
Dairy Business Analysis Project 1997: Regional Characteristics and Financial Performance

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1997 Dairy Business Analysis Project

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Florida Dairy Check-Off

Overview

- Financial performance: revenues, expenses, and net farm income.
- Expense composition: where the money was spent.
- Asset composition: where the money was invested.
- Regional constraints and recommendations.

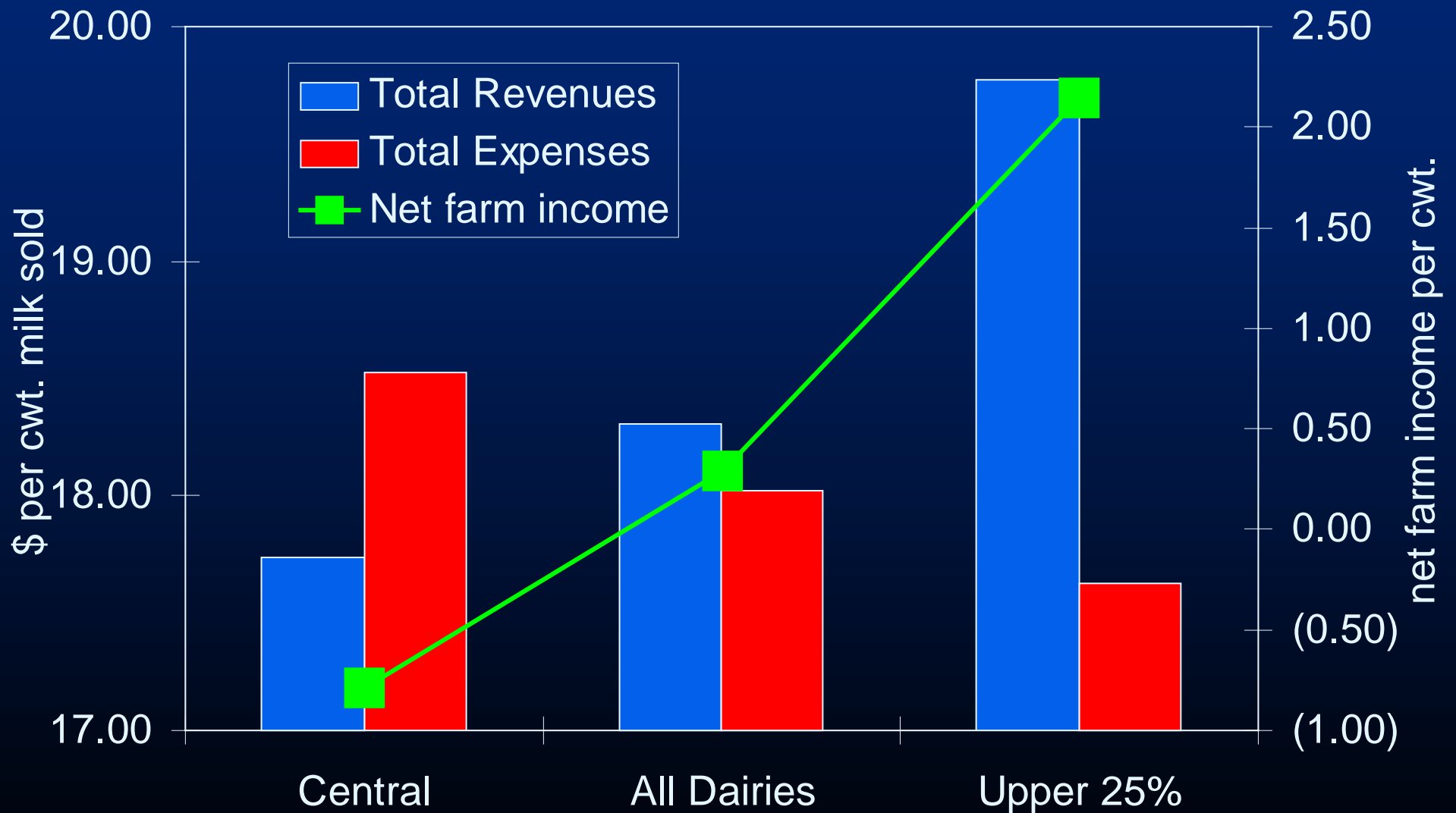
1997 Revenues and Expenses by Group

Category (\$ per cwt.)	Central	All Dairies	Upper 25%
Total revenues	17.74	18.31	19.77
Personnel	2.70	2.45	2.34
Purchased feed	9.62	8.37	8.40
Crops	0.15	0.33	0.55
Machinery	0.79	0.86	0.83
Livestock	1.84	2.44	2.13
Marketing	0.99	1.06	0.96
Real Estate	0.46	0.50	0.56
Other	1.35	1.39	1.24
Depreciation	0.63	0.63	0.63
Total Expenses	18.53	18.02	17.63
Net farm income	(0.79)	0.29	2.15

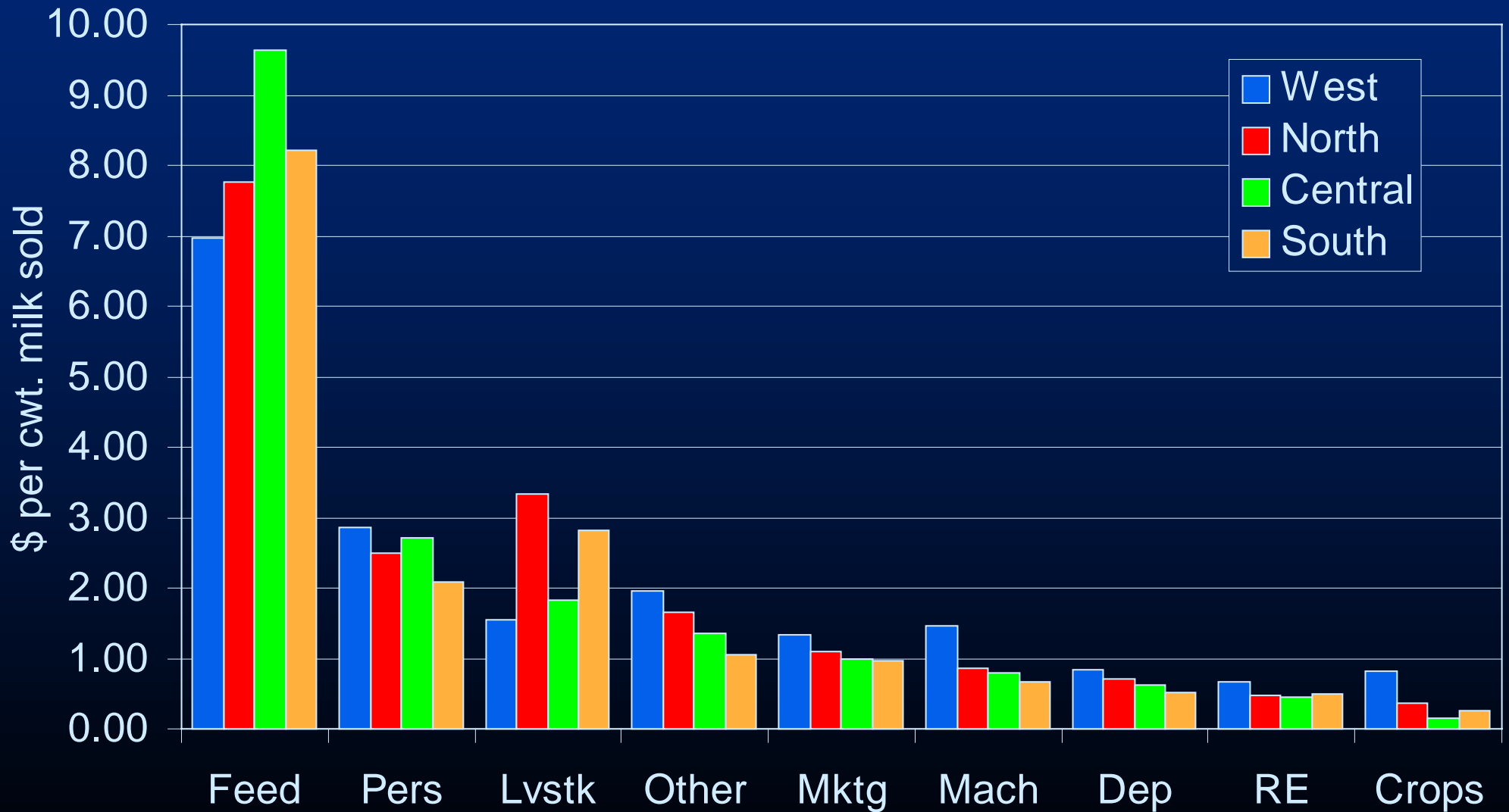
1997 Descriptive Statistics by Group

Category	Central	All dairies	Upper 25%
Number of cows	1,529	1,502	1,428
Number of heifers	1,000	883	928
Milk sold per cow (pounds)	19,141	17,014	17,053
Cull rate	38%	41%	41%
Assets per cow	\$4,318	\$4,178	\$3,872
Rate of return on assets	(1%)	3%	9%
Operating profit margin	(3%)	2%	11%
Asset turnover ratio	0.89	0.84	0.94

Revenues, Expenses, and Net Farm Income by Group



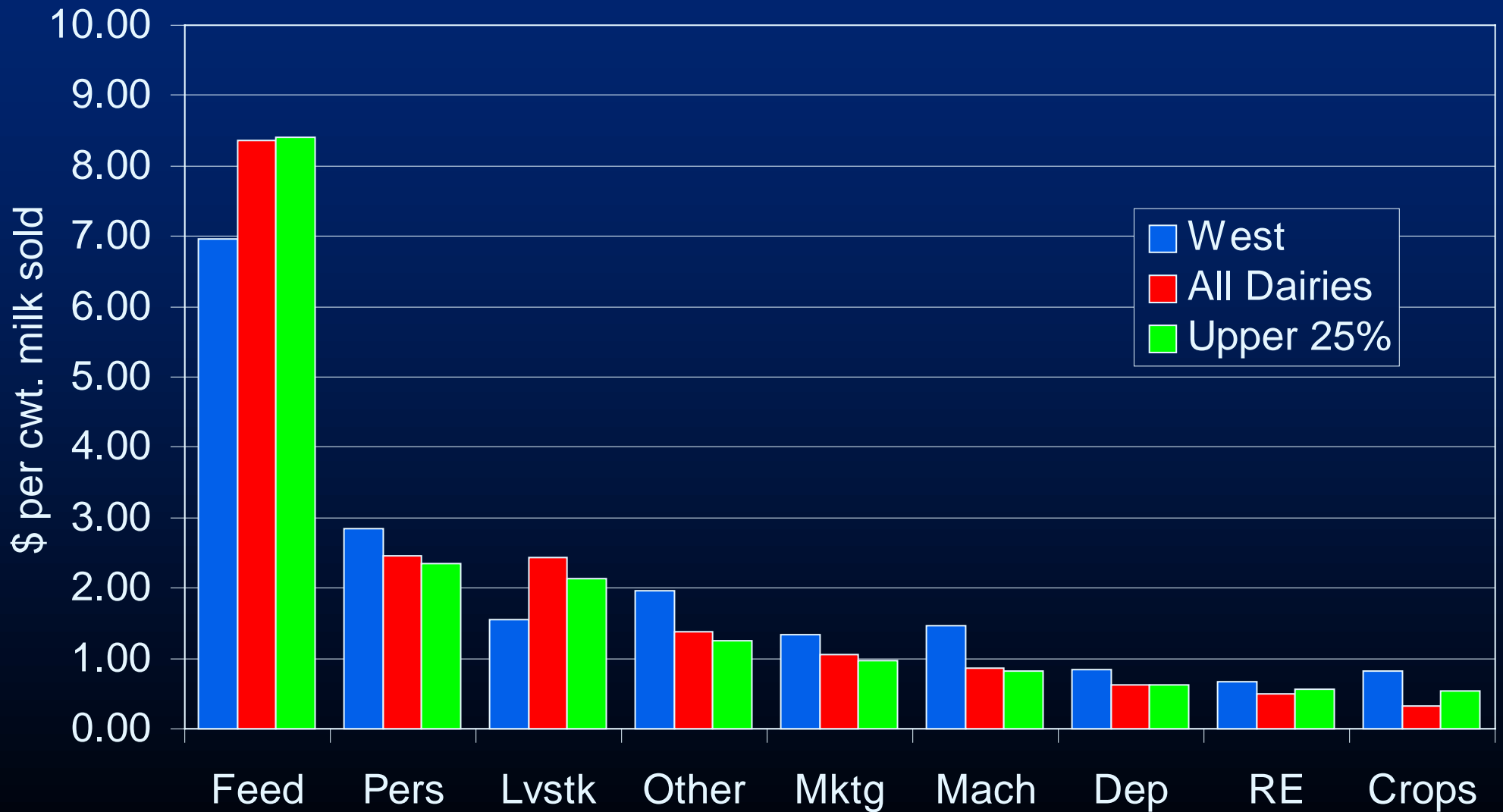
Expense Categories by Region



Expense Categories by Groups

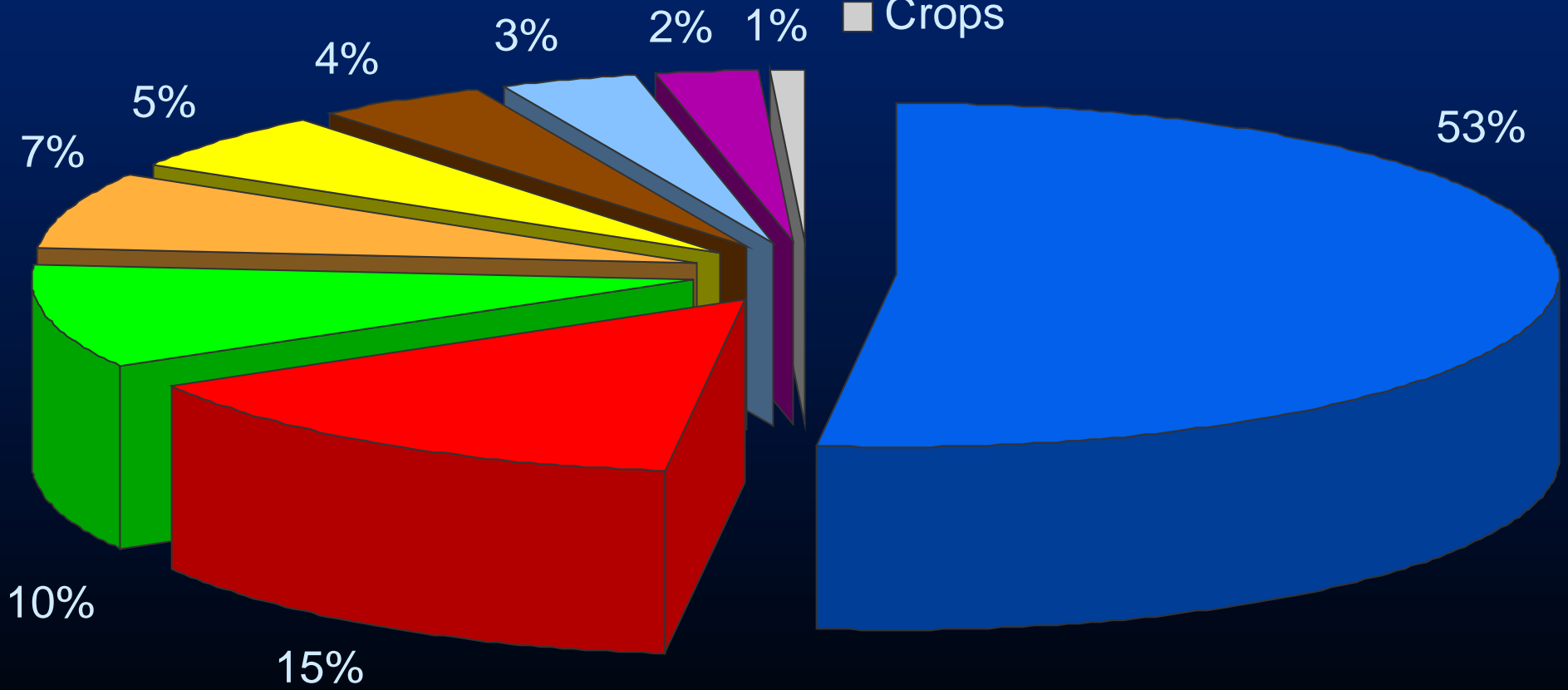


Expense Categories by Groups

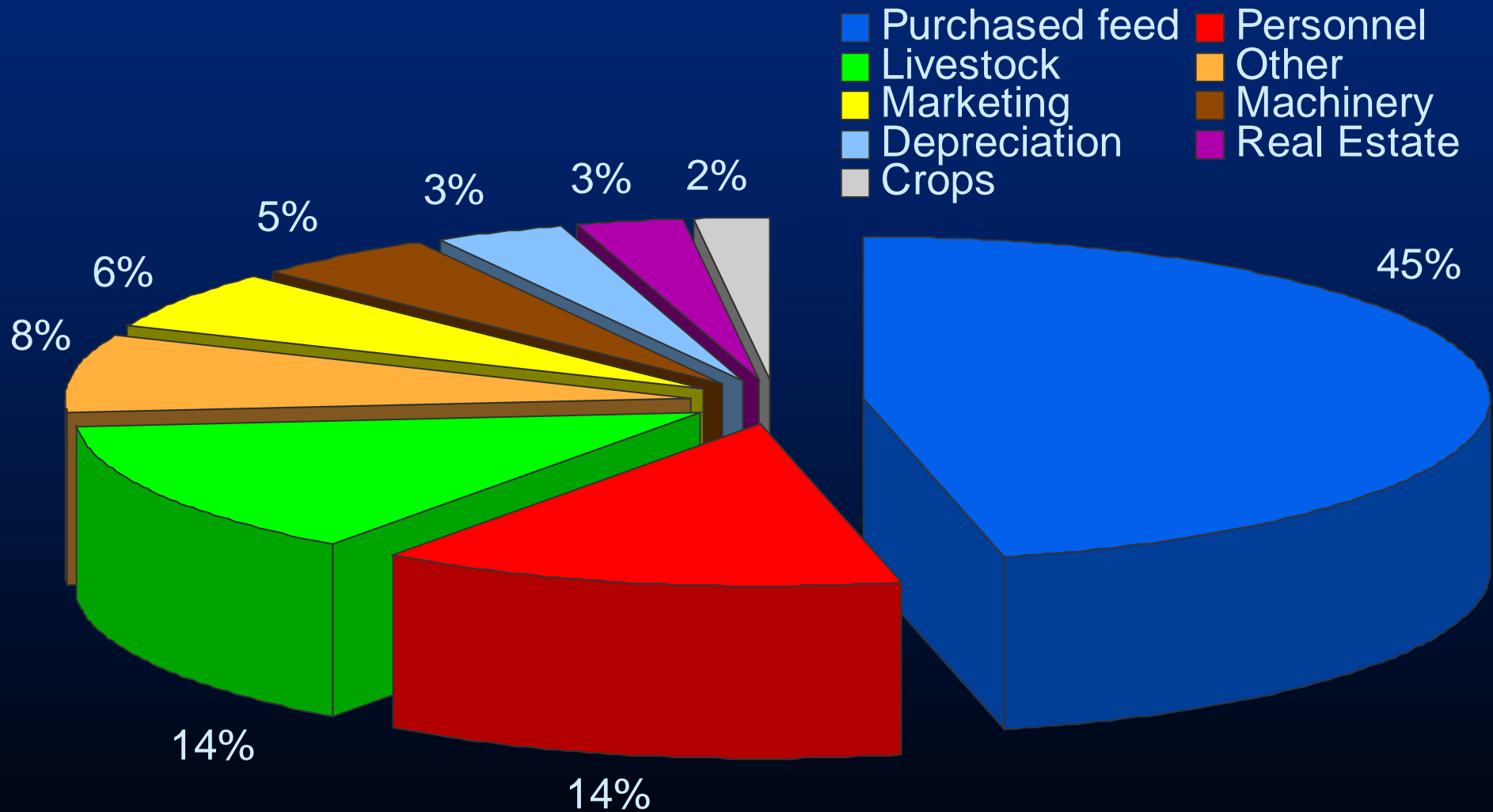


Expense Composition-Central Region

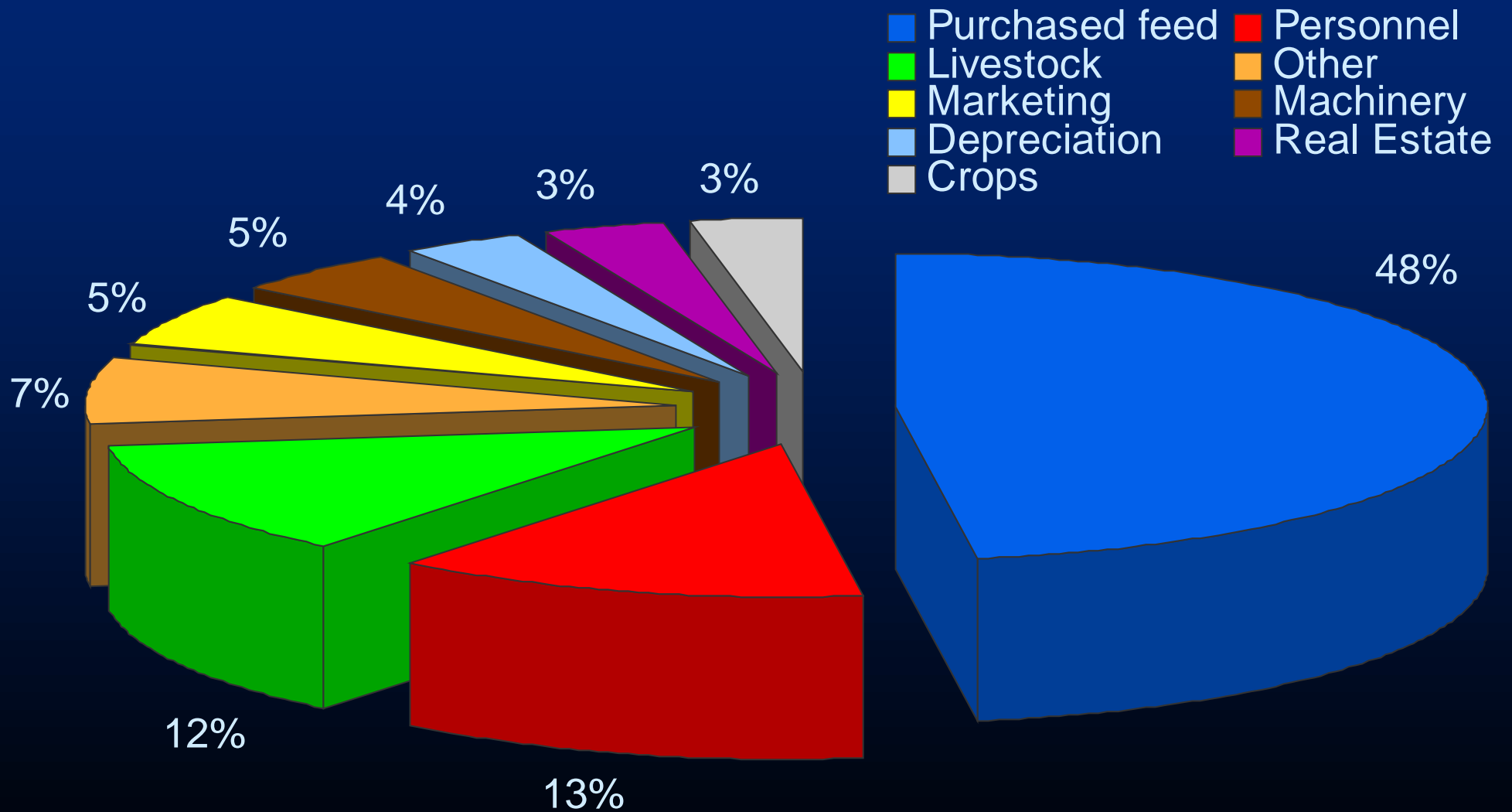
- Purchased Feed
- Livestock
- Milk Marketing
- Depreciation
- Crops
- Personnel
- Other
- Machinery
- Real Estate



Expense Composition-All DBAP Dairies



Expense Composition-Top 25% Dairies



Observations-Central Region

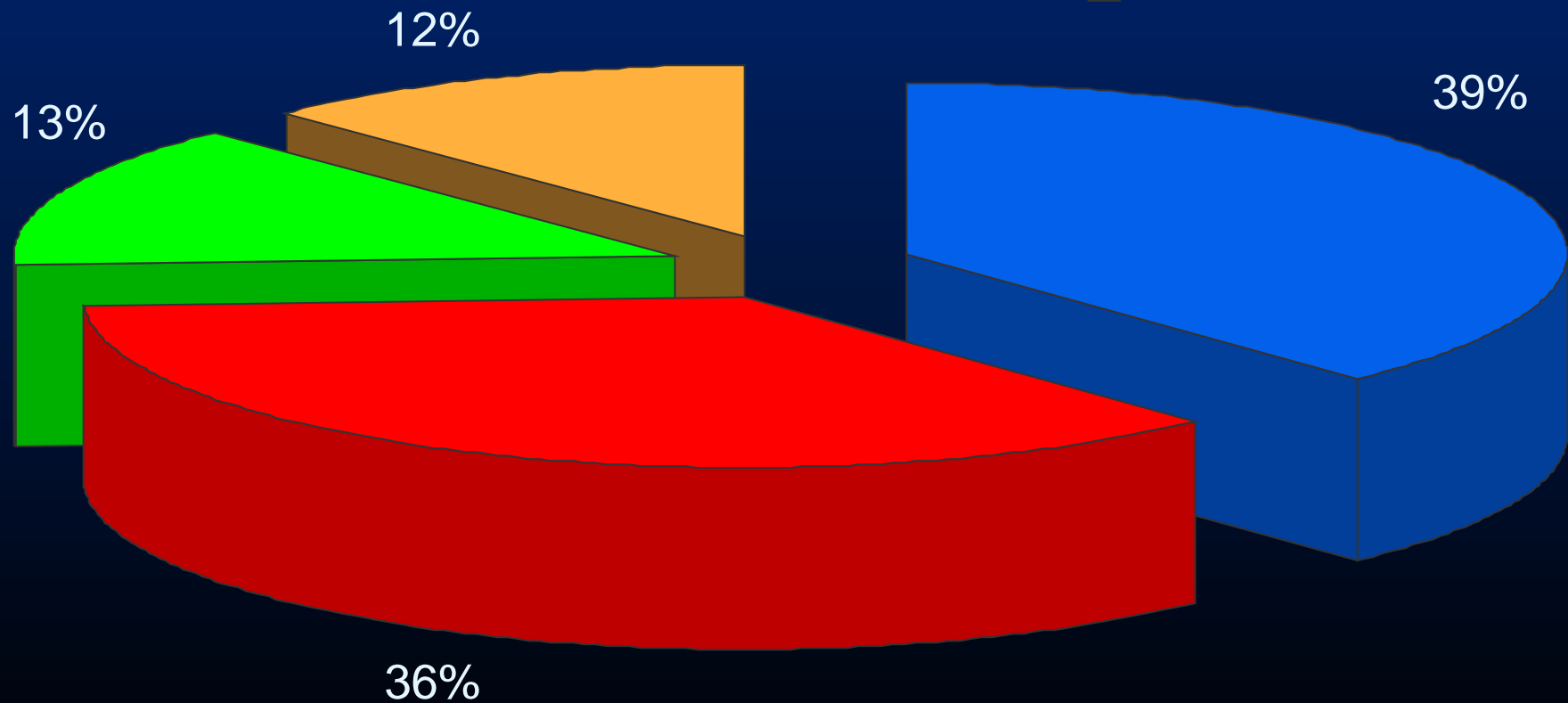
- Revenues were *lowest* among regions, mostly driven by decrease in heifer/calf inventories.
- Total expenses were *2nd highest* among regions, \$0.90 per cwt. milk sold above Top 25% group.
- Purchased feed expense was *highest* among regions, possibly driven by 19,141 pounds milk sold per cow, 2,088 pounds above Top 25% group.
- Translation: More money was spent for purchased feed, *on a per cwt. basis*, than any other region.

Critical Success Question

Does high production per cow and feed expense produce profits?

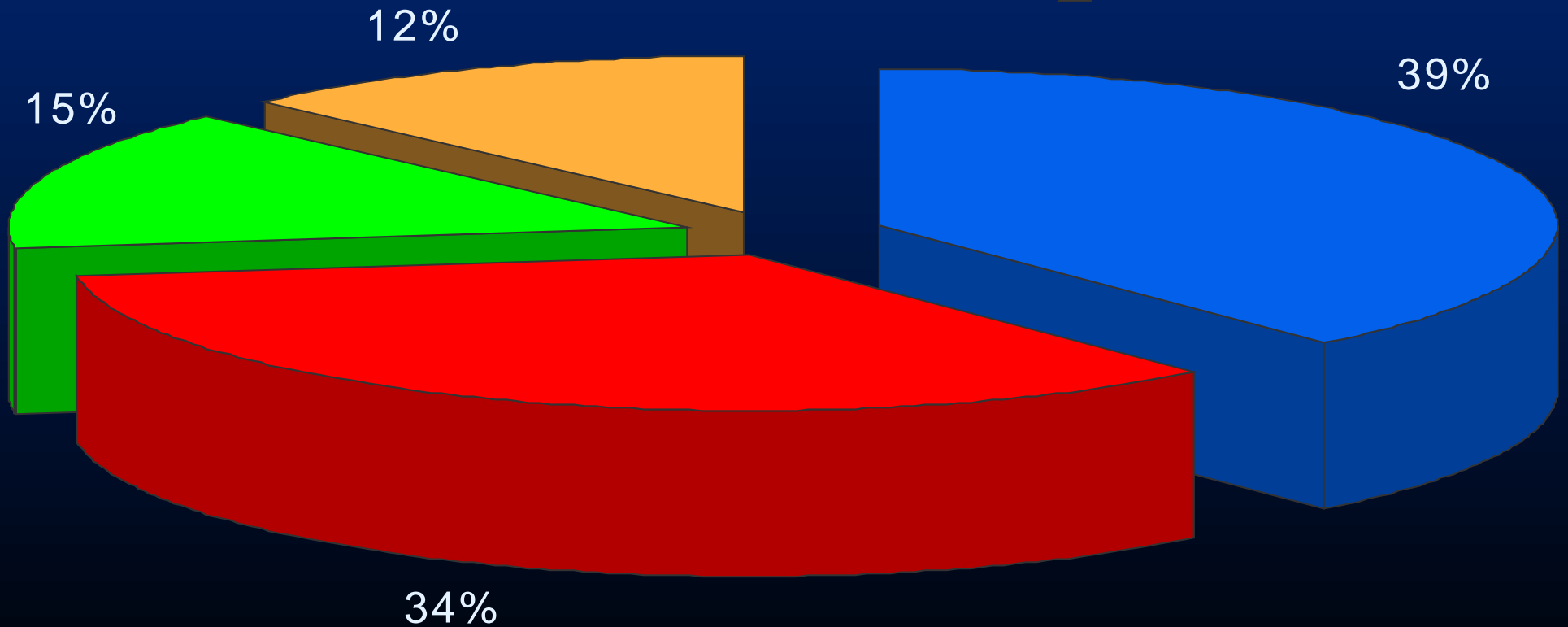
Asset Composition-Central Region

- Livestock
- Real Estate/Buildings
- Machinery/Equipment
- Other



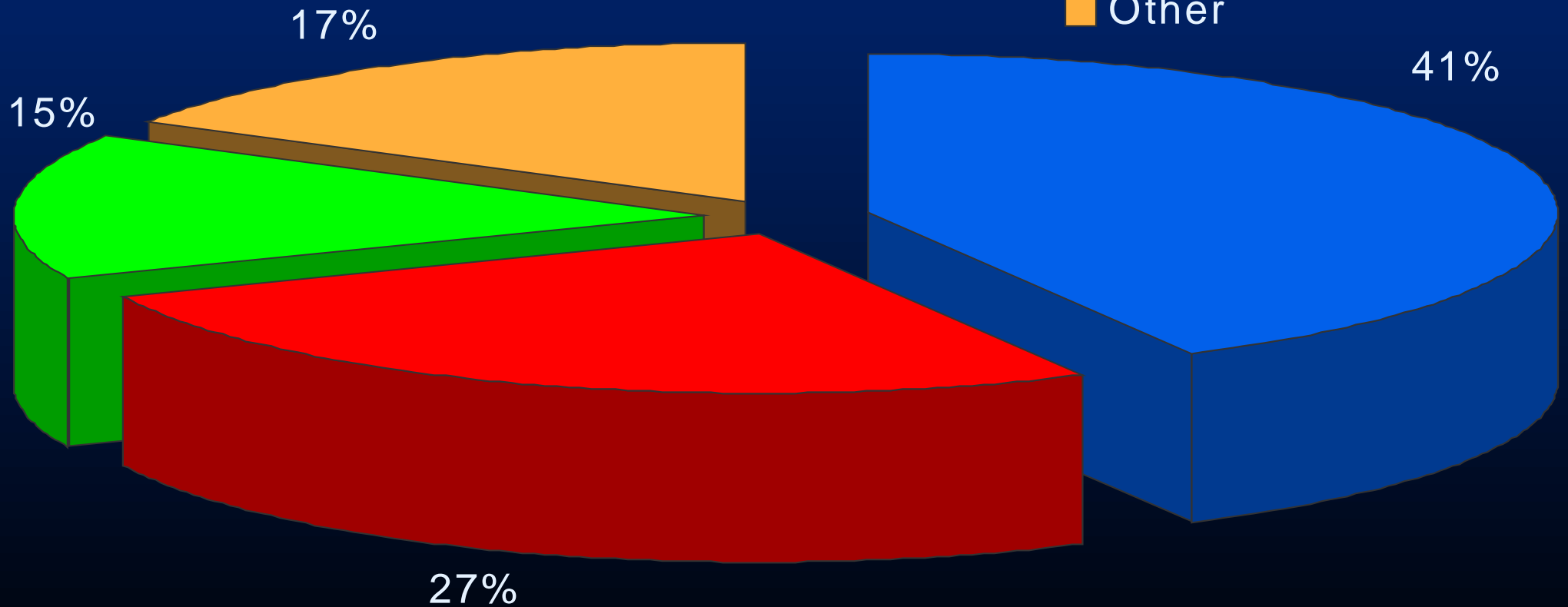
Asset Composition-DBAP Dairies

- Livestock
- Real Estate/Buildings
- Machinery/Equipment
- Other



Asset Composition-Top 25%

- Livestock
- Real Estate/Buildings
- Machinery/Equipment
- Other



Observations-Central Region Assets

- Above average asset turnover ratio (0.89) was driven by *high* pounds milk sold per cow (19,141).
- Assets per cow (\$4,318) were \$446 or 12% *higher* than the Top 25% group.
- *Both* livestock and real estate dominated assets.

Take Home Message

The asset mix for this region constrained asset efficiency, which should have been higher with high pounds milk sold per cow.

Challenges-Central Region

- Profit margin of (3%) needs to be improved. This was particularly important since this region had 2nd largest herd size (1,000 cows) and highest milk sold per cow (19,141).
- For the above reasons, the Central region, on average, lost the *most total money* of all regions.
- Purchased feed expense of \$9.62 per cwt. milk sold was too high.

Recommendations-Central Region

- Take a *serious, hard* look at ration expenses. You're losing too much money to ignore feed efficiency per cwt.
- Be wary of inventory decreases in heifers and other productive assets. This affects profitability even though no cash leaves the business.