



Dairy
**SUCCESS &
PROFITABILITY REVIEW**

2022 MY FARM REVIEW

2 - Dairy SPR Top 25%



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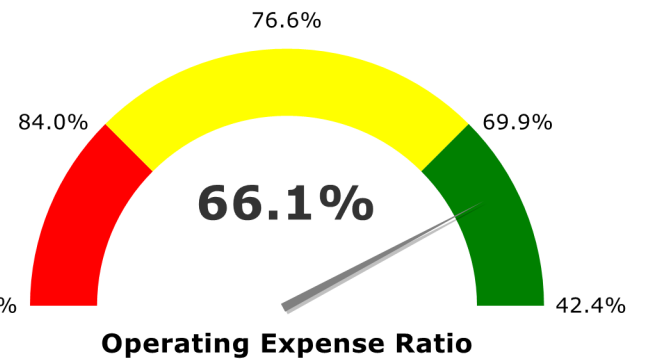
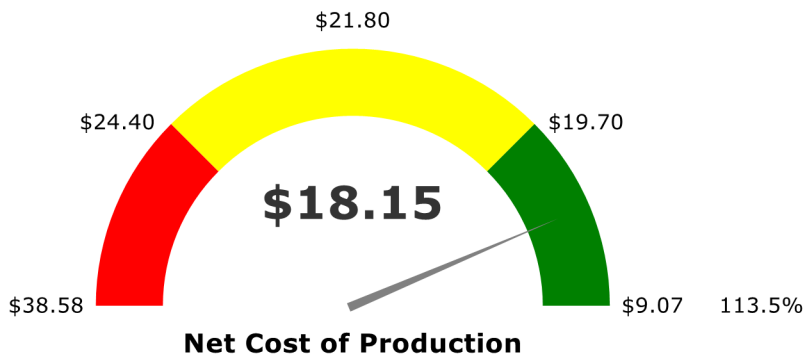
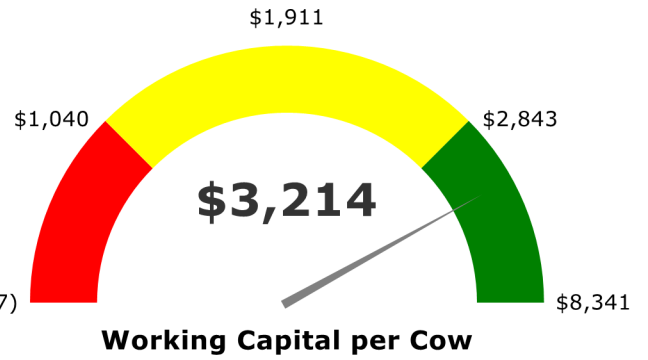
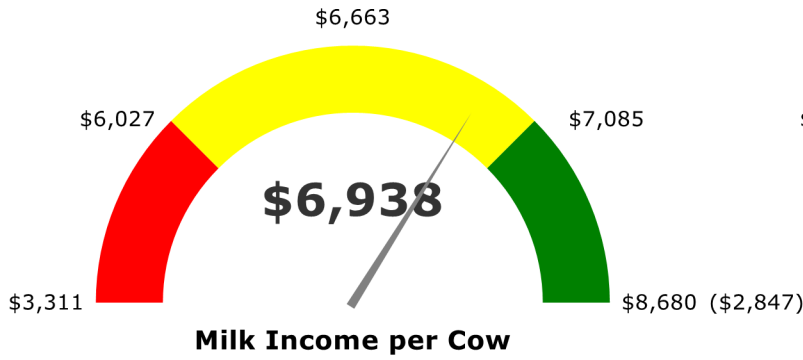
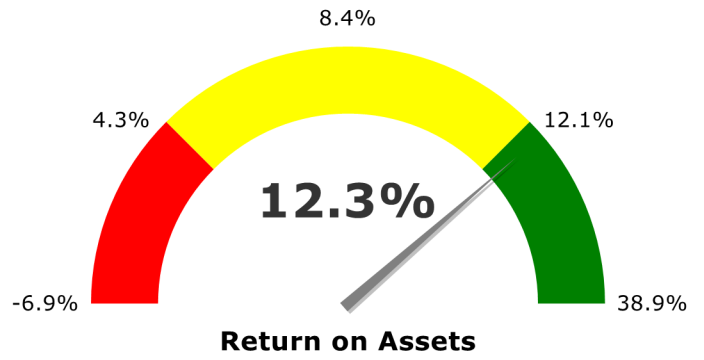
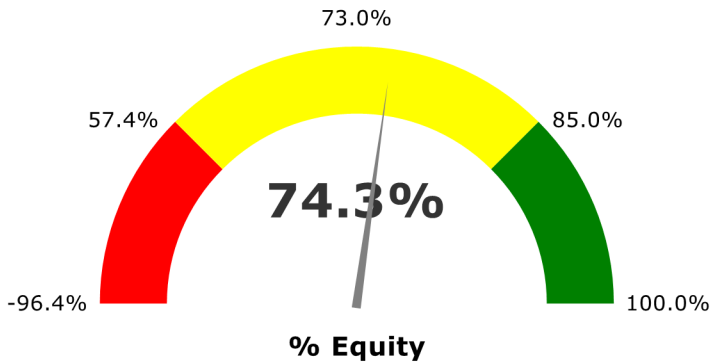
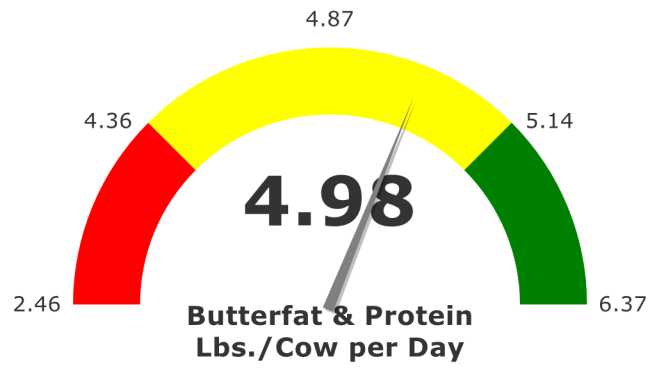
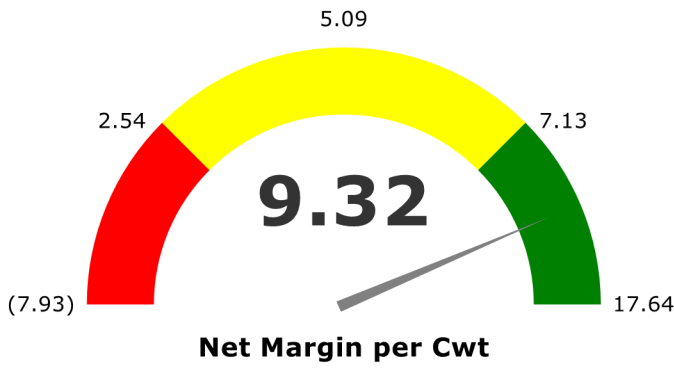
2022 Dairy Success and Profitability Review

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Dairy SPR Top 25%--Range of Key Factors

(Top 25% consists of 43 farms)

Gross Margin Analysis	Net Margin per Cwt.	Gross Milk Price	Cost of Goods Sold per Cwt.	% Gross Margin	Overhead per Cwt.	Operating Expense Ratio
Top	\$17.64	\$31.49	(\$13.74)	153.8%	\$5.64	42.4%
75th Percentile	\$10.82	\$27.86	\$3.93	85.7%	\$7.40	60.3%
		\$27.33		75.4%	\$9.24	
50th Percentile	\$9.45	\$27.14	\$7.81	71.6%	\$9.90	64.5%
	\$9.32		\$8.91			66.1%
25th Percentile	\$7.91	\$26.68	\$10.20	61.9%	\$12.75	69.1%
Bottom	\$7.13	\$25.02	\$15.19	47.3%	\$26.76	97.2%

Some Keys to Profitability	Milk Income per Cow	Lbs. Milk Sold per Cow	Lbs. Milk Sold per FTWE	Feed and Crop as % of Milk Inc.	Cows per FTWE	Energy Corrected Milk Sold per Cow
Top	\$8,680	31,491	2,028,493	20.4%	74	33,993
75th Percentile	\$7,237	25,878	1,403,913	30.5%	55	28,200
	\$6,938	25,255	1,081,196		44	27,027
50th Percentile	\$6,836	25,000	982,474	36.5%	41	26,695
				38.0%		
25th Percentile	\$6,366	23,036	762,151	41.2%	33	24,840
Bottom	\$3,852	12,744	321,117	61.1%	15	13,461

Other Financial	EBITDA per Cow	ROA	Debt to EBITDA	Working Capital per Cow	Other Income per Cwt. (1)	Total Labor Expense per Cwt.
Top	\$6,434	38.9%	-	\$8,341	\$34.59	\$0.02
75th Percentile	\$3,945	14.6%	0.62	\$3,847	\$15.87	\$2.31
	\$3,296	12.3%		\$3,214		
50th Percentile	\$3,296	10.6%	1.71	\$3,009	\$9.57	\$3.71
			1.74			\$3.75
25th Percentile	\$2,937	8.3%	2.33	\$2,089	\$6.39	\$4.13
					\$5.98	
Bottom	\$2,219	3.1%	8.53	(\$117)	\$2.40	\$11.34

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Range of Key Factors for All Herds

(All Herds consists of 171 farms)

Financial Performance	Net Margin per Cwt.	ROA	ROE	% Equity	Working Capital per Cow	Debt to EBITDA (2)	EBITDA per Cow
Top	\$17.64	38.9%	84.1%	100.0%	\$8,341	-	\$6,434
	\$9.32	12.3%	17.9%		\$3,214		\$3,296
75th Percentile	\$7.13	12.1%	17.8%	85.0%	\$2,843	0.97	\$3,044
				74.3%		1.74	
50th Percentile	\$5.09	8.4%	9.6%	73.0%	\$1,911	2.02	\$2,291
25th Percentile	\$2.54	4.3%	4.1%	57.4%	\$1,040	3.94	\$1,608
Bottom	(\$7.93)	-6.9%	-14.4%	-96.4%	(\$2,847)	9,999.00	(\$93)

Gross Revenue	Milk Income per Cow	Lbs. Milk Sold per Cow	Gross Milk Price	Net Milk Price	Energy Corrected Milk Sold per Cow
Top	\$8,680	32,208	\$33.57	\$31.01	33,993
75th Percentile	\$7,085	26,209	\$27.65	\$25.67	27,966
	\$6,938	25,255	\$27.33		27,027
50th Percentile	\$6,663	24,945	\$27.08	\$25.02	26,513
				\$25.01	
25th Percentile	\$6,027	22,402	\$26.35	\$24.11	23,630
Bottom	\$3,311	10,286	\$23.23	\$18.91	13,168

Production Efficiency	% Gross Margin	Full Time Worker Equivalents	Lbs. Milk per FTWE	Feed as % of Milk Income	Feed and Crop as % of Milk Inc.
Top	153.8%	66.8	2,107,215	6.5%	20.4%
	75.4%				
75th Percentile	64.2%	7.9	1,337,662	24.3%	34.3%
		5.0	1,081,196	26.1%	38.0%
50th Percentile	51.6%	4.5	1,051,445	30.9%	40.6%
25th Percentile	43.3%	2.7	819,580	34.9%	46.0%
Bottom	16.3%	0.9	241,089	60.7%	61.1%

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Range of Key Factors for All Herds

(All Herds consists of 171 farms)

Capacity	Overhead per Cwt.	Overhead per Cow	Cows per FTWE	Acres per Cow
Top	\$3.19	\$837	103	7.8
75th Percentile	\$7.36	\$1,758	44	2.3
50th Percentile	\$8.97	\$2,118	44	2.0
	\$9.24	\$2,334		
25th Percentile	\$11.81	\$2,772	34	1.5
Bottom	\$28.28	\$5,753	15	-

Industry Skills	Butter Fat Percent	Protein Percent	Butterfat & Protein Lbs./Cow per Day	Somatic Cell Count	Death Rate in Herd
Top	5.5%	4.0%	6.37	56	0.0%
75th Percentile	4.1%	3.2%	5.14	123	2.8%
	4.1%		4.98	149	4.6%
50th Percentile	4.0%	3.1%	4.87	164	4.7%
		3.1%			
25th Percentile	3.9%	3.1%	4.36	215	6.9%
Bottom	3.6%	2.8%	2.46	486	14.2%

Cost Control	Net Cost of Production	Operating Expense Ratio	Cost of Goods Sold per Cwt.	Other Inc per Cwt. (1)	Total Labor Exp per Cwt.	Feed & Crop Exp per Cow	Capital Purch per Cow
Top	\$9.07	42.4%	(\$13.74)	\$34.59	\$0.02	\$819	-
	\$18.15	66.1%	\$8.91				
75th Percentile	\$19.70	69.9%	\$9.94	\$9.21	\$2.91	\$2,147	\$358
					\$3.75		
50th Percentile	\$21.80	76.6%	\$13.02	\$6.26	\$3.86	\$2,653	\$864
				\$5.98		\$2,674	
25th Percentile	\$24.40	84.0%	\$14.93	\$4.04	\$4.88	\$3,102	\$1,519
							\$1,725
Bottom	\$38.58	113.5%	\$22.87	(\$0.99)	\$11.34	\$4,556	\$19,352

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Income Statement Comparison	(\$ per Cow)				
	My Farm 2022	Dairy SPR Average	300+ Cows Peer Group	Dairy SPR Top 25%	Top 25% Difference
Average Number of Cows	219	357	811	219	-
Gross Milk Pounds Shipped	5,538,579	9,073,335	21,114,436	5,538,579	-
Butterfat Percent	4.06%	4.06%	4.06%	4.06%	-
Protein Percent	3.13%	3.16%	3.18%	3.13%	-
Other non-fat Solid Percent	5.79%	5.78%	5.79%	5.79%	-
Butterfat & Protein Lbs./Cow	1,823	1,829	1,869	1,823	-
Somatic Cell Count (000's omitted)	149	175	180	149	-
Milk Shipped per Cow	25,255	25,436	26,026	25,255	-
Milk Income	6,938	6,848	6,995	6,938	-
<u>Cost of Goods Sold (Variable Costs):</u>					
Employee Labor	515	716	871	515	-
Purchased Feed	1,882	2,172	2,265	1,882	-
Boarding Expense	97	75	95	97	-
Custom Hire	294	247	218	294	-
Crop Expense (Seed, Fertilizer, & Chemicals)	793	644	631	793	-
Fuel	260	241	247	260	-
Livestock Expense (Supplies, Vet., Breeding)	458	506	503	458	-
Advertising/Milk Marketing Exp.	538	473	454	538	-
Cow Replacements	11	19	20	11	-
Other Expenses	80	87	79	80	-
Less Non-Milk Income	1,511	1,026	919	1,511	-
Less Non-Farm Income	260	88	50	260	-
Less Accrual Adjustments	907	423	456	907	-
Total Cost of Goods Sold	2,250	3,644	3,957	2,250	-
Gross Margin	4,688	3,205	3,038	4,688	-
<u>Overhead (Fixed Costs):</u>					
Owner	433	347	254	433	-
Repairs	489	434	432	489	-
Interest	229	207	197	229	-
Rent/Lease	272	219	196	272	-
Property Taxes	116	71	67	116	-
Insurance (Fire & Liability)	111	100	100	111	-
Utilities	144	148	153	144	-
Depreciation	541	430	391	541	-
Total Overhead	2,334	1,956	1,790	2,334	-
Net Cost of Production	4,584	5,601	5,748	4,584	-
Net Margin (Net Income)	2,353	1,247	1,247	2,353	-
Add Back Depreciation	541	430	391	541	-
Adjustment for Accruals	(907)	(423)	(456)	(907)	-
Principal Payments	(424)	(389)	(379)	(424)	-
Net Residual Income	1,564	865	803	1,564	-

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Income Statement Comparison	(\$ per Cwt.)				
	My Farm 2022	Dairy SPR Average	300+ Cows Peer Group	Dairy SPR Top 25%	Top 25% Difference
Average Number of Cows	219	357	811	219	-
Gross Milk Pounds Shipped	5,538,579	9,073,335	21,114,436	5,538,579	-
Milk Shipped per Cow	25,255	25,436	26,026	25,255	-
Milk Income	27.47	26.92	26.88	27.47	-
<u>Cost of Goods Sold (Variable Costs):</u>					
Employee Labor	2.04	2.82	3.35	2.04	-
Purchased Feed	7.45	8.54	8.70	7.45	-
Boarding Expense	0.38	0.29	0.36	0.38	-
Custom Hire	1.16	0.97	0.84	1.16	-
Crop Expense (Seed, Fertilizer, & Chemicals)	3.14	2.53	2.42	3.14	-
Fuel	1.03	0.95	0.95	1.03	-
Livestock Expense (Supplies, Vet., Breeding)	1.81	1.99	1.93	1.81	-
Advertising/Milk Marketing Exp.	2.13	1.86	1.75	2.13	-
Cow Replacements	0.04	0.07	0.08	0.04	-
Other Expenses	0.31	0.34	0.30	0.31	-
Less Non-Milk Income	5.98	4.03	3.53	5.98	-
Less Non-Farm Income	1.03	0.35	0.19	1.03	-
Less Accrual Adjustments	3.59	1.66	1.75	3.59	-
Total Cost of Goods Sold	8.91	14.33	15.21	8.91	-
Gross Margin	18.56	12.60	11.67	18.56	-
<u>Overhead (Fixed Costs):</u>					
Owner	1.71	1.36	0.98	1.71	-
Repairs	1.94	1.71	1.66	1.94	-
Interest	0.91	0.81	0.76	0.91	-
Rent/Lease	1.08	0.86	0.75	1.08	-
Property Taxes	0.46	0.28	0.26	0.46	-
Insurance (Fire & Liability)	0.44	0.39	0.38	0.44	-
Utilities	0.57	0.58	0.59	0.57	-
Depreciation	2.14	1.69	1.50	2.14	-
Total Overhead	9.24	7.69	6.88	9.24	-
Net Cost of Production	18.15	22.02	22.08	18.15	-
Net Margin (Net Income)	9.32	4.90	4.79	9.32	-
Add Back Depreciation	2.14	1.69	1.50	2.14	-
Adjustment for Accruals	(3.59)	(1.66)	(1.75)	(3.59)	-
Principal Payments	(1.68)	(1.53)	(1.46)	(1.68)	-
Net Residual Income	6.19	3.40	3.09	6.19	-
Breakeven Milk Price	20.94	23.44	24.47	20.94	-
Class III Actual	21.96	21.96	21.96	21.96	-
Class III Basis	5.37	5.17	5.30	5.37	-
Class IV Actual	24.47	24.47	24.47	24.47	-
Class IV Basis	2.86	2.66	2.79	2.86	-

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Income Statement Comparison	(\$ per Cwt.)				
Component Corrected Cwt. (3.5% BF; 3.2% Prot.)	My Farm 2022	Dairy SPR Average	300+ Cows Peer Group	Dairy SPR Top 25%	Top 25% Difference
Average Number of Cows	219	357	811	219	-
Gross Milk Pounds Shipped	5,538,579	9,073,335	21,114,436	5,538,579	-
Component Corrected Milk Pounds Shipped	5,927,147	9,661,707	22,461,337	5,927,147	-
Component Correct Milk Shipped per Cow	27,027	27,085	27,687	27,027	-
Milk Shipped per Cow	25,255	25,436	26,026	25,255	-
Milk Income	25.67	25.28	25.26	25.67	-
Cost of Goods Sold (Variable Costs):					
Employee Labor	1.91	2.64	3.15	1.91	-
Purchased Feed	6.96	8.02	8.18	6.96	-
Boarding Expense	0.36	0.28	0.34	0.36	-
Custom Hire	1.09	0.91	0.79	1.09	-
Crop Expense (Seed, Fertilizer, & Chemicals)	2.93	2.38	2.28	2.93	-
Fuel	0.96	0.89	0.89	0.96	-
Livestock Expense (Supplies, Vet., Breeding)	1.70	1.87	1.82	1.70	-
Advertising/Milk Marketing Exp.	1.99	1.75	1.64	1.99	-
Cow Replacements	0.04	0.07	0.07	0.04	-
Other Expenses	0.29	0.32	0.28	0.29	-
Less Non-Milk Income	5.59	3.79	3.32	5.59	-
Less Non-Farm Income	0.96	0.32	0.18	0.96	-
Less Accrual Adjustments	3.35	1.56	1.65	3.35	-
Total Cost of Goods Sold	8.32	13.45	14.29	8.32	-
Gross Margin	17.34	11.83	10.97	17.34	-
Overhead (Fixed Costs):					
Owner	1.60	1.28	0.92	1.60	-
Repairs	1.81	1.60	1.56	1.81	-
Interest	0.85	0.76	0.71	0.85	-
Rent/Lease	1.00	0.81	0.71	1.00	-
Property Taxes	0.43	0.26	0.24	0.43	-
Insurance (Fire & Liability)	0.41	0.37	0.36	0.41	-
Utilities	0.53	0.55	0.55	0.53	-
Depreciation	2.00	1.59	1.41	2.00	-
Total Overhead	8.64	7.22	6.47	8.64	-
Net Cost of Production	16.96	20.68	20.76	16.96	-
Net Margin (Net Income)	8.71	4.61	4.50	8.71	-
Add Back Depreciation	2.00	1.59	1.41	2.00	-
Adjustment for Accruals	(3.35)	(1.56)	(1.65)	(3.35)	-
Principal Payments	(1.57)	(1.44)	(1.37)	(1.57)	-
Net Residual Income	5.79	3.19	2.90	5.79	-
Breakeven Milk Price	19.88	22.09	22.36	19.88	-

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Key Performance Indicators						
	2018	2019	2020	2021	2022	Average
Average Number of Cows	156	346	315	215	219	250
Financial Performance Measures:						
Net Margin per Cwt.	1.61	3.69	4.79	6.16	9.32	5.11
ROA	4.2%	7.7%	11.4%	10.1%	12.3%	9.1%
ROE	4.4%	12.4%	17.9%	14.2%	17.9%	13.4%
% Equity	67%	68%	68%	70%	74%	70%
Working Capital Per Cow	796.74	971.72	1,542.20	2,143.57	3,213.96	1,733.64
Debt to EBITDA	3.55	3.11	2.76	2.61	1.74	2.76
EBITDA per Cow	1,503	1,693	2,051	2,369	3,296	2,182
Gross Revenue:						
Milk Income per Cow	4,047	4,639	4,784	4,562	6,938	4,994
Lbs. milk sold per Cow	23,133	23,929	25,395	23,349	25,255	24,212
Gross Milk Price	17.80	19.47	18.69	19.37	27.33	20.53
Net Milk Price	16.15	17.74	16.91	17.48	25.01	18.66
Energy Corrected Milk Sold per Cow	24,097	24,911	26,552	24,664	27,027	25,450
Production Efficiency:						
% Gross Margin	51%	59%	78%	83%	75%	69%
Full Time Worker Equivalents (FTWE)	3.8	7.0	6.2	5.3	5.0	5.5
Lbs. Milk Sold Per FTWE	939,003	1,055,643	1,173,660	946,493	1,081,196	1,039,199
Purchased Feed as % of Milk Income	29.0%	29.4%	29.9%	29.1%	26.1%	28.7%
Purchased Feed / Crop as % of Milk Incom	37.0%	38.1%	42.1%	41.1%	38.0%	39.2%
Capacity:						
Overhead per Cwt.	7.47	6.21	6.66	8.62	9.24	7.64
Overhead per Cow	1,698	1,486	1,692	2,012	2,334	1,845
Cows per FTWE	41	45	49	40	44	44
Acres per Cow	2.4	1.7	2.0	2.5	2.3	2.2
Industry Skills:						
Butter Fat Percent	3.89%	3.94%	3.93%	3.96%	4.06%	3.96%
Protein Percent	3.09%	3.13%	3.07%	3.10%	3.13%	3.10%
Butter Fat & Protein Lbs./Cow per Day	4.40	4.56	4.86	4.54	4.98	4.67
Somatic Cell Count (000's omitted)	167	167	174	177	149	167
Death Rate in Herd	4.7%	5.4%	5.1%	5.3%	4.6%	5.0%
Cost Control:						
Net Cost of Production	16.19	15.70	14.05	13.38	18.15	15.49
Operating Expense Ratio	80.9%	72.0%	71.7%	68.5%	66.1%	71.9%
Cost of Goods Sold per Cwt.	8.72	9.48	7.32	4.76	8.91	7.84
Non-milk Income per Cwt.	4.44	3.24	5.98	7.24	5.98	5.37
Total Labor Expense per Cwt.	2.97	3.35	3.43	3.87	3.75	3.48
Feed & Crop Expense per Cow	1,549	1,758	1,976	1,885	2,674	1,969
Capital Purchases per Cow	723	881	1,549	1,888	1,725	1,353

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Financial Statement -- Trend	(thousands)					
	2018	2019	2020	2021	2022	Average
Average Number of Cows	156	346	315	215	219	250
Gross Milk Pounds Shipped	3,557,722	8,281,643	8,000,243	5,016,200	5,538,579	6,078,877
Butterfat Percent	3.89%	3.94%	3.93%	3.96%	4.06%	3.96%
Protein Percent	3.09%	3.13%	3.07%	3.10%	3.13%	3.10%
Butterfat & Protein Lbs./Cow	1,611	1,669	1,780	1,660	1,823	1,709
Milk Shipped per Cow	23,133	23,929	25,395	23,349	25,255	24,212
Assets:						
Cash	28	64	37	68	148	69
Accounts Receivable	55	173	180	80	80	114
Feed & Crop Inventory	191	391	476	447	549	411
Supplies & Prepaid Expenses	15	26	39	44	90	43
Other Current Assets	-	23	24	7	7	12
Total Current Assets	289	677	756	647	873	648
Dairy Livestock	317	800	601	417	442	516
Machinery/Equipment	331	810	759	589	726	643
Real Estate	1,411	3,219	3,085	2,914	3,197	2,765
Other Assets	204	238	197	160	276	215
Total Fixed Assets	2,264	5,066	4,642	4,081	4,642	4,139
Total Assets	2,553	5,743	5,398	4,728	5,514	4,787
Liabilities & Equity:						
Accounts Payable & Accrued Expenses	27	59	45	7	12	30
Other Current Liabilities	71	128	112	85	58	91
Current Portion Term Loans	66	154	113	95	97	105
Total Current Liabilities	164	340	270	186	168	226
Term Loans	738	1,636	1,628	1,238	1,188	1,286
Less Current Portion	(66)	(154)	(113)	(95)	(97)	(105)
Total Term Loans	671	1,482	1,514	1,143	1,090	1,180
Total Liabilities	835	1,823	1,784	1,329	1,258	1,406
Owner's Equity	1,717	3,920	3,614	3,398	4,256	3,381
Ratios:						
% Equity	67.3%	68.1%	68.2%	70.5%	74.3%	69.7%
Current Ratio	1.76	3.87	5.61	7.79	8.28	5.46
Working Capital	125	336	486	461	705	422
Return on Assets	4.2%	7.7%	11.4%	10.1%	12.3%	9.1%
Return on Equity	4.4%	12.4%	17.9%	14.2%	17.9%	13.4%
Prior Year Total Assets	2,471	5,365	4,925	4,183	4,852	4,359
Prior Year Total Liabilities	829	1,830	1,705	1,241	1,273	1,376
Beginning Net Worth	1,642	3,535	3,220	2,942	3,579	2,984
+ Net Income: Profit or (Loss)	43	305	383	309	516	311
+ Asset Appreciation, or (Depreciation)	32	78	24	125	119	76
+ Extraordinary Capital Contributions	(7)	-	-	-	-	(1)
+ Asset Valuation Changes / Other Adj	7	-	-	-	-	1
Ending Net Worth	1,717	3,919	3,628	3,405	4,244	3,382

2022 Dairy Success and Profitability Review

2 - Dairy SPR Top 25%

Income Statement -- Trend	(thousands)					
	2018	2019	2020	2021	2022	Average
Average Number of Cows	156	346	315	215	219	250
Gross Milk Pounds Shipped	3,557,722	8,281,643	8,000,243	5,016,200	5,538,579	6,078,877
Butterfat Percent	3.89%	3.94%	3.93%	3.96%	4.06%	3.96%
Protein Percent	3.09%	3.13%	3.07%	3.10%	3.13%	3.10%
Other non-fat Solid Percent	5.78%	5.78%	5.76%	5.76%	5.79%	5.77%
Butterfat & Protein Lbs./Cow	1,611	1,669	1,780	1,660	1,823	1,709
Somatic Cell Count (000's omitted)	167	167	174	177	149	167
Milk Shipped per Cow	23,133	23,929	25,395	23,349	25,255	24,212
Milk Income	633	1,605	1,507	980	1,521	1,249
<u>Cost of Goods Sold (Variable Costs):</u>						
Employee Labor	47	216	190	108	113	135
Purchased Feed	190	486	470	303	413	372
Boarding Expense	2	1	61	1	21	17
Custom Hire	32	49	63	47	65	51
Crop Exp (Seed, Fertilizer, & Chemicals)	52	123	153	102	174	121
Fuel	21	40	30	33	57	36
Livestock Exp (Supplies, Vet., Breeding)	58	141	130	84	100	103
Advertising/Milk Marketing Exp.	59	131	109	90	118	101
Cow Replacements	2	5	1	2	2	2
Other Expenses	5	16	22	13	17	15
Less Non-Milk Income	134	268	478	363	331	315
Less Non-Farm Income	8	14	32	37	57	30
Less Accrual Adjustments	15	139	133	144	199	126
Total Cost of Goods Sold	310	785	586	239	493	483
Gross Margin	323	820	921	741	1,028	767
<u>Overhead (Fixed Costs):</u>						
Owner	59	62	80	86	95	76
Repairs	38	84	109	79	107	83
Interest	36	88	74	51	50	60
Rent/Lease	30	52	65	60	60	53
Property Taxes	11	24	17	16	25	19
Insurance (Fire & Liability)	13	25	13	16	24	18
Utilities	17	35	40	24	32	30
Depreciation	61	145	135	101	119	112
Total Overhead	266	514	533	432	512	452
Net Cost of Production	576	1,300	1,124	671	1,005	935
Net Margin (Net Income)	57	305	383	309	516	314
Add Back Depreciation	61	145	135	101	119	112
Adjustment for Accruals	(15)	(139)	(133)	(144)	(199)	(126)
Principal Payments	(68)	(152)	(146)	(83)	(93)	(108)
Net Residual Income	36	159	240	182	343	192

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2 - Dairy SPR Top 25%

Income Statement -- Trend	(\$ per cow)					
	2018	2019	2020	2021	2022	Average
Average Number of Cows	156	346	315	215	219	250
Gross Milk Pounds Shipped	3,557,722	8,281,643	8,000,243	5,016,200	5,538,579	6,078,877
Butterfat Percent	3.89%	3.94%	3.93%	3.96%	4.06%	3.96%
Protein Percent	3.09%	3.13%	3.07%	3.10%	3.13%	3.10%
Other non-fat Solid Percent	5.78%	5.78%	5.76%	5.76%	5.79%	5.77%
Butterfat & Protein Lbs./Cow	1,611	1,669	1,780	1,660	1,823	1,709
Somatic Cell Count (000's omitted)	167	167	174	177	149	167
Milk Shipped per Cow	23,133	23,929	25,395	23,349	25,255	24,212
Milk Income	4,047	4,639	4,784	4,562	6,938	4,994
Cost of Goods Sold (Variable Costs):						
Employee Labor	299	623	602	503	515	509
Purchased Feed	1,216	1,403	1,491	1,412	1,882	1,481
Boarding Expense	12	3	195	7	97	63
Custom Hire	206	142	200	220	294	212
Crop Exp (Seed, Fertilizer, & Chemicals)	333	355	486	473	793	488
Fuel	134	115	95	152	260	151
Livestock Exp (Supplies, Vet., Breeding)	371	406	413	391	458	408
Advertising/Milk Marketing Exp.	374	379	345	419	538	411
Cow Replacements	12	14	4	9	11	10
Other Expenses	33	47	70	60	80	58
Less Non-Milk Income	858	775	1,518	1,690	1,511	1,270
Less Non-Farm Income	54	41	100	174	260	126
Less Accrual Adjustments	96	401	421	671	907	499
Total Cost of Goods Sold	1,982	2,269	1,860	1,111	2,250	1,894
Gross Margin	2,065	2,370	2,924	3,451	4,688	3,099
Overhead (Fixed Costs):						
Owner	377	178	255	400	433	329
Repairs	240	243	345	368	489	337
Interest	232	253	236	235	229	237
Rent/Lease	194	150	206	279	272	220
Property Taxes	73	68	53	73	116	77
Insurance (Fire & Liability)	86	72	41	74	111	77
Utilities	106	102	128	112	144	119
Depreciation	391	419	428	470	541	450
Total Overhead	1,698	1,486	1,692	2,012	2,334	1,845
Net Cost of Production	3,680	3,756	3,567	3,123	4,584	3,742
Net Margin (Net Income)	367	883	1,217	1,438	2,353	1,252
Add Back Depreciation	391	419	428	470	541	450
Adjustment for Accruals	(96)	(401)	(421)	(671)	(907)	(499)
Principal Payments	(432)	(440)	(463)	(388)	(424)	(430)
Net Residual Income	230	461	761	849	1,564	773

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2 - Dairy SPR Top 25%

Income Statement -- Trend	(\$ per Cwt.)					
	2018	2019	2020	2021	2022	Average
Average Number of Cows	156	346	315	215	219	250
Gross Milk Pounds Shipped	3,557,722	8,281,643	8,000,243	5,016,200	5,538,579	6,078,877
Butterfat & Protein Lbs./Cow	1,611	1,669	1,780	1,660	1,823	1,709
Milk Shipped per Cow	23,133	23,929	25,395	23,349	25,255	24,212
Milk Income	17.80	19.39	18.84	19.54	27.47	20.61
Cost of Goods Sold (Variable Costs):						
Employee Labor	1.32	2.60	2.37	2.16	2.04	2.10
Purchased Feed	5.35	5.86	5.87	6.05	7.45	6.12
Boarding Expense	0.05	0.01	0.77	0.03	0.38	0.25
Custom Hire	0.91	0.59	0.79	0.94	1.16	0.88
Crop Exp (Seed, Fertilizer, & Chemicals)	1.46	1.48	1.91	2.02	3.14	2.00
Fuel	0.59	0.48	0.37	0.65	1.03	0.62
Livestock Exp (Supplies, Vet., Breeding)	1.63	1.70	1.63	1.68	1.81	1.69
Advertising/Milk Marketing Exp.	1.65	1.58	1.36	1.80	2.13	1.70
Cow Replacements	0.05	0.06	0.01	0.04	0.04	0.04
Other Expenses	0.15	0.20	0.27	0.26	0.31	0.24
Less Non-Milk Income	3.77	3.24	5.98	7.24	5.98	5.24
Less Non-Farm Income	0.24	0.17	0.39	0.75	1.03	0.52
Less Accrual Adjustments	0.42	1.67	1.66	2.87	3.59	2.04
Total Cost of Goods Sold	8.72	9.48	7.32	4.76	8.91	7.84
Gross Margin	9.08	9.90	11.51	14.78	18.56	12.77
Overhead (Fixed Costs):						
Owner	1.66	0.75	1.01	1.72	1.71	1.37
Repairs	1.06	1.01	1.36	1.58	1.94	1.39
Interest	1.02	1.06	0.93	1.01	0.91	0.98
Rent/Lease	0.85	0.63	0.81	1.20	1.08	0.91
Property Taxes	0.32	0.28	0.21	0.31	0.46	0.32
Insurance (Fire & Liability)	0.38	0.30	0.16	0.32	0.44	0.32
Utilities	0.47	0.43	0.51	0.48	0.57	0.49
Depreciation	1.72	1.75	1.69	2.01	2.14	1.86
Total Overhead	7.47	6.21	6.66	8.62	9.24	7.64
Net Cost of Production	16.19	15.70	14.05	13.38	18.15	15.49
Net Margin (Net Income)	1.61	3.69	4.79	6.16	9.32	5.11
Add Back Depreciation	1.72	1.75	1.69	2.01	2.14	1.86
Adjustment for Accruals	(0.42)	(1.67)	(1.66)	(2.87)	(3.59)	(2.04)
Principal Payments	(1.90)	(1.84)	(1.82)	(1.66)	(1.68)	(1.78)
Net Residual Income	1.01	1.93	3.00	3.64	6.19	3.15
Breakeven Milk Price	16.79	17.39	15.73	15.61	20.94	17.29
Class III Actual	14.61	16.96	18.16	17.08	21.96	17.75
Class III Basis	3.19	2.51	0.53	2.29	5.37	2.78
Class IV Actual	14.23	16.30	13.49	16.09	24.47	16.92
Class IV Basis	3.57	3.17	5.20	3.28	2.86	3.61

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Definitions

My Farm Review

Financial Statement – (Balance Sheet, Net Worth Statement)

Individual farm data includes a snapshot on herd size & output, farm assets, liabilities and net worth. Key liquidity and profitability ratios show the financial health of the operations. These statements are focused on how the assets are generating revenue. Financial statements are provided in thousands and a per cow basis.

Current Ratio – Current assets divided by current liabilities.

% Equity - Owner's equity divided by total assets.

Return on Assets (ROA) – Total interest expense added to net income divided by average total assets.

Return on Equity (ROE) - Net income divided by average net worth.

Working Capital - Current assets less current liabilities.

Income Statement

Revenue, costs and profitability are provided on an actual dollar amount (in thousands), per cow, and per cwt. Accrual adjustments were made to reflect cost of production including changes in inventories, accounts receivable, cow numbers and accounts payable.

Variable costs – expenses used to generate farm revenue are included here. These costs will vary depending on herd size, feeding programs & efficiency. These expenses are more in management's control and often areas to focus on control measures to increase profitability.

Fixed costs – these constant expenses do not typically fluctuate based on the amount of milk produced or number of cows.

Gross milk income – tabulated through analysis of actual milk check data for the whole year, this figure provides consistency for all farms in the benchmark by adjusting farms that report net milk income for reporting purposes.

Crop expense – total seed and plant expenses plus fertilizer, lime and chemical expenses.

Gross margin – calculated reducing gross milk income by total variable costs.

Net cost of production – the total of the farm's variable and fixed costs.

Depreciation – the dairy benchmark uses an economic depreciation versus tax depreciation to provide more consistency. Tax depreciation can vary greatly per farm based on the use of Section 179 or more aggressive depreciation schedules.

- Machinery and equipment was depreciated by using year-end balance sheet values divided by 8 years.
- Buildings and improvements depreciation equals \$127 times the average number of cows.
 - AgChoice dairy farm appraisals determine building & improvements have a contributory value of approximately \$1,900 per cow.
 - \$1,900 divided by the expected useful life of 15 years = \$127 annual depreciation per cow
- Both of these figures added together equal the depreciation listed on the reports.

Net Margin – Gross milk income less net cost of production

Component Corrected Cwt. Costs

Total pounds of milk shipped has been adjusted to a 3.5% butterfat and 3.2% protein, and then the actual costs are recalculated on the component corrected pounds. This allows you to look at how your components affect costs and is needed for different breeds to compare to each other.

2022 Dairy Success and Profitability Review

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Definitions

Key Performance Indicators

There are five areas that each farm is measured and compared to within the benchmark. Volume, efficiency, capacity, industry skills and cost control are all vital to the long-term viability of any operation. Your farm report will show year over year progress on these areas and can help identify trends to help improve the net margin of the operation.

Volume – this measurement simply looks at the gross amount of milk pounds and income generated by the operation.

Efficiency – two of the highest costs on a dairy farm are feed and labor costs. Efficiency is measuring how well those variable cost inputs are generating profit for the farm. Looking at full-time worker equivalents (FTWE) tells us how good the work force is at getting production from cows. Feed and crop expenses are combined to see how much it takes to generate milk income. FTWE is calculated accounting for all the paid and unpaid hours worked on the farm to generate the crops and milk income divided by 2,907 hours which is a standard full time worker equivalent.

Capacity – this indicator shows how well the fixed overhead costs are working for the operation. Generally, these costs will not increase dramatically with a moderate increase in production.

Industry skills – farms that struggle with industry skills often have difficulty maintaining profitability. They often have to spend more on replacement cows, have lower milk component and quantity output and spend more time on a less healthy herd lowering their efficiencies.

Cost control – managing costs will certainly improve profitability. During periods of low milk prices, producers are forced to evaluate every purchase and try and reduce costs to manage positive cash flow for the operation. (**NOTE:** (Other Income in the KPIs includes Non-Milk Income, Non-Farm Income, and Accrual Adjustments.)

Internal Herd Growth – measures the farms ability to grow or maintain cow numbers from within. Formula: (Ending Cow Numbers - Beginning Cow Numbers + Number Cows Sold for Dairy Purposes + Number Heifers >1 Year old Sold for Dairy Purposes - Number of Cows Purchased - Number Springers or Bred Heifers Purchased and Calved during year)/Beginning Cow numbers

EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization

Full Time Worker Equivalents (FTWE) – (Total Hired Labor + Total Owner Hours)/2,907

Comparative Statements

The comparative statements take your farms data and compare it to all the farms in the benchmark and by peer group.

Dairy SPR Average Farm – compares your farm to all the farms in the benchmark

Peer Group Farm – Broken down by number of cows

Dairy SPR Top 25% - this is based on net margin per cwt

End Notes

(1) Other Income here includes Non-Milk Income, Non-Farm Income, and Accrual Adjustments.

(2) If Debt to EBITDA is 9999, this indicates negative EBITDA. Please look at the Key Performance Indicators by Year page to see actual results.