Understanding & Leveraging Dairy Financial KPI’s

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Headline

Body Content

• Bullet Point
Intended Outcomes for Today

Identify characteristics of a relevant KPI reporting system

Present examples of Dairy Financial KPI’s by area w/ explanation

Q&A re: Dairy Financials, KPI’s, limitations, etc..

Remember:
• Cows & People DRIVE Dairy Financial KPI’s
• Dairy Financial KPI’s are typically “lag” vs. ”leading” measures
What makes a relevant KPI reporting system?

1. Simple & easy to understand – One page, no more than 10 measures maximum

2. Prepared no less frequently than monthly

3. Presented in Trend format to gauge progress month over month and year over year – suggest rolling 13 month
4. Based on accrual financial records

- Use of A/R and A/P to book income/expenses in period generated/incurred – regardless of affects on cash

- Capitalize Crop Production and Heifer Development activities – Investments vs. Expenses

- Recognize Inventory decreases as an expense

- Captures fixed asset values as “Cost less depreciation”
Dairy Financial KPI’s – Earnings/Cash Flow

1. Net Income per **Cow per Day**
   - Net Income DIVIDED BY Total Head Days in Period

2. Revenue and Expense Breakout Per Cow per Day → Milk Sales, Feed Cost, Labor Expense, and Other Expenses

2. Borrowing Base Excess Margin
Dairy Financial KPI’s – Liquidity

1. Adjusted Working Capital per Cow
   • (Current Assets + Livestock Assets) – (Current Liabilities + Livestock Liabilities) DIVIDED BY # of Mature Animals

2. Adjusted Current Ratio
   • (Current Assets + Livestock Assets) DIVIDED BY (Current Liabilities + Livestock Liabilities)

3. Net Funds Available
   • (Cash + A/R < 30 days + Funds Available under LOC) – (A/P + Accrued Expenses + Monthly Principal Debt Service)
Dairy Financial KPI’s – Leverage

1. Debt to Asset
   • Total Liabilities DIVIDED BY Total Assets

2. Fixed Asset Leverage (ie. Loan To Value)
   • Long Term Debt DIVIDED BY Market Value of Fixed Assets
Questions?

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