
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.

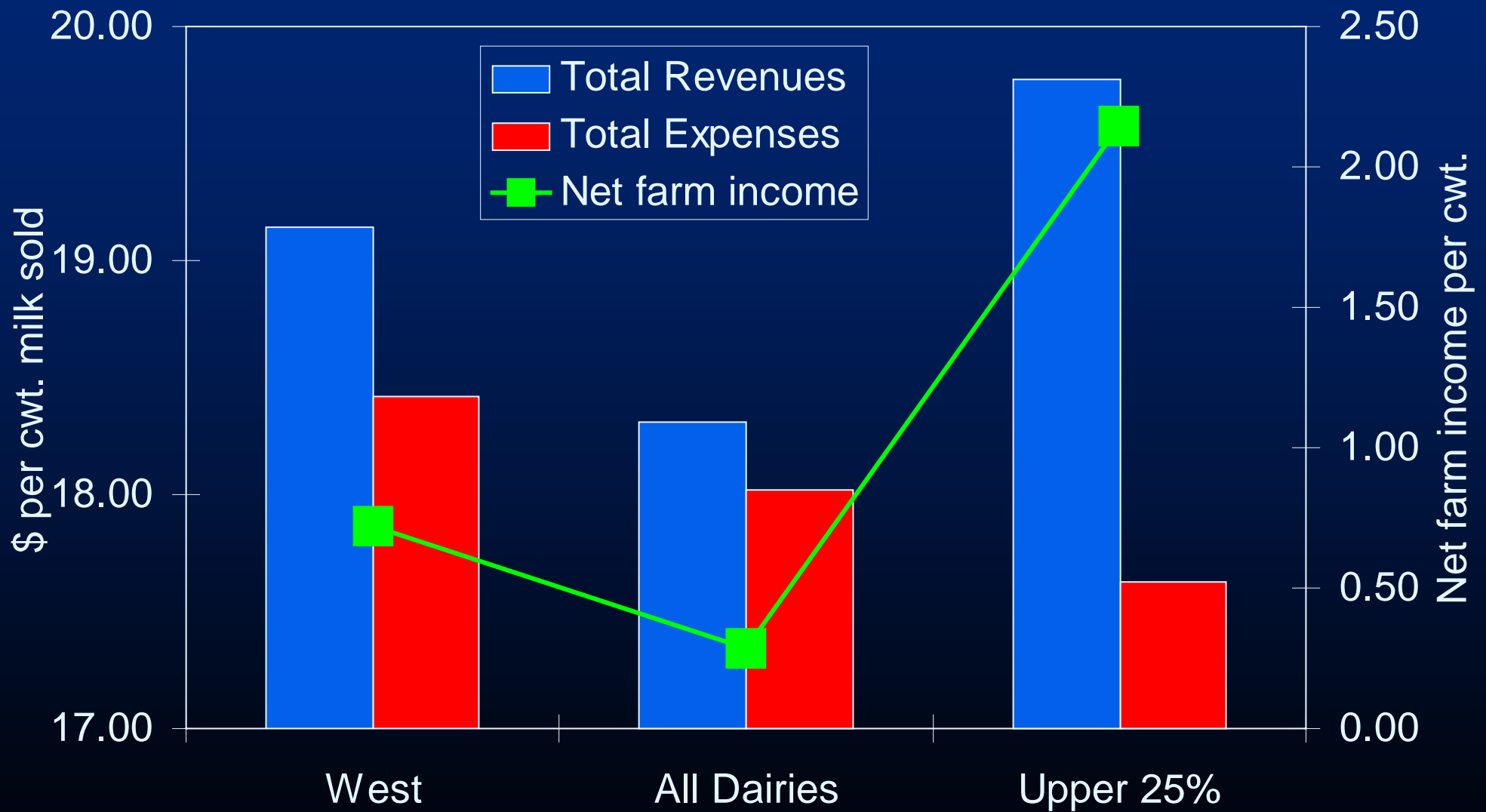
1997 Revenues and Expenses by Group

Category (\$ per cwt.)	West	All Dairies	Upper 25%
Total revenues	19.14	18.31	19.77
Personnel	2.85	2.45	2.34
Purchased feed	6.96	8.37	8.40
Crops	0.82	0.33	0.55
Machinery	1.46	0.86	0.83
Livestock	1.54	2.44	2.13
Marketing	1.34	1.06	0.96
Real Estate	0.66	0.50	0.56
Other	1.96	1.39	1.24
Depreciation	0.83	0.63	0.63
Total expenses	18.42	18.02	17.63
Net farm income	0.72	0.29	2.15

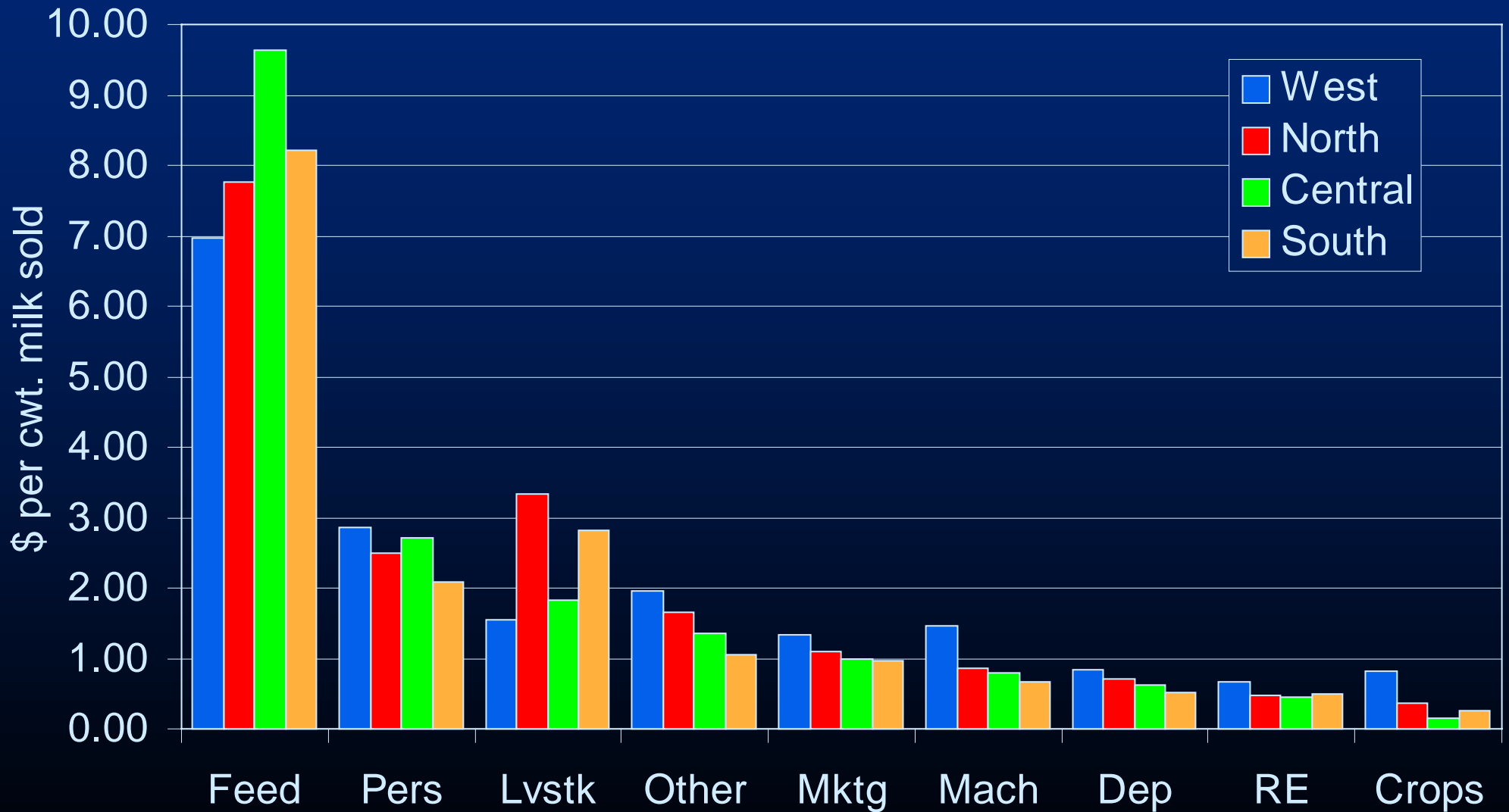
1997 Descriptive Statistics by Group

Category	West	All Dairies	Upper 25%
Number of cows	406	1,502	1,428
Number of heifers	310	883	928
Milk sold per cow (pounds)	16,646	17,014	17,053
Cull rate	36%	41%	41%
Assets per cow	\$5,275	\$4,178	\$3,872
Rate of return on assets	6%	3%	9%
Operating profit margin	6%	2%	11%
Asset turnover ratio	0.73	0.84	0.94

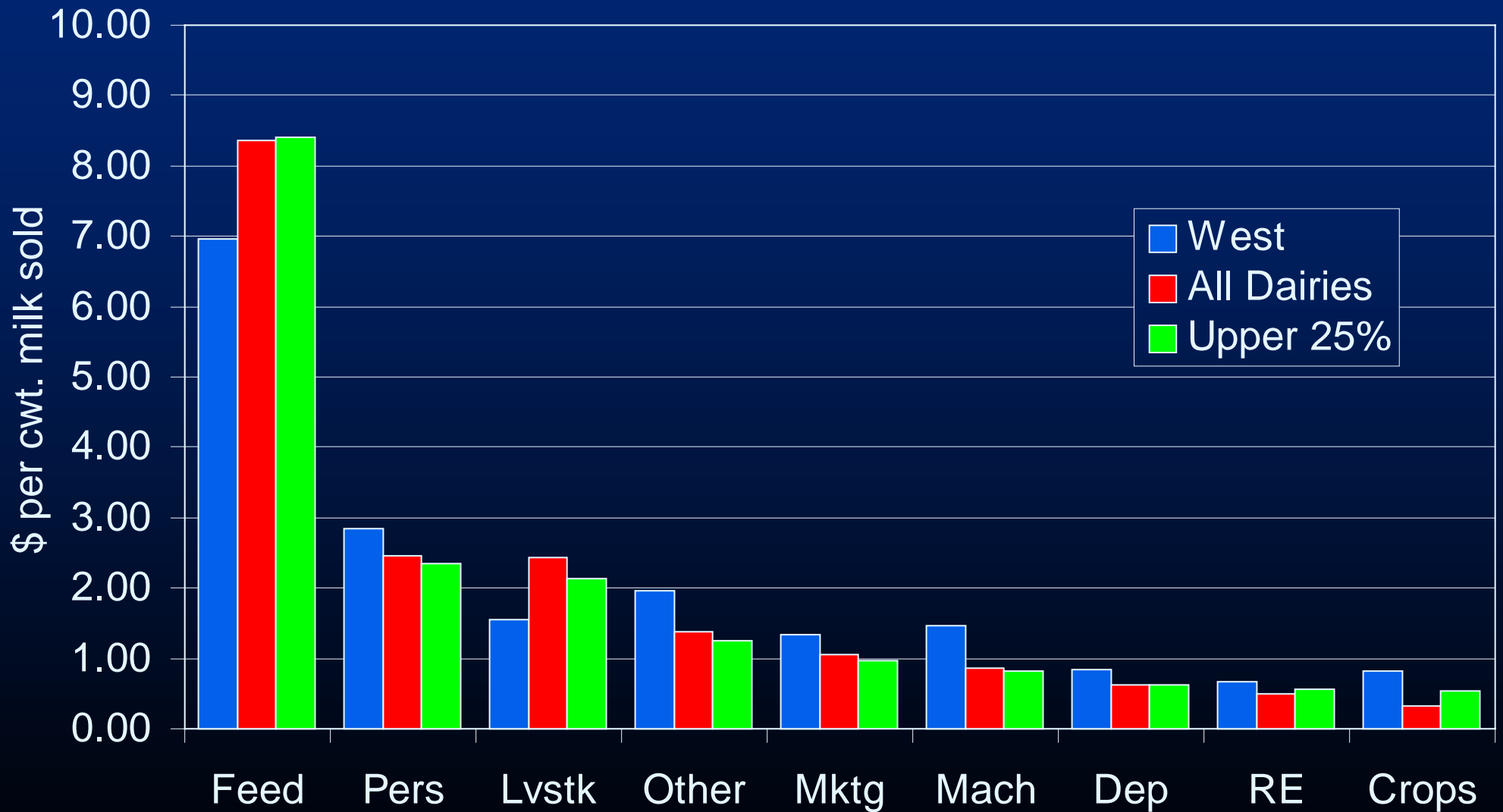
Revenues, Expenses, and Net Farm Income by Group



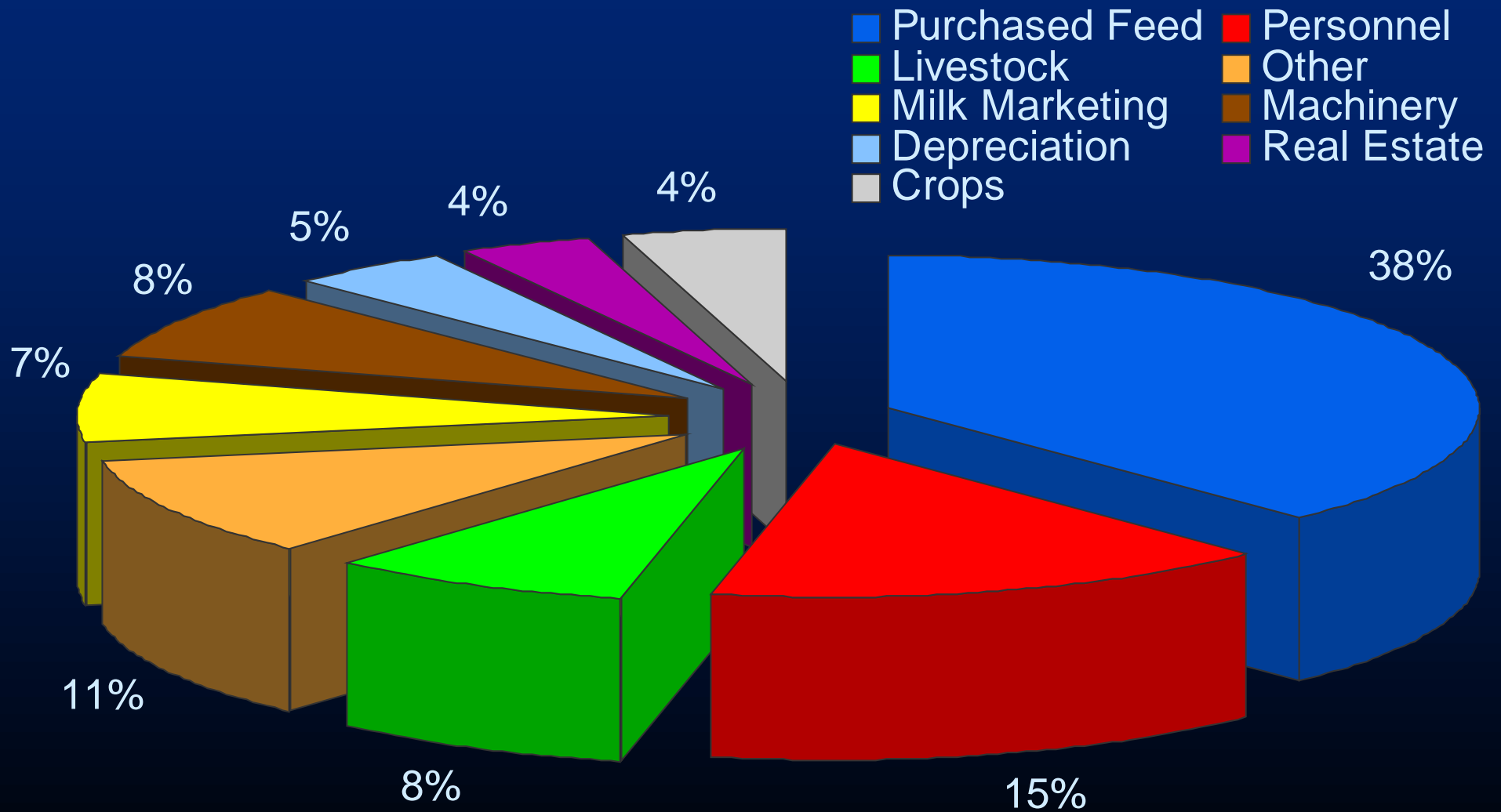
Expense Categories by Region



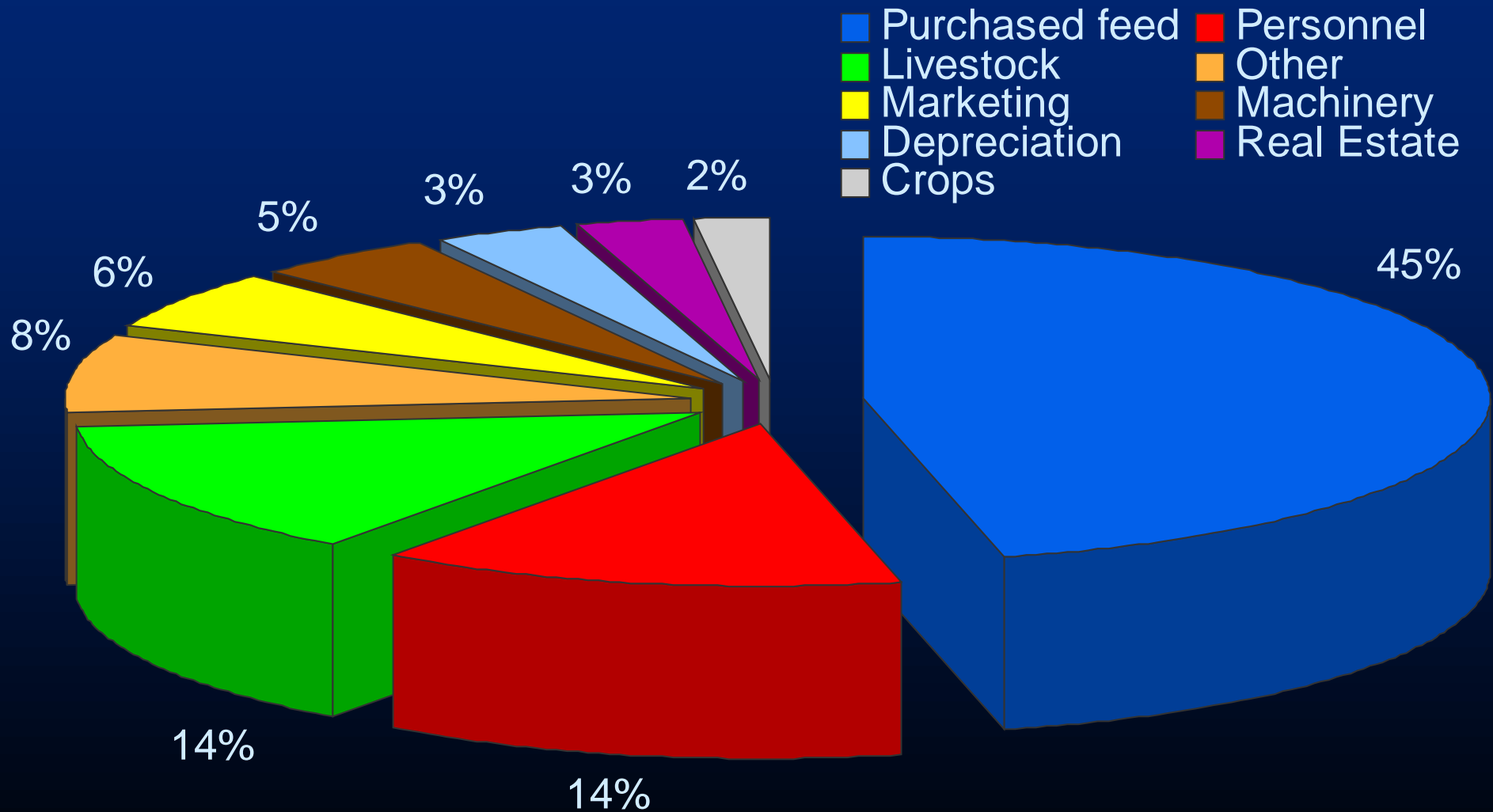
Expense Categories by Groups



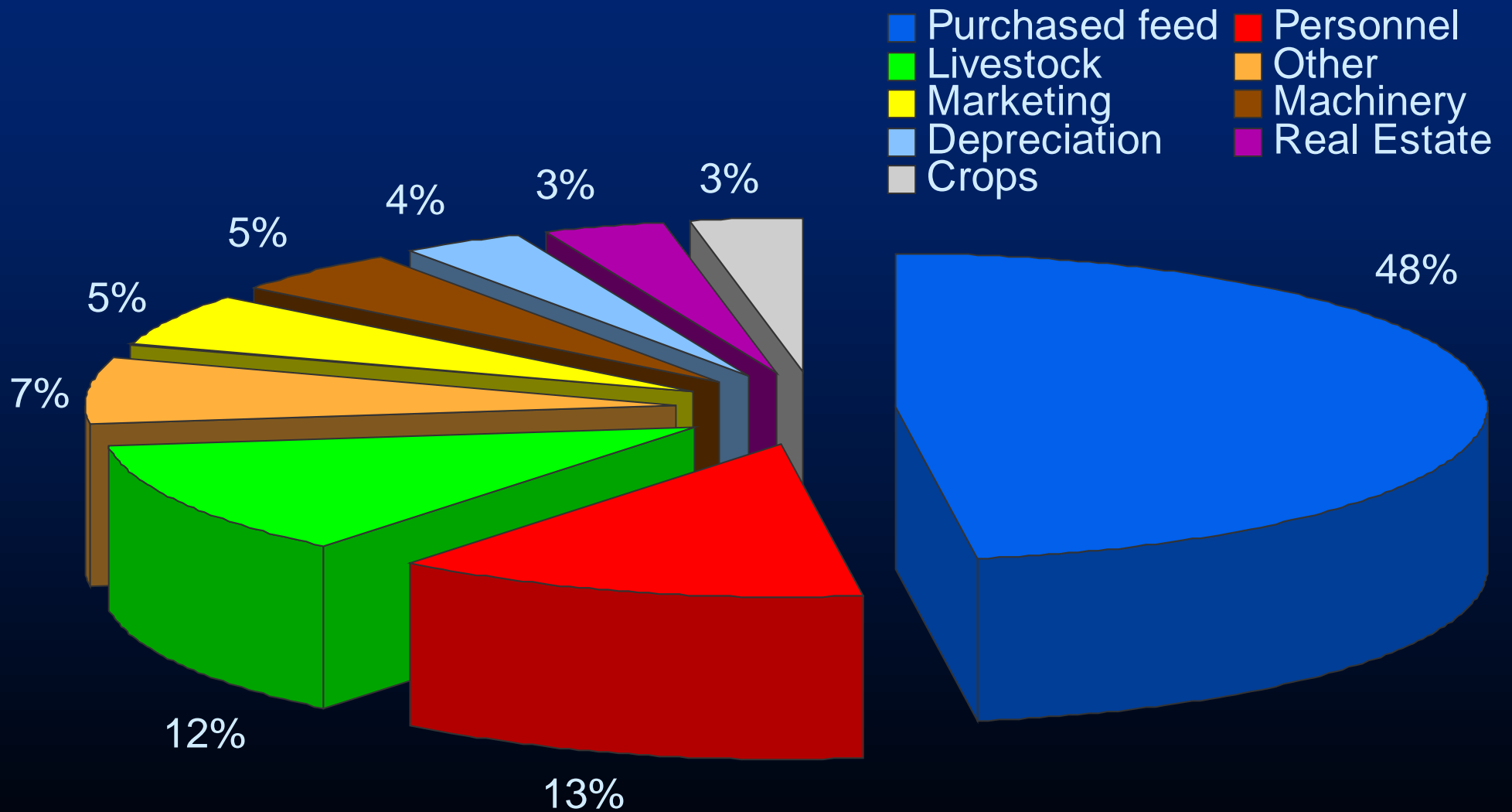
Expense Composition-West Region



Expense Composition-All DBAP Dairies



Expense Composition-Top 25% Dairies



Observations-West Region

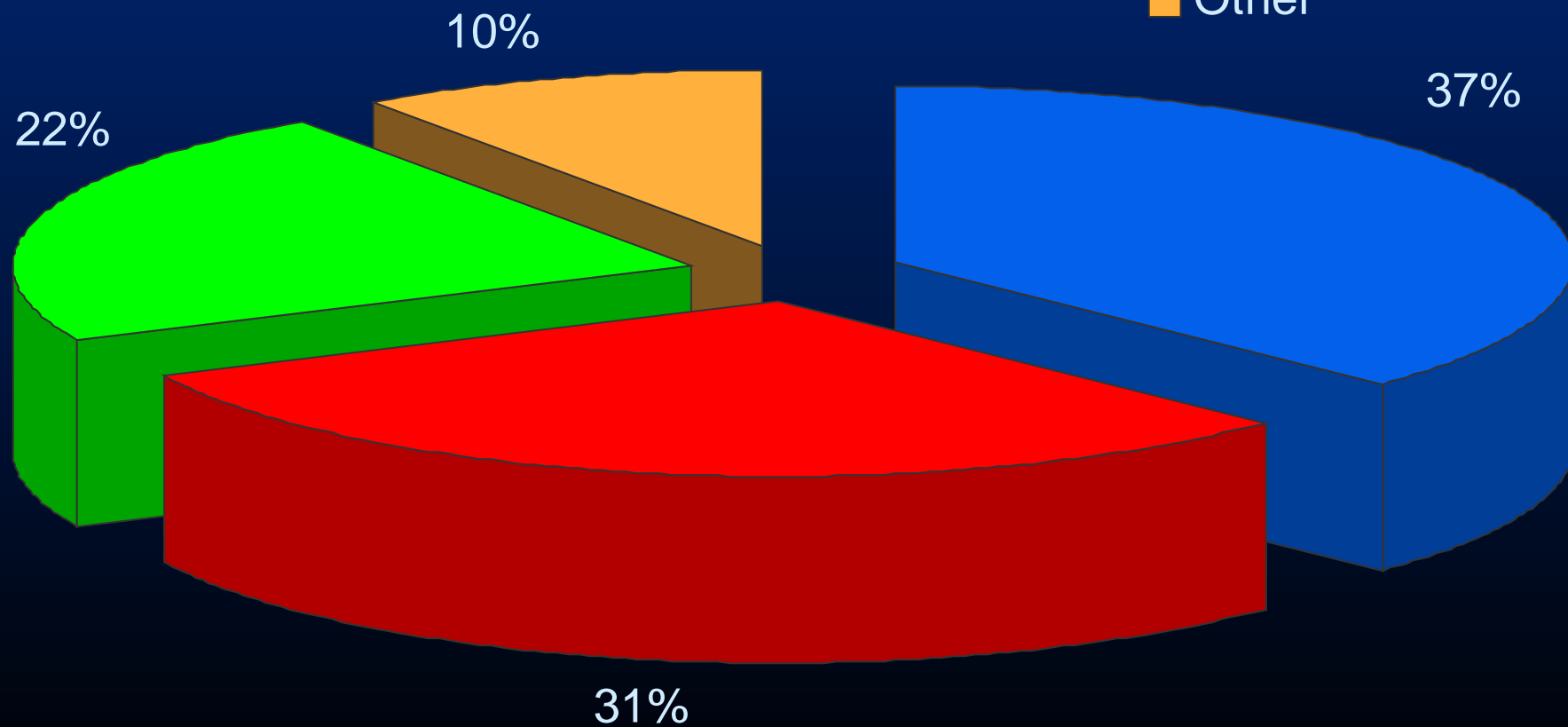
- This region made \$0.72 per cwt. milk sold due to \$19.14 in total revenues. This was caused by *crop activities* driving revenues higher.
- Total expenses of \$18.42 per cwt. milk sold, although not the highest, were still \$0.79 *above* Top 25% group.
- Cropping activities made this region's expense composition *drastically different*.
- Translation: Lower feed, higher machinery, real estate, and depreciation expenses: *Do these expenses produce profits?*

Critical Success Question

Do high crop expenses produce profits?

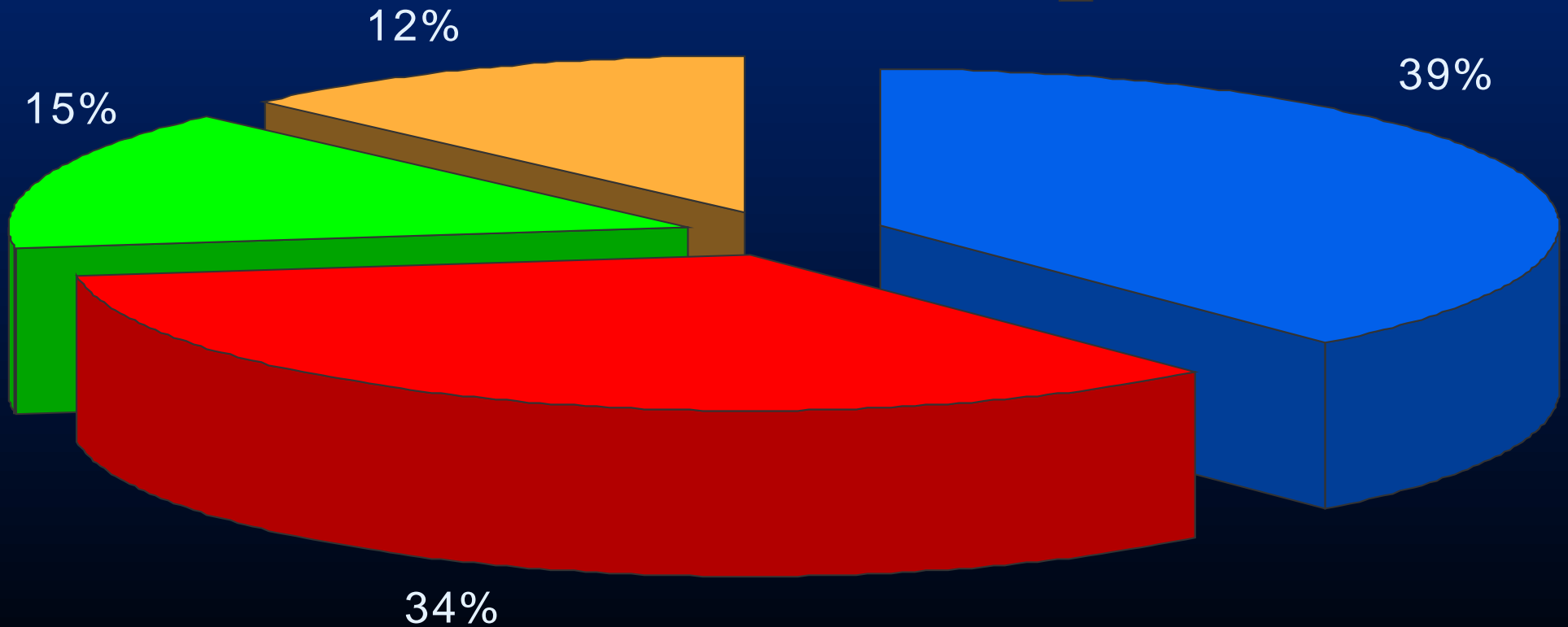
Asset Composition-West Region

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



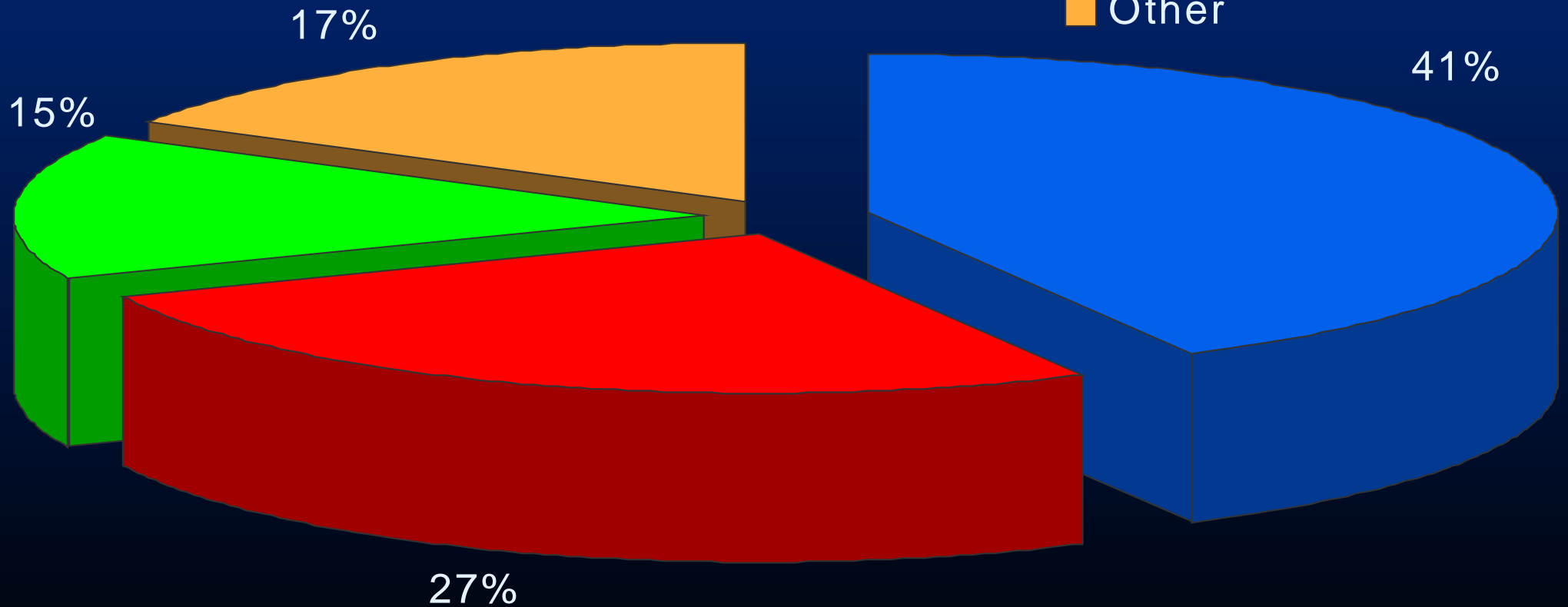
Asset Composition-DBAP Dairies

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



Asset Composition-Top 25%

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



Observations-West Region Assets

- Total assets of \$5,275 per cow was highest among regions and \$1,403 or 36% higher than the Top 25% group.
- Real estate and machinery dominated asset mix, not livestock.
- This drove an asset turnover ratio of 0.73 which was 0.21 points below the 0.94 of the Top 25% group.
- This brings to question the efficiency of cropping activities.

Challenges-West Region

- Lowest herd size among regions means the cropping activities need to be *highly efficient* or profitability will be constrained.
- Total expenses were high suggesting crop activities *may* not be efficient.
- High crop revenues may not always be realized from year to year.

Recommendations-West Region

- Analyze crop enterprises for efficiency.
- Improve efficiency of milk production. Look for ways to further decrease purchased feed expense.