

Lesson 4: Herd Management

Name _____

Costs and Returns**Objective:** Prepare a budget for a dairy operation.

Using the information provided, fill out the monthly worksheet for a dairy operation. Determine whether this operation had a profit or loss.

Returns:

The operation has sold 175,500 pounds of milk. The price per hundred pounds (cwt) was \$14.00. The producer also received \$2,200 from the sale of heifers.

Costs:

The value of the feeds consumed by the herd was \$6,000 for concentrates, \$300 for purchased forages, \$250 for grain produced by the dairy operation, and \$200 for hay. The average number of animals on pasture was 19, with a charge of \$6. Hired labor cost \$1,750. The family put in 290 hours on the operation, at a value of \$6 an hour. Operator labor had a value of \$1,400. Approximately 80% of the hours worked by the work force were spent on the dairy enterprise. Milk check deductions totaled \$1,300, and \$150 was spent on artificial insemination. Veterinary fees and medicine cost \$600. Dairy supplies cost \$500, and fuel cost \$100. Utility bills totaled \$200. Repairs on buildings cost the operation \$195, while machinery repairs totaled \$625. Farm insurance cost \$120, and \$20 was spent on professional fees. Expenses on vehicles totaled \$220. Other expenses cost \$50. Interest payments on the operation totaled \$1,000, 50% of which went for the dairy enterprise. Annual depreciation for the operation is \$4,800.

What is the total profit or loss for this dairy operation? _____

Monthly Worksheet

Name of farm: _____ Name of operator: _____ Month: _____

Gross income	Your farm	Example farm
1. (a) Pounds of milk sold for the month (from your milk check)		181,903
(b) Divide (a) by 100 to get milk sales in hundredweights		1,819
2. Gross milk price (\$ per hundredweight)		\$12.50
3. Compute gross milk sales by multiplying 1(b) by step 2		22,738
4. Livestock sales related to dairy		3,000
5. Capital revolvments and other dairy income		0
6. Add lines 3, 4 and 5 for total gross receipts		25,738
Variable expenses	Your farm	Example farm
7. (a) Market value of purchased concentrates, alternative feeds, vitamins and minerals		6,250
(b) Market value of purchased forages consumed		2,873
(c) Market value of home-raised grains consumed		667
(d) Market value of home-raised haylage and silage consumed		0
(e) Market value of home-raised hay consumed		0
8. Estimate the monthly value of pasture consumed		
(a) Average number of head on pasture for the month		20
(b) Monthly pasture charge		\$5
(c) Multiply (a) by (b)		100
9. Total 7(a) through 7(e) and 8(c) to compute the total value of feedstuffs consumed		9,890
10. Estimate the true cost of labor for the dairy enterprise		
(a) Amount spent for hired labor for the month (including benefits)		2,000
(b) Hours of unpaid family labor		330
(c) Value of family labor		\$5
(d) Multiply (b) and (c)		1,650
(e) Value of your operator labor		200 hours x 8 = 1,600
(f) Portion of time the labor force was used on the dairy enterprise		75%
(g) Add lines (a), (d) and (e) and multiply by (f)		5,250 x .75 = 3,938
11. Milk check deductions		1,764
12. Expenses for DHIA fees		200
13. Expenses for artificial insemination		283
14. Expenses for veterinary fees and medicine		500
15. Expenses for dairy supplies; the portion of the following costs related to the dairy only		667
16. Expenses for fuel and oil		.3 x 299 = 90
17. Utility bills		.5 x 558 = 279
18. Building repairs		208
19. Machinery repairs		.33 x 1,050 = 347
20. Farm taxes		0
21. Farm insurance		.5 x 300 = 150
22. Any legal and professional fees		.5 x 42 = 21
23. Car and truck expenses		.5 x 333 = 167
24. Other expenses		100
25. (a) Interest payments		1,567
(b) Portion of the interest payment that went for the dairy enterprise		75%
(c) Multiply (a) by (b)		1,175
26. Get estimate for annual depreciation expenses of dairy enterprise. Divide this by figure 12		642
27. Estimate total operating expenses by adding steps 9, 10(g), 11 through 24, 25(c) and 26		20,419
28. Estimate income over operating expenses by subtracting step 27 from step 6		5,318