

So what is the Bottom Line for 2013, 2014 and beyond?

2013 was a very good year. The 2013 results for MSC Business Services dairy farms placed them in a strong financial position going into 2014. Currently, milk prices are at or near all-time highs.

When talking about financial results, milk prices are only part of the story. What about crops? Yes, during 2013 and into 2014 milk prices moved upward, but that was necessary based on the price of most inputs. When they had to be purchased, crop inputs, ate up far more of the average milk check than anyone wanted to see. Even those that could grow the needed crops, suffered due to high production costs. But, so far, there has been welcome relief in 2014.

All this creates an important learning opportunity. The key learning points relate to the way all farm prices move.

- High prices result eventually in lower prices,
- Low prices result eventually in higher prices, and
- Poor profitability eventually results in improved profitability

This means that when times are good, it is essential that debt be retired, cash reserves be established and spending on assets be limited to only purchases that will produce greater profits in the future. Then when times are not good, the operation can more easily weather the storm.

Make no mistake, there are plenty of questions about what 2015 will bring. The upside potential would seem small, while the downside potential seems rather large. Every dairy manager must use the current good times to set the farm up to sustain itself through the inevitable downturn.



Dairy Profitability Comparison 2013

Specially Prepared For:

Management Study Comparison 2013

	My Farm			Comparable Size Farms			Top 10%		
	Avg # Cows		61.00	Avg # Cows		61.90	Avg # Cows		162.15
	Milk Sold /Cow		24,615	Milk Sold /Cow		19,293	Milk Sold /Cow		20,957
	Dollars	\$/Cow	\$/CWT	Dollars	\$/Cow	\$/CWT	Dollars	\$/Cow	\$/CWT
Revenue									
Milk, Sold	\$311,469	\$5,106	\$20.74	\$252,808	\$4,084	\$21.17	\$742,203	\$4,577	\$21.84
Livestock Income	18,003	295	1.20	17,019	275	1.43	68,757	424	2.02
Crop Income	20,125	330	1.34	8,390	136	0.70	27,961	172	0.82
Ag Program Payments	7,607	125	0.51	5,911	95	0.49	26,323	162	0.77
Miscellaneous	0	0	0.00	1,490	24	0.12	13,397	83	0.39
Machine Hire (Custom Work)	0	0	0.00	2,646	43	0.22	7,059	44	0.21
Other Income	5,016	82	0.33	6,968	113	0.58	20,847	129	0.61
Total Revenue	\$362,220	\$5,938	\$24.12	\$295,232	\$4,770	\$24.71	\$906,547	\$5,591	\$26.66
Production Costs									
Feed Expenses	\$8,447	\$138	\$0.56	\$74,324	\$1,201	\$6.22	\$202,955	\$1,252	\$5.97
Labor Expenses	14,352	235	0.96	11,780	190	0.99	55,842	344	1.64
Repairs (Machinery)	17,994	295	1.20	16,426	265	1.38	38,621	238	1.14
Seeds & Plants	13,827	227	0.92	11,544	186	0.97	36,592	226	1.08
Gasoline, Fuel, Oil (Business)	21,078	346	1.40	13,025	210	1.09	33,185	205	0.98
Fertilizer	15,093	247	1.01	10,422	168	0.87	28,330	175	0.83
Machine Hire (Custom Work)	1,833	30	0.12	9,885	160	0.83	27,679	171	0.81
Rent - Lease of Real Estate	12,840	210	0.86	4,552	74	0.38	26,731	165	0.79
Chemicals (Sprays or Pestic.)	7,415	122	0.49	5,754	93	0.48	22,863	141	0.67
Supply Expenses	3,374	55	0.22	8,566	138	0.72	22,089	136	0.65
Utilities (Business)	13,348	219	0.89	8,010	129	0.67	16,441	101	0.48
Vet and Medicine	6,146	101	0.41	5,139	83	0.43	16,082	99	0.47
Supplies (Livestock)	0	0	0.00	4,979	80	0.42	12,579	78	0.37
Other Production Costs	13,008	213	0.87	15,309	247	1.28	43,359	267	1.28
Total Production Costs	\$148,755	\$2,438	\$9.91	\$199,715	\$3,224	\$16.73	\$583,348	\$3,598	\$17.16
Administrative Costs									
Management Labor	\$40,867	\$670	\$2.72	\$41,359	\$668	\$3.46	\$71,607	\$442	\$2.11
Economic Depreciation	62,875	1,031	4.19	28,078	454	2.35	60,494	373	1.78
Marketing Expenses	15,917	261	1.06	14,394	233	1.21	34,525	213	1.02
Insurance (Business)	13,354	219	0.89	6,170	100	0.52	14,477	89	0.43
Other Administrative Costs	6,221	102	0.41	7,419	120	0.62	16,583	102	0.49
Total Administrative Costs	\$139,234	\$2,283	\$9.27	\$97,420	\$1,575	\$8.16	\$197,686	\$1,219	\$5.83
Interest Expense	\$23,998	\$393	\$1.60	\$8,840	\$143	\$0.74	\$14,777	\$91	\$0.43
Net Margin	\$50,233	\$824	\$3.34	(\$10,743)	(\$172)	(\$0.92)	\$110,736	\$683	\$3.24

Disclaimer:
Numerous factors, many beyond the scope of the data in this summary, influence individual results. All data reported reflects past performance and does not predict or forecast future results. The data reported is believed to be accurate, but Pennsylvania Farm Bureau, MSC Business Services makes no warranty or representation, expressed or implied, as to its suitability or fitness for any purpose. The user of this data is cautioned to utilize the data at their own risk, recognizing that Pennsylvania Farm Bureau, MSC Business Services disclaim all liability for any damages, however occurring, to any person or entity as a result of such use.

Analytical Study Comparison 2013

	My Farm		Comparable Size Farms		Top 10%				
	Total # Milk Shipped (CWTs)		1,501,513	Total # Milk Shipped (CWTs)		1,194,221	Total # Milk Shipped (CWTs)		3,398,136
	Somatic Cells (1,000s)		300	Somatic Cells (1,000s)		259	Somatic Cells (1,000s)		221
Dairy Productivity Factors									
Total # Milk Shipped (CWTs)	1,501,513		1,194,221		3,398,136				
Somatic Cells (1,000s)	300		259		221				
Cow Cull Rate	30%		32%		31%				
Dairy Animal Inventory Change	\$8,600		(\$1,418)		\$26,246				
Internal Herd Growth	-1.59%		-2.39%		5.78%				
Replacements per Cow	1.11		0.83		0.93				
Purchased Feed & Crop Exp / CWT	\$3.62		\$9.01		\$7.62				
Net Milk Price / CWT	\$19.68		\$19.91		\$20.51				
Total Cost Prod Milk / CWT	\$17.40		\$21.95		\$15.54				
Pur Feed / Milk Income	6%		25%		20%				
Milk Shipped / Man	1,201,210		795,504		961,214				
Total Feed Fed / CWT	\$9.67		\$11.39		\$9.12				
Milk Inc. over T. Feed / Cow	\$2,726		1,355		2,077				
Return per \$100 Feed Fed	\$227		\$146		\$235				
Ratios									
Return on Assets	3.89%		0.38%		9.60%				
Current Ratio	3.00:1		4.26:1		2.48:1				
Debt Coverage Ratio	1.63:1		2.47:1		5.61:1				
EBITD / Cow	\$2,918		\$1,308		\$2,402				
Percent Net Worth	55%		60%		60%				
Operating Expense %	80%		101%		77%				
Interest Expense %	7%		3%		2%				
Asset Turnover (years)	5.27		3.91		3.26				
Total Business Prod / Man	\$297,484		\$210,103		\$286,808				
Labor Productivity Ratio	6.73:1		6.24:1		8.09:1				
Total Man Equivalents	1.25		1.71		3.63				
Total Debt per Cow	\$14,100		\$7,706		\$7,095				
Cows / Man	49		42		46				
Other Cost Analysis									
Total Fixed Costs / CWT	\$12.13		\$10.75		\$9.88				
Total Variable Costs / CWT	\$8.65		\$16.63		\$13.42				
Direct Crop Expense / Acre	\$111		\$117		\$132				
Crop Margin / Acre	\$82		\$42		\$78				
Value Forage Harv / For Acre	\$575		\$386		\$458				
Value Grain Harv / Grain Acre	\$417		\$348		\$427				
Machine Op Cost / Acre	\$140		\$177		\$157				
Total Mach Op Cost / Acre	\$287		\$268		\$244				

* Comparable Size Farms
The data in the Comparable Size Farms column is designed to average, as closely as possible, farms with roughly the same number of cows milked as your farm. The data is not from all farms in the MSC Business Services database, but is only from those utilizing conventional feeding systems that have been designated as included in this summary by their Account Supervisor.

* Top 10%
The Top 10% Farms were chosen based on Net Margin per cwt within the MSC Business Services database. These farms utilize conventional feeding systems and have been designated as included in this summary by their Account Supervisor.