

COST OF PRODUCING MILK

65 COW GRADE B DAIRY - HUMBOLDT COUNTY, JANUARY 1982

by

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Dairying is a highly competitive business. A thorough knowledge of the costs involved in production is essential if the enterprise is to be successful. This cost analysis sheet gives sample costs of production when average management practices are followed. It is for use as a guide in analyzing production practices on an individual dairy. Costs are for one cow. Multiply the costs shown by the number of cows in your herd to get yearly totals for your herd. New producers must add the cost of principal and interest for start money to these operational costs.

Family labor, including the operator, is not shown in these costs, nor is an allowance for management. These costs show what must be paid yearly before the operator earns labor or management income.

A typical Humboldt County irrigated bottom land dairy is used as a guide for costs and management practices. Cows are pastured, except during the winter when the fields are wet. Alfalfa hay may be fed in the fall to help maintain production or as cows freshen. Cows freshen seasonally in the spring and are corralled and fed pasture crop hay while dry in the winter. Enough pasture surplus in the spring is made into hay to carry the herd through the winter period. The costs of producing hay are included with the regular farm costs.

Replacements are valued at \$900 each. It may be possible to raise them for less than \$900 which would lower the cost as calculated. The replacement cost shown is the difference between the cost of 18 heifers at \$900 each and the cull value of 16 cows at \$.35 per pound.

Most of the costs shown are size oriented, not production oriented. That is, they go on whether you get high production or low production. For example, labor, supplies, bedding, utilities, irrigation, repairs, insurance and many others are related to the size of the ranch and cow herd, not to the level of B.F. production. The production related costs are feed, fertilizer, seed, veterinarian and medicine and breeding fees. The production related costs are adjusted in the table below to show the importance of efficient, high production.

Lbs. B.F. Per Cow	425	525	625
Total Cash Costs Per Cow	\$1004.79	\$1086.10	\$1172.41
Cash Cost Per CWT. 4.5% Milk	10.64	9.36	8.52
Cash Cost Per Lb. B.F.	2.36	2.07	1.88

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The dairy farm is 90 acres of irrigated bottom land leased by the operator at \$212.18 per acre (62 cow rent). Included are sufficient feed barns, corrals, etc., to handle the 65 cow herd. Renter owns cows, all field equipment, milking equipment, and irrigation system, including pump, and all are valued at current replacement cost. Cows weigh 1,000 pounds and produce 11,600 pounds of milk and 525 pounds of B.F. at the creamery yearly. Cows are fed 2,000 pounds of concentrates during their 305 day milking period, pasture during the season, and are provided with two tons of pasture crop hay and some alfalfa hay during the fall and winter. The herd is replaced on a basis of 3% death loss and 25% cull-out each year. Replacements are valued at \$900 each. Labor includes owner-operator and part-time hired labor, seasonally. Concentrates are valued at \$195 per ton. Total investment for renter is \$146,572.

	EACH COW PER YEAR	PER LB. B.F.	YOUR COST
CASH EXPENSES:		\$.45	
Feed			
Pasture crop hay, 2 tons (cost included below)	\$ -----		
Alfalfa hay, 770 lbs. @ \$105/ton	40.43		
Concentrates, 2,000 lbs. @ \$195/ton	195.00		
Labor		.04	
Owner-operator full-time	-----		
Seasonally hired	22.00		
General Expenses		1.61	
Dairy Supplies \$150/mo.	27.69		
Utilities \$125/mo.	23.08		
Bedding 11 loads @ \$120	20.31		
Vet and medicine	30.75		
Fertilizer 45 acres @ 200 lbs. @ 250/ton	17.31		
Seed 10 acres @ \$45	6.92		
Irrigation power 5 mo. @ \$400	30.77		
Breeding fee	19.00		
Cow replacement annual average	163.08		
Repairs (equipment, fences, etc.)	61.00		
Gas and oil	45.00		
Cow testing dues and assessments	20.00		
Insurance and licenses	30.00		
Interest on annual operating money	26.15		
Rent: 100 lb. B.F. + 200 lbs. SNF @ \$1.58 and \$.75	308.00		
Taxes: Appraised equipment, value x 1.10%	14.99		
Less credit for 40 calves @ 25.00	-15.38	-.03	
TOTAL CASH EXPENSE	\$1,086.10	\$ 2.07	
NON-CASH EXPENSES:			
Depreciation			
Field equipment \$63,900 (10 yrs.)	93.69		
Irrigation equipment \$11,672 (20 yrs. & 15 yrs.)	10.69		
Feed & Milk equipment \$12,500 (20 yrs. & 15 yrs.)	\$ 19.23		
TOTAL	\$ 123.61	.24	
INTEREST ON INVESTMENT:			
Cows: 65 @ \$900 = \$58,500 @ 12%	108.00		
Field equipment, half cost @ 12%	58.99		
Irrigation equipment, half cost @ 12%	10.73		
Milk equipment, half cost @ 12%	11.54		
TOTAL	\$ 189.26	.36	
TOTAL ALL COSTS OF PRODUCTION	\$1,398.97	2.67	
CASH COSTS PER CWT. SHIPPED 4.5% B.F.	\$ 9.36		
TOTAL COST PER CWT. SHIPPED 4.5% B.F.	\$ 12.06		