

# The Dairy Business

By  
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**INCOME - MINUS OUTGO = WHAT'S LEFT**

One of the most important equations in all mathematics is used by just about everyone. It can be expressed in many forms and expanded to cover a lot of variables, but always works out to the same critical answer. The quality of life for you and your family will depend on the profits from your business, after the expenses are paid.

Why discuss anything so obvious? Mainly, to try to get a handle on what factors have the most affect on dairy farm income and profits. Most important, how to get a good grip on the handle so we can control the aim.

The price of milk has a major influence on dairy income, obviously. But it is pretty well regulated and we don't have a lot of control over it. So, let's take a look at some things we can control, such as size of the herd, production per cow, milk produced per worker, and the farm debt load.

An analysis of 1467 dairy farms by Penn State Farm Management Specialists last year listed herd size, production per cow, labor efficiency and farm business liabilities as having the biggest influence on profits.

This is not necessarily the order of importance, however, since there are variable limits to all of these on every farm.

For example, take herd size. Herds with 20 to 29 cows listed average assets of \$167,684, liabilities of \$34,364, leaving a net worth of \$133,320. But averages don't mean much because nobody is really "average". It's the range of values that opens your eyes. In this herd size group, the range in milk sales ran from a low of \$14,547 to a high of \$54,822! And cash expenses ran from \$10,182 to nearly \$64,000. Highs and lows in income and expenses are not necessarily matched, so a low income farm can also have one of the higher expense ratings, leaving a rather narrow margin of profit to live on.

Farms with 90 to 109 cows produced the highest family labor and management income - \$18,845. Compare this with the family income on the smaller farms, which averaged \$2,127. Of course, the larger farms also had a wide range of income; from \$73,000 low to \$226,000 high. Expenses on the 100 cow herds ranged from \$63,000 to \$188,000 per farm. Size alone is not the answer to profits!

Much more important to the profit equation is overall production when measured per acre, per cow and per man. About 93% of all cash receipts on a dairy farm comes from the sale of milk. Regardless of cow numbers or farm size, it isn't hard to see the vast differences in income per cow between a 10,000 pound herd and one producing 16,000 pounds per cow. At \$12.00 per hundred, that's a difference of \$720 income per cow. Income alone is only part of the equation.

The real clincher is profit. Dairy Herd Improvement figures are reported as profit over feed cost. Using records from a few random herds, we see a profit over feed cost of between \$500 and \$600, for a 10,000 pound herd. For 16,000 pound herds, the figure is \$1,200 to \$1,300 - more than twice as much profit per cow.

And then there is the matter of labor efficiency. Here is where the real differences between small (20-30 cows) and large (100 or more cows) herds show up. The management income per hour on the smaller herds is 80 cents compared to \$4.99 for the large herds. This is obtained by dividing

## Basic nutrition series offered

**MEDIA** - Fats will be the topic of the third of a series of meetings on basic nutrition being offered by

the family labor and management income per man equivalent by 3,000 hours.

Pounds of milk sold per man is a very meaningful measure of labor efficiency on a dairy farm. When you get to the bottom line, it's the combination of herd size and production per cow that indicates a true measure of efficiency.

We must admit that the profitability of a dairy enterprise depends on many related factors. Low income, for example, can result from too small a business, low production, high feed cost, expensive buildings, too much machinery, a high debt load, or any combination of these. The "what's left" side of the equation can be a pretty nice figure if these combinations are balanced up properly.

(You can get a copy of the latest Pennsylvania Dairy Farm Business Analysis report from any County Extension Office. Ask for Farm Management 61.)

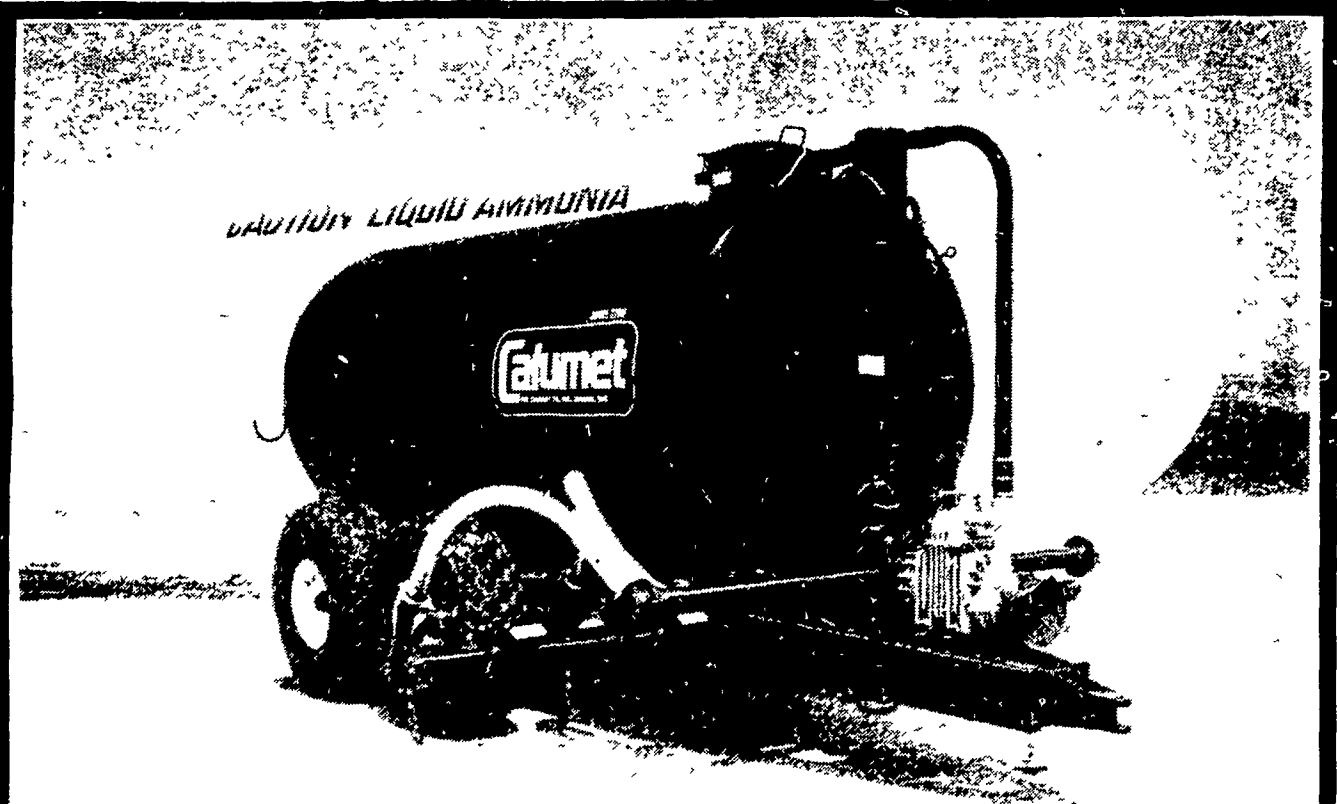
the Penn State Extension Service. Greta C. Vairo, Extension Home Economist, says that this talk which is open to the public will be held from 10 A.M. to noon on Friday, December 7, in the Toal Building Auditorium, corner of 2nd & Orange Streets, Media. Parking is available in the county garage at 3rd and Olive Streets.

Many nutritionists feel that the American diet is made up of too many

calories from fats. In the U.S. Dietary Goals it is suggested that the percentage of fat be decreased from the present 40 to 30 percent of total calories. At this talk you will learn about saturated, and unsaturated fats and why it is important to limit use of foods containing cholesterol. Are you aware that many of these fats are hidden? There is no charge for this meeting. The public is invited to attend the entire series.



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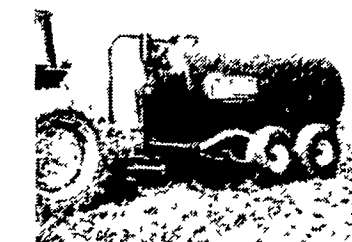
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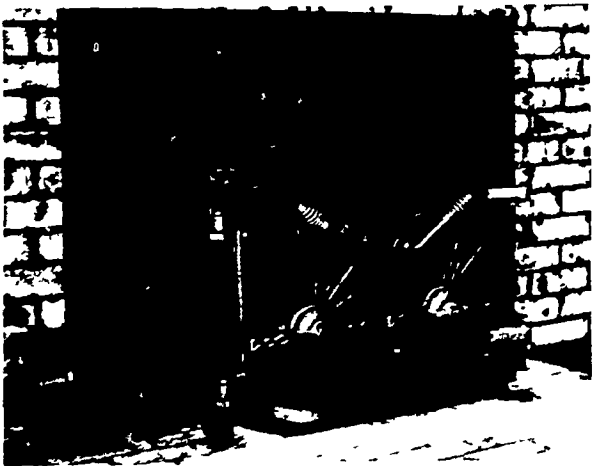
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