
Dairy Business Analysis Project: Financial Opportunities and Constraints on Georgia and Florida Dairies

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1998 Dairy Business Analysis Project

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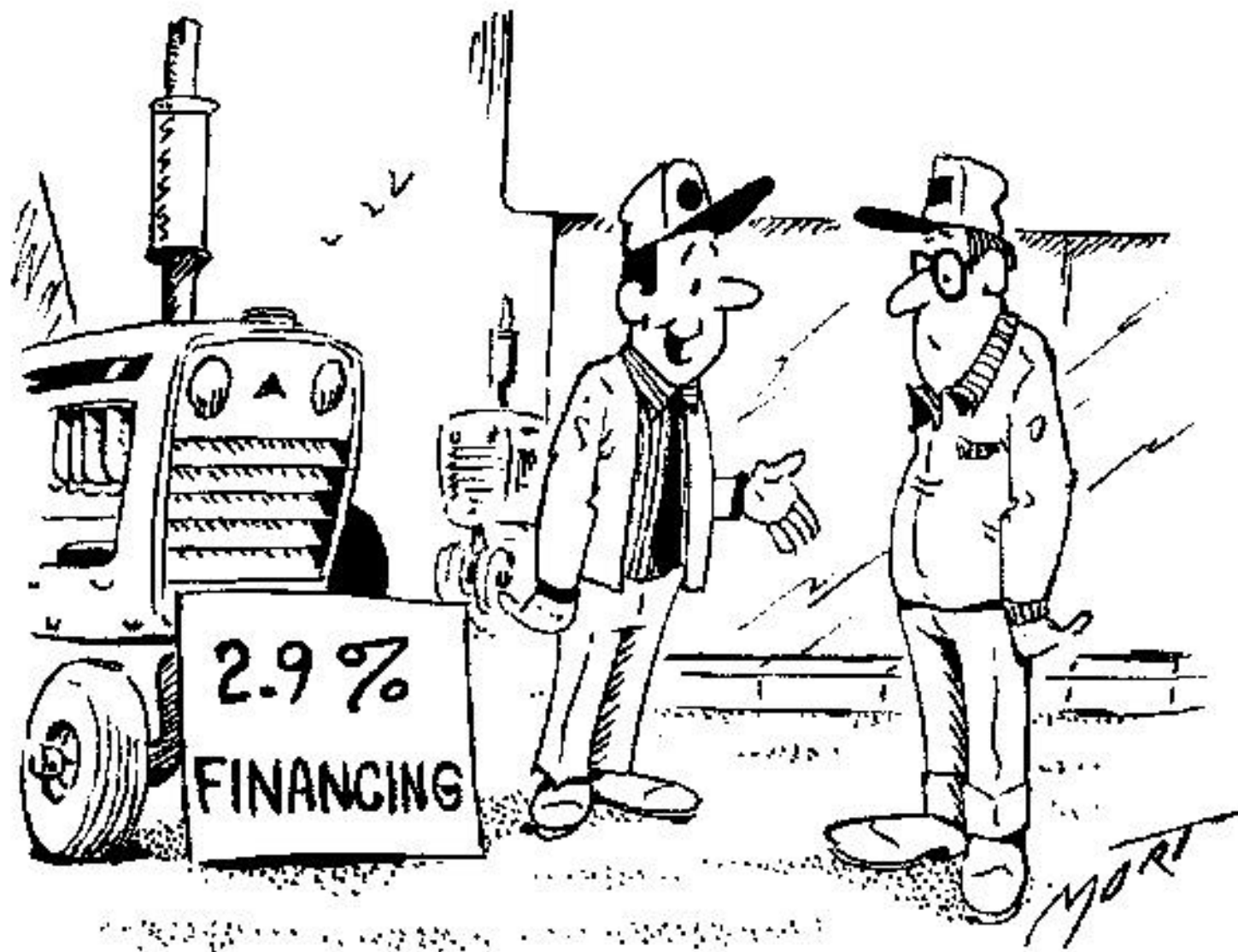
Florida Dairy Check-Off

Presentation objectives

- Overview of project
- Financial performance comparison between Florida and Georgia dairies.
- Comparison between regions
- Financial constraints and opportunities
- Management strategies to increase financial performance

Credit policy of the new millennium

We will gladly extend credit to anyone over the age of 87 accompanied by both of their parents



“Sorry, but you fall into the 97.1 percent group.”

Dairy Business Analysis Project- Description

- Purpose: Improve the financial performance of participating dairies.
- Scope: Collect complete information which includes balance sheet, income statement, statement of owner's equity, and statement of cashflows. Data is validated and verified.
- Participants: 56 dairies submitted 1998 fiscal year information.
- Outlook: A large increase in participants is anticipated due to collaboration efforts in both Florida and Georgia.

Revenue and expense categories

- Milk sales
- Cow sales
- Heifer and calf sales
- Other livestock
- Crops
- Government receipts
- Other
- Personnel
- Purchased feed
- Crops
- Machinery
- Livestock
- Milk marketing
- Real estate
- Other
- Depreciation

All are accrual adjusted for changes on the balance sheet



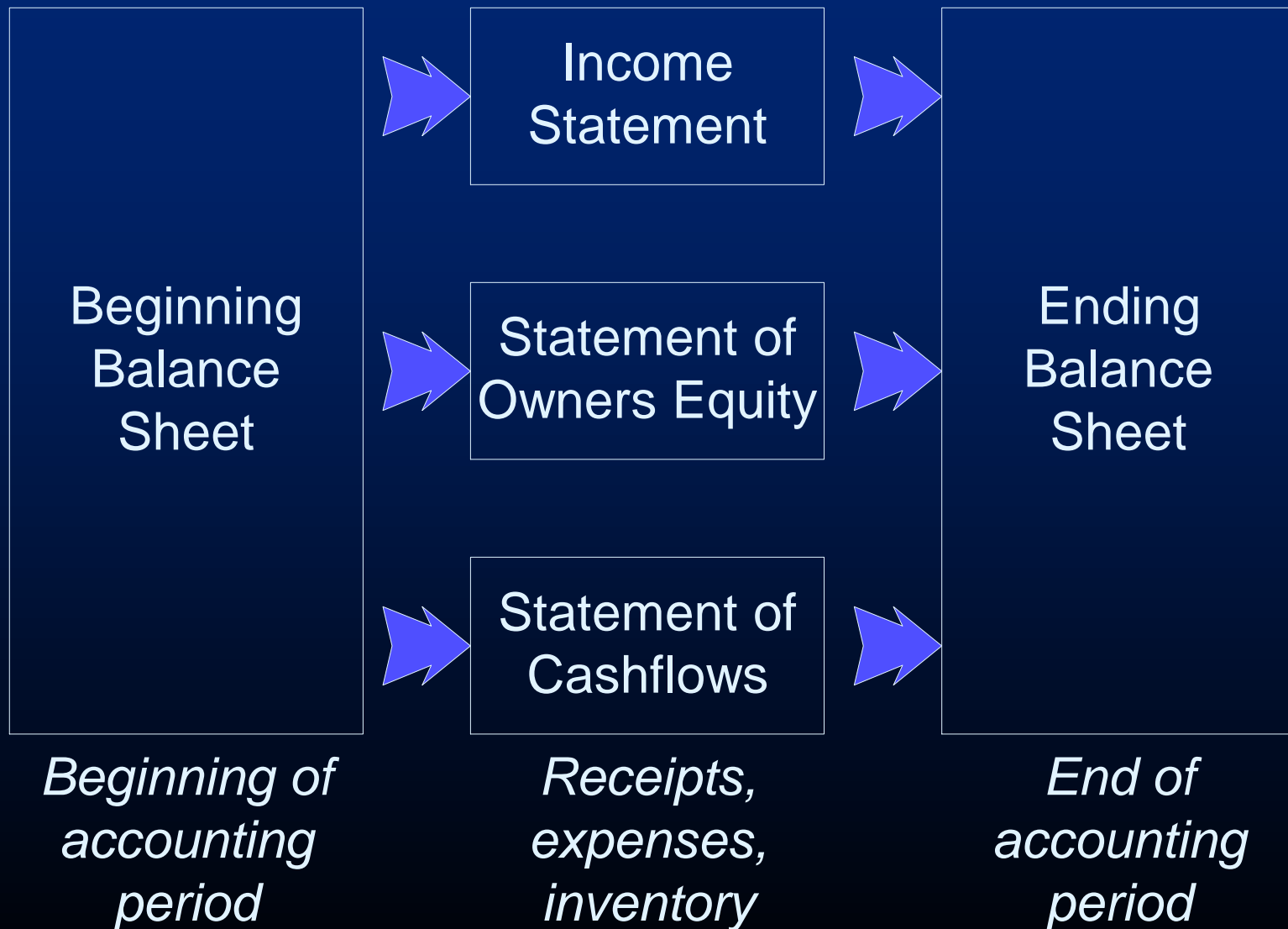
Balance sheet categories

- Farm cash
- Feed and supplies
- Accounts receivable
- Prepaid expenses
- Cows
- Heifers
- Machinery
- Stocks and certificates
- Real estate
- Buildings
- Accounts payable
- Operating debt
- Short-term debt
- Term debts
- Financial leases: cattle, machinery, buildings, and real estate
- Paid-in-capital

Inventories are taken at beginning and end of year



Accrual Adjusted Accounting



Objectives of dairy analysis reports

- Collect complete financial data (balance sheet, income statement, cashflow, equity).
- Information is verified and analyzed for completeness.
- Each dairy receives a report comparing performance to other project dairies.
- Opportunity areas are identified which are specific to each business.
- Follow-up consulting is encouraged.
- All information is kept in strict confidence.

1998 Revenues for Georgia and Florida

Category (per cwt. milk sold)	Florida	Georgia
Number of dairies	36	9
Milk sales	18.56	17.77
Cow sales	0.34	0.18
Calf/heifer sales	0.13	-0.04
Other livestock	0.07	0.06
Crops	0.13	0.20
Other	0.44	0.49
Gain (loss) on capital livestock sales	-0.08	0.01
Total	19.59	18.67

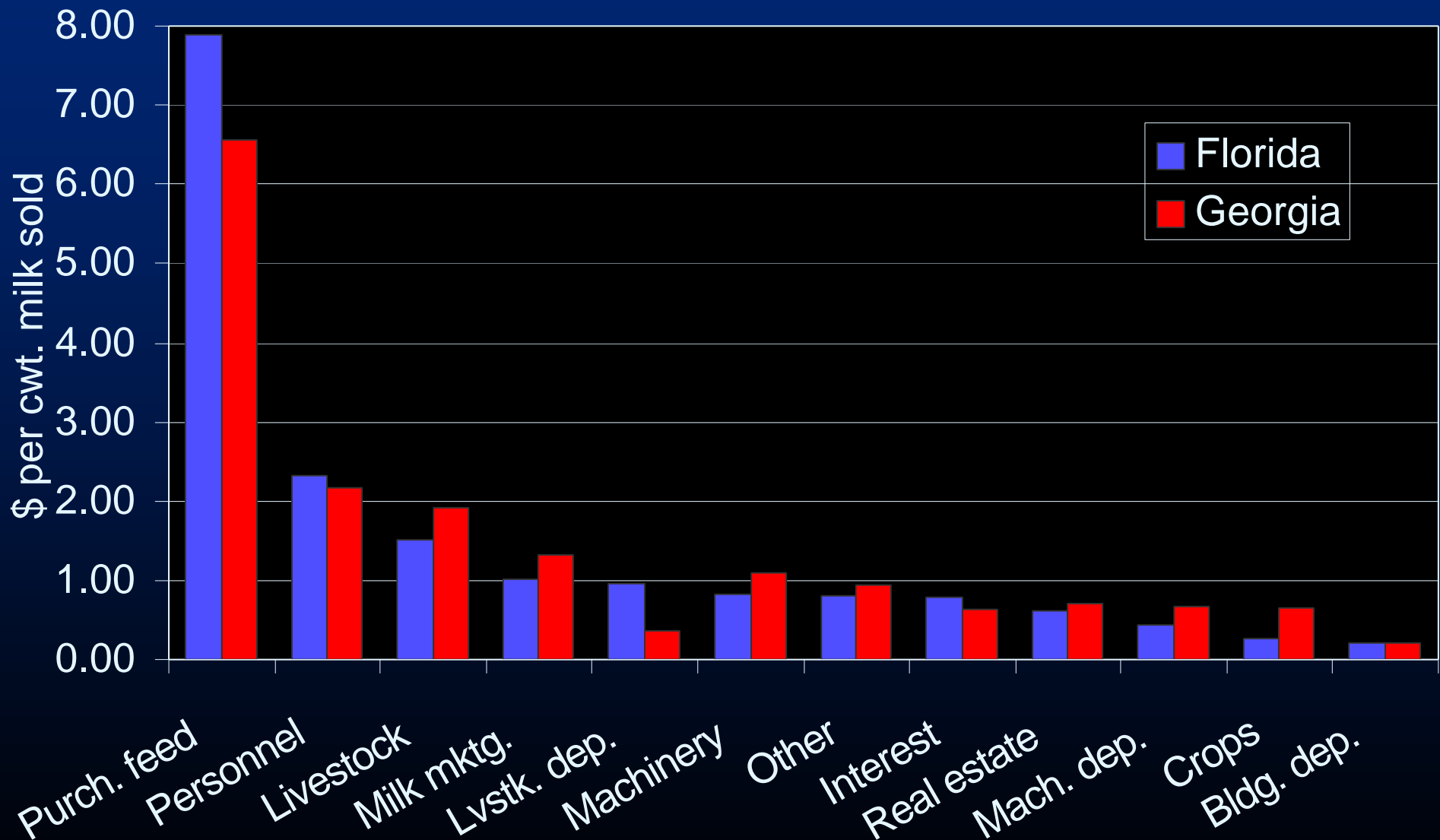
1998 expenses for Florida and Georgia

Category (per cwt. milk sold)	Florida	Georgia
Total Revenues	19.59	18.67
EXPENSES		
Personnel	2.32	2.18
Purchased feed	7.88	6.55
Crops	0.26	0.64
Machinery	0.83	1.09
Livestock	1.52	1.92
Milk marketing	1.02	1.33
Real estate	0.61	0.70
Interest	0.78	0.64
Other	0.81	0.94
Machinery depreciation	0.43	0.67
Building/improvement depreciation	0.22	0.21
Livestock depreciation	0.96	0.37
Total	17.65	17.23
Net farm income from operations	1.94	1.44

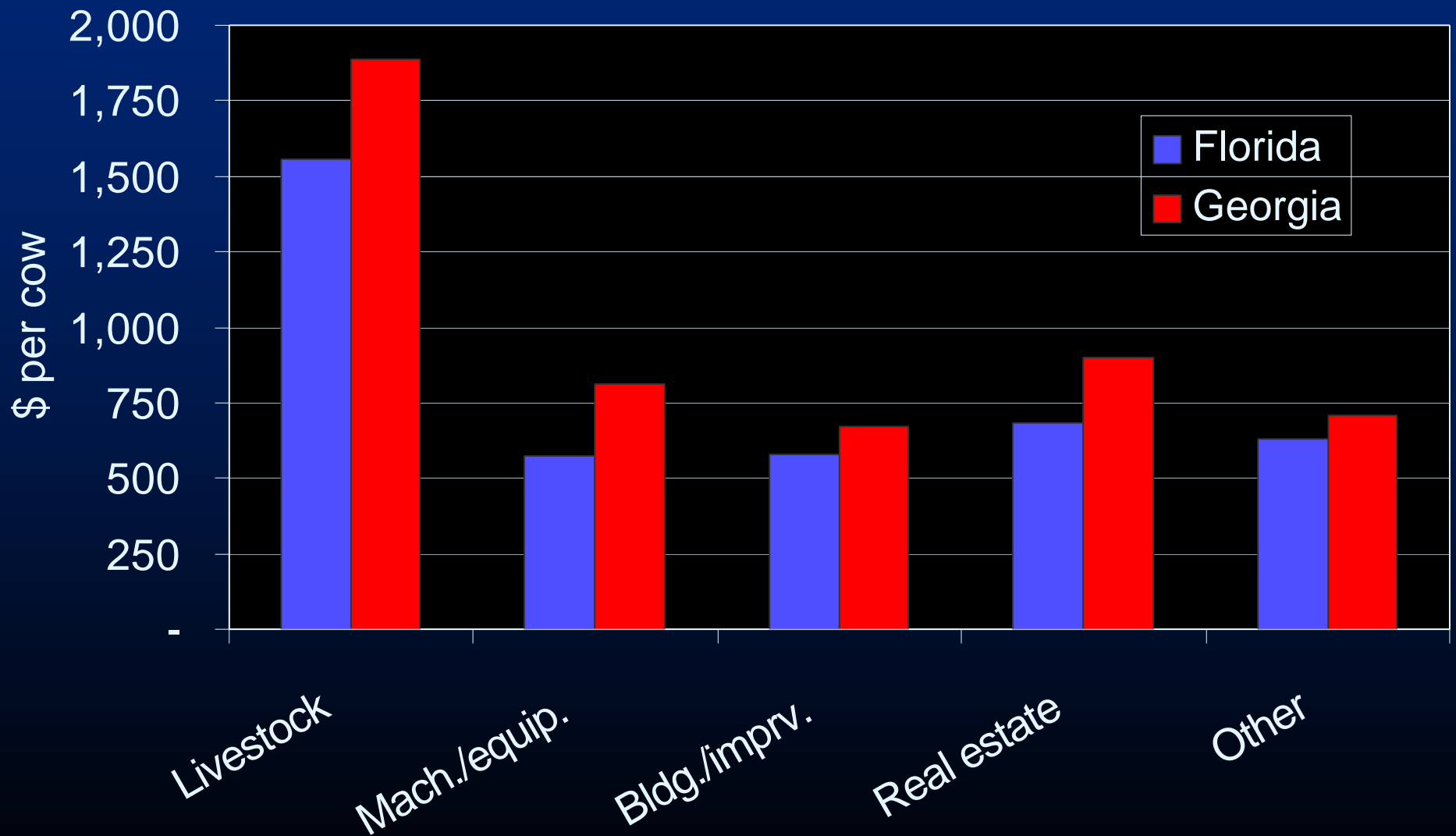
1998 descriptive statistics for Florida and Georgia

Category (per cwt. milk sold)	Florida	Georgia
Number of dairies	36	9
Number of cows	914	596
Number of heifers	496	219
Milk sold per cow (pounds)	16,198	18,595
Cull rate	38%	39%
Cows per worker	56	52
Milk sold per worker	886,849	950,913
Average total assets per cow	\$3,895	\$5,045
Average total liabilities per cow	\$1,574	\$1,431
Rate of return on assets	9%	5%
Operating profit margin	9%	6%
Asset turnover ratio	0.95	1.04

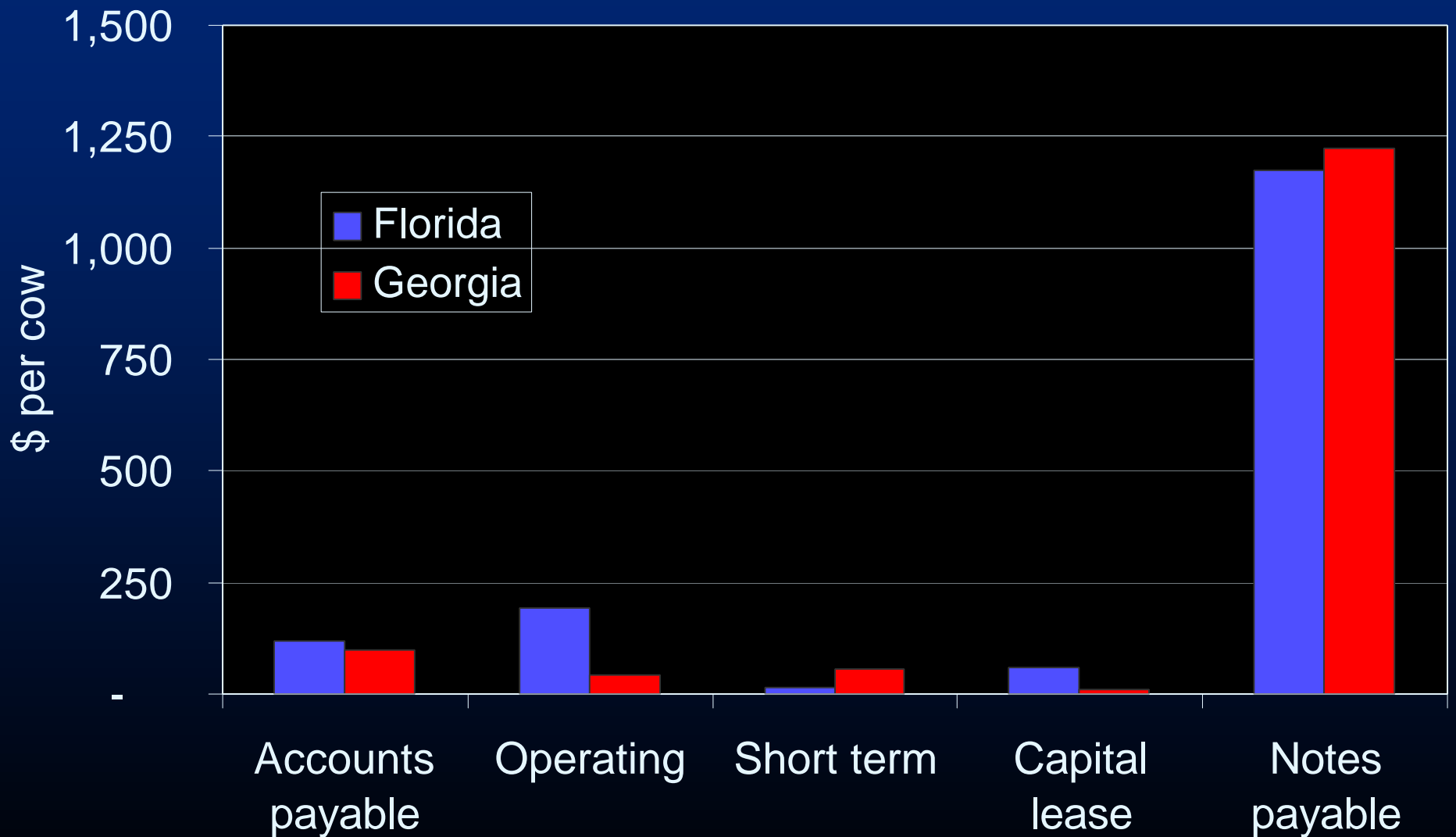
1998 expense composition for Georgia and Florida



Year ended 1998 per cow asset composition for Florida and Georgia



Year ended 1998 per cow liability composition for Florida and Georgia



Observations

- Total revenues for Florida project dairies (19.59 per cwt. milk sold) were \$0.92 higher than for Georgia project dairies (\$18.67).
- Total expenses for Florida project dairies (\$17.65 per cwt. milk sold) were higher than Georgia project dairies (\$17.23).
- Georgia project dairies sold substantially more milk per cow (18,595 pounds) when compared to Florida (16,198 pounds).

Observations-continued

- Differences between milk marketing areas determined most of the \$0.50 difference in net farm income from operations (\$1.94 per cwt. milk sold for Florida and \$1.44 for Georgia).
- Capital structure differences were also substantial as Georgia (\$5,045) had higher average total assets per cow than did Florida (\$3,895).
- Georgia project dairies had less average total liabilities per cow (\$1,431) compared to Florida (\$1,574).

North GA

South GA

West FL

North FL

Central FL

South FL



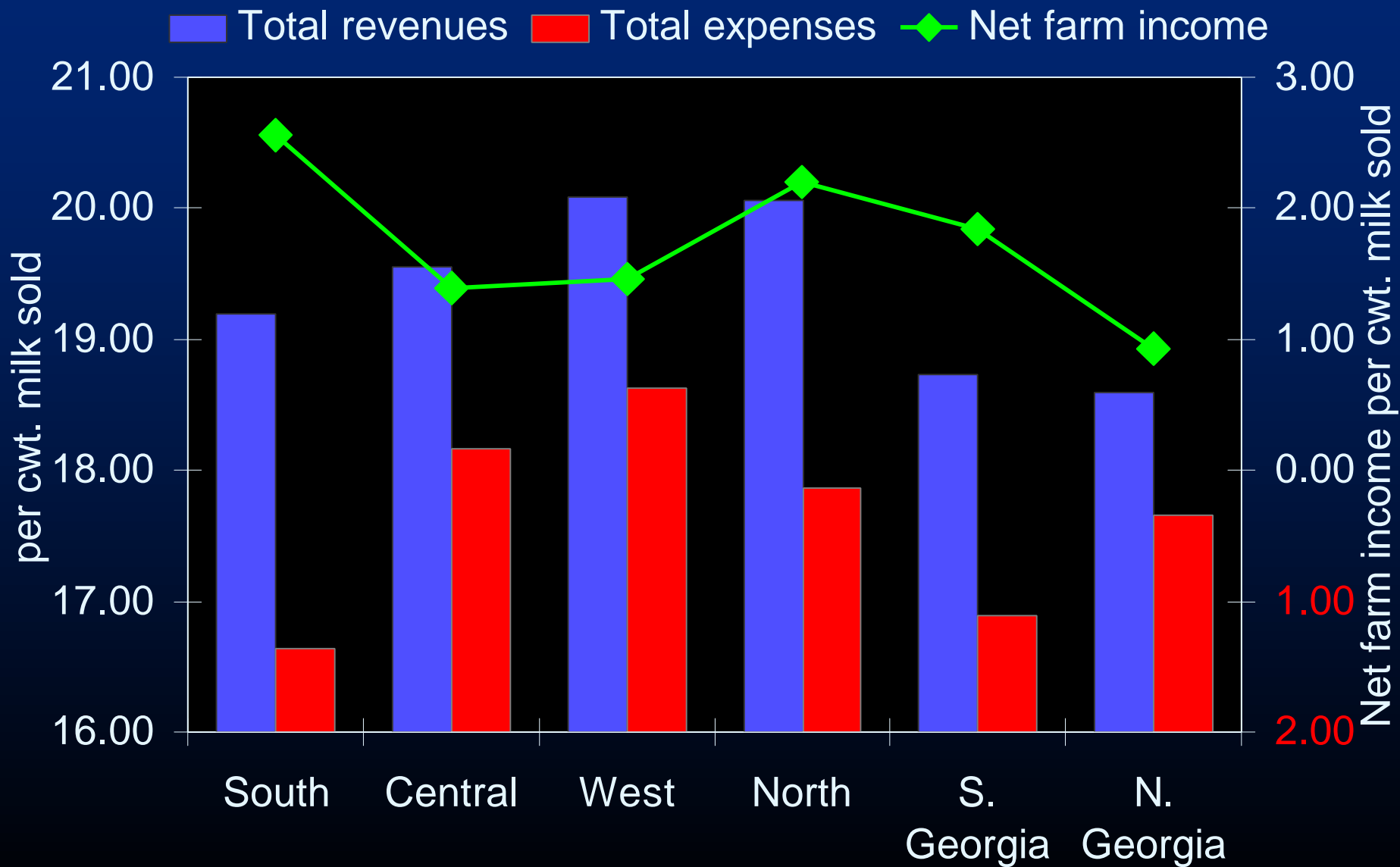
1998 Expenses by Region

Category (per cwt.)	South	Central	West	North	S. GA	N. GA
Total Revenues	19.19	19.55	20.09	20.06	18.73	18.59
EXPENSES						
Personnel	2.18	2.73	1.55	2.24	2.24	2.09
Purchased feed	7.44	8.80	7.54	7.15	6.28	6.90
Crops	0.29	0.14	0.43	0.35	0.55	0.76
Machinery	0.78	0.71	1.43	0.77	1.05	1.14
Livestock	1.65	1.49	0.98	1.68	2.22	1.53
Milk marketing	0.93	0.93	1.28	1.22	1.62	0.97
Real estate	0.58	0.55	0.68	0.71	0.54	0.90
Interest	0.42	0.81	1.41	0.98	0.53	0.77
Other	0.77	0.78	0.82	0.95	0.71	1.23
Machinery depreciation	0.41	0.32	0.41	0.69	0.57	0.80
Bldg./imprv. depreciation	0.11	0.25	0.36	0.27	0.12	0.32
Livestock depreciation	1.08	0.66	1.72	0.86	0.46	0.26
Total	16.64	18.16	18.62	17.86	16.89	17.66
Net farm income	2.56	1.39	1.46	2.20	1.84	0.93

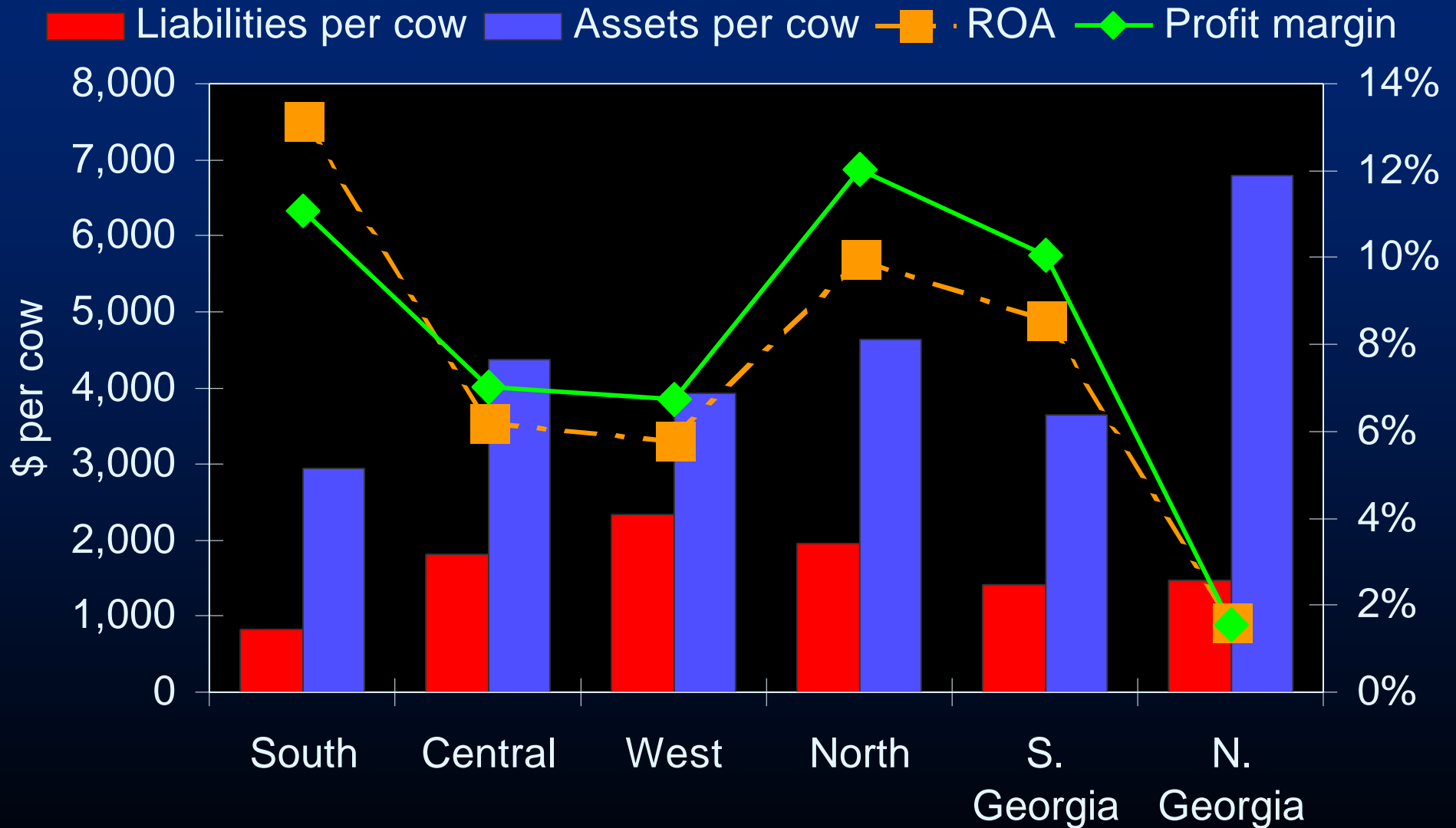
1998 Selected Financial Performance Statistics by Region

Category	South	Central	West	North	S. GA	N. GA
Number of cows	1,056	1,136	335	591	854	274
Number of heifers	452	738	157	318	213	226
Milk sold per cow	15,134	17,664	13,483	16,850	17,947	19,406
Cull rate	40%	36%	35%	41%	38%	41%
Cows per worker	67	46	69	48	59	44
Milk sold per worker	1,016,317	792,596	915,471	823,588	1,036,485	843,948
Assets per cow	\$2,944	\$4,368	\$3,931	\$4,627	\$3,650	\$6,788
Liabilities per cow	\$835	\$1,819	\$2,345	\$1,947	\$1,402	\$1,468
Return on assets	13%	6%	6%	10%	9%	2%
Profit margin	11%	7%	7%	12%	10%	2%
Asset turnover ratio	1.12	0.97	0.73	0.77	1.19	0.86

1998 Revenues and expenses by region



1998 financial performance factors by region



South Florida region highlights

- Highest net farm income from operations per cwt. milk sold (\$2.56).
- Highest milk price \$18.87 per cwt.
- Lowest total expenses of \$16.64 per cwt. milk sold.
- Lowest in interest (\$0.42), milk marketing (\$0.93), and building/improvement depreciation (\$0.11).
- Average total assets per cow lowest among regions (\$2,944).
- Lowest average total liabilities per cow (\$835).
- Second lowest milk sold per cow (15,134 pounds).

South Georgia region highlights

- Second lowest total expenses (\$16.89 per cwt. milk sold).
- Lowest purchased feed expense (\$6.28 per cwt. milk sold).
- Second highest milk sold per cow (17,947 pounds).
- Highest milk sold per worker (1.04 million pounds)
- Highest asset turnover ratio (1.19)

North Florida region highlights

- Second highest net farm income (\$2.20 per cwt. milk sold).
- Highest operating profit margin (12%)
- Not particularly high in any expense category nor particularly low.

Central Florida region highlights

- Highest purchased feed expense (\$8.80 per cwt. milk sold).
- Lowest crop, real estate, and machinery expenses-indicative of less intensive cropping enterprise.
- Largest average herd size (1,136 cows).
- Lowest cull rate (36%).
- Moderate operating profit margin (7%).

West region highlights

- Lowest milk sold per cow (13,483 pounds).
- Machinery, interest, and livestock expenses were highest among regions.
- Personnel expense was lowest among regions (\$1.55 per cwt.).
- Purchased feed expense was second highest (\$7.54)
- Average total liabilities per cow was highest among regions (\$2,345 per cow).

North Georgia region highlights

- Lowest net farm income from operations (\$0.93 per cwt. milk sold).
- Small sample size (n=4)
- Operating profit margin lowest among regions (2%).
- Highest crop, real estate, and machinery expenses.
- Highest milk sold per cow (19,046 pounds).
- Low purchased feed expense (\$6.90 per cwt. milk sold).

Constraints-Southeast Dairy Businesses

- Cost structure: 4 out of 6 groups average total expenses in excess of \$17.00 per cwt. milk sold.
- Cull rate: FL 38%, GA 39% with three regions at 40% and above.
- Investment level: Wide variation suggests imbalance among productive resources.
- Environmental liability: New regulations may require substantial investments in non-productive assets.
- Liability level: High per-cow levels increase pressure on cows to generate revenues.

Opportunities: Southeast Dairy Businesses

- Investment level: 5 of 6 regions had average total assets per cow less than \$5,000.
- Operating efficiency: Operating profit margin was in double digits for 3 out of six groups.
- Expense control: Two regions had total expenses average less than \$17.00 per cwt. milk sold.

Take home messages

- Continue focus on improving cow comfort. This has implications on:
 - Cull rate
 - Feeding efficiency
- Feeding efficiency was an important control point.
- Make sound investments in productive assets.
- Control of liabilities per cow can strategically make or break the dairy
- Milk market volatility directly impacts ability to cashflow and service debt.

The bottom line

- Grow equity in the business (profits).
- Service debt in a timely manner (profits).
- Make a living in the dairy business (profits).
- Reinvest in the business (profits).



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For more information

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website located at:**

<http://dps.ufl.edu/DBAP>