

HERD SIZE AFFECTED PROFITABILITY IN 1995

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Herd size affected the accrual-adjusted cash operating expenses of the 27 dairies that participated in the business analysis program in 1995. Expense data from at least three dairies is expressed in each herd size category. More dairies would certainly improve the reliability and accuracy.

The effect of herd size on the accrual operating costs of producing milk on 27 dairies in 1995.

Cost per cwt. (Accrual)	1-350	350-600	600-1000	1000-2500	over 2500
Personnel	2.31	2.88	3.06	2.63	2.68
Feed	8.02	8.24	7.49	6.95	7.21
Crops	.14	.07	.43	.25	.26
Equipment	.67	.72	.99	.74	.70
Livestock	1.87	1.80	1.68	2.54	1.63
Marketing	1.47	1.15	1.14	1.12	1.16
Real estate	.71	.27	.60	.39	.43
Other*	1.57	1.88	2.12	1.39	1.24
Total	16.75	17.01	17.51	16.02	15.32

*Other costs are interest, insurance, miscellaneous, etc.

Note that these are operating expenses, not total expenses. Not included are depreciation, principle payments on liabilities or any operator withdrawals or family living expenses.

The data does show an interesting curvi-linear effect, since the highest costs seem to be on medium size dairy farm operations. Economies of scale are evident in the larger dairies but well managed smaller operations also seemed to be relatively financially successful.