



UNDERSTANDING INCOME OVER FEED COSTS AND ITS IMPACT ON PROFITABILITY

Betsey Howland Jason Karszes
blh37@cornell.edu jk57@cornell.edu

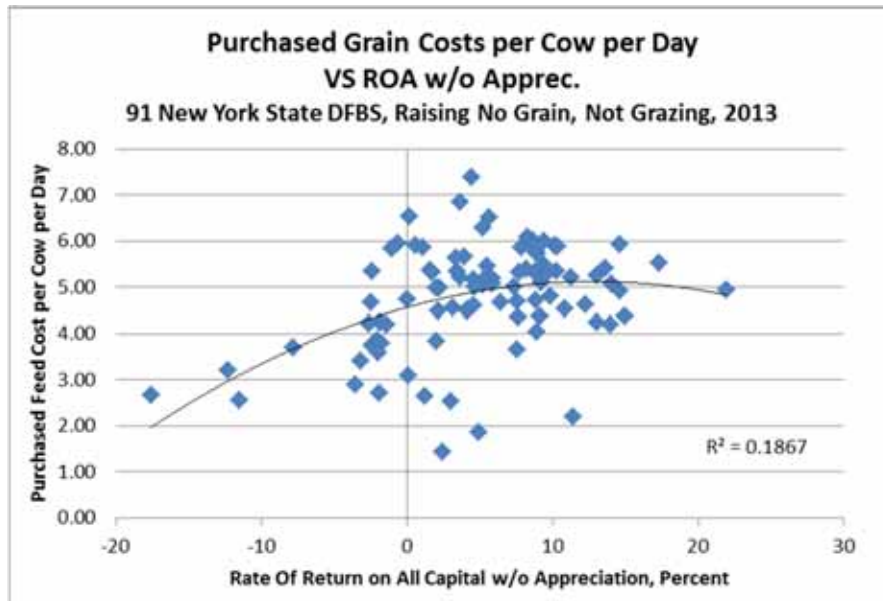
**Cornell University PRO-DAIRY Program
Department of Animal Science
College of Agriculture and Life Sciences**



EVALUATING YOUR FEEDING PROGRAM: WHAT CORRELATES THE MOST TO OVERALL FARM PROFITABILITY?

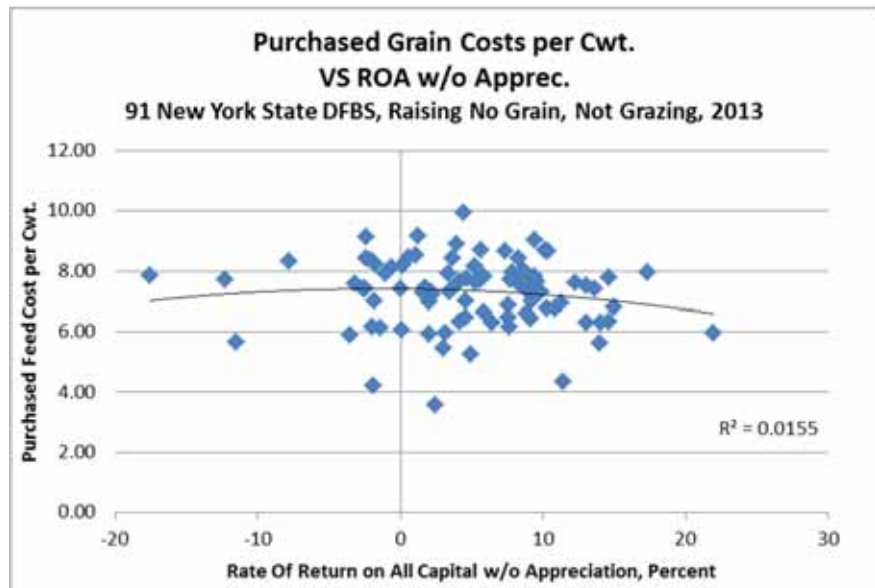
FEED COST PER HEAD PER DAY

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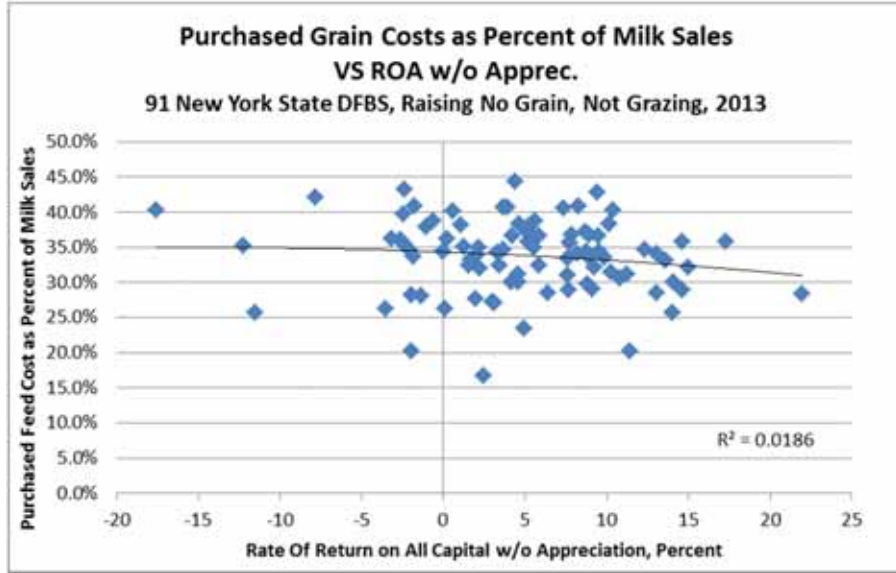
PURCHASED GRAIN COST PER CWT

PRO-DAIRY



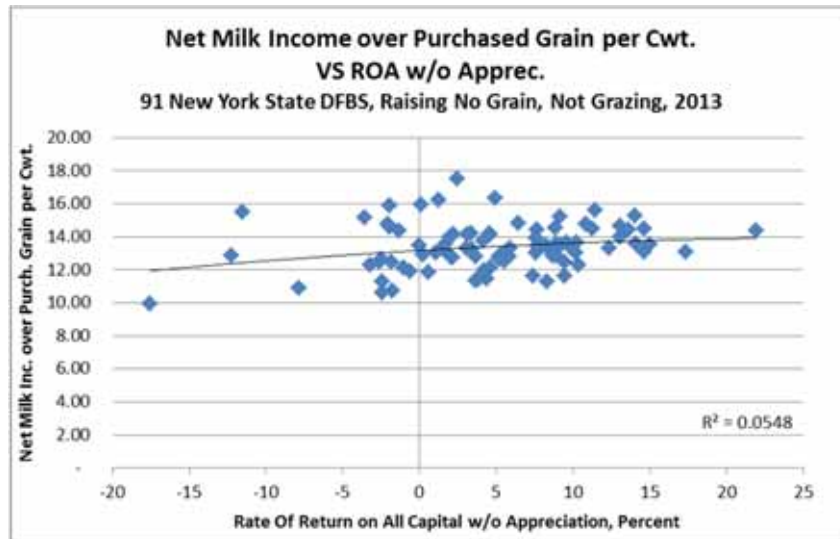
GRAIN AS A PERCENT OF MILK SALES

PRO-DAIRY



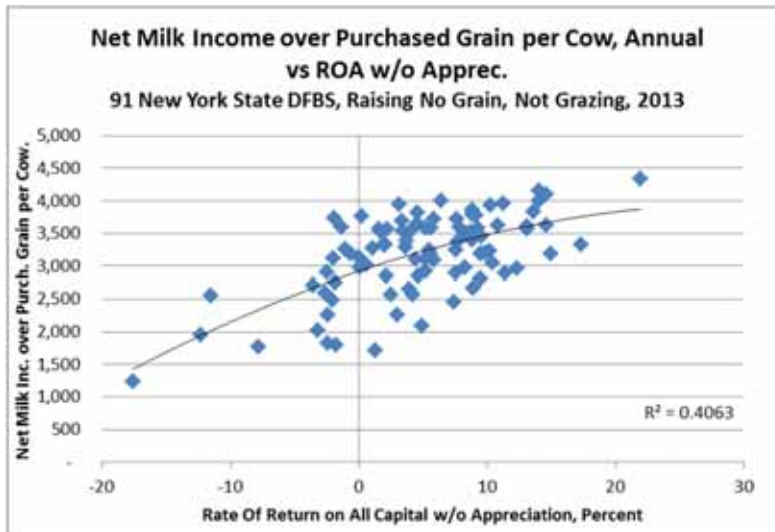
NET MILK INCOME OVER PURCHASED FEED COSTS PER CWT.

PRO-DAIRY



PRO-DAIRY

NET MILK INCOME OVER PURCHASED FEED COSTS PER COW



PRO-DAIRY

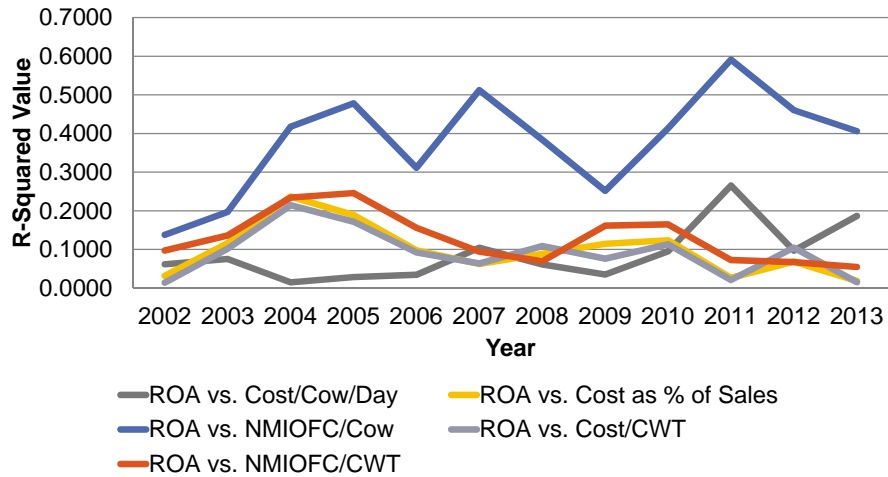
CORRELATION VALUES 2002-2013

	ROA vs. Purch. Grain Cost per Cow per Day	ROA vs. Purch. Grain Cost as % of Sales	ROA vs. NMIOFC per CWT	ROA vs. Purch. Grain Cost per CWT	ROA vs. NMIOFC per Cow
2002	0.0617	0.0320	0.0139	0.0975	0.1379
2003	0.0752	0.1162	0.1018	0.1362	0.1972
2004	0.0149	0.2369	0.2145	0.2342	0.4178
2005	0.0284	0.1891	0.1719	0.2458	0.4784
2006	0.0345	0.0979	0.0923	0.1563	0.3112
2007	0.1042	0.0626	0.0636	0.0945	0.5123
2008	0.0611	0.0886	0.1088	0.0695	0.3840
2009	0.0351	0.1148	0.0761	0.1614	0.2518
2010	0.0954	0.1238	0.1136	0.1647	0.4138
2011	0.2653	0.0267	0.0212	0.0723	0.5912
2012	0.0969	0.0687	0.1047	0.0671	0.4606
2013	0.1867	0.0186	0.0155	0.0548	0.4063

CORRELATION GRAPH 2002-2013

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Summary of Relationships Between Select Feed Cost Factors and Return to Assets



NET MILK INCOME OVER FEED COST

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Highest correlation with return on assets

- Using Dairy Farm Business Summary data

Factors impacting IOFC

- Milk price
- Pounds of milk
- Pounds of components
- Feed conversion
- Feed costs

NET MILK INCOME OVER FEED COST

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- **Can calculated using actual milk price and fixed milk price**
- **Actual milk price**
 - If milk price goes up, can money be made feeding cows for more components and production?
- **Fixed milk price**
 - Eliminates variation in measure from milk price changes
 - Changes from factors under control of management

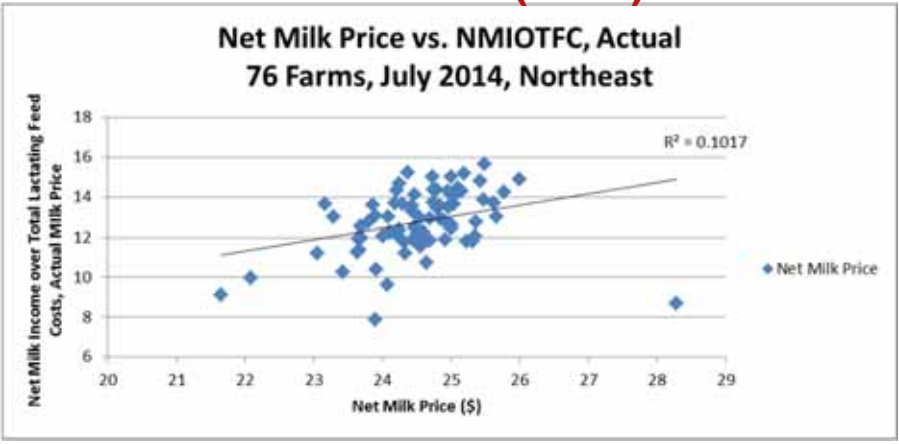
NET MILK INCOME OVER FEED COSTS PER COW

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- **Key index for tracking operating performance on farms**
 - Actual Milk Price
 - Fixed Milk Price
- **Over purchased feed costs**
 - Most accurate
- **Over total feed costs**
 - Brings in a COST value of growing your own forages
 - NOT Market Value

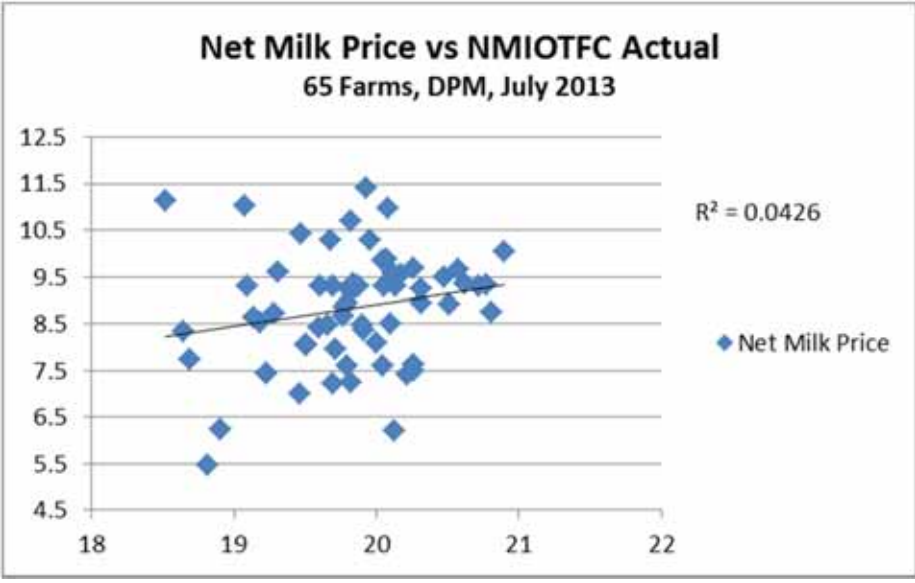
WHAT HAS THE GREATEST CORRELATION TO NET MILK INCOME OVER FEED COSTS?

NET MILK PRICE VS. NMIOTFC (2014)



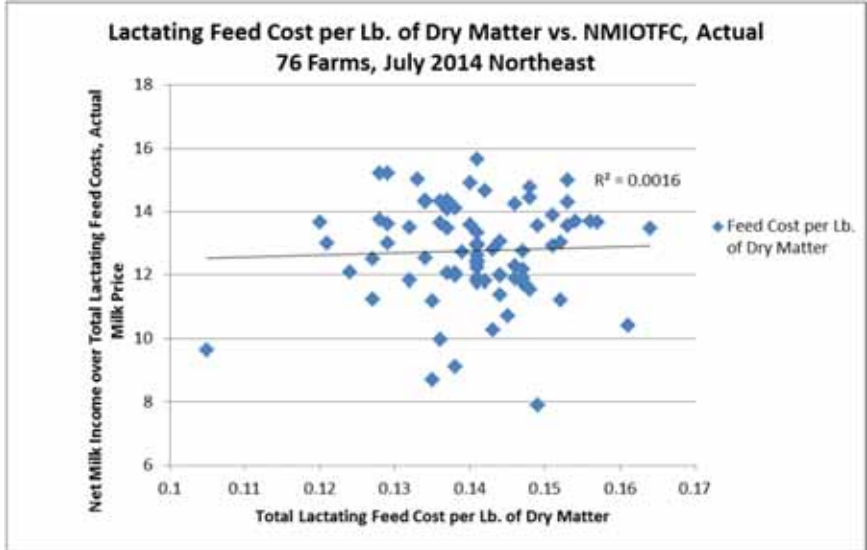
NET MILK PRICE VS. NMIOTFC (2013)

PRO-DAIRY



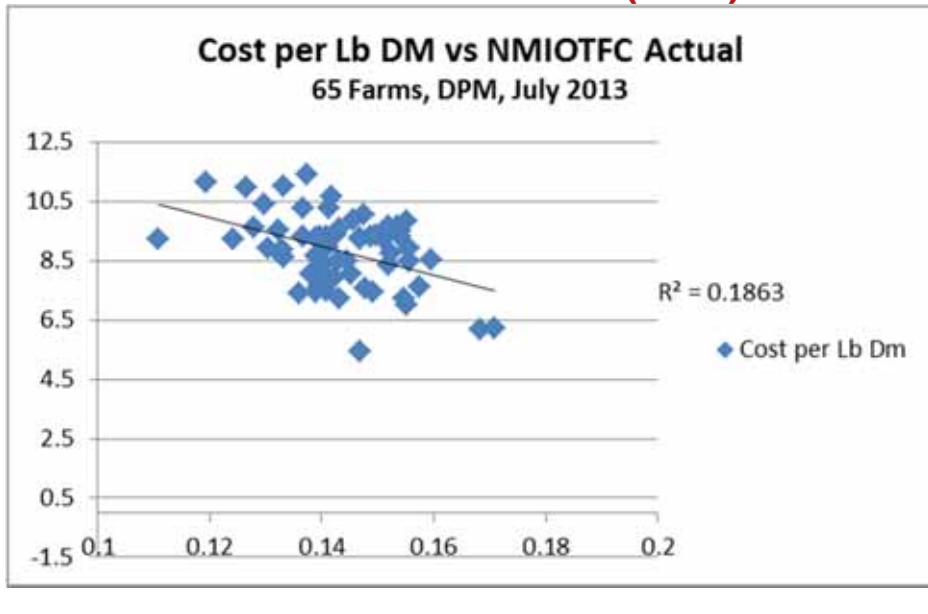
LACTATING FEED COST PER LB. OF DRY MATTER (2014)

PRO-DAIRY



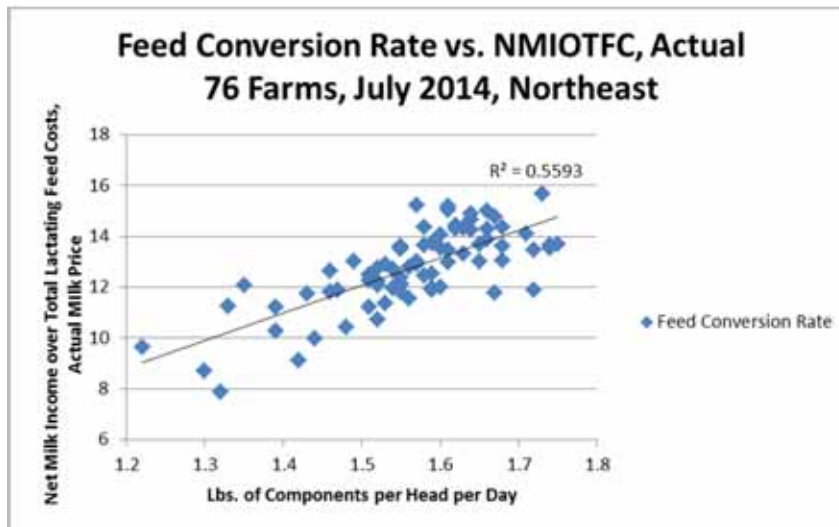
LACTATING FEED COST PER LB. OF DRY MATTER (2013)

PRO-DAIRY



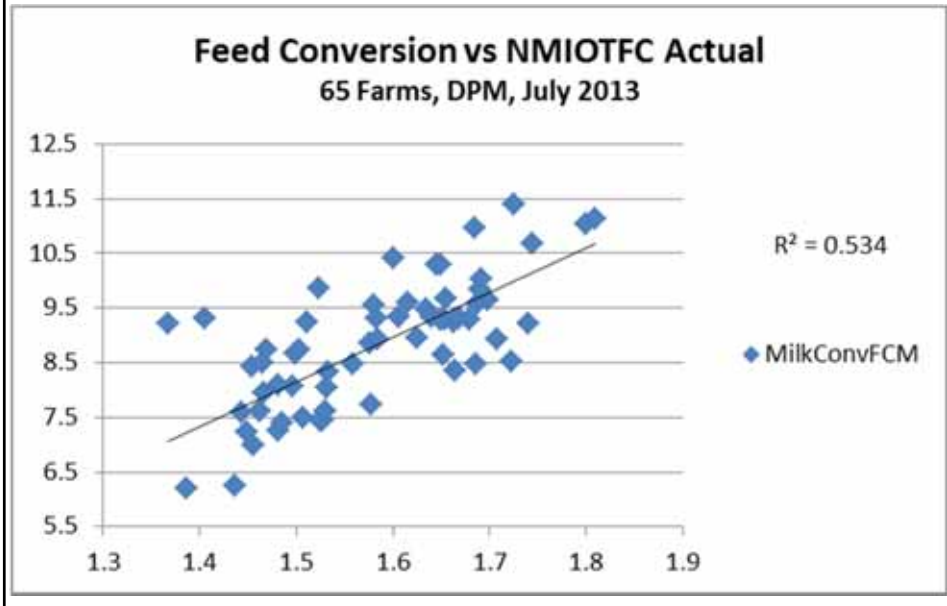
FEED CONVERSION RATE (2014)

PRO-DAIRY



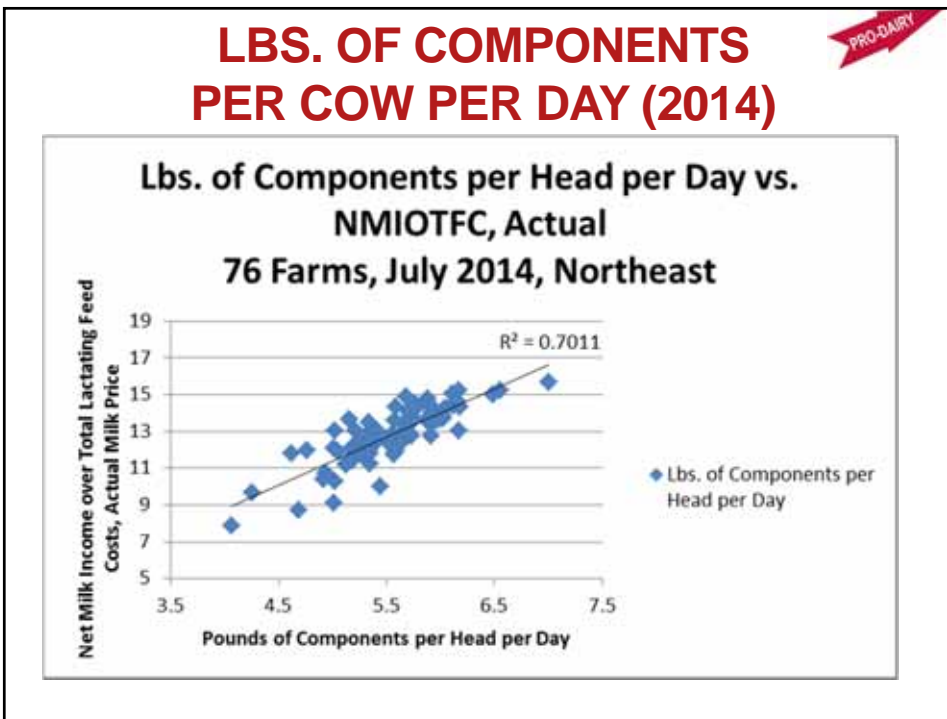
FEED CONVERSION RATE (2013)

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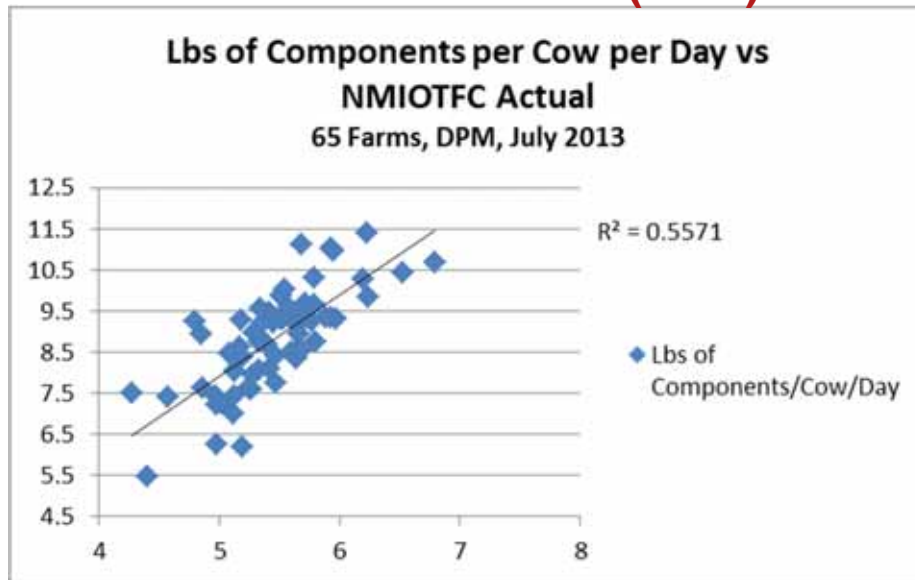
LBS. OF COMPONENTS PER COW PER DAY (2014)

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LBS. OF COMPONENTS PER COW PER DAY (2013)

PRO-DAIRY



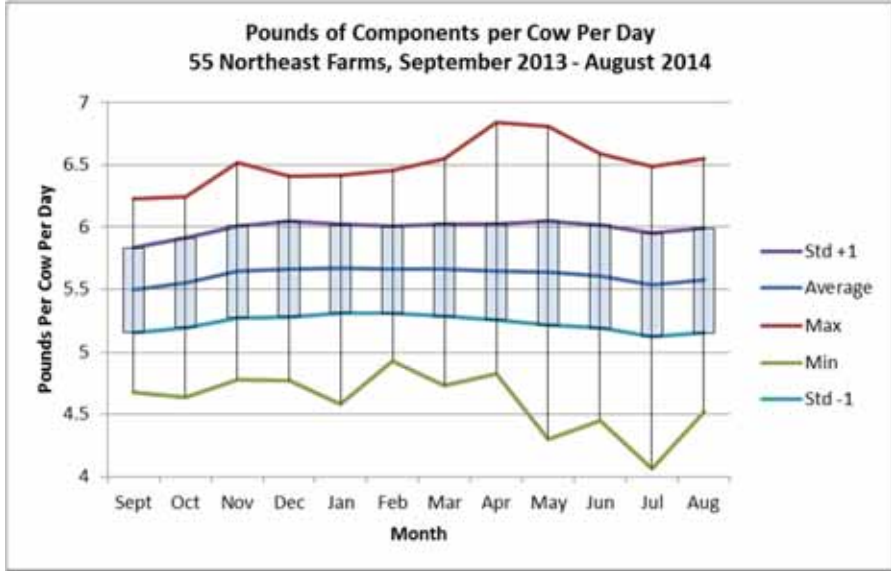
NET MILK INCOME OVER FEED COSTS PER COW

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Key Question:
How does this change over time?

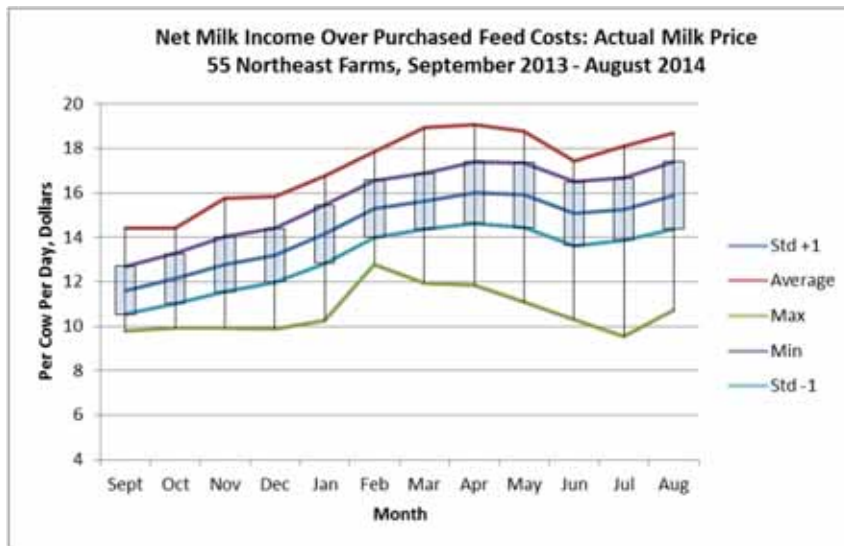
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POUNDS OF COMPONENTS PER COW PER DAY- TREND



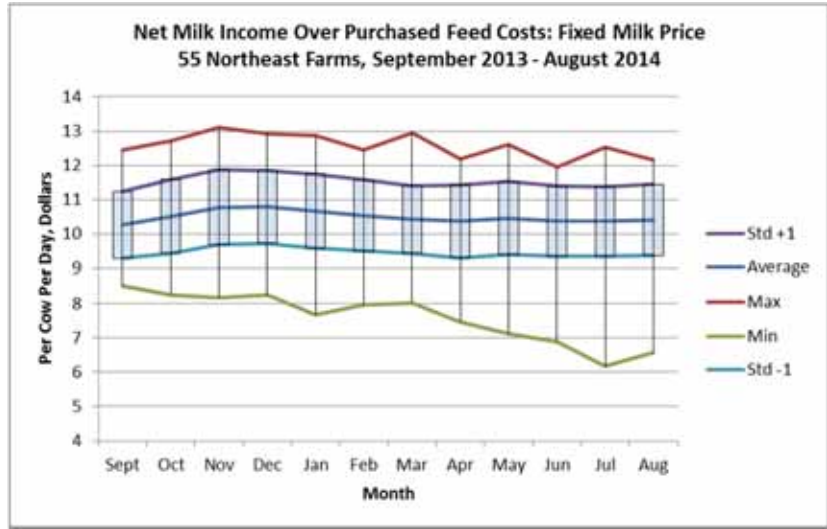
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NMI OVER PURCHASED FEED COSTS: ACTUAL MILK PRICE



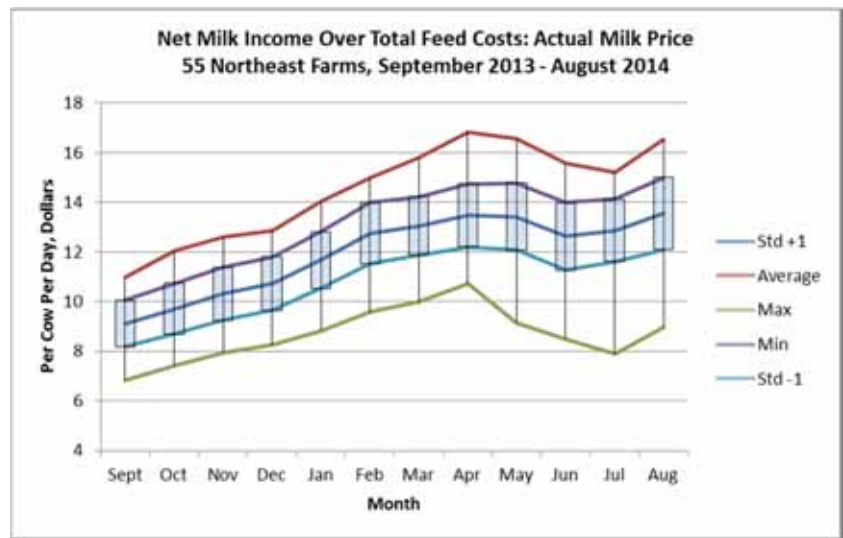
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NMI OVER PURCHASED FEED COSTS: FIXED MILK PRICE FACTORS



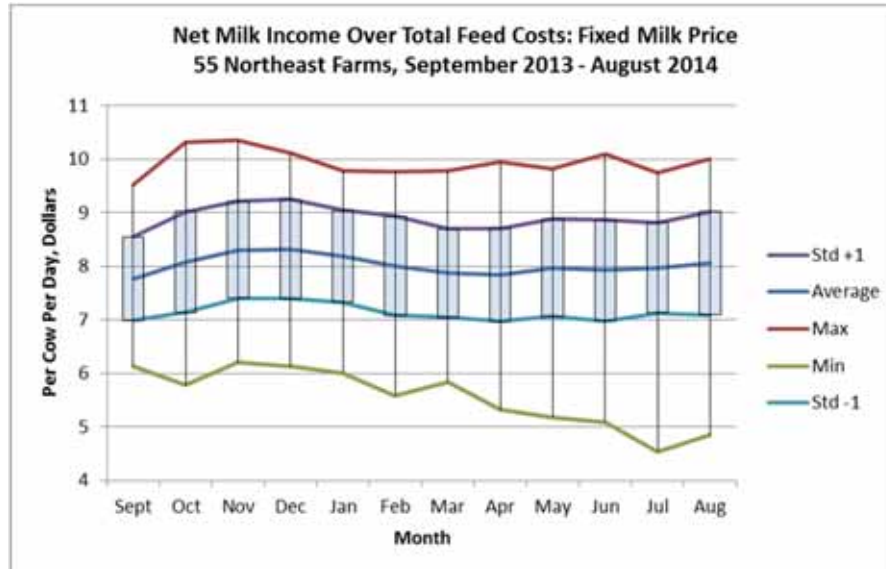
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NMI OVER TOTAL FEED COSTS: ACTUAL MILK PRICE



NMI OVER TOTAL FEED COSTS: FIXED MILK PRICE FACTORS

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CALCULATING NET MILK INCOME OVER FEED COSTS

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What you need:

- **Milk Check**
 - Income and Deductions
- **Feed Costs**
 - Tons of Feed Fed
 - Cost per Ton
 - Estimated Cost of Raise Forages



TOOLS TO MEASURE NET MILK INCOME OVER FEED COSTS

- **On farm spreadsheets**
- **On farm feed tracking software**
 - i.e. FeedWatch or TMR Tracker
- **Dairy Profit Monitor**
 - dairyprofit.cornell.edu
 - Free 3 Month Trial
 - \$300 Annual Fee



DAIRY PROFIT MONITOR

**DPM provides a snapshot of key operating
measures a producer has control over from month
to month**

- Shows how different areas of the business are impacting and influencing one another on 1 report
- Provides a great resource for tracking up to date performance

PRO-DARY

QUESTIONS?

BETSEY HOWLAND:
BLH37@CORNELL.EDU – 607-255-3809

JASON KARSZES:
JK57@CORNELL.EDU – 607-227-0694