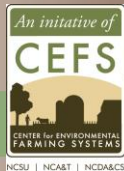


TARGET DAIRY FARM*-- YOGURT FEASIBILITY STUDY



NC GROWING TOGETHER

*Connecting Local Foods
to Mainstream Markets*

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*pseudonym



TARGET DAIRY FARM

Target Dairy is a family owned and operated farm located south of Burlington, NC. The dairy bottles fresh non-homogenized, old-fashioned cream top milk.

The dairy is one of the few producer/processor dairies in the state. The 70 cows on the farm spend the day roaming green pastures and are individually cared for by the owner, his family and employees. The dairy's milk is currently sold at a local co-op grocery store.



STRENGTHS

- Unique product offering
- Existing equipment and production can be reused
- Good established partnerships

OPPORTUNITIES

- Growing demand for locally produced foods
- Randy Lew as a strong brand image
- New regulations on yogurt production



WEAKNESSES

- Financial limitations
- Small labor force
- Weak distribution channels

THREATS

- Regulation and quality control issues
- Competition from other local producers

MARKET ANALYSIS AND KEY FINDINGS

- The local food market is worth \$7 billion at retail
- The local food movement is growing at an estimated 13% per year
- 70% of consumers are willing to pay a premium for locally-produced food



FINANCIAL ANALYSIS TOOL

FINANCIAL CONCLUSIONS

- The Net Present Value for this project is an estimated \$83K
- Internal rate of return is 12%
- Profitability index is 1.29

ASSUMPTIONS

- Selling price of \$8.47 per gallon
- Initial investment of \$50k
- Annual sales increase of 15% per year
- One additional employee working on minimum wage
- Starting production of 20,000 gallons of yogurt in the first year



RECOMMENDATIONS

- Invest in production for yogurt from non-homogenized milk
- Expand upon already-installed production process and equipment
- Invest only in: new trailer, cooling system, second vat and packaging machine
- Distribute through wholesalers to restaurants and specialized markets
- Sell in batches of 5 lbs tubs
- Apply for the USDA Value -Added Producer Grants



SUMMARY

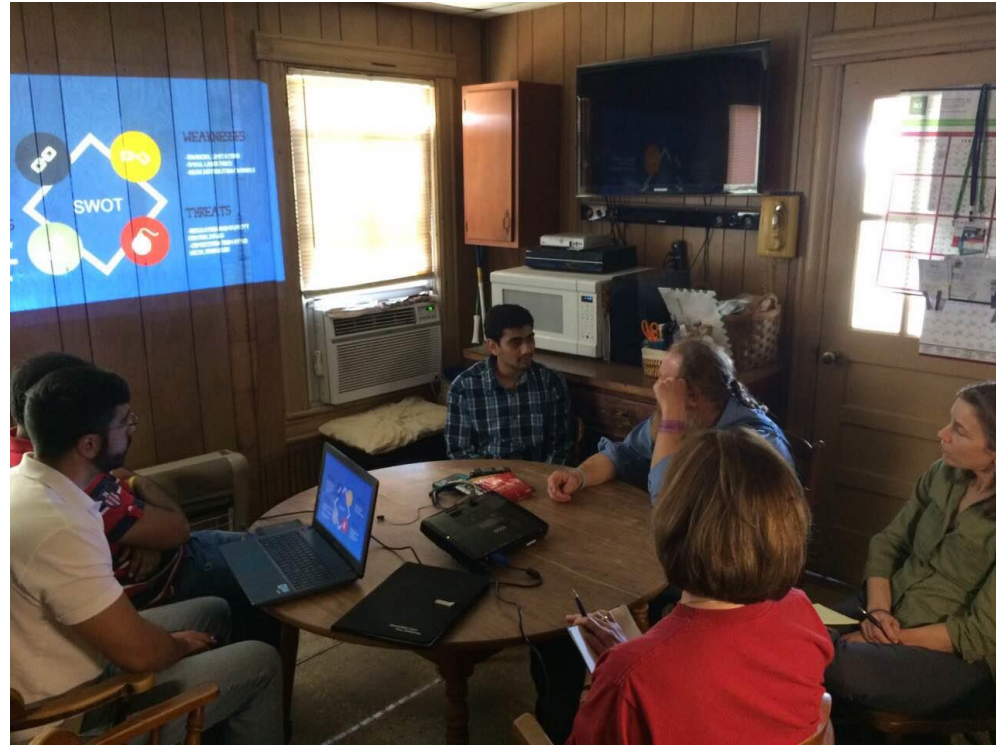
The owner now has:

The information he needs to make an educated choice on his product diversification strategy

A tool with which he can execute “what if” scenarios based on several factors

Insight into potential markets and partnerships for distribution channels

The backing and support of the NCSU food, bioprocessing and nutrition sciences for his future endeavors



SPECIAL THANKS

Dr. Rebecca Dunning - Project and Research Coordinator, NC Growing Together.

Gary Cartwright - Director, Dairy Enterprise System, North Carolina State University

Dr. Robert Handfield - University Distinguished Professor of Supply Chain Management,

Lawrence Willard - Executive Chef for Southern Foods

Betty Minton & Bill Collins – Practicum Advisors

The owner of Target Dairy Farm.



QUESTIONS?

