

2015 & Weaker Prices:

Well it certainly is not 2014! Predicted drops in the price of milk are now happening. 2014 was a year to get the business' finances in order by paying off bills, retiring debt, building cash reserves and wisely buying ahead to reduce spring 2015 purchasing. 2015 certainly looks to be the year when all this wise Cash Flow Management displays its worth.

It all began with exports, and exports are the leading cause of the price drop. From a high of over 17%, exports of dairy are down to about 11% of total production at this writing. This 6% reduction is big. Now add to this market loss a 2% increase in production, and the industry is awash in excess milk; some PA farms are even losing their market.

What caused the loss of export markets? The largest contributor is the amazing run-up in the value of the US Dollar. Our exports are being priced out of foreign markets due to exchange rates. The weak world economy, combined with the drum beat of war in the Middle East, has made the Dollar the currency of choice. Blaming the drop in price only on the Dollar would not be accurate, as production here and abroad and other factors are important, too.

Milk prices have been low before, and the industry has always been able to shrug them off and move on. This will happen again, but first the operation must make it through the current challenging environment. So to predict the price into the future, it is the task of the operator to watch the value of the Dollar, exports, and overall production for signs of what to expect in the coming months.



Dairy Profitability Comparison 2014

Specially Prepared For:



Management Study Comparison 2014

	My Farm			Comparable Size Farms			Top 10%		
	Avg # Cows		145.00	Avg # Cows		129.71	Avg # Cows		171.38
	Milk Sold /Cow		20,914	Milk Sold /Cow		21,730	Milk Sold /Cow		22,663
	Dollars	\$/Cow	\$/CWT	Dollars	\$/Cow	\$/CWT	Dollars	\$/Cow	\$/CWT
Revenue									
Milk, Sold	\$774,091	\$5,339	\$25.53	\$721,320	\$5,561	\$25.59	\$1,009,595	\$5,891	\$25.99
Livestock Income	45,738	315	1.51	60,852	469	2.16	94,217	550	2.43
Crop Income	63,533	438	2.10	14,176	109	0.50	21,182	124	0.55
Miscellaneous	20,174	139	0.67	3,588	28	0.13	9,839	57	0.25
Patronage Refunds	1,125	8	0.04	6,242	48	0.22	8,887	52	0.23
Ag Program Payments	7,400	51	0.24	3,958	31	0.14	2,905	17	0.07
Other Income	40,037	276	1.32	9,422	73	0.33	5,242	31	0.13
Total Revenue	\$952,098	\$6,566	\$31.41	\$819,558	\$6,319	\$29.07	\$1,151,867	\$6,722	\$29.65
Production Costs									
Feed Expenses	\$212,026	\$1,462	\$6.99	\$191,896	\$1,479	\$6.81	\$189,068	\$1,103	\$4.87
Labor Expenses	45,949	317	1.52	40,081	309	1.42	56,624	330	1.46
Repairs (Machinery)	58,408	403	1.93	33,746	260	1.20	36,300	212	0.93
Machine Hire (Custom Work)	34,156	236	1.13	40,002	308	1.42	31,812	186	0.82
Supply Expenses	60,158	415	1.98	31,926	246	1.13	31,534	184	0.81
Gasoline, Fuel, Oil (Business)	52,649	363	1.74	26,450	204	0.94	29,609	173	0.76
Seeds & Plants	10,765	74	0.35	26,400	204	0.94	26,651	156	0.69
Fertilizer	15,000	103	0.49	23,510	181	0.83	25,614	149	0.66
Rent - Lease of Real Estate	20,026	138	0.66	14,474	112	0.51	21,412	125	0.55
Chemicals (Sprays or Pestic.)	15,010	104	0.49	13,769	106	0.49	18,351	107	0.47
Vet and Medicine	9,260	64	0.31	13,811	106	0.49	16,678	97	0.43
Utilities (Business)	20,992	145	0.69	15,624	120	0.55	16,376	96	0.42
Heifer Raising, Off-Farm(Expense)	0	0	0.00	2,897	22	0.10	12,661	74	0.33
Other Production Costs	76,654	529	2.53	49,797	384	1.77	44,433	259	1.14
Total Production Costs	\$631,053	\$4,353	\$20.81	\$524,383	\$4,041	\$18.60	\$557,123	\$3,251	\$14.34
Administrative Costs									
Management Labor	\$88,563	\$611	\$2.92	\$73,450	\$566	\$2.61	\$85,811	\$501	\$2.21
Economic Depreciation	45,250	312	1.49	52,831	407	1.87	67,333	393	1.73
Marketing Expenses	33,383	230	1.10	34,088	263	1.21	40,657	237	1.05
Insurance (Business)	29,467	203	0.97	13,076	101	0.46	14,499	85	0.37
Other Administrative Costs	17,801	123	0.59	14,578	112	0.52	15,125	88	0.39
Total Administrative Costs	\$214,464	\$1,479	\$7.07	\$188,023	\$1,449	\$6.67	\$223,425	\$1,304	\$5.75
Interest Expense	\$69,619	\$480	\$2.30	\$22,055	\$170	\$0.78	\$17,866	\$104	\$0.46
Net Margin	\$36,962	\$254	\$1.23	\$85,097	\$659	\$3.02	\$353,453	\$2,063	\$9.10

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 2014

	My Farm		Comparable Size Farms		Top 10%	
Dairy Productivity Factors						
Total # Milk Shipped (CWTs)	3,032,486		2,818,598		3,884,035	
Somatic Cells (1,000s)	200		269		194	
Cow Cull Rate	24%		29%		32%	
Dairy Animal Inventory Change	\$13,600		\$4,743		\$18,566	
Internal Herd Growth	5.52%		0.42%		2.93%	
Replacements per Cow	0.71		0.90		0.92	
Purchased Feed & Crop Exp / CWT	\$8.87		\$9.91		\$7.77	
Net Milk Price / CWT	\$24.43		\$24.40		\$24.80	
Total Cost Prod Milk / CWT	\$24.31		\$22.76		\$17.04	
Pur Feed / Milk Income	29%		21%		20%	
Milk Shipped / Man	1,010,829		1,139,299		1,074,834	
Total Feed Fed / CWT	\$12.64		\$10.53		\$10.83	
Milk Inc. over T. Feed / Cow	\$2,696		2,028		3,180	
Return per \$100 Feed Fed	\$214		\$165		\$259	
Ratios						
Return on Assets	6.27%		5.62%		11.25%	
Current Ratio	3.15:1		3.90:1		2.69:1	
EBITD / Cow	\$1,658		\$1,944		\$3,072	
Percent Net Worth	10%		54%		64%	
Operating Expense %	89%		88%		72%	
Interest Expense %	7%		3%		2%	
Asset Turnover (years)	1.78		2.67		3.01	
Total Business Prod / Man	\$322,733		\$348,090		\$342,608	
Labor Productivity Ratio	7.20:1		7.96:1		7.89:1	
Total Man Equivalents	3.00		2.88		3.51	
Dairy Debt per Cow	\$9,858		\$4,321		\$3,278	
Cows / Man	48		53		48	
Other Cost Analysis						
Total Fixed Costs / CWT	\$12.68		\$9.23		\$8.95	
Total Variable Costs / CWT	\$17.50		\$18.87		\$14.60	
Direct Crop Expense / Acre	\$91		\$193		\$147	
Crop Margin / Acre	\$44		\$53		\$69	
Value Forage Harv / For Acre	\$505		\$442		\$583	
Value Grain Harv / Grain Acre	\$545		\$345		\$491	
Machine Op Cost / Acre	\$312		\$274		\$228	
Total Mach Op Cost / Acre	\$387		\$381		\$318	

* 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.