

PSP

MARKET MILK PRODUCTION IN SAN LUIS OBISPO AND SANTA BARBARA COUNTIES - 1974

Cost Analysis Work Sheet

by

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Costs are based on a herd of 300 cows weighing 1,400 lbs. each, and producing 550 lbs. of butterfat from 15,227 lbs. of milk testing 3.6% butterfat. Cows are fed an average of 18 lbs. of concentrates daily for 305 days, and 40 lbs. of dry alfalfa hay or equivalent, allowing for average wastage. The dairy is a modern facility, fully equipped with milking barn, covered holding corral, and dry-lot food mangers with mounds and shades. All costs are calculated at current replacement values. Replacements are purchased at \$650 each, cull cows sold at \$450, and all calves are sold. The herd is replaced on the basis of 27% cull-out and 2% death loss each year. Two milkers received wages and other benefits totaling \$850 per month and one laborer \$650 per month. The owner is assumed to work on the dairy to the extent needed for management and for relief work.

The dairy is built on 20 acres of land, but additional area would be needed for waste disposal. This would usually be land upon which feed crops were raised for the dairy herd.

	SAMPLE COSTS			
	Each Cow Per Year	Annual Herd Total Cost	Per lb. B.F.	Your Costs
<b>CASH COSTS:</b>				
Feed:				
Alfalfa hay: 7.3 tons per cow @ \$75/ton	\$ 547.50			
Concentrates: 2.75 tons at \$130/ton	357.50			
Labor: 2 milkers @ \$850 each per month	68.00			
1 laborer @ \$650 per month	26.00			
Replacement: net cost per cow in herd	67.00			
Breeding cost \$9/cow	9.00			
Taxes and insurance	18.00			
Production testing	7.00			
Dues and assessments	12.50			
Veterinary and medicine	12.00			
Supplies	15.00			
Misc: business & office costs, repairs & maintenance, clipping & trimming, incidental cash costs & interest on operating capital	36.00			
<b>Total Cash Costs</b>	<b>\$1,175.50</b>		<b>\$2.14</b>	
<b>DEPRECIATION</b>				
Milking barn, house, corrals, mangers, land, improvements, etc. \$130,000 - 25 years	\$ 17.33			
Equipment 20,000 - 10 years	6.67			
<b>Total Depreciation</b>	<b>\$ 24.00</b>			
<b>*INTEREST ON INVESTMENT @ 8%</b>				
Land: 20 acres @ \$1,500: \$30,000 @ 8%	8.00	\$2,400.00		
Buildings, corrals, etc., \$65,000 @ 8%	17.33	5,200.00		
Equipment: \$10,000 @ 8%	2.67	800.00		
Cows: based on value @ \$550	44.00			
<b>Total Interest on Investment</b>	<b>\$ 72.00</b>			
<b>TOTAL ALL COSTS OF PRODUCTION</b>	<b>\$1,271.50</b>		<b>\$2.31</b>	
<b>LESS CREDIT FOR CALVES: \$75 value 5% death loss</b>	<b>\$ 71.25</b>			
<b>NET COSTS WITH 100% OF MILK SOLD</b>	<b>\$1,200.25</b>		<b>\$2.18</b>	
<b>NET COSTS WITH 95% OF MILK SOLD PER CWT</b>	<b>\$ 8.30</b>			
<b>NET COST PER LB. B.F. WITH 95% OF MILK SOLD,   ALL COSTS CHARGED TO B.F.</b>	<b>\$ 2.30</b>			

\*This rate on the total amount is used on the assumption that the owner has a substantial equity in the business, so the total indebtedness is considerably less than the total value.