

Dairy Profit Monitor quarterly report tracks financial performance

By Ashley Howlett

The Dairy Profit Monitor (DPM) is a monthly tool designed to help dairy producers watch their income over feed costs (IOFC) along with other key operating and financial measures. Producers input information from their milk checks, feed and herd management programs, as well as costs and labor hours of the dairy. Producers are able to look at their monthly trends, a rolling average and can also compare to other farms for each month.

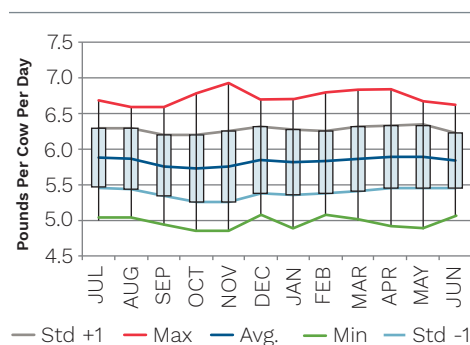
33 farms entered data from July 2017 to June 2018, with each farm entering at least nine months of data. When looking at these graphs, the same farm is not consistently at the top or bottom of for all the months, as each month is sorted independently. Farms that participate receive these same graphs with a black line for their individual data to see how they are trending compared to other farms.

Focusing on Northeast dairy production, a heavy emphasis is placed on pounds of components as it has a large influence on the milk price per hundredweight received. Over the last year, component production has stayed steady, with a dip in last fall due to poor haylage quality in 2017. Top producers are hitting well above 6.5 pounds per cow per day and close to reaching the 7-pound mark (see Graph 1). The average farms in

DPM are hovering around 5.75 pounds per cow per day.

GRAPH 1

Pounds of components per cow per day



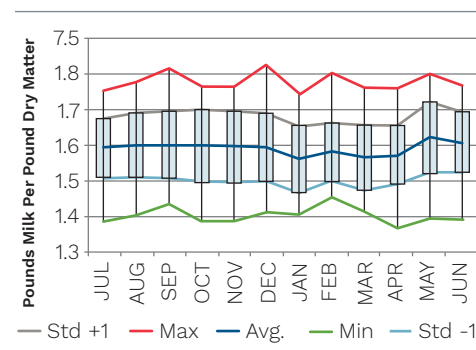
Aside from production, several other herd parameters are entered and calculated within DPM. Watching month-to-month changes in somatic cell values, pregnancy rate, culling statistics and fresh cow health incidences can help guide herd management meetings and steer the dairy in a direction of positive change. Producers look at their numbers for areas of improvement and DPM has them look through these parameters monthly.

A large determinant in IOFC for the lactating herd is feed conversion. Tracking the feed conversion on an energy-corrected basis allows producers to account for changes in component production. All the feed information is entered for the lactating herd and total dry matter intake and percent forage in the diet is calculated

and compared over time.

GRAPH 2

Feed conversion for DPM farms



Graph 2 demonstrates the change in feed conversion seen by DPM farms. Over the last few months of 2017, feed conversion held steady, with some larger changes shown in 2018. The feed information in DPM does have each ingredient's cost, so feed cost numbers can be calculated on a per pound of dry matter basis, cost per head per day and cost per hundredweight. These costs are then calculated into the four IOFC measures – each giving a different perspective of the farm's operations.

IOFC can be viewed as purchased feed cost versus total feed cost and actual milk price versus fixed milk price. All numbers in DPM are calculated on a per-head, per-day basis as this has had the highest correlation of feed cost measures with

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Dairy Profit Monitor quarterly report tracks financial performance, cont'd from front



Return on Assets (ROA) when analyzing annual financial performance within Cornell University's Dairy Farm Business Summary and Analysis Project.

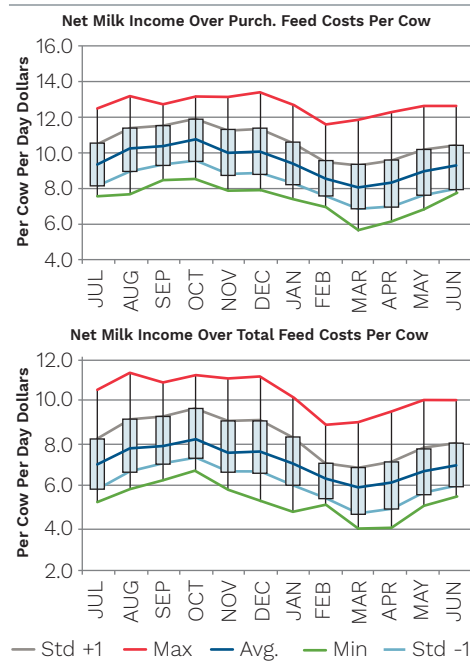
The first measure DPM calculates is the Net Milk Income over Purchased Feed Cost: Actual Milk Price. This measure is the one that feels the most real, as it uses the exact milk income numbers and accounts for feed that producers write a check for. Also using the exact milk income information, the value of grown feeds, forages and grain, are added to get the Net Milk Income over Total Feed Cost: Actual Milk Price. Producers are asked to provide an estimated value of grown feeds, which should represent the cost to grow the feed, not the market value to sell or purchase the forage. This enables producers to see what the real cost of feeding their lactating herd is, even though they aren't paying for grown feeds in the same manner as they do with purchased feeds.

Using the fixed milk price numbers, more emphasis can be given to the operational performance of the business. Rather than fixing the milk price on a straight per hundredweight basis, component prices and a net marketing margin are fixed to account for changes in component production. Changes in forage quality, rations, and management can all play a role in effecting the change in the fixed milk price IOFC calculations through changes in feed conversion, cost of the ration and component production.

Comparing the two graphs above (Graphs

GRAPHS 3 & 4

Net Milk Income Over Feed Costs: Actual Milk Price graphs for purchased versus total feed costs

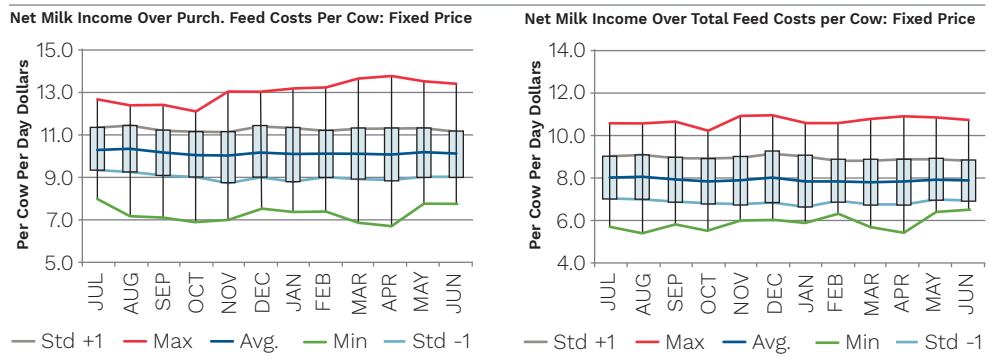


3 and 4) to the two below (Graphs 5 and 6) shows how much noise milk price variation causes in IOFC numbers. Operational performance can be seen as steady in the graph below with some changes that could be caused from diet changes, performance changes or feed cost changes.

When working with producers, the fixed milk price IOFC graphs are the ones to look at

GRAPHS 5 & 6

Net Milk Income over Feed Costs: Fixed Milk Price for purchased vs. total feed costs



to really see what changes are happening on farm. Talking through and determining where changes in feed, cow health, and environment are making their mark on the farm can help steer other management decisions and changes for the better. The fixed milk IOFC numbers are also both calculated on a purchased feed and total feed basis.

Dairy Profit Monitor offers new users a free three-month trial to begin tracking information and comparing to other farms within the system. As users continue with using the program, they will receive their own personal trend graphs, like the ones above to see their progress. For more information on Dairy Profit Monitor or other farm business management resources, please visit pro dairy.cals.cornell.edu/business-management. ■

Ashley Howlett was a dairy management specialist with PRO-DAIRY. She has returned to her farming roots to become a dairy herd manager. Contact Anna Richards (ar746@cornell.edu) or Jason Karszes (jk57@cornell.edu), PRO-DAIRY, with comments or questions.