

Straight to Your Bottom Line

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Show Me the Money

Are you correctly measuring the success of your dairy? There are obviously some costs associated with the operation of the dairy, once incurred that cannot be changed very easily. Other costs are more fluid and can be managed depending on various situations. Income generation is also fluid. Although we normally have no control over the price of our goods, we do have control over the amount of those goods we have to sell. Figure out the difference between the two and focus on the areas that you can change. The challenge is balancing the near term decisions with long term decisions to have the most positive monetary impact.

For example, we can stop spending money breeding cows today and in the short term we will make more money because no semen, associated drugs, or technician cost will be needed. But obviously in the long term it is a disaster so ultimately it is a bad decision. Pretty cut and dry – right? The problem is there are hundreds of scenarios that are not so clear cut and might leave you scratching your head as to whether you should invest now to benefit later. People, equipment, certain feed ingredients, technology, etc... That is where it pays to have people in your employ that can help decipher the good and bad decisions with a fairly high probability of success.

In the grand scheme of things it doesn't matter how much you make or how much you spend – it only matters how much is left after you are done spending.

	Scenario #1	Scenario #2
Butterfat % @\$2.11/lb	4.4%	3.5%
Milk Protein % @\$2.59/lb	3.4%	3.0%
Value based Milk Price	\$19.60	\$16.66
DMI	44lbs	55lbs
Milk Produced	56lbs	74lbs
Milk Income	\$10.97	\$12.29
Feed Cost @\$.12/lb	\$5.28	\$6.60
Income over feed cost	\$5.69	\$5.69
Return on feed cost	2.08	1.86

The math will tell you that these two very different dairy operations generate the exact same income per lactating animal. The difference is the efficiency in which your invested dollars are returned as income. For every \$1.00 you invested in feed in scenario #1, you received \$2.08 back in milk. In scenario, #2 for every \$1.00 you invested in feed you received \$1.86 back in milk. The moral of the story is not to convince you to start milking Jerseys or crosses, but rather to demonstrate another way to evaluate your dairy's economic performance. When feed gets cheaper and milk component prices get softer the pendulum could very easily swing the other direction. For most of us, the value of our milk is heavily

valued by the solids make up. There is a cost associated to producing those solids – primarily feed. Maximizing the differential between feed cost and milk income is the goal, but doing so while also maximizing the most efficient use of our dollars absolutely goes Straight to Your Bottom Line.