SHOOTING FOR LOWER COSTS IN 1999

R.Giesy, M.Hoekema, P. Miller, M.Sowerby, B.Tervola, D.Solger, P.Joyce, T.Seawright, C.Vann, A.Andreasen and M.DeLorenzo
University of Florida Extension

Dairy managers are justifiably concerned about low projected milk prices. They want to be able to proactively plan their expenditures accordingly. Let=s look at DBAP historical data to predict the future. The last difficult year was 1995. How did the managers respond to the average milk price of $15.16? Below is a table of the expenses per cwt. of dairies participating in DBAP in 1995. The sort was by profit per cwt. and compares the top 25% to the average and the lower 25%.

Table 1. Expenses per cwt. in 1995 of DBAP participating dairies sorted by profitability per cwt.

	UPPER 25%	AVERAGE	LOWER 25%
Personnel	2.49	2.74	2.76
Purchased feed	6.86	7.49	7.81
Crops	.22	.25	.44
Machinery	.74	.78	1.01
Livestock	1.05	1.93	2.13
Marketing	1.13	1.19	1.32
Real estate	.36	.48	.74
Other*	1.75	1.64	1.82
Total**	14.60	16.51	18.03

****Insurance, interest, utilities, miscellaneous and other overhead***
*****Does not include depreciation***

<u>Major points</u>:

- **$ 25% of dairies were able to produce milk for an average cost of $14.60**
- **$ Purchased feed may be cheaper in 1999 than 1995. The most profitable dairies were able to get greater feed efficiency, $.94 per cwt., than the least profitable dairies. This is a time to analyze rations and response closely.**
- **$ There was a $1.08 difference in livestock costs. Short term thriftiness in purchasing supplies, semen and even replacements seemed to have paid off for the most profitable dairies.**
- **$ The $.27 difference in personnel costs suggests that labor inputs can be used more effectively on some dairies. Is volume per worker at least 750,000 lbs?**
- **$ As always, there is a wide variation in total costs among dairies.**