

DBAP DAIRIES USED 1998 PROFITS TO PREPARE FOR 1999

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The average DBAP dairy had a profitable 1998 with net farm income from operations of \$1.81 per cwt. milk sold. The average total revenues were \$19.37 per cwt. milk sold and average total expenses were \$17.56. This was up substantially from 1997 due to record high milk prices in combination with lower purchased feed prices.

What did the managers do with profit that was generated? The table below of DBAP averages shows that the average profit per cow of all dairies was \$302 per cow. Of that total, \$268 was reinvested in new assets, primarily cattle, while debt was reduced by \$9. The total of new assets and reduced debt was \$277 or 92% of the \$302 profit.

Average revenues, expenses and operating profit margins per cow
and asset additions and debt reductions of DBAP dairies in 1998

	Top 25% most profitable	DBAP Average
Gross revenues per cow	\$2,900	\$3,233
Accrual expenses per cow	\$2,237	\$2,931
Operating profit margin per cow	\$663	\$302
New assets (net change) per cow		
Cattle	\$280	\$159
Machinery	\$45	\$75
Buildings & improvements	\$4	\$30
Real estate	\$0	\$5
Net change	\$338	\$268
Debt (net change) per cow		
Accounts payable	\$3	(\$15)
Operating notes	(\$36)	\$26
Short term notes	\$45	\$4
Notes payable	(\$69)	(\$28)
Net change	(\$60)	(\$9)

The top 25% most profitable dairies were able to generate \$663 profit per cow. Of that total, \$338 was used to purchase new assets and \$60 was used to reduce debt. Note the differences among the two groups.

\$ The top 25% most profitable dairies added \$280 per cow in new cattle (83% of the new assets) which totaled \$338.

\$ The average dairies spent \$159 on cattle expansion which was 59% of their added assets. They also spent 28% on machinery, 11% on buildings and improvements and 2% on land.

\$ The average of all dairies shows a reduction in accounts payable of \$15 and notes payable of \$28.

\$ The top 25% most profitable group reduced operating notes by \$36 and notes payable by \$69.

While most DBAP dairies profited in 1998, there were differences in how they allocated profits. It seems that the top 25% most profitable dairies were able to not only generate more profits, they were also able to better prepare themselves for 1999 by reinvesting in a manner that helps gain economic efficiencies.