



THE Agri-Vator

AGRI-BASICS, INC.

54 Brown Street • Elizabethtown PA 17022 • Vol. 19 No. 8 • November 2018

Five Characteristics of Top Dairy Managers

by Jim Dickrell

Dave Becker, a business advisor with *Dairy Business Consulting* based in Osseo, Wis., says there are five characteristics of top dairy managers. All of them center on attitude rather than expertise.

1. 'A' game. "Top managers I work with bring their "A" game every day," he says. "Every time I visit these farms, everything is usually running well and expectations are always high of everyone whether they are employees or consultants." While it's a challenge to always remain positive in times of uncertainty, top managers project an upbeat attitude to bolster team morale.

2. Focus is on things that are controllable. "Top managers focus on things they can control, and they don't spend a lot of time on what the neighbor might be doing or the weather. They are always looking for opportunities to learn," Becker says.

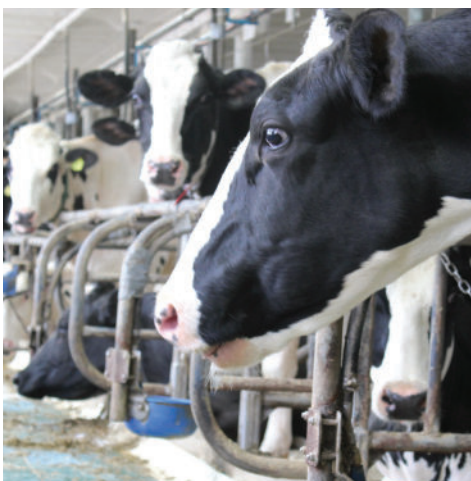
3. Quick decision processes. "The reaction and response times are faster in top herds," he says. "When the wheels fall off, the gap to get things running again smoothly is much shorter."

4. Priorities. "The best herds have lists of both short- and long-term priorities, and they manage to stick to these lists," says Becker. "You have to know where you are in the bigger scheme of your business, or you'll become distracted by things that will take you off course," he says.

5. Communications. "Top managers communicate their expectations to their workers and the consultants they are working with," Becker says. And in this environment of tight milk markets, they stay in touch with their milk buyers to understand what is expected of them and make sure they are shipping the kind of milk quality that is expected.

“ Top managers focus on things they can control, and they don't spend a lot of time on ... the weather. ”

Dave Becker



SAVE THE DATE
Thursday
Dec. 13

DAIRY
MEETING

8:30AM-1:30PM
YODER'S RESTAURANT

FEATURED
SPEAKERS

Mike Hosterman

V.P./Ag Business Consultant
AgChoice Farm Credit

Challenging Times for Dairy

Thomas Kilcer

Advanced Ag Systems

Fundamentals of Dairy Forage

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Nutritionist
by December 1

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Milk Production Costs

How Much Does it Cost You to Produce "100" lbs. of Milk

by Dale Johnson, Farm Management Specialist, and Donald Schwartz, Jr., Extension Educator, University of Maryland

Why "cost per cwt."?

What price are you getting for 100 pounds of milk? If you are like most dairy farmers, you know the price or you can get it very quickly by reviewing milk check receipts. Do you know how much it costs you to produce 100 pounds of milk? If you are like many dairy farmers, you may not know. Dairy farming is complex, and determining your costs of production is sometimes difficult. Yet, your costs directly affect your profit, and it is important to understand them.

“Comparing total income and total costs of different farms is not very useful because farms are different sizes.”



Why is it useful to think in terms of price and costs per cwt. rather than income and costs per farm or per cow? Because you are paid on a per cwt. basis and using costs per cwt. allows you to easily determine your profit per cwt. of milk. If profit per cwt. is too low or negative, using costs per cwt. allows you to compare your farm to other farms to determine your strengths and weaknesses. Comparing total income and total costs of different farms is not very useful because farms are different sizes. Likewise, income and costs per cow are not very useful comparisons because dairy herds have different rates of production per cow or use different production systems. By using costs per cwt., you can compare farms of different sizes and types as well as dairy herds of different production levels.

As you try to increase profits to reach your long-term goals, it is useful to think about the profit formula.

PROFIT FORMULA

profit = (price/cwt. milk - costs/cwt. milk) x volume sold +/- other farm income & expenses

To illustrate this formula let's suppose you had a goal of making \$40,000 per year profit on two million pounds of milk sold (i.e., 20,000 cwt.) per year. Let's assume you cannot increase volume because you are using your facilities at capacity, and your cows are relatively productive. Let's also assume that you have no other farm income or expenses other than those related to the dairy. Because you have little ability to influence price per cwt. of milk, you only have control over the cost per cwt. of milk. If the price of milk is \$14.00 per cwt., then you can see from the formula below that you must reduce your costs to \$12.00 per cwt. to achieve the goal of \$40,000 profit per year.

\$40,000 profit = (\$14.00 price/cwt. milk - \$12.00 cost/cwt. milk) x 20,000 cwt. milk sold

