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# Benchmarks & The Changing Dairy Landscape

# What is the ideal cost of production?

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# And why is the answer always, “it depends”?

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# Cost of Production

+ Feed Cost
+ Labor Cost
+ Replacement Cost
  - Cull Revenue
+ Capital Cost
+ Other Production Cost
+ Overhead Cost
  - Non-Milk Revenue

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Whole Farm $ / EC cwt.

# Cash Flow Breakeven

+ Expense Rate
  - Non-Milk Revenue
+ Labor Cost
+ Term P & I
+ Capital Expenditures (cash)

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Whole Farm $ / EC cwt.

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# AgriGrowth Consulting Herd Demographics

| Total Herds | 1,000-1,999 | 2,000-2,999 | 3,000-3,999 | 4,000-4,999 | 5,000+ |
|---|---|---|---|---|---|
| 25 | 9 | 12 | 1 | 1 | 2 |

- Freestall operations
- Located in the Midwest
- Comprised of two different milk marketing orders
- Predominately Holsteins

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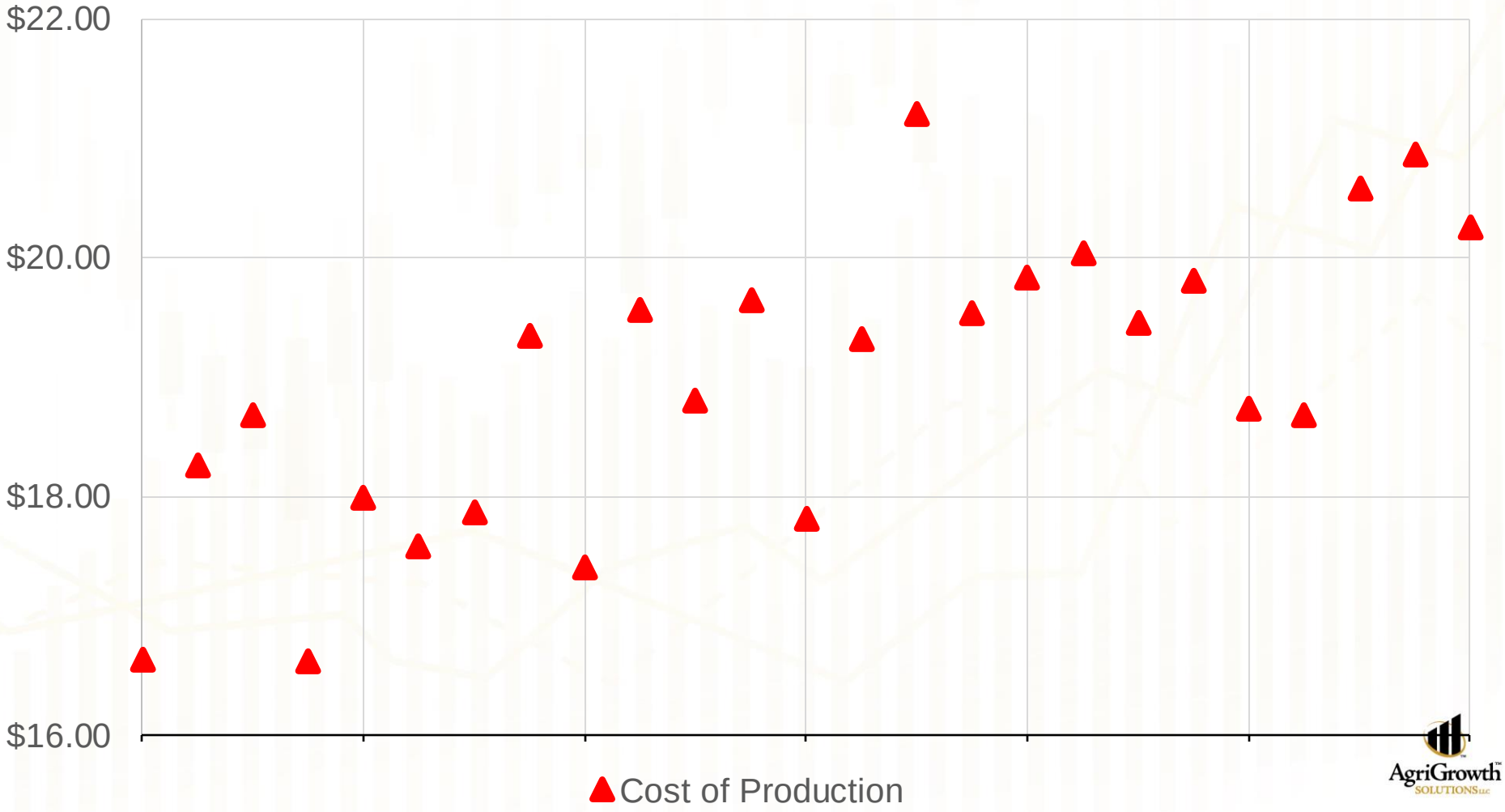
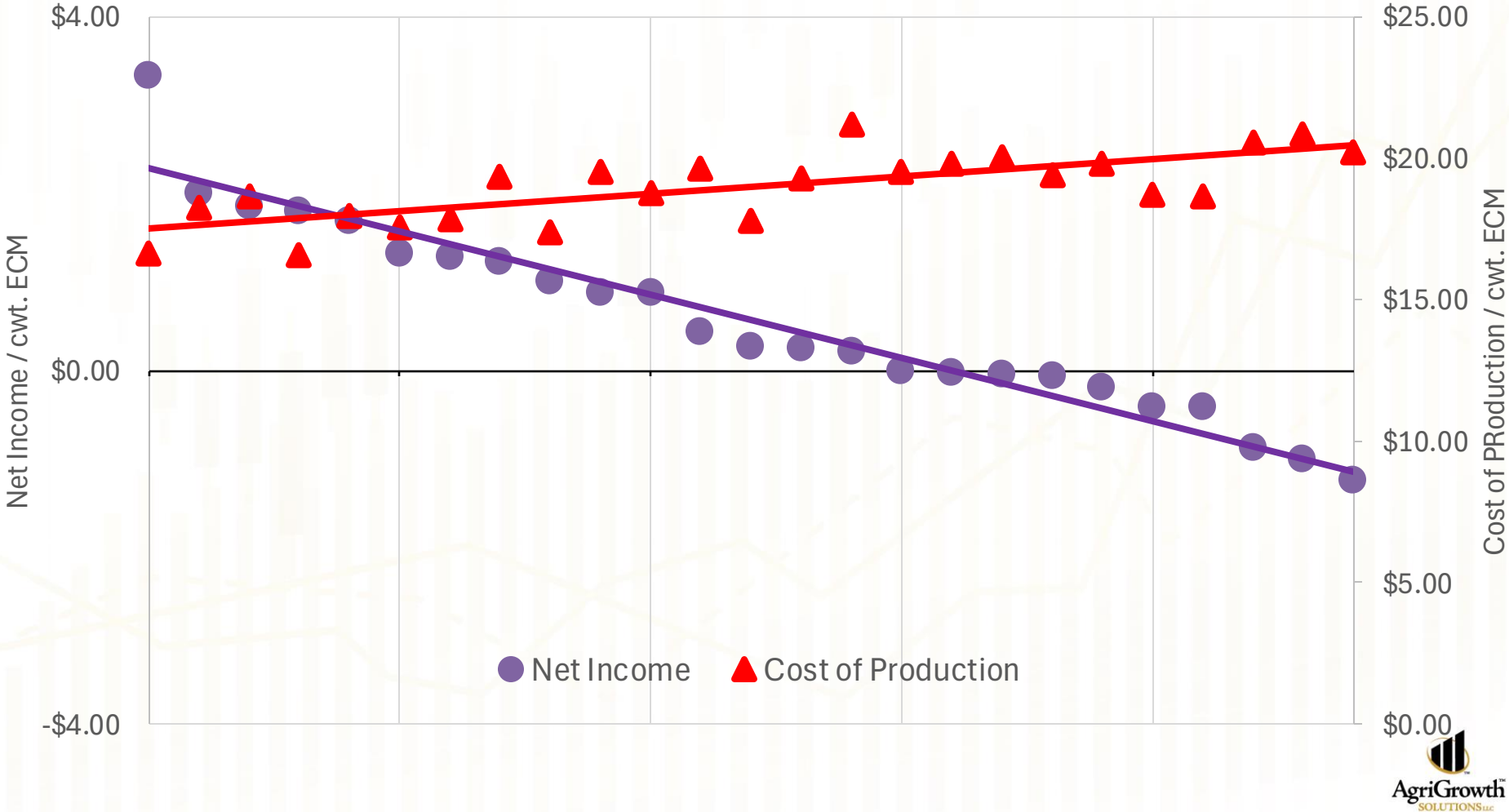
# 2023 AGS Cost of Production / ECM Cwt.



# Net Income & Cost of Production / cwt. ECM



# How do we change the cost of production?

- Expense reduction
- Revenue increase
- Increased energy corrected milk production

Producers need to understand their business to make independent choices on expense reduction, revenue growth, etc.

There is not one set answer for every business

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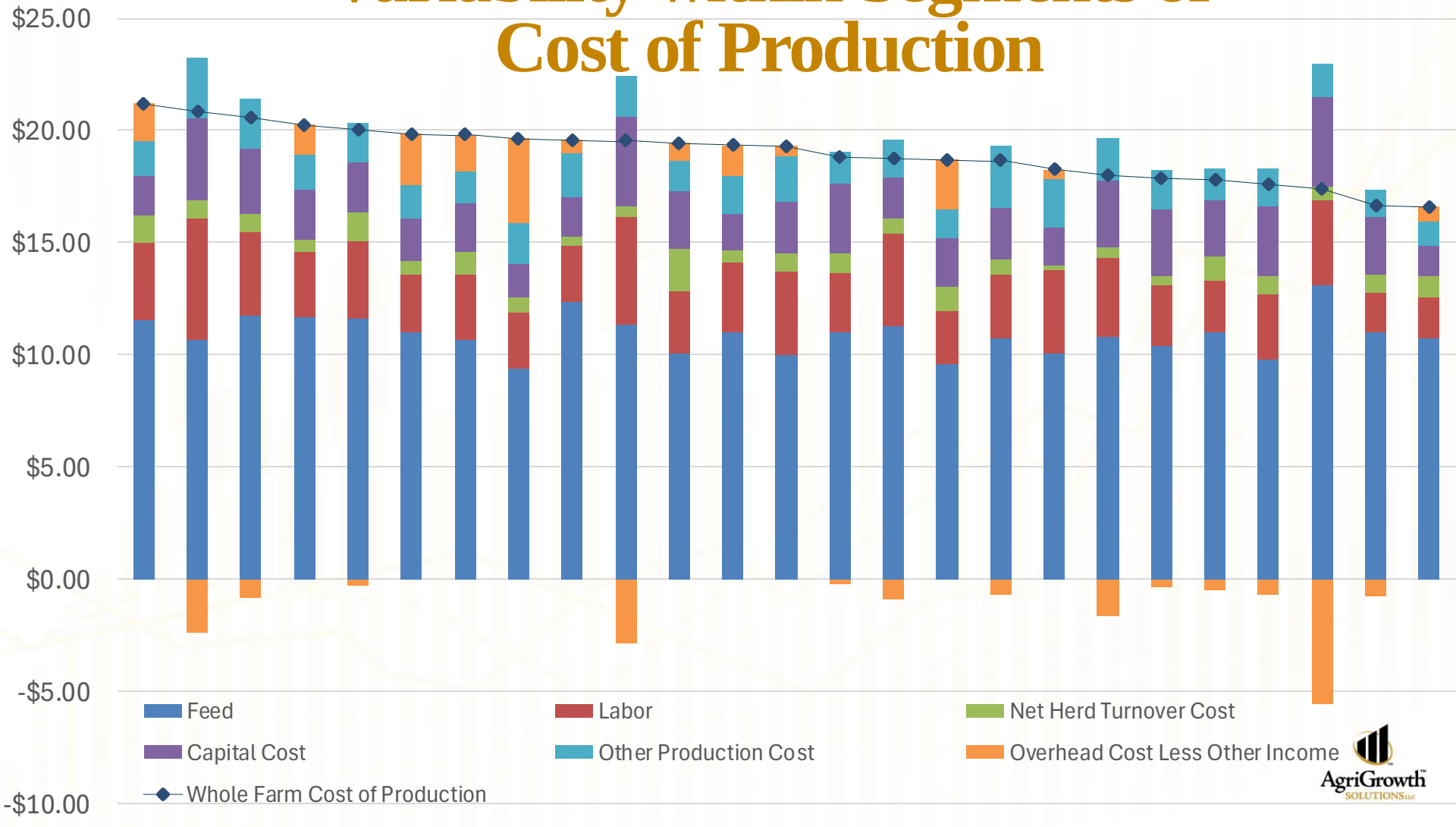
# Variability within Segments of Cost of Production

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# Feed Cost $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $10.89 | $10.33 | $9.41 | $13.12 |

# IOFC

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $9.83 | $10.98 | $7.46 | $12.15 |

# Net Herd Turnover Cost

$$\frac{((\#\text{ of Animals Removed} \times \text{Balance Sheet Value}) - \text{Cull Cow Income})}{\text{Energy Corrected cwt. of Milk}}$$

**Total Number of Animals Removed-** this includes mortalities, involuntary and voluntary culls and dairy sales from the adult herd

**Balance Sheet Value-** this reflects the value of the adult animals in the herd and approximates the cost associated with raising heifers

**Cull Cow Income-** this is the net of salvage value of from culls and dairy sales; mortalities receive $0

**Herd Milk Production-** level of milk production sold in cwt during period being evaluated and corrected to a standardized basis

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# Net Herd Turnover Cost $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $0.79 | $0.67 | $0.18 | $1.93 |

| | Dairy A | Dairy B |
|---|---|---|
| Cows | 1,000 | 1,000 |
| Production/Day ECM | 95 | 95 |
| Death Rate | 4% | 6% |
| Herd Turnover Rate | 31% | 33% |
| Cull Cow Income $/hd. | $1,500 | $1,100 |
| Replacement Cost/cwt. | $1.50 | $1.60 |
| Less Cull Revenue/cwt. | ($1.16) | ($.85) |
| **Net Herd Turnover Cost/cwt.** | **$.35** | **$.75** |

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# Labor Cost $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $3.14 | $2.69 | $1.77 | $5.43 |

# Capital Cost $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $2.46 | $2.42 | $1.37 | $3.99 |

# Overhead less Other Income $/cwt.

| | AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|---|
| Overhead | $6.97 | $7.34 | $3.93 | $9.94 |
| Less Other Income | ($7.00) | ($7.38) | ($13.18) | ($2.41) |
| Net Cost | ($.03) | ($.03) | ($5.61) | $3.77 |

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# ECM Milk Production lbs/Cow/d

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| 101 | 102 | 93.7 | 109.6 |

# Lbs./Cow Combined BF & Protein

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| 6.85 | 6.95 | 6.31 | 7.49 |

# Milk Mailbox Price $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $21.19 | $21.38 | $18.73 | $22.76 |

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# Milk Marketing $/cwt.

| AGS Avg. | Top 25% | Min. | Max. |
|---|---|---|---|
| $0.96 | $0.86 | $0.00 | $1.99 |

# Key Takeways

- There are multiple paths to achieving profitability
- You can’t measure profitability by the checkbook
- Know your opportunities to improve your cost of production

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