



Animals in Extensive Production Systems

VETS30031 / VETS90123



Dairy Farms – inputs/ outputs and profitability



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What is the aim of a Dairy Farm business ?

Make a profit

Make a profit from sale of milk

Make a profit from sale of milk and stock

Make a profit by efficiently producing and selling milk and stock

Maximise profit by efficiently producing and selling milk and stock



Dairy Farm Inputs and Outputs



Income



Variable Costs



Overhead Costs



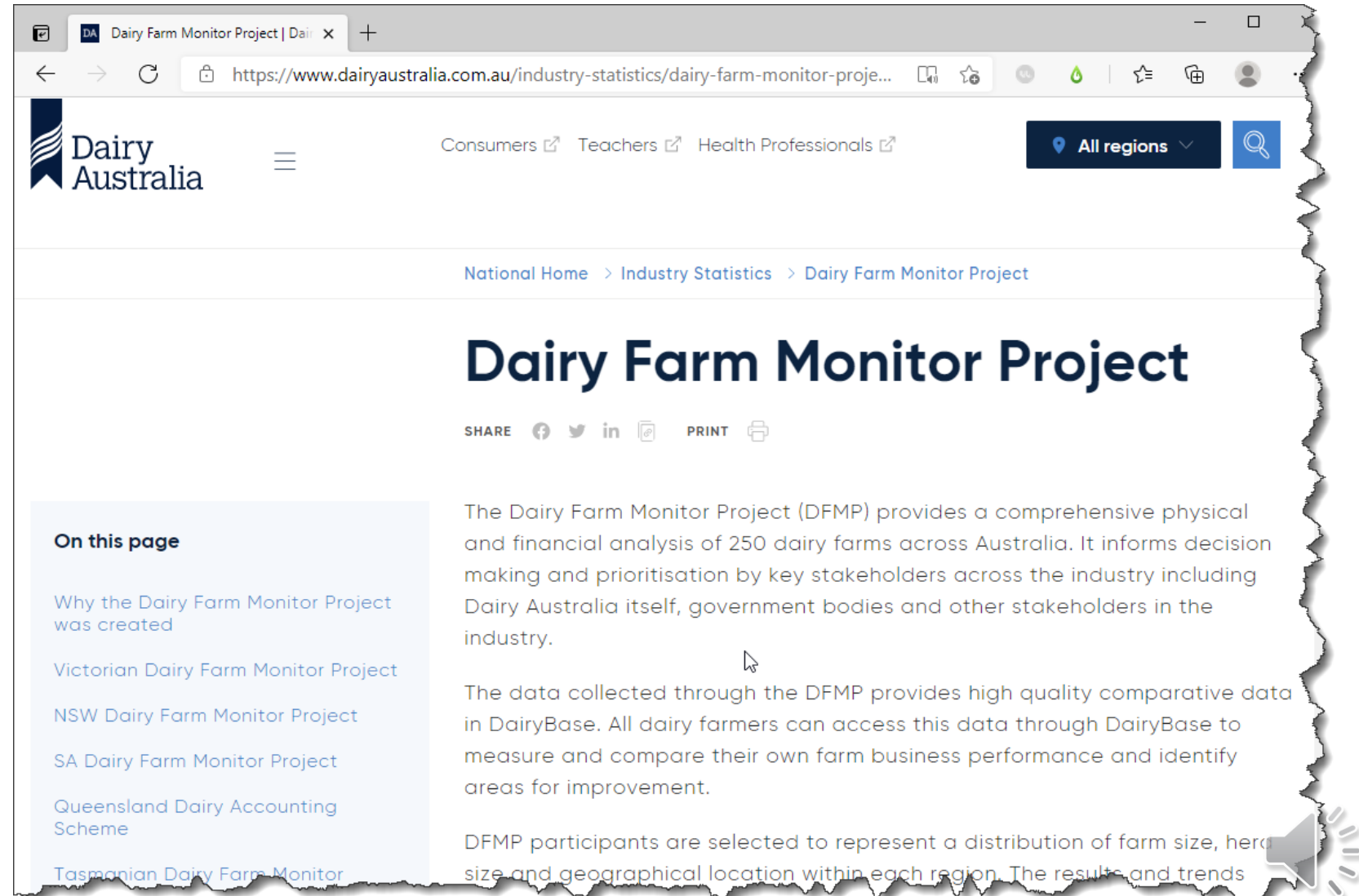
Finance costs



How do we describe financial performance?

Dairy Farm Monitoring Project

An “Industry standard” way of looking at a dairy farm business



The screenshot shows the Dairy Farm Monitor Project webpage. The browser address bar displays the URL: <https://www.dairyaustralia.com.au/industry-statistics/dairy-farm-monitor-proje...>. The page header includes the Dairy Australia logo, navigation links for Consumers, Teachers, and Health Professionals, and a dropdown menu for All regions. The main heading is "Dairy Farm Monitor Project". Below the heading, there are social media share icons and a print button. The page content describes the Dairy Farm Monitor Project (DFMP) as a comprehensive physical and financial analysis of 250 dairy farms across Australia. It mentions that the data collected through the DFMP provides high quality comparative data in DairyBase, which all dairy farmers can access to measure and compare their own farm business performance and identify areas for improvement. The page also notes that DFMP participants are selected to represent a distribution of farm size, herd size and geographical location within each region. The results and trends are mentioned at the bottom of the visible text.

On this page

- [Why the Dairy Farm Monitor Project was created](#)
- [Victorian Dairy Farm Monitor Project](#)
- [NSW Dairy Farm Monitor Project](#)
- [SA Dairy Farm Monitor Project](#)
- [Queensland Dairy Accounting Scheme](#)
- [Tasmanian Dairy Farm Monitor](#)

The Dairy Farm Monitor Project (DFMP) provides a comprehensive physical and financial analysis of 250 dairy farms across Australia. It informs decision making and prioritisation by key stakeholders across the industry including Dairy Australia itself, government bodies and other stakeholders in the industry.

The data collected through the DFMP provides high quality comparative data in DairyBase. All dairy farmers can access this data through DairyBase to measure and compare their own farm business performance and identify areas for improvement.

DFMP participants are selected to represent a distribution of farm size, herd size and geographical location within each region. The results and trends

Benchmarking

Profit is the sum of many small parts

If we can compare the parts between farms, we can detect inefficiencies

Need to compare “apples with apples”

Farms vary in size

Gross Margin or EBIT

- per Ha
- per Cow
- per kg Milk Solids

Farm income and cost category	
INCOME	
	Feed inventory change
	Other farm income
	Livestock trading profit
	Milk income (net)
Gross farm income	
VARIABLE COSTS	
	Shed cost
	Herd cost
	Home grown feed cost
	Purchased feed and agistment
Total variable costs	
GROSS MARGIN	
per kilogram of milk solids	
OVERHEAD COSTS	
	All other overheads
	Repairs and maintenance
	Depreciation
	Employed labour
	Imputed owner/operator and family labour
Total overhead costs	
EARNINGS BEFORE INTEREST AND TAX	



Income

Milk income

- Farmers are paid for milk, but charged “levies” of about 0.75%
- Usually described as “Net of Levies”
- Often described “per Kg Milk Solids”



Stock income

- Sale of cows
- Sale of surplus stock
- (Dairy beef, stud animals, bull sales ...)



Other income

- Off farm income
- Change in stored assets (eg feed)



How would you maximise income ?

Get paid
more for milk

More cows

Production
per cow

Nutrition

Fertility (more
days in milk)

Genetics



What are Variable Costs?

Herd Costs

- Animal Health
- Reproduction

Shed Costs

- Electricity
- Detergents
- Milking machine maintenance

Feed Costs

- Concentrates
- Forage
- Grass



Herd Costs

- Calf rearing
- Heifer rearing
- Reproduction
 - Bull management
 - A.I.
 - Pregnancy diagnosis (vet)
- Animal Health Costs
 - Vet Costs
 - Nutrition management
- Other management tasks
 - Disbudding
 - Ear tagging



Source: Dairy Australia

Shed Costs

Electricity

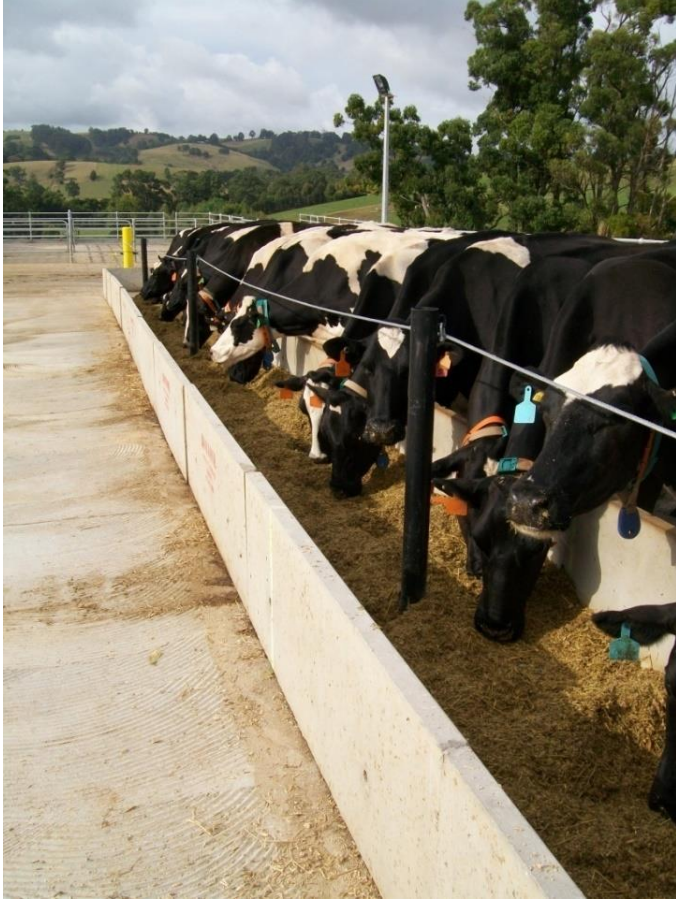
Detergents

Teat Spray

Milking Machine Maintenance



Feed costs





How would you optimise costs?

Minimise
shed costs

Optimise
herd costs

Production
per cow

Optimise
feed costs

Fertility

Good
management



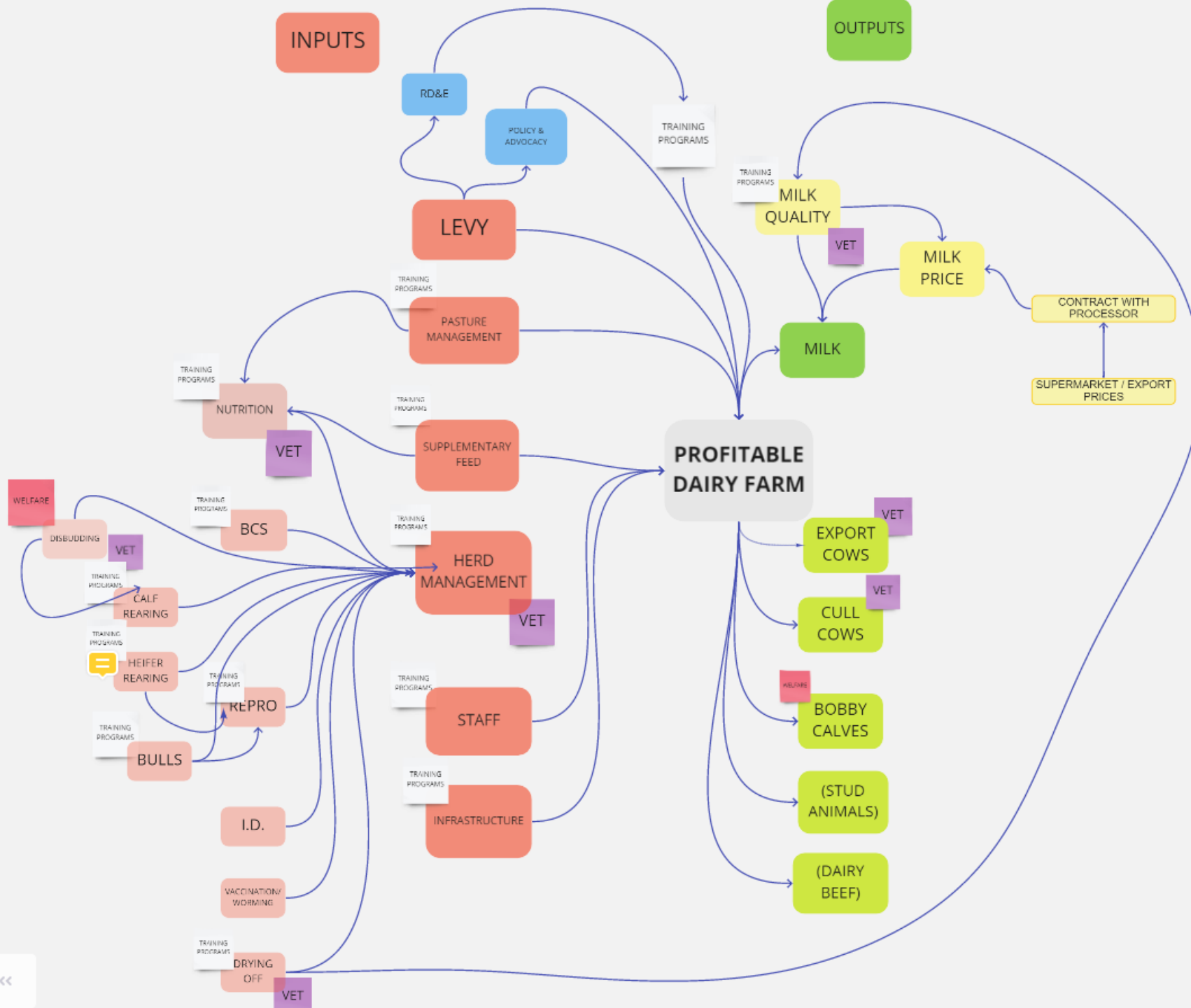


TABLE 2. AVERAGE FARM FINANCIAL PERFORMANCE PER KILOGRAM OF MILK SOLIDS - STATEWIDE

Farm income and cost category	Statewide	North	South West	Gippsland
INCOME				
Feed inventory change	\$0.15	\$0.10	\$0.21	\$0.15
Other farm income	\$0.10	\$0.12	\$0.05	\$0.12
Livestock trading profit	\$0.41	\$0.41	\$0.38	\$0.43
Milk income (net)	\$6.79	\$6.83	\$6.91	\$6.62
Gross farm income	\$7.44	\$7.46	\$7.54	\$7.33
VARIABLE COSTS				
Shed cost	\$0.22	\$0.21	\$0.23	\$0.21
Herd cost	\$0.28	\$0.27	\$0.25	\$0.31
Home grown feed cost	\$1.00	\$1.17	\$0.96	\$0.88
Purchased feed and agistment	\$1.90	\$1.96	\$1.94	\$1.79
Total variable costs	\$3.39	\$3.61	\$3.37	\$3.19
GROSS MARGIN				
per kilogram of milk solids	\$4.05	\$3.85	\$4.17	\$4.13
OVERHEAD COSTS				
All other overheads	\$0.25	\$0.23	\$0.26	\$0.27
Repairs and maintenance	\$0.33	\$0.29	\$0.41	\$0.28
Depreciation	\$0.21	\$0.19	\$0.24	\$0.21
Employed labour	\$0.48	\$0.46	\$0.47	\$0.49
Imputed owner/operator and family labour	\$0.76	\$0.66	\$0.77	\$0.86
Total overhead costs	\$2.03	\$1.83	\$2.14	\$2.11
EARNINGS BEFORE INTEREST AND TAX				
per kilogram of milk solids	\$2.02	\$2.02	\$2.03	\$2.03





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AEPS – DAIRY WEEK 2

