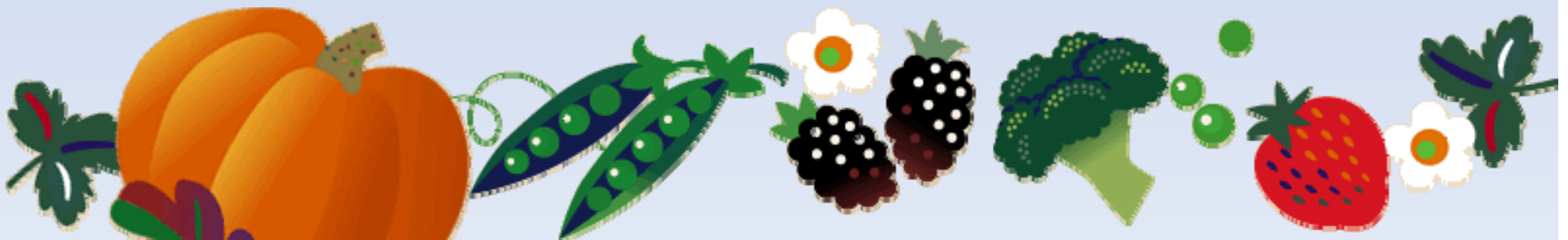




Strategic Analysis: Stahlbush Island Farms, Inc.

Jennifer Twyman Nunez
Matthew Jude Salois



Background



1985 1989 -
1990

1998

2003

Today

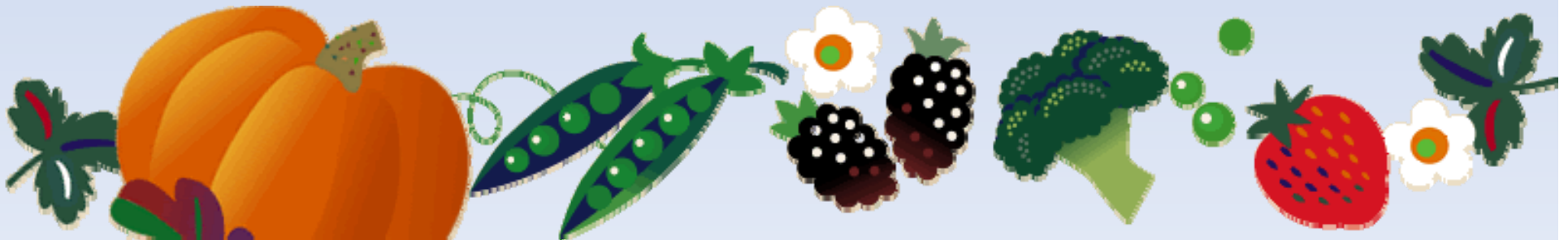
Business Objectives

A bald eagle is shown in flight, its wings spread wide, against a clear blue sky. The eagle is positioned diagonally across the frame, with its head pointing towards the bottom left and its tail towards the top right. The feathers on its wings are detailed, showing a mix of brown and white. The eagle's talons are visible, pointing downwards.

- Continue growth at the needed pace to keep up with market opportunities...
- ...without being stopped by ever tightening constraints at Stahlbush Island Farms, Inc.

Mission Statement

Stahlbush Island Farms is an environmentally friendly farm & food processor committed to sustainable agriculture and exceptional quality.



Framework

- Firm Goals
 - Grow dramatically but cautiously
 - Debt free in four years
 - Create an agricultural legacy
- Firm Challenges & Constraints
 - Cannot find product to match demand
 - Cost of land
 - Production line nearing capacity

Core Values & Culture

- Customer
- Quality
- Sustainability
- Innovation
- Safety
- Integrity

Achieve our mission through
commitment to core values

Projects must fit the core values
& company goals





Decision Criteria

- Commitment to Core Values
- Build a Legacy
- Financial Considerations
 - Contribute to fixed costs (lower average costs)
 - Debt-free in 4 years
 - 15% rate of return
 - 1 or 2 year payback

Farm Financial Analysis

Summary of Key Ratios & Benchmarks

Ratio (2006 Figures)	Stahlbush	Green Zone	Yellow Zone	Red Zone
Current ratio	1.31	>1.50	1.00 to 1.50	<1.00
Debt Asset Ratio	0.64	<0.30	0.30 to 0.55	>0.55
Debt Payout	6.34			
Operating Expense Ratio	0.78	<0.65	0.65 to 0.80	>0.80

Adapted from Kohl & Wilson (1997)

- Possible indication of high debt levels
- Net Income must grow to meet 4 year goal
- High operating expenses

Industry Analysis

- Retail of Frozen & Canned Fruits & Vegetables
 - Nutrition & Health
 - Convenience
 - Sustainable/Environmentally friendly movement
- Industrial Ingredients
 - High quality inputs
 - Nutritious inputs
 - Sustainable inputs



STRENGTHS

- High Quality Products
- Certified Organic & Sustainable
- Vertical Integration = Quality Control & Increased Profits

OPPORTUNITIES

- Consumer Trends
- Struggling Commodity Market
- Expand into Grocery Stores

SWOT: Retail Sales

WEAKNESSES

- Low Market Share
- Availability of Resources (land, processing facilities)
- Internal Competition for Resources
- No Signed Sales Contracts

THREATS

- Fresh fruit and Vegetable Markets
- Competition (Domestic & Global)
- Land Costs
- Shortage of Skilled Workers

ROI Analysis: Retail Sales Project

Cost Assumptions

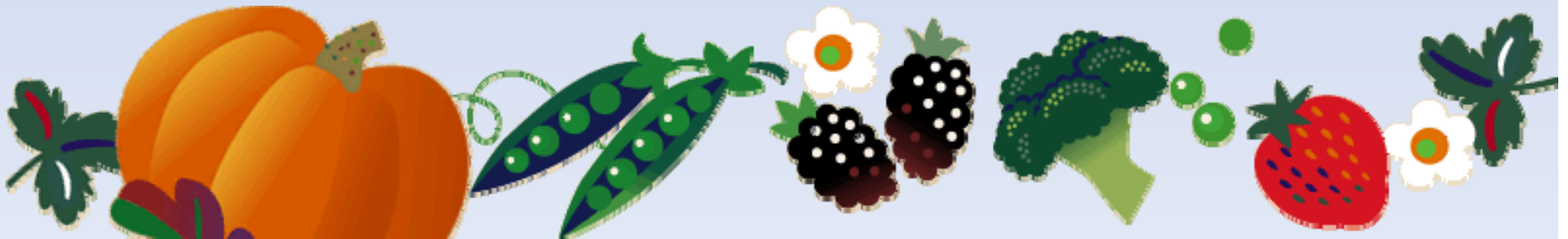
- Need at least 1,000 acres
- Land cost between \$6,000 – \$12,000 / acre

Revenue Assumptions

- Increase Retail Sales by 30%

Negative ROI

- Cost of land exceeds sales increase



STRENGTHS

- High quality product
- Certified Organic & Sustainable
- Traceability
- Sales Contracts

OPPORTUNITIES

- Asian baby food market
- Potential partner
- Struggling Commodity Market = Potentially more contracted producers

SWOT: Industrial Ingredients

WEAKNESSES

- Availability of resources (land, processing facilities)
- Internal competition for resources

THREATS

- Availability of skilled workers
- Land costs

ROI Analysis: Industrial Sales

Cost Assumptions

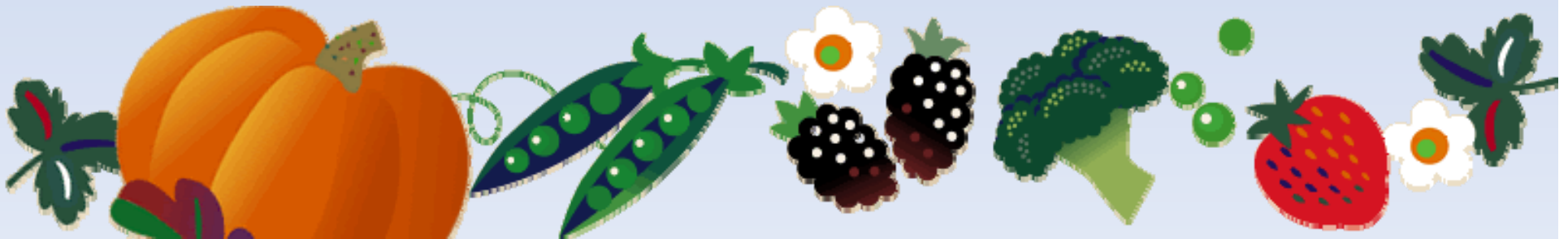
- Need at least 300 acres
- Land cost between \$6,000 – \$12,000 / acre

Revenue Assumptions

- Increase Industrial Sales by 30%

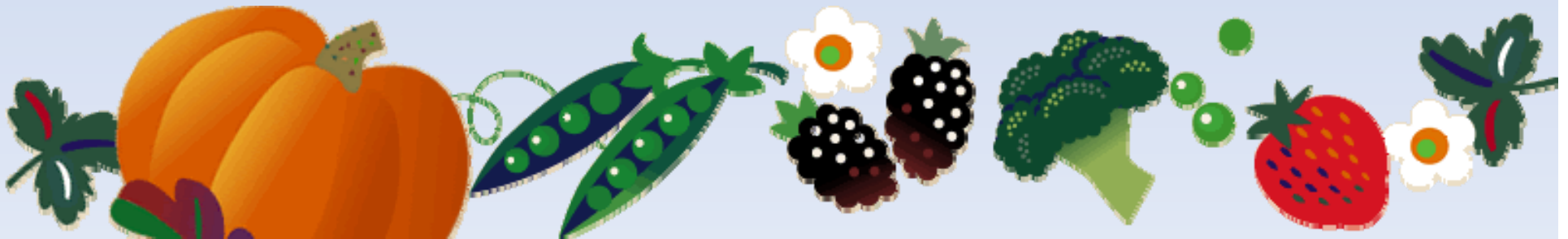
Possible ROI

- 19% if land acquired at lowest price



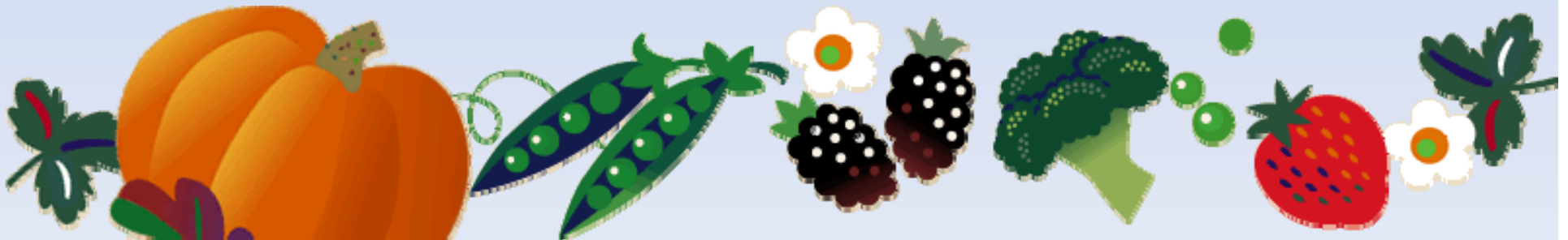
Retail Expansion Considerations

- No sales contracts
- Not enough processing facilities
 - Investors: Risky, Lose too much control
 - Partner: None identified
- Another option: Sell Farmer's Market line



Other Options: Not Consistent with Mission & Values

- Food Service Industry
 - Moves away from foundation on which business was built: industrial ingredients.
 - Would not have signed sales contracts.
- Machine Shop
 - Not food production or processing.
 - Could sell rights & reinvest profits.
 - Use investors to fund such a business.



Strategic Direction

- How does Stahlbush continue growth at the needed pace to keep up with market opportunities?
 - Improve net income and sales by increasing sales of industrial ingredients.
- How does Stahlbush accomplish this without being stopped by ever tightening constraints?
 - Take on a partner with mutual commitments.

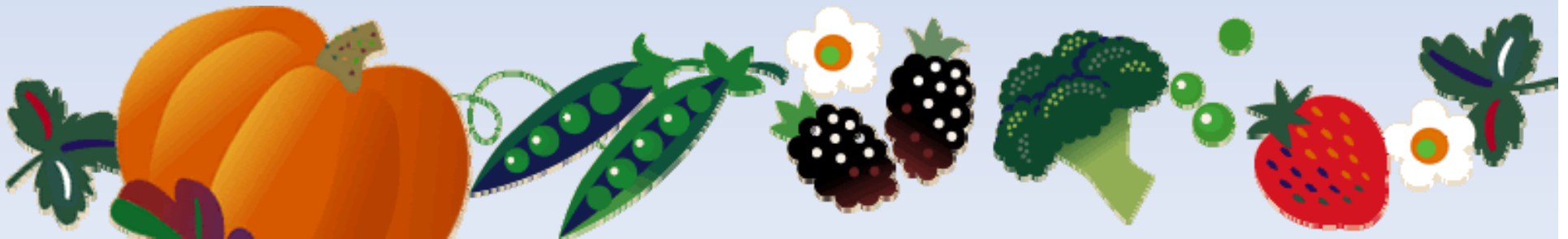


Strategic Recommendation

- Enter Asian baby food market with partner,



- Why is this a good fit?
 - What does it mean to current operations?
 - How does this change the future of the company?
- Must have a plan & consider implementation issues.

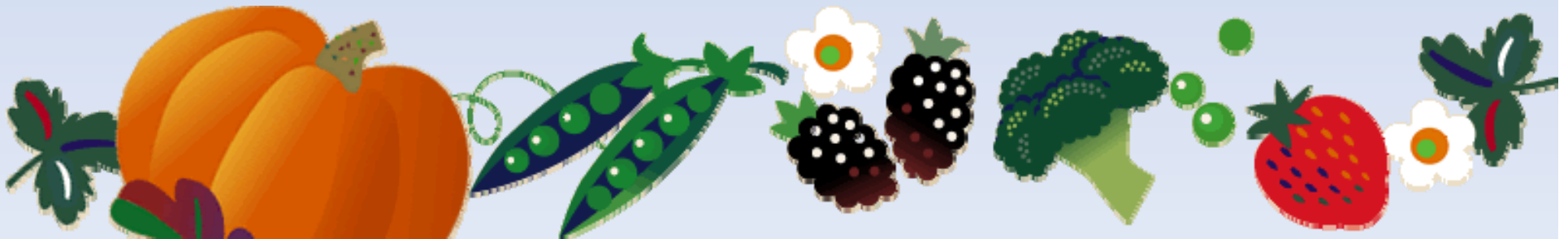


Implementation: Strategy Plan

	Ajinomoto	Stahlbush Island Farms
Contributions:	Processing Facility	Management & Product
Incentives:	Product & Profit	Processing Facility
Control:	Facility	Production

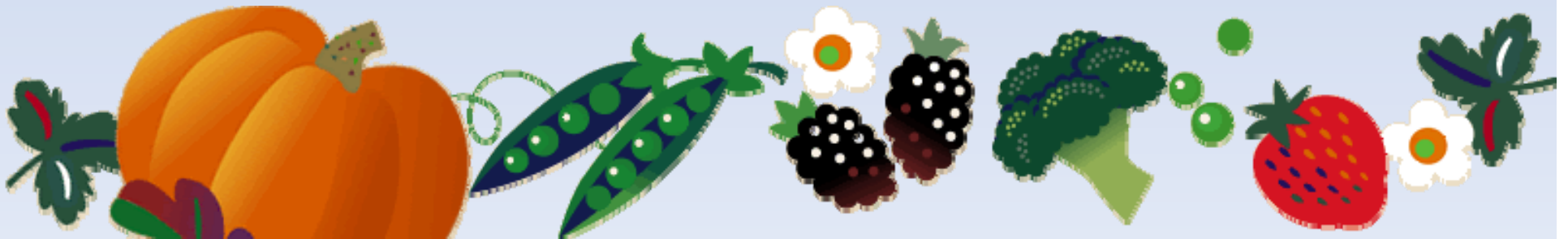
Implementation Issues

- Exploiting Strengths & Opportunities
 - Quality, Traceability, Contracted sales
 - Asian baby food market, Contracted producers
- Defusing Weaknesses & Threats
 - Availability of resources, lack of knowledge
 - Competition, land costs, worker shortages



Conclusions

- For Stahlbush to see cautious & continued growth, it should focus on its core business
 - Industrial Ingredient Sales
- For Stahlbush to not be confined by ever tightening constraints, it should engage a partner with similar values
 - Ajinomoto





References

- 1) Ajinomoto. www.ajinomoto.com. Accessed July 16th – 27th, 2007.
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- 3) IBISWorld Industry Report (2007). "Fruit & Vegetable Canning, Pickling and Drying in the US: 31142." IBISWorld, Inc. www.ibisworld.com
- 4) Johnson, Aaron J. and Peterson, Christopher H. (2007). "Stahlbush Island Farms, Inc.: Innovation and Growth in Sustainable Food Products." Case Study. AAEA Annual Meeting, July 29 – Aug 1, 2007: Portland Oregon.
- 5) Kohl, David & Troy Wilson (1997) Understanding Key Financial Ratios and Benchmarks. Northwest Farm Credit Services, Business Tools Bulleting, Spokane, Washington.
- 6) Stahlbush Island Farms. www.stahlbush.com/. Accessed July 16th–27th, 2007.
- 7) Wysocki, Allen F. & Ferdinand F. Wirth (2001) Strategic Marketing Management: Building a Foundation for Your Future. EDIS Document FE 299, Food & Resource Economics Department, IFAS, UF.