

Executive Summary

This study by MSC Business Services (MSCBS), a division of PFB Members' Service Corporation was undertaken to reveal the differences between top performing dairy farms and the average dairy farms within its database.

MSCBS annually prepares an accrual based Compilation Report and Management Study for approximately 800 dairy farms located in PA. This study includes about 500 of those farms. The measurement of profit used is "Net Margin per CWT". The Net Margin is the result of Accrued Revenue less all Accrued Expenses including Economic Depreciation and a Management Labor charge.

For 2009, 19% of the Dairy Management Studies (85 of 455) reported a positive Net Margin per CWT. Reporting an accrual profit in a year known as one of the worst of all time for dairy farmers is a remarkable achievement. Of the 2009 profitable farms, many were rejected due to outside influences not related to dairy operations: family situations, length of time using MSCBS and more. 24 of those 85 farms were identified as "top performing" and are hereinafter referred to as the "Study Group". These farms had the following characteristics:

- Profitable and used MSCBS in all years 2006 through 2009, and
- Provided accurate and complete information with no extraordinary events.

The Study Group was found to be more profitable for the following reasons:

- Higher pounds of Milk Sold per Cow - 8% better
- Livestock Income per CWT (includes Internal Herd Growth) - 36% better
- 58% less Interest Expense, 49% less Debt per Cow as well as 18% less Machinery Operational Costs per Acre
- Animal Husbandry Costs (includes veterinary, supplies, breeding, production expenses, milk testing, bedding, hoof trimming and heifer raising) - 16% better
- Total Labor Costs (management & hired) - 10% better; Lbs Milk Sold per Worker- 26% better
- Total Productions Costs per CWT - 15% better
- Converting feed to milk - 31% better as measured by Income over Total Feed Costs per Cow

The Study Group farms are where they are as a result of their focus on investing in just what will add to future profits, cropping in a way that maximizes production per acre so that land needs are minimized, and maintaining excellent animal husbandry practices in high and low milk price years. They work hard at controlling costs, operating in a way that points toward having a long-term plan for their business. This "plan" may not be in writing, but it nevertheless exists and is the result of multiple minor, but critical, daily management decisions