

COST OF PRODUCING MILK

65 COW GRADE B DAIRY - HUMBOLDT COUNTY, APRIL 1973

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.

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 \$300 each. It may be possible to raise them for less than \$300 which would lower the cost as calculated. The replacement cost shown is the difference between the cost of 13 heifers at \$300 each and the cull value of 11 cows at \$.26 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	350	425	500
Total All Costs Per Cow	\$342.60	\$393.60	\$423.88
Cost Per Cwt. 4.7% Milk	4.60	4.37	3.98
Cost Per Lb. B.F.	.98	.93	.85

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The dairy farm is 90 acres of irrigated bottom land leased by the operator at \$79.17 per acre (60 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 9,000 pounds of milk and 425 pounds of B.F. at the creamery yearly. Cows are fed 1,200 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 17% cull-out each year. Replacements are valued at \$300 each. Labor includes owner-operator and part-time hired labor, seasonally. Concentrates are valued at \$85 per ton. Total investment for renter is \$51,085.

	EACH COW PER YEAR	PER LB. B.F.	YOUR COST
CASH EXPENSES:			
Feed			
Pasture crop hay, 2 tons (cost included below)	\$-----	.15	
Alfalfa hay, 615 lbs. @ \$45/ton	13.84		
Concentrates 1,200 lbs. @ \$85/ton	51.00		
Labor			
Owner-operator full-time	-----	.03	
Seasonally hired	11.54		
General Expenses			
Dairy Supplies \$25/mo.	4.62	.56	
Utilities \$35/mo.	6.46		
Bedding 9 loads @ \$25	3.46		
Vet. and medicine	10.00		
Fertilizer 45 acres @ 300 lbs. @ \$87/ton	9.03		
Seed 10 acres @ \$25	3.85		
Irrigation power 5 mo. @ \$110	8.46		
Breeding fee	7.00		
Cow replacement annual average	16.00		
Repairs (equipment, fences, etc.)	23.08		
Gas and oil	15.38		
Cow testing dues and assessments	8.00		
Insurance and licenses	6.15		
Interest on annual operating money	3.70		
Rent: 100 lb. B.F. + 2,500 lbs. skim @ \$.77 and \$1.67/Cwt.	118.75		
Taxes: cows & equip. assessed value x 10%	13.58		
Less credit for 40 calves @ \$30.00	-18.46	-.04	
TOTAL CASH EXPENSE	\$ 315.44	\$.74	
NON-CASH EXPENSES:			
Depreciation			
Field equipment \$18,450 (10 yrs.)	26.87		
Irrigation equipment \$6,535 (20 yrs. & 15 yrs.)	6.06		
Milk equipment \$6,600	7.23		
TOTAL	\$ 40.16	\$.09	
INTEREST ON INVESTMENT:			
Cows: 65 @ \$300 = \$19,500 @ 7%	21.00		
Field equipment, half cost @ 7%	9.93		
Irrigation equipment, half cost @ 7%	3.52		
Milk equipment, half cost @ 7%	3.55		
TOTAL	\$ 38.00	\$.09	
TOTAL ALL COSTS OF PRODUCTION	\$ 393.60	\$.93	
CASH COSTS PER CWT. SHIPPED 4.7% B.F.	\$ 3.50		
TOTAL COST PER CWT. SHIPPED 4.7% B.F.	\$ 4.37		