

COST AND RETURNS FROM SELECTED FLORIDA DAIRY FARMS

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The costs and profitability of dairying in Florida have been estimated in various ways. U.S.D.A. makes routine estimates for use in formulating agricultural outlooks. The last Dairy Business Analysis Summary was published in 1969. It included data from 21 farms in peninsular Florida and showed total costs of \$7.31 per hundred pounds with net return of \$0.35.

Dairying in Florida can be partitioned into three logical enterprises:

1. **The milking operation** - includes facilities, labor, adult cattle and management for the production of milk.
2. **Feed acquisition** - refers to production, contracting or purchase of feed ingredients with required land, equipment and storage facilities.
3. **Replacement rearing** - includes feeding, care and management of young female cattle from birth to first-calving.

Each of these enterprises requires considerable capital and unique management skills. These needs are magnified when applied to the scale of large Florida dairy farms; and consequently, many farms do not attempt to do all three. Some herds only milk, selling all calves, purchasing all feed and replacement cattle. Others milk and raise replacements, but purchase all feed.

Feed represents 40% - 60% of on-farm milk production costs in Florida. This great spread results from varying levels of production, different strategies of feed acquisition and varying production efficiencies. Some farms can produce silage and other crops efficiently. Others purchase ingredients with forward contracts and blend rations on the farm. Still others purchase all feed which is delivered daily, ready to place in the feed bunk.

With an annual cow turnover rate near 35%, replacing dairy cows in Florida is expensive! Such items as "cow depreciation" or "purchased replacements" figure prominently in most dairy income statements. Recent reviews of several dairies' statements showed cow replacement to be a major cost of Florida milk production. Costs range from \$225 to \$300 per cow milked or \$1.75 to \$2.35 per hundred pounds of milk produced.

Financial statements from 26 cooperating dairy farms have been reviewed for this study. Seventeen of the dairies had data which was complete and consistent enough for summary. Income and expenses are summarized in Tables 1 and 2. Cost and returns for a dairy based upon the 17 herds summarized are presented in Table 3. Of the herds studied, nine provided the information related to assets and liabilities which are presented in Table 4. Table 5 shows a summary of the herds studied.

In consideration of data available, several observations can be made.

1. Dairy farming is not a high profit business;
2. Debt management is key;
3. Dairymen need to use accrual accounting method in order to assess profit and loss, accurately;
4. Depreciation method is important;
5. Many accountants are tax-oriented; and,
6. Much effort is needed to provide information for accurate determination of Florida dairy farm profitability.

TABLE 1: INCOME

	per cow	per cwt.
Milk Sales	\$2,130	\$15.27
Butcher Cow Sales	138	.99
Calf Sales	22	.15
Crop Sales	0	.00
Rent, Int. Divd.	18	.13
Other Farm Income	17	.12
 Total Cash Receipts	 \$2,324	 \$16.66
 Change in Inventory		
Feed & Crops	1	.01
Livestock	7	.05
 Total Farm Income	 \$2,332	 \$16.72

TABLE 2: EXPENSE

	per cow	per cwt.
Payroll	\$ 301	\$ 2.15
Purchased Feed	893	6.40
Crop Expense	36	.26
Power & Machinery	41	.29
Total Feed Cost	\$ 970	\$ 6.95
Breeding	16	.11
Vet & Medicine	42	.30
Marketing & Adv.	46	.33
Milk Hauling	85	.61
Livestock Pur. & Lease	198	1.42
Dairy Supplies	38	.27
DHIA	4	.03
Interest	74	.53
Taxes & Insurance	97	.69
Utilities	34	.24
Repair - Bldg. & Facil.	61	.43
Other Fuel	9	.06
Rent	20	.14
Consulting	5	.04
Miscellaneous	44	.32
Corporate Overhead	31	.22
Total Operating Cost	\$2,072	\$14.85

TABLE 3: INCOME STATEMENT

	Per Cow	Per CWT Milk
Total Cash Receipts	\$2,324	\$16.66
Other Income	8	.06
Total Income	\$2,332	\$16.72
Feed Cost	\$ 970	\$ 6.95
Payroll	301	2.15
Livestock Expense	435	3.12
Interest, Taxes, Insurance	171	1.22
General Farm Expense	196	1.40
Total Operating Cost	\$2,072	\$14.85
Depreciation		
Machinery	\$ 46	\$.33
Building & Improvements	39	.28
Livestock	33	.24
Total Cost	\$2,190	\$15.70
NET FARM INCOME	\$ 142	\$ 1.02

TABLE 4: BALANCE SHEET - SUMMARY

Assets	
Current	\$ 302,910
Other	\$1,100,283
Fixed	\$1,896,563
TOTAL	\$3,299,756
Liabilities	
Current	\$ 257,312
Intermediate	\$ 90,808
Long	\$1,264,686
TOTAL	\$1,612,806
Net Worth	\$1,686,950
Total Assets Per Cow	\$ 3,019
Debt Per Cow	\$ 1,476
Net Worth Per Cow	\$ 1,543

TABLE 5: SUMMARY OF SURVEYED HERDS

-COST OF PRODUCTION	\$15.70/CWT
-CAPITAL INVESTMENT	\$2,435/COW
-DEBT LOAD	\$1,019/COW
-HERD SIZE	1,253 COWS
-PRODUCTION LEVEL	13,879 LBS./COW
