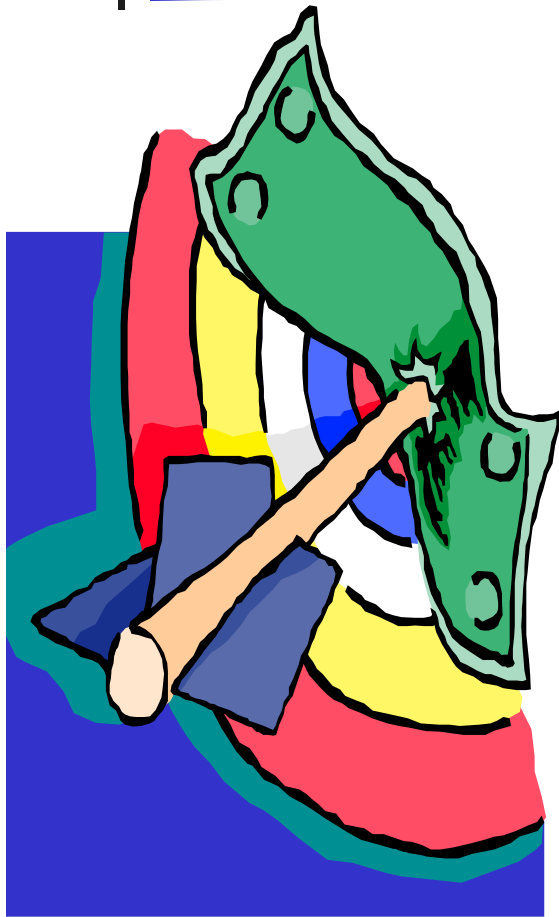
LT – Budget/Benchmark

- To compete, must understand financials
- Understanding industry norms and top performance helps identify gaps in their own production and financial models
- Can't fix what you don't recognize as being broken





LT – Maximize Capital Efficiency



- Capital Efficiency is becoming increasingly important as consolidation continues
- Invest in areas of greatest competitive advantage
- Diversified investment constrains growth in higher-return enterprise(s)