Executive credit summary

Expansion term loan review

Credit judgment: decline the $1.5 million expansion loan as structured. Invite a smaller or more equity-funded proposal after it demonstrates sufficient repayment and seasonal liquidity.

The fictional 650-cow dairy proposes a $2 million expansion, funded by $1.5 million term debt and $500,000 external borrower equity. The model includes 2023-2025 fictional historical statements, a 2026 estimate and 2027-2029 projections. Average mature cows rise to 700 in 2027 and 750 thereafter.

2027 base result	Calculated value
Term debt coverage	1.08x
Business DSCR before owner withdrawals	1.51x
Replacement cash DSCR	0.40x
Cash survival milk price per cwt	$23.80
Ending working capital	$1,114,374
Combined stress 2029 ending cash	($1,858,365)

Credit rationale

The operating plan does not generate adequate cash after owner needs and recurring capital replacement. Business DSCR precedes those cash uses and therefore overstates the resources available for distributions and equipment renewal. Reconsideration requires a smaller project, additional verified equity or demonstrated margin improvement, supported by a 24-month monthly cash budget.

Collateral supports a secondary repayment source after illustrative advance factors and prior liens. It does not remedy an operating cash deficit. Diligence must verify equity, construction costs, milk purchaser capacity and existing and expanded WPDES authorization. The environmental screen includes on-site youngstock.

Model structure

The 14-tab workbook centralizes editable drivers, debt, project costs, collateral and stress presets on Assumptions. Six dashboard charts summarize the integrated schedules. Calculated results and the credit screen update from those inputs. The four-page memorandum and six-slide presentation are fixed snapshots; refresh their content separately after changing Excel.

Evidence and limitations

Research uses dated USDA NASS Wisconsin statistics and UW Extension material, plus DNR guidance accessed October 24, 2026. Borrower figures, rates, collateral, credit thresholds and the recommendation are independent case assumptions. No actual borrower, lender relationship, internal lending policy or endorsement is represented.

Validation includes independent Python recalculation of all six scenarios and 32 sensitivity outputs, statement and loan reconciliations, input-change checks, saved-file inspection and visual review. Excel desktop execution was not performed. Managerial accounting simplifications and annual seasonality limits are disclosed in the workbook and memo.