

Measuring Profitability Small Dairy Farms Year 2004
 Ron Van Nurden, Riverland Community College

If we want to improve the profit of our business, there are four areas to look at. They are listed below with diagnostic measures to determine what can be done to improve profit. Put a “+” or “-“ in “My Grade” column as you look at your records.

<u>Benchmark</u>	<u>My Farm</u>	<u>My Grade</u>	<u>_____</u>
<u>Asset Based Measures</u>			
<u>My over all grade for Asset Management</u>			
Asset Turnover rate (Market Value)	27.8%	_____	_____
Facility Cost per Cow (Repairs, Leases, Depreciation)	\$279.94	_____	_____
Facility Value per Cow (Cost Value Buildings Divided by Average No. Cows)	\$372.42	_____	_____
Depreciation to total revenue	10.4%	_____	_____
<u>Liability Based Measures</u>			
<u>My over all grade for Debt Management</u>			
Leverage ratios	45%	_____	_____
Interest Expense to total revenue	8.5%	_____	_____
Asset structure compared to debt structure	Compare using balance sheet	_____	_____
Average interest paid on debt	5.32%	_____	_____
<u>Revenue-Based Measures</u>			
<u>My over all grade for Revenue Generation</u>			
Average milk per cow	18637	_____	_____
Average price received per unit sold	\$16.33	_____	_____
Operating profit margin	0.8%	_____	_____
<u>Expense Based Measures</u>			
<u>My over all grade for Expense Control</u>			
Cost items per acre or livestock unit	Review with analysis and area averages	_____	_____
Operating cost to total revenue	68.6%	_____	_____
Operating profit margin	0.8%	_____	_____
Cost per Cwt Milk (Including Replacements)	\$13.75	_____	_____
Feed Cost per Cwt Milk	\$5.84	_____	_____