

Potential Revenue and Expenses

Production Potential

Based on herd goals established by _____ (source of milk):

_____ number of cows/goats/sheep at _____ # of milk produced/day for _____ days in the proposed lactation = _____ lbs milk produced total. (see the spreadsheet on breed averages if you do not have herd data)

With most cheeses at between 9-16% yield (average 12%), maximum production of cheese based on maximum milk produced on the farm is: _____ # cheese.

If you fell in love with or found a piece of equipment at a price you think is great, you can look at this from the perspective of Plant Capacity.

Based on capacity of existing _____ gal. vat with cheese processed _____ # days/ week:

_____ gal vat * 8.6# of milk = _____ # batch * _____ batches/week = _____ # milk/wk

_____ # milk/wk * 12% = _____ # cheese

_____ # cheese * _____ weeks/yr you plan to process = _____ # cheese per year.

Yields

Most recipe books tell you what the estimated yield is. This is based on an animal with average components (Holstein). To be conservative, it is a good idea to use those figures. With many heritage breeds, those yields are far higher. Do not dream when you are talking to the bank. When in doubt, assume 9% yield. For ice cream, you will be adding air. This will determine how many packages you are making. Milk, yogurt, keifer and like products will be one for one. This means 1 gal of milk makes 1 gal of product.

Revenue

This is based on packaging size, retail price, distributor price, wholesale price, etc. You can break out various price points to assess viability based on those assumptions. Generally, retail and wholesale with total revenue based on a % of retail sales and a % of wholesales.

Packaging

Commonly dairy products are sold in a rather standard packaging. Milk in plastic jugs, glass bottles or cardboard, for example. To know what to use, go to your local grocery store. Find what you like and turn the package over. In most cases the name of the place that made to package is there. Look them up and find the distributor in your area. Understand:

- It is cheaper to buy from a distributor. You will, however absolutely kill your cash flow because minimum orders are often totally large. This is a good thing to write a grant for... a trailer load of packaging...
- It costs more per package, but it is better for cash flow to buy packaging from large

processors. Plastic bottles, for example can be purchased from the “big guys”. Go the IMS list on line to find a bottle maker near you. (Hood, Byrne Dairy, Quality Containers/Deans Foods).

- Apple Cider, Juice or other like industries are also sources of packaging
- Understand the size/price point that your customer will typically purchase your product. At one Farmer's Market it may be a \$6-piece, and at another it may be \$4-piece. With cream cheese, can you sell a 6-oz. retail tub, or are most recipes 8-oz.?
- If you like that 8-oz. plastic tub, how much of your product can you fit into it? It is VERY important to figure out before you order 30,000 labels and packages...Most plastic manufacturers will send samples to you.
- ALWAYS figure cost of shipping/transportation in the packaging cost.

Labels

There are a number of places that will help with labels. You can also start with printing labels off your computer in most areas.

- Make sure they are water proof.
- FOLLOW the law when it comes to information on the labels.
- Keep the information on the label to the bare minimum. This is especially important because you have to prove claims made on the label. “Organic”? You better be NOP and certified. “Low fat?” You better follow standards of identity. “High protein”? May mean nutrition labels and a lab report...
- Most label printers have design staff that may be cheaper than a graphic designer. They also have a good idea of the content needed to meet legal needs.
- Always consider design, printing, and postage in your cost.

Milk

In previous sections you should have determined what you need to pay yourself for the milk. It is important to have the processing plant pay the dairy so that you can track profitability in all enterprises. Milk is also spoken of in pounds, hundredweight, and gallons. In some cases this will be a liters, pints, and quarts. For example: you pay dairy \$20/hwt means you pay them \$20 for 100lbs of milk. 100lbs of milk /8.6lbs per gal means that you paid \$20 for 11.63 gal of milk.

Labor

In the previous section we reviewed the importance of making time for this endeavor. Time is important. Do you have the time to make this successful? What are you going to make and how much time (per batch)? Remember to consider:

- Transportation of milk from cool storage/milking system
- Pasteurization
- Cheese/Product make
- Packaging
- Aging
- How much does that person make per hour (yourself included)?

When doing financials you will tend to look at before labor and with labor net income.