Economic Evaluation of Dairy Production in the Southeastern United States

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Outline

- Trends in U.S. dairy production
- Compare milk production economics
  - Southeast – other regions in U.S.
Operations with Milk Cows

Southeast
1980: 13000
1990: 5100
2000: 1880

Source: USDA 2002
Operations with Milk Cows (%)  
Each Year is 100%  

Source: USDA 2002  

Southeast  
1980: 3.9%  
1990: 2.6%  
2000: 1.8%
Dairy Cows

Southeast
1980: 430k
1990: 368k
2000: 292k

Source: USDA 2002
Milk Production (lbs)

Southeast
1980: 4.55
1990: 4.93
2000: 4.61 billion lbs

Source: USDA 2002
20 Year Trends

Summary

- No growth in Southeast
  - Fewer operations with milk cows
  - Fewer cows
  - Milk volume about equal

- Expansion in the West
  - More cows, more volume
Year 2000 Economic Comparison

Sources:

- Florida / Georgia Dairy Business Analysis Project
- North Carolina State University
- New York Farm Business Summary
- Wisconsin Center for Dairy Profitability
- Moore Stephens Frazer and Torbet, LLP
Year 2000
Economic Comparison: Challenges

- Are methods the same?
- Averages don’t say it all.
- Is data representative for region?

San Joaquin: 18
South. CA: 21
AZ: 9
NM: 9
ID: 8
WI: 605
NY: 66
NC: 9
FL/GA: 22
Total Revenues / cwt ($)

- Florida / Georgia: 18.03
- North Carolina: 17.37
- New York: 15.58
- New Mexico: 12.39
- South. California: 12.34
- Wisconsin: 12.33
- Arizona: 12.33
- San Joaquin Val.: 12.28
- Idaho: 11.76
Feed Cost / cwt ($)

- New York: 4.58
- Idaho: 4.76
- San Joaquin Val.: 5.17
- New Mexico: 5.22
- South. California: 5.26
- North Carolina: 5.76
- Arizona: 5.82
- Florida / Georgia: 7.35
- Wisconsin: ?

Range: 7.35 - 7.35
## Revenue – Cost = Net Income / cwt ($)

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>2.29</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1.20</td>
</tr>
<tr>
<td>Idaho</td>
<td>1.11</td>
</tr>
<tr>
<td>South. California</td>
<td>1.10</td>
</tr>
<tr>
<td>Florida / Georgia</td>
<td>1.00</td>
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<tr>
<td>San Joaquin Val.</td>
<td>0.95</td>
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<tr>
<td>New Mexico</td>
<td>0.93</td>
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<tr>
<td>New York</td>
<td>0.66</td>
</tr>
<tr>
<td>Arizona</td>
<td>0.12</td>
</tr>
</tbody>
</table>

-6 -4 -2 0 2 4 6

Range
Rate of Return on Assets (%)

- Florida / Georgia: 7.0
- Idaho: 6.0
- North Carolina: 5.7
- New Mexico: 4.7
- New York: 3.8
- South. California: 3.7
- Wisconsin: 3.5
- San Joaquin Val.: 3.3
- Arizona: 0.6
Florida / Georgia: Top 5 Net Income / cwt

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Top 5</th>
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</thead>
<tbody>
<tr>
<td>Number of Cows</td>
<td>1,122</td>
<td>1,891</td>
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<tr>
<td>Milk / cow (kg)</td>
<td>8,135</td>
<td>8,934</td>
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<tr>
<td>Assets / cow ($)</td>
<td>4,460</td>
<td>4,252</td>
</tr>
<tr>
<td>Milk Sales / cwt ($)</td>
<td>15.68</td>
<td>17.07</td>
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<tr>
<td>Total Revenues / cwt ($)</td>
<td>18.03</td>
<td>17.93</td>
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<tr>
<td>Feed Cost / cwt ($)</td>
<td>7.35</td>
<td>6.82</td>
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<tr>
<td>Labor Cost / cwt ($)</td>
<td>2.74</td>
<td>2.13</td>
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<tr>
<td>Total Cost / cwt ($)</td>
<td>17.03</td>
<td>14.50</td>
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<tr>
<td>Net Income / cwt ($)</td>
<td>1.00</td>
<td>3.43</td>
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<tr>
<td>Rate of Return on Assets (%)</td>
<td>7.0</td>
<td>17.1</td>
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</tbody>
</table>
Economic Comparison
Summary

- Southeast compared to other regions:
  - Higher revenue / cwt
  - Higher cost / cwt
  - Competitive profitability

- Considerable variation between farms in Florida / Georgia.

- FL / GA Top 5: cost control.

- Opportunity for well-managed herds.
Thank You!