My Farm

Maple Financial Analysis

Prepared: July 30, 2014

Report For: January 1 2013 – December 31st 2013

Contents

Introduction

This report is based upon information provided by Norman Sweetright, owners of My Farm. Financial data was collected by UVM Extension outreach educators through farm visits and subsequent phone/email communications to correct details.

This report is part of a larger Maple Business Benchmark project. This specific report is confidential and is shared with the business owners only. Certain financial measures and management aspects of this operation will be anonymized and combined with records from other producers. The anonymous data will be used to create ranges of observed performance for important financial and production metrics. When the aggregate benchmark reports are available each producer will be able to compare their own performance against ranges of observed results from the entire group.

All producers are invited and encouraged to participate for multiple years. The highest value from a benchmark program is realized when an owner can benchmark their performance "against" themselves by observing "trend analysis" over time. Trend analysis will demonstrate which indicators are moving up, down or staying the same from year to year.

Notes:

1. This analysis does not include the cost or values associated with real estate. Any reported indicators on Profit or Net Income must be interpreted as returns to any real estate costs and owner management.

Definition of Terms

Cost of production was calculated by adding annual variable costs, fixed costs and annualized depreciation costs for capital assets used by the business. Certain fixed expenses, capital assets and depreciation have been pro-rated (based on owner input) to reflect how much of this expense is assigned to the "maple enterprise" versus other business/farm activities. Depreciation cost is obtained by dividing the purchase price of capital assets by an average life span. No consideration is given to depreciation taken for tax purposes.

Operating Expenses: These are the expenses (variable and fixed) associated with annual operation of the business. Operating expenses includes interest payment associated with debt service. Operating expenses do not include the following "capital activity" items: principal portion of debt payments (cash expenses), capital expenses (cash expenses) or depreciation (non-cash).

Intermediate Assets: Equipment, machinery and other items that have a useful life of more than a one year.

Break Even Price Per Unit: This calculation uses historic costs and the most recent year production volume to indicate a price charged per unit that will cover all costs. Owner draws/returns to ownership are not included in this calculation this year.

Break Even Units: This calculation uses historic variable costs and identifies the production level at which all variable and fixed costs are covered. Depreciation is included as a fixed costs. Owner draws/returns to ownership are not included in this calculation this year.

Information from Questionnaire

Production

	Taps	Production (gallons)	Gallons Per Tap
2012	5,100	1,025	.20
2013	6,650	2,850	.43

Marketing

Market	2013: % of annual syrup sold	2012: % of annual syrup sold	Ave Price (per gallon)
Bulk	80%	-	$2.75 per lb. or $30.41 per gallon
Wholesale	0%	-	-
Retail on Farm	20%	-	$5.00 per lb or $55.30
Other Retail	0 %	-	-
Valued Added	0 %	-	-

Financial Analysis

Sales

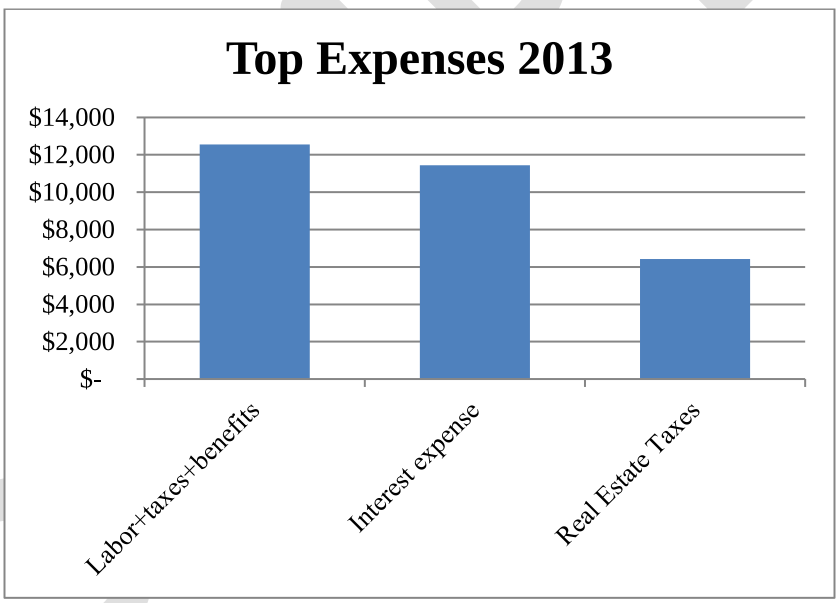
	2012		2013		per gallon	per tap	per Acre
	$	% of SALES	$	% of SALES	per gallon	per tap	per Acre
TOTAL SALES			$ 101,044	100.0%	$ 35.45	$ 15.19	$ 808.35
Accrual Adjusted--Production Based Income			$ 103,873	102.8%	$ 36.45	$ 15.62	$ 830.98

a) Sales per gallon: **<u>$35.45</u>** shows the average price received for all cash sales combined at the end of the year.

b) Accrual Adjusted Income per gallon: **<u>$36.45</u>** shows the average price received when we combine cash sales at the end of 2013 plus the value of remaining inventory on hand.

c) Sales per Acre: **$808** (cash basis) or **$830**(after inventory adjustment) can be used to evaluate the ability to generate sales from the land used for sugar production.

Top 3 Cash Expenses



NOTE: Depreciation and Unpaid labor are not "cash expenses" and are not included on the "Top 3 Cash Expenses" figure. They are included in the table below for comparison.

Expenses	2013 Total	Percent of Sales	Per Gallon	Per Tap
Variable Costs	$ 42,211	42%	$ 14.81	$ 6.35
Fixed Costs	$ 23,222	23%	$ 8.15	$ 3.49
Annual Depreciation	$ 21,165	21%	$ 7.43	$ 3.18
Unpaid Labor	$ 13,662	14%	$ 4.79	$ 2.05

Depreciation is a significant cost for this business. The business is currently profitable (see "Profitability" below) and able to cover the cost of depreciation.

Cost of Production Analysis

Cost of Production (COP)

	2013 Total	Per Gallon	Per Tap	Per Acre
Production Based/Accrual Adjusted COP	$ 65,433	$ 22.96	$ 9.84	$ 523.46
Production Based/Accrual Adjusted COP with Depreciation	$ 86,598	$ 30.39	$ 13.02	$ 692.78
Production Based/Accrual Adjusted COP with Depreciation & Unpaid Labor	$ 100,260	$ 35.18	$ 15.08	$ 802.08

The cost of production analysis presents three metrics of accrual adjusted cost of production (COP). Accrual adjustments factor in adjustments for accounts receivable, accounts payable and changes in inventory. This report shows 3 COP calculations: 1) COP before depreciation and unpaid labor, 2) COP with depreciation on intermediate assets and 3) COP with depreciation and unpaid labor charged at $18 per hour.

Annual depreciation was calculated by grouping similar assets, assigning a standard life expectancy and then dividing total purchase price by lifespan to obtain an annualized cost. For the purpose of this report the age of the asset and it stage of depreciation were not factored in, all assets are treated the same and a cost is associated with each regardless of whether it is beyond its expected lifespan. Salvage values were not included in this analysis.

This operation demonstrates a "fully loaded" COP of **$35.18 per gallon** compared to average sales of **$35.45 per gallon** on calendar year cash basis or **$36.45 per gallon** in adjusted income (due to changes in inventory). (see following sections on "Profitability and "Break Even"). Cost of production is very close to income.

Investments

INVESTMENT	TOTAL	Per Tap	Per Gallon	Per Acre
Intermediate Assets	$ 186,550	$ 28.05	$ 65.46	$ 1,492
Long Term Assets [1]	$ 91,000	$ 13.68	$ 31.93	$ 728
Total	**$ 277,550**	**$ 41.74**	**$ 97.39**	**$ 2,220**

[1] Does not include value of real estate, long term assets includes only buildings and improvements

Break Even Analysis

Break Even Units: **2,150 Gallons** (this is based on cash expenses plus depreciation, the value of unpaid labor is not built into this calculation)

Given the current cost structure, production level above **2,150** gallons per year would increase profits earned to the business and owners. This was the experience in 2013. Production below **2,150** gallons would result in financial losses for the business. Break even must be re-calculated every year and it provides and outlook on the how this business will be impacted from the unpredictability of maple yields.

Break Even Price Per Gallon: **$30.39** (at 2013 production level)

Profitability (Net Returns to Owners before Real Estate)

	2013	Percent of Sales	Per Gallon	Per Tap	Per Acre
Net Farm Income (Accrual Adjusted--Production Based Income, less Depreciation & unpaid labor)	$ 3,613	3.6%	$ 1.27	$ 0.54	$ 28.90

In 2013 this business demonstrates the ability to cover all expenses, including depreciation, value of unpaid labor and still retain a profit. This analysis does not include any capital payments on real estate. Any profits show would then need to be applied to real estate ownership costs.

Summary Table: not included in this sample report