The Dairy TRANS financial analysis software has been “showing dairy producers the money” since 1993. This tool has been a great asset for analyzing, benchmarking and comparing dairy farms and helping producers aspire to higher levels of profit. By simply using Balance Sheet, Schedule F and Cash Flow information, this program TRANSforms dairy financial data into some very useful management information.

In 2007, five model dairy producers using Dairy TRANS made huge profits in their dairy grazing operations. The net farm income adjusted for inventory averaged $287,759 with one farm achieving an adjusted net farm income of $410,673. After an equity charge of 6% for owned capital employed on the farm, the return to labor averaged $218,629 per farm with the highest farm earning $301,013 return to labor. These farms were all operated by a husband-wife or father-son management and labor teams. Very minimal outside labor was hired and that labor was not expensed in this summary as a cash expense.

Milk prices in 2007 hit record levels. These five model farms averaged $20.42 per hundredweight. Thus, for the purpose of this analysis, the averages of the farms were analyzed as well at a $14 milk price. Net farm incomes, adjusted for inventory would have averaged $142,796 at $14 milk. After an equity charge, return to labor would have averaged $84,512 per farm. The chart on the following page estimates what these farms would have averaged at $14 milk in the column on the far right.

The average return to labor and management was $41.35 per hour with a range of $28.31 to $48.14 per hour for these farms in 2007. At a $14 milk price, return to labor and management would have averaged $15.51. Please note that all labor costs, whether hired or unpaid, were accounted for in the return to labor line item to equalize the farms who hire labor within or outside the family. In addition, interest expense is not included as a cash expense to equalize the farms as well. Thus, all interest and equity charges are included at 6% in the owner’s equity expense line item. This is why return to assets equals return to equity.

Labor hours were estimated at 40 hours per cow. Labor efficiency is a key to success for these farms. Each full time equivalent of labor (FTE) is 3,000 hours. With this in mind, the average number of cows per FTE was 77 cows. Farm #3 was a rented farm with only 70 acres which increased feed purchase expense and decreased labor costs per cow. A very key measure is hundredweights of milk sold per FTE and these farms all sold more than 1 million pounds of milk per FTE laborer with an average for the farms selling 1.3 million pounds of milk per FTE and farm #3 achieving 1.46 million pounds of milk per FTE.

On a per cow basis, milk per cow averaged 16,679 on these crossbred herds with a Holstein-Jersey base. The milk per cow efficiencies illustrate a very profitable level that is considered poor from conventional standards. The productive crop acres per cow average 1.56; the capital costs (depreciation and interest) averaged $598 per cow; the labor costs per cow averaged $389; the fixed costs per cow averaged $770 per cow; and the capital invested per cow averaged $7,472.

The net farm income per productive crop acre averaged $1,510 but if milk was only $14 it would have been $635 per acre. The pounds of milk produced per crop acre averaged 12,323. These per crop acre efficiencies, in addition to the FTE labor and per cow efficiencies show a highly efficient group of farms. Financially, the rate of return on assets average 23.68% in 2007. If milk was $14 per hundredweight, the rate of return to assets would have averaged 7.62%. In 2007, the operating profit margin averaged 43.21% and the asset turnover ratio averaged 58.20%. If milk was $14 per hundredweight, these measures would have been 22.17% and 34%, respectively.

In sum, these farms showed superb profitability with 2007 milk prices. They showed great profitability with milk estimated at $14 per hundredweight. Dairy producers are encouraged to use these numbers for budgeting new or transitioning grazing operations, but remember the costs of the learning curve. Current producers aspiring to higher levels of profit can use these numbers for benchmarking their operations and goals. Beginning producers looking for budgeting numbers can consult, “Another Beginning Farm Couple Heading to Become a Millionaire Dairy Producer” at the website below.
### Millionaire Models 2007

<table>
<thead>
<tr>
<th>Couple</th>
<th>Rented</th>
<th>C-Seasonal</th>
<th>Fr. &amp; Son</th>
<th>Average</th>
<th>Per Cow</th>
<th>Misc</th>
<th>$14 Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

#### Farm # 1
- **Couple**: 215
- **Average Number of Cows**: 152
- **Total Assets on Farm**: $1,323,200
- **Net Farm Income**: $333,222
- **Net Income per cwt.**: $5.89
- **Gross Income per cwt.**: $14.05
- **Depreciation COST**: $50,000
- **Gross Expense per cwt.**: $13.68
- **Net Income per cwt.**: $5.89

#### Farm # 2
- **Couple**: 160
- **Average Number of Cows**: 121
- **Total Assets on Farm**: $1,188,872
- **Net Farm Income**: $261,912
- **Net Income per cwt.**: $6.31
- **Gross Income per cwt.**: $12.93
- **Depreciation COST**: $50,000
- **Gross Expense per cwt.**: $12.73
- **Net Income per cwt.**: $6.31

#### Farm # 3
- **Rented**: 70
- **Average Number of Cows**: 90
- **Total Assets on Farm**: $338,514
- **Net Farm Income**: $163,226
- **Net Income per cwt.**: $5.89
- **Gross Income per cwt.**: $13.82
- **Depreciation COST**: $50,000
- **Gross Expense per cwt.**: $13.82
- **Net Income per cwt.**: $5.89

#### Farm # 4
- **C-Seasonal**: 320
- **Average Number of Cows**: 155
- **Total Assets on Farm**: $1,907,779
- **Net Farm Income**: $410,673
- **Net Income per cwt.**: $5.89
- **Gross Income per cwt.**: $13.82
- **Depreciation COST**: $50,000
- **Gross Expense per cwt.**: $13.82
- **Net Income per cwt.**: $5.89

#### Farm # 5
- **Fr. & Son**: 360
- **Average Number of Cows**: 165
- **Total Assets on Farm**: $1,239,046
- **Net Farm Income**: $269,762
- **Net Income per cwt.**: $5.89
- **Gross Income per cwt.**: $13.82
- **Depreciation COST**: $50,000
- **Gross Expense per cwt.**: $13.82
- **Net Income per cwt.**: $5.89

---

**Net Farm Income From Operations**: $269,762
**DAIRY TRANS Profit Status**: SUPER!
**DAIRY TRANS Performance Rating**: 100.00%