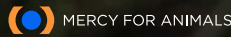




Transfarmation



Thank you very much for your interest in Transfarmation's work to repurpose industrial poultry and swine houses for specialty crop production. *This information contained herein is the property of Mercy For Animals. Please do not publish or distribute without written permission from Mercy For Animals.*

In partnership with [Highland Economics](#), we analyzed five crops to assess their potential to service the debt of contract livestock growers. This data will help farmers interested in exiting the contract poultry or swine industry to select transition crops.

The five crops we analyzed were cucumbers, tomatoes, specialty mushrooms, microgreens, and strawberries. For each analysis, we created a projected enterprise budget that assumed an infrastructure conversion cost of \$87,520 to \$148,730 (depending on the crop analyzed); used a labor rate of \$17.58 per hour; and included a sensitivity analysis for factors such as price received, yield, and labor rate, as well as packaging, natural gas use, soil, and other relevant variable costs. The conversion costs in these analyses were based on recommendations from Virginia Tech and independent greenhouse consultants for converting a 16,000-square-foot space.

The table below summarizes crop-specific gross returns, operating income, debt obligations, and debt-service coverage ratios for both 10-year and 20-year financing. A debt-service coverage ratio (DSCR) is a measurement of an operation's available cash flow to pay current debt obligations, calculated as net income divided by debt obligations (principal and interest payments). A DSCR of less than 1.0 poses potential solvency problems, while a ratio of at least 2.0 is generally considered very strong.

We are happy to share the details of these analyses once they are published and look forward to discussing how Transfarmation can assist farmers.

	Tomatoes	Cucumbers	Microgreens	Strawberries	Specialty mushrooms
Cost to convert	\$147,820	\$148,730	\$87,520	\$87,520	TBD
Gross returns	\$228,000	\$180,000	\$611,604	\$140,000	\$2,442,000
Operating income	\$55,294	\$26,046	\$284,578	\$52,944	\$889,837
10-year debt obligation	\$18,506	\$18,620	\$45,072	\$18,888	TBD
10-year (6.5% interest) DSCR	2.99	1.39	6.31	2.80	TBD
20-year debt obligation	\$11,599	\$11,670	\$28,250	\$11,838	TBD
20-year (6% interest) DSCR	4.77	2.23	10.07	4.47	TBD

Note: Figures in the table are estimates and are not guaranteed.