Seeing the Total Financial Picture of the Dairy Puzzle

"of which Forage is One Piece of the Puzzle"

An Employee-Owned Company

HOARD'S DAIRYMAN

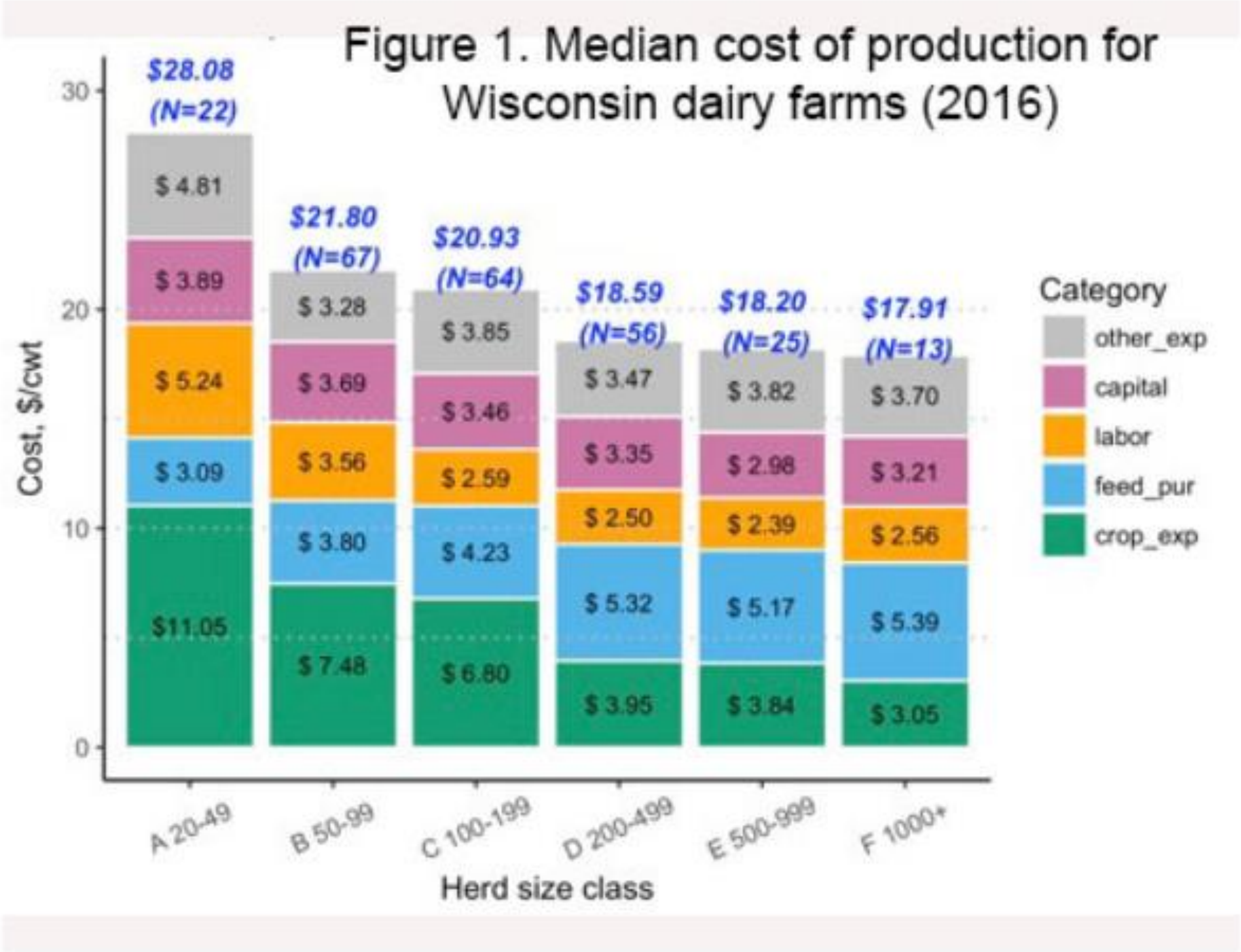
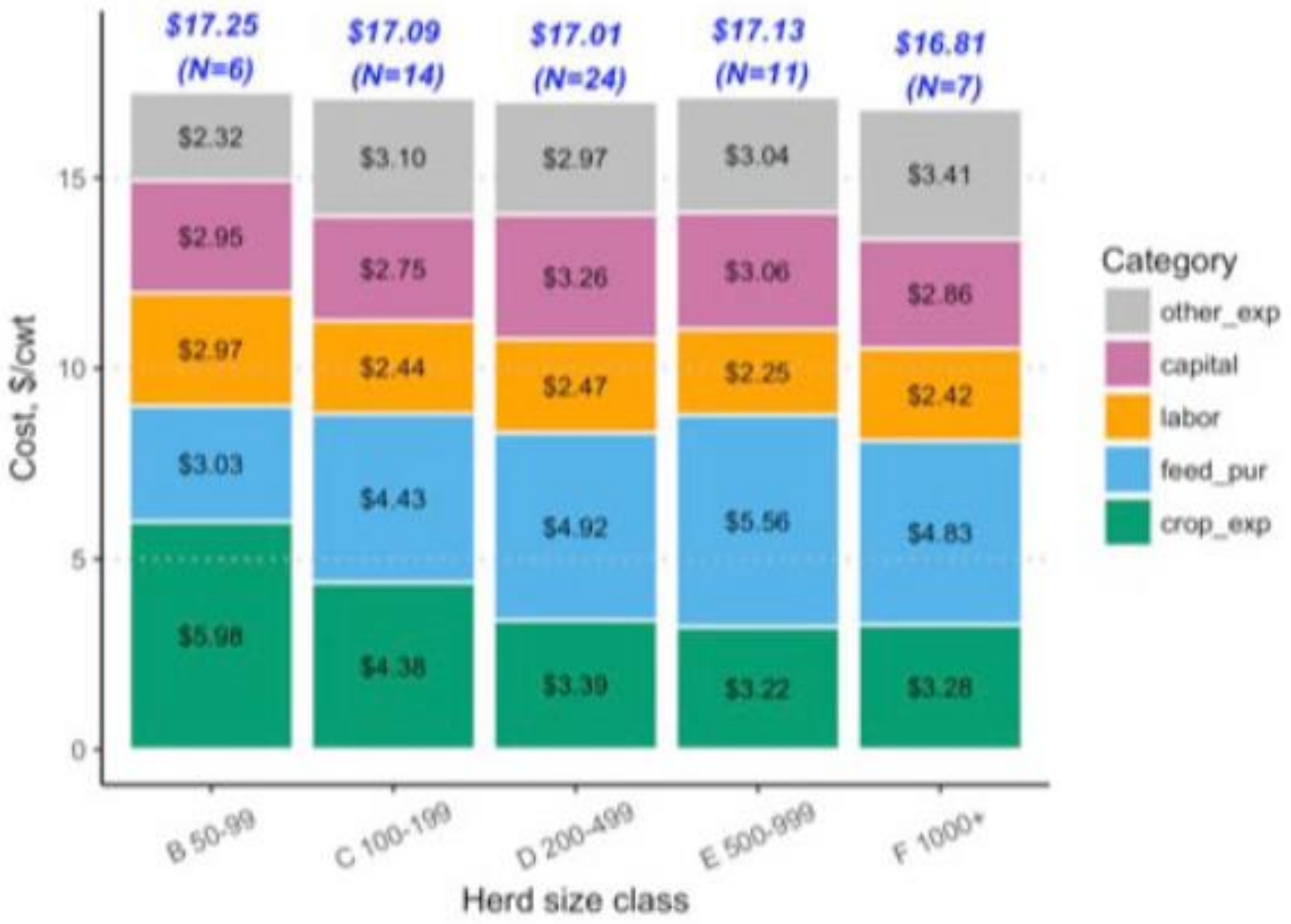


Figure 2. Cost of production for the most efficient Wisconsin dairy farms by herd size (2016)




KRONE


CLAAS

4 Legged Milk Stool

1. Knowing How to Grow or Buy High Quality Crops
2. The Care of Cattle
3. Understanding the Financials
4. Knowing How to Hire, Train, Motivate Others

Q4 - 2017 Nietzke & Faupel

	All	<1500	>1500	Top 1/3
Milk	16.95	17.47	16.89	16.91
Lvtk	1.33	1.20	1.35	1.38
Gross	18.61	18.98	18.57	18.69
COP	17.43	17.81	17.39	16.91
Feed	7.71	7.85	7.70	7.60
Net	1.18	1.17	1.18	1.78

Is $0.60 A Big Deal?

- $0.60 X 24,000 cwt = $144.00 /cow/ yr
- $144.00 X 25 cows = $ 3,600
- $144.00 X 50 cows = $ 7,200
- $144.00 X 100 cows = $ 14,400
- $144.00 X 500 cows = $ 72,000
- $144.00 X 1,000 cows = $ 144,000

Q2 - 2018 Nietzke & Faupel

	All	<1500	>1500	Top 1/3
Milk	15.16	15.28	15.15	16.37
Lvtk	1.29	1.10	1.31	1.28
Gross	16.85	16.83	16.86	18.14
COP	17.55	17.81	17.54	17.20
Feed	7.81	7.71	7.82	7.65
Net	(0.70)	(0.98)	(0.68)	0.94

Is $0.94 A Big Deal?

- $0.94 X 24,000 cwt = $225.60 /cow/ yr
- $225.60 X 25 cows = $ 5,640
- $225.60 X 50 cows = $ 11,280
- $225.60 X 100 cows = $ 22,560
- $225.60 X 500 cows = $ 112,800
- $225.60 X 1,000 cows = $ 225,600

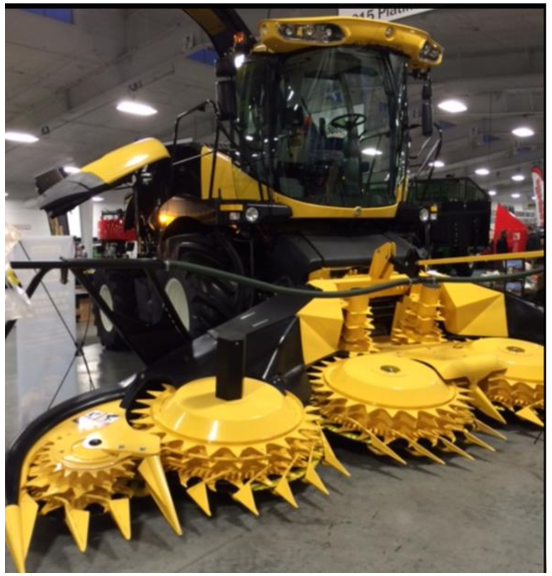
The Other Parts of the Puzzle

- 2:1 Liquidity
- No more than 20% of the Gross Income for P&I
- Total Expense Rate Not to exceed 85% of Gross Income
- Debt/Cow $5,000 – Debt/CWT Milk $20

4 More Pieces of the Puzzle

- Ownership Equity +50% (30% minimum)
- ATO, Asset Turn Over every 3 Years
- 8% ROA, 6% ROE
- Know Your COP ($14.50 - $22.00) ($16.50 - $17.50)

Enterprising



On Farm Investments/Cow

- $10,000 - $25,000 Invested/Cow?
- $1,500 cow, $1,500 Youngstock = $ 3,000 Cattle
- 3 acres/cow w/buildings @ $5,000 = $15,000 Land/Buildings
- Machinery (in the shed) <u>$ 2,500</u>

$20,500/cow

An Employee-Owned Company

ROA

- $1,000 Net/$20,500 = 4.8%
- $500 Net/$20,500 = 2.4%

Debt to What

- Debt/Cow $3,000 - $10,000
- Debt/CWT $20
- Debt/Revenue 1:1

Forage Cost to Feed the Cows

- 8% Of the Gross Farm Income (Dairy)
- 20 – 30% Off farm Feed Purchases
- 28% - 38% Of Gross Farm Income
- 45% If you Buy It All
- COP

The Payoff!