



# U.S. Top Dairies: Benchmarks for Success

Mark Stephenson, Ph.D.

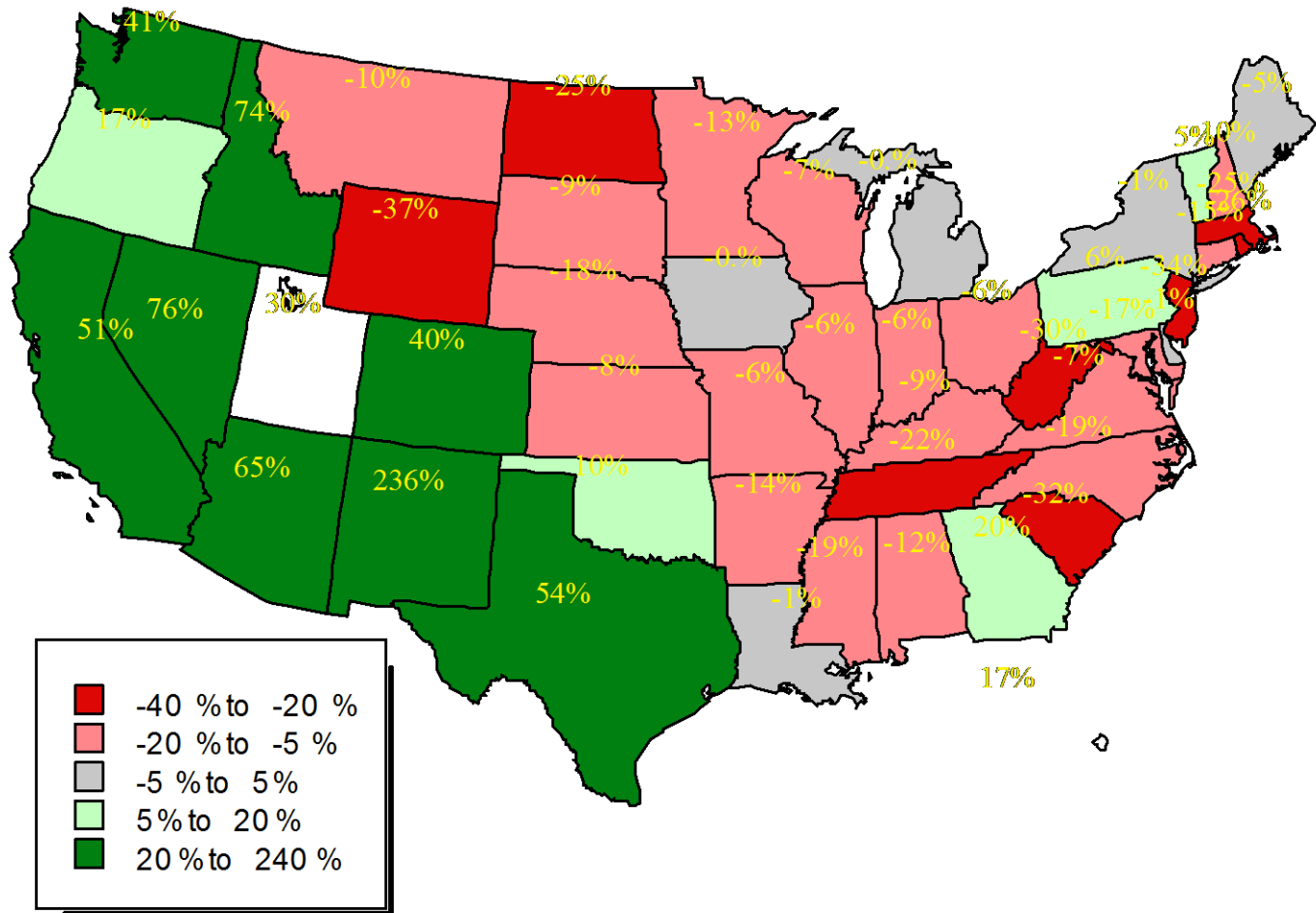
*Cornell Program on Dairy Markets & Policy*



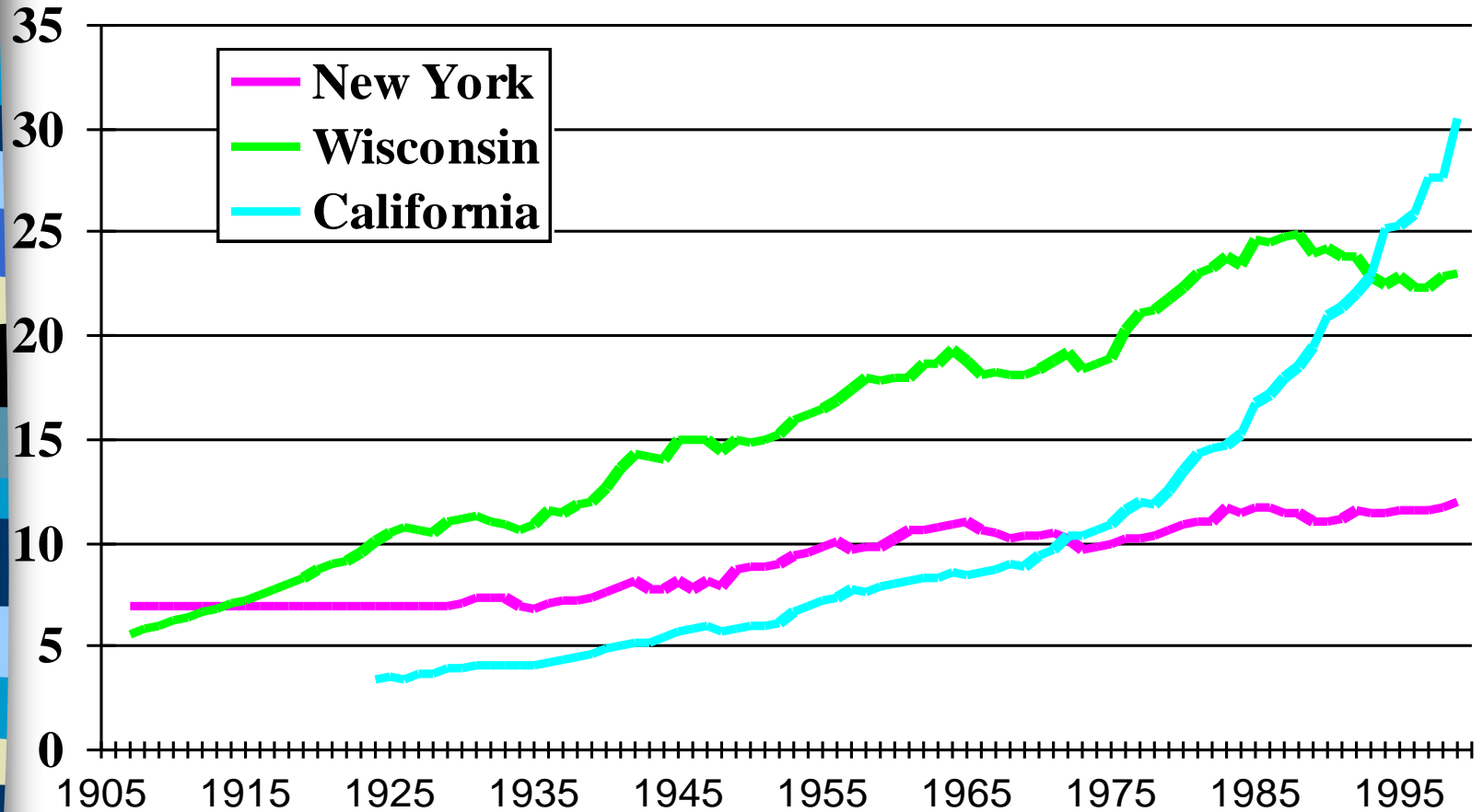
# Comparative Advantage

- Why have we witnessed the tremendous growth in the Western states?
- Is there really a “best place” to produce milk?

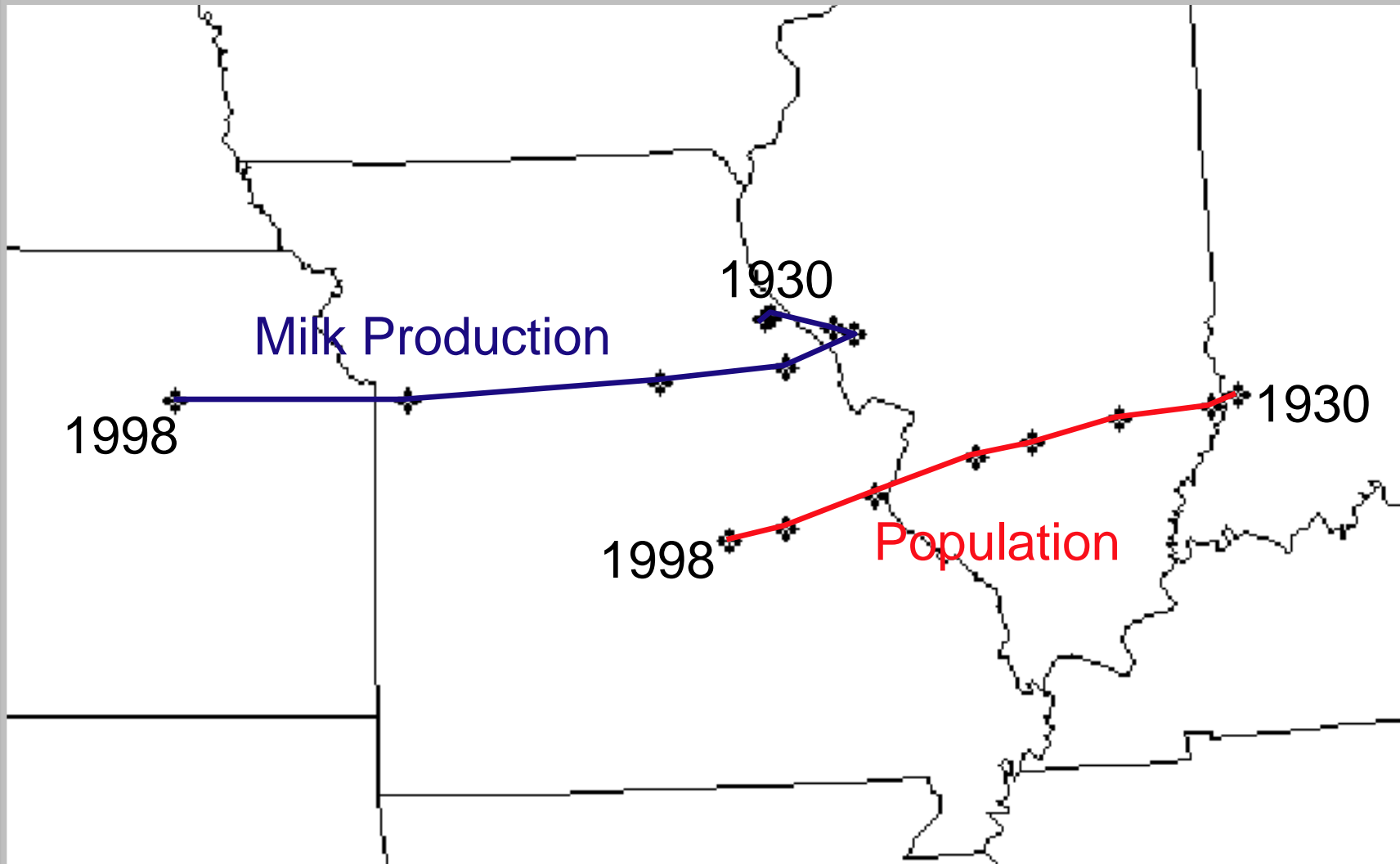
# Ten Year Change in Milk Production



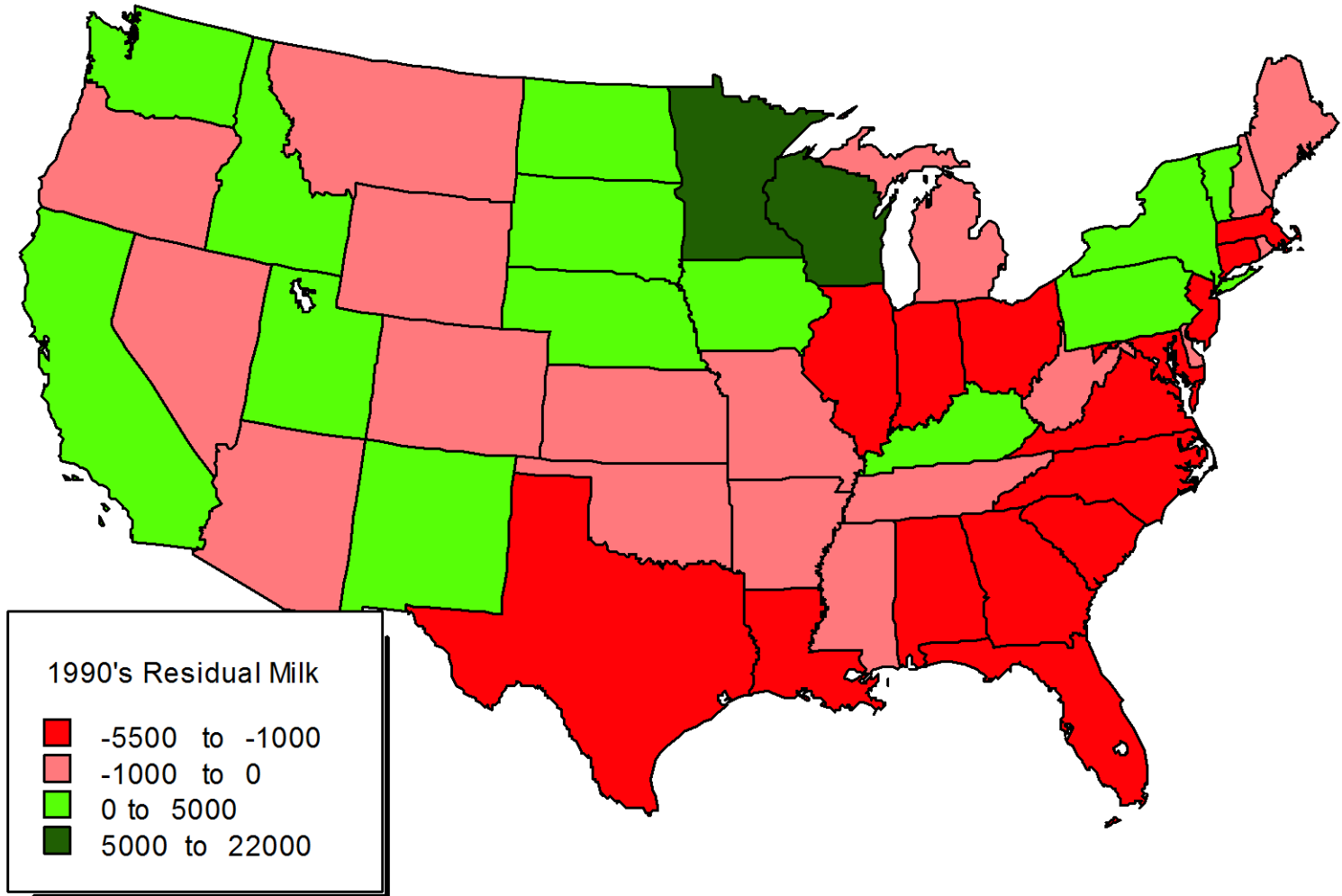
# A Tale of Three States...



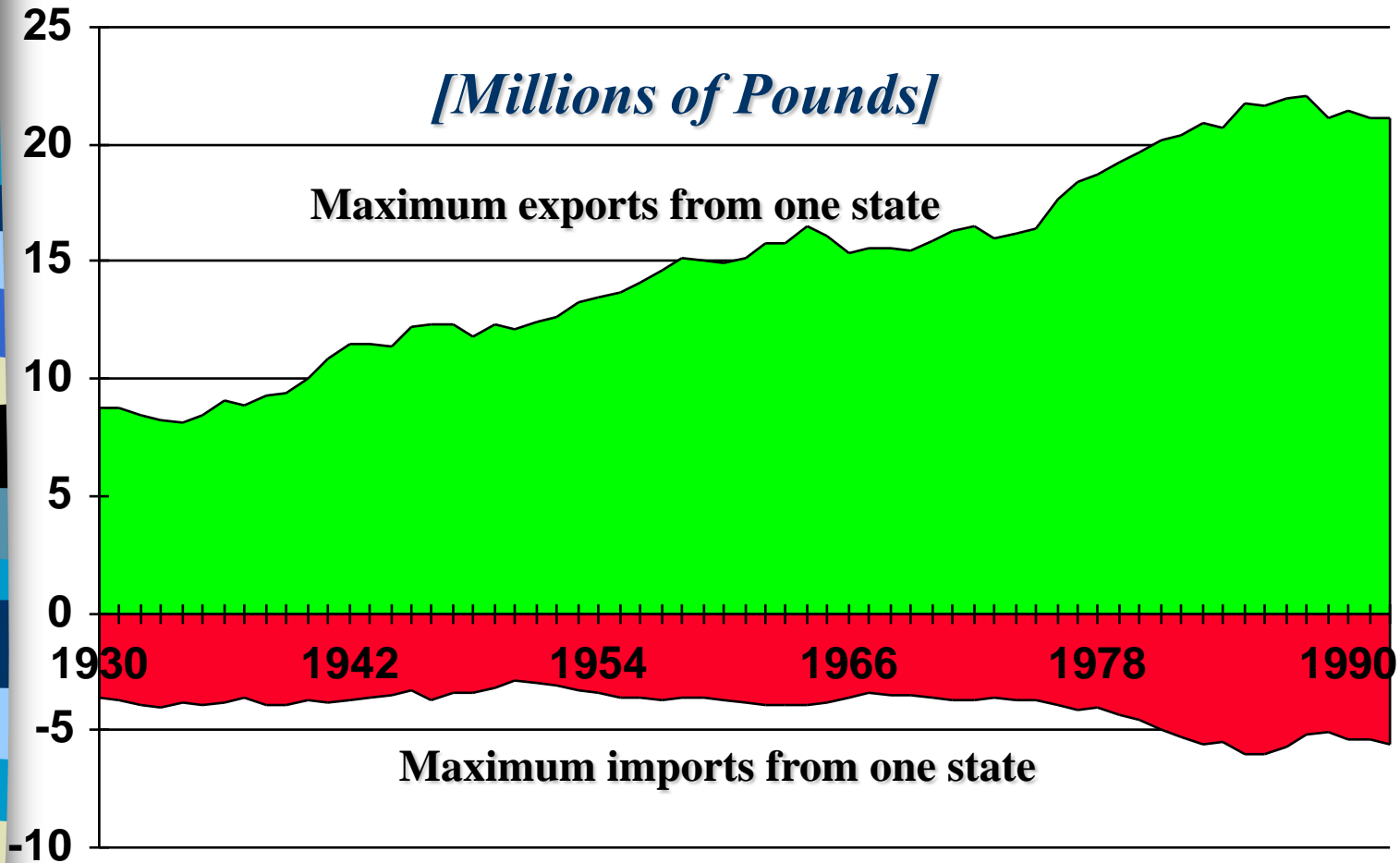
# Population & Production Movements



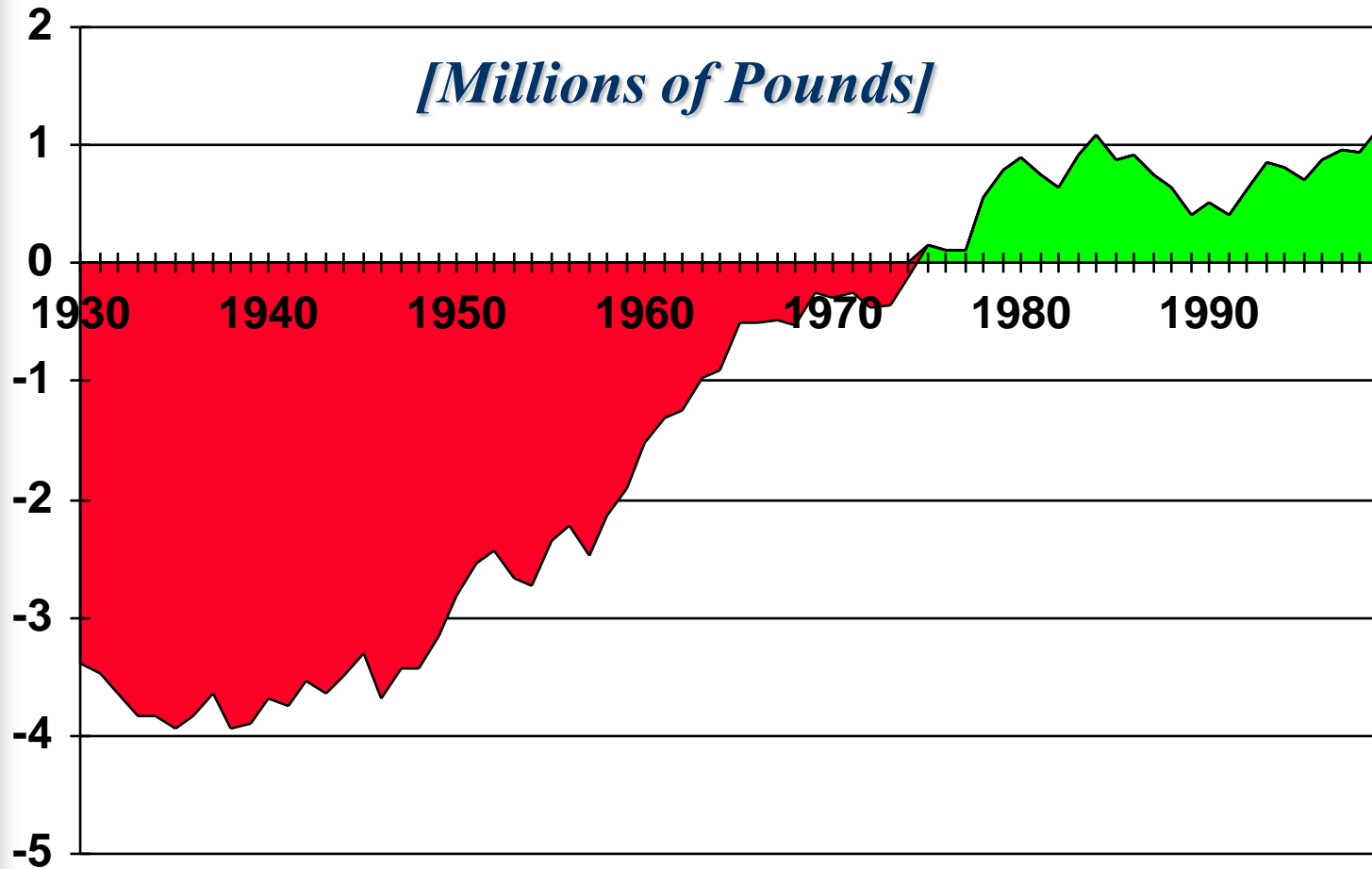
# “Residual” Milk Production



# The Differences are Growing

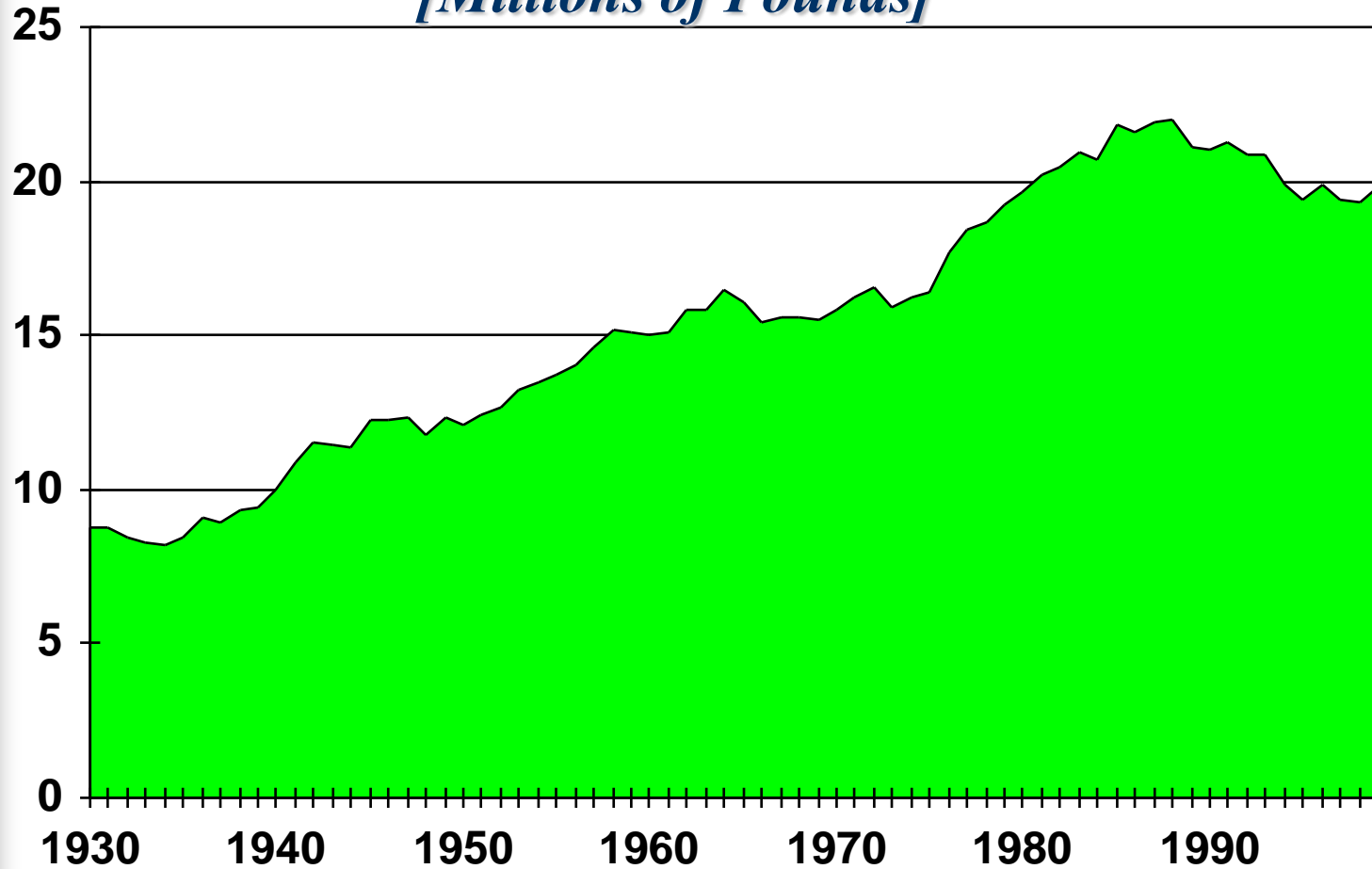


# New York Residual Milk



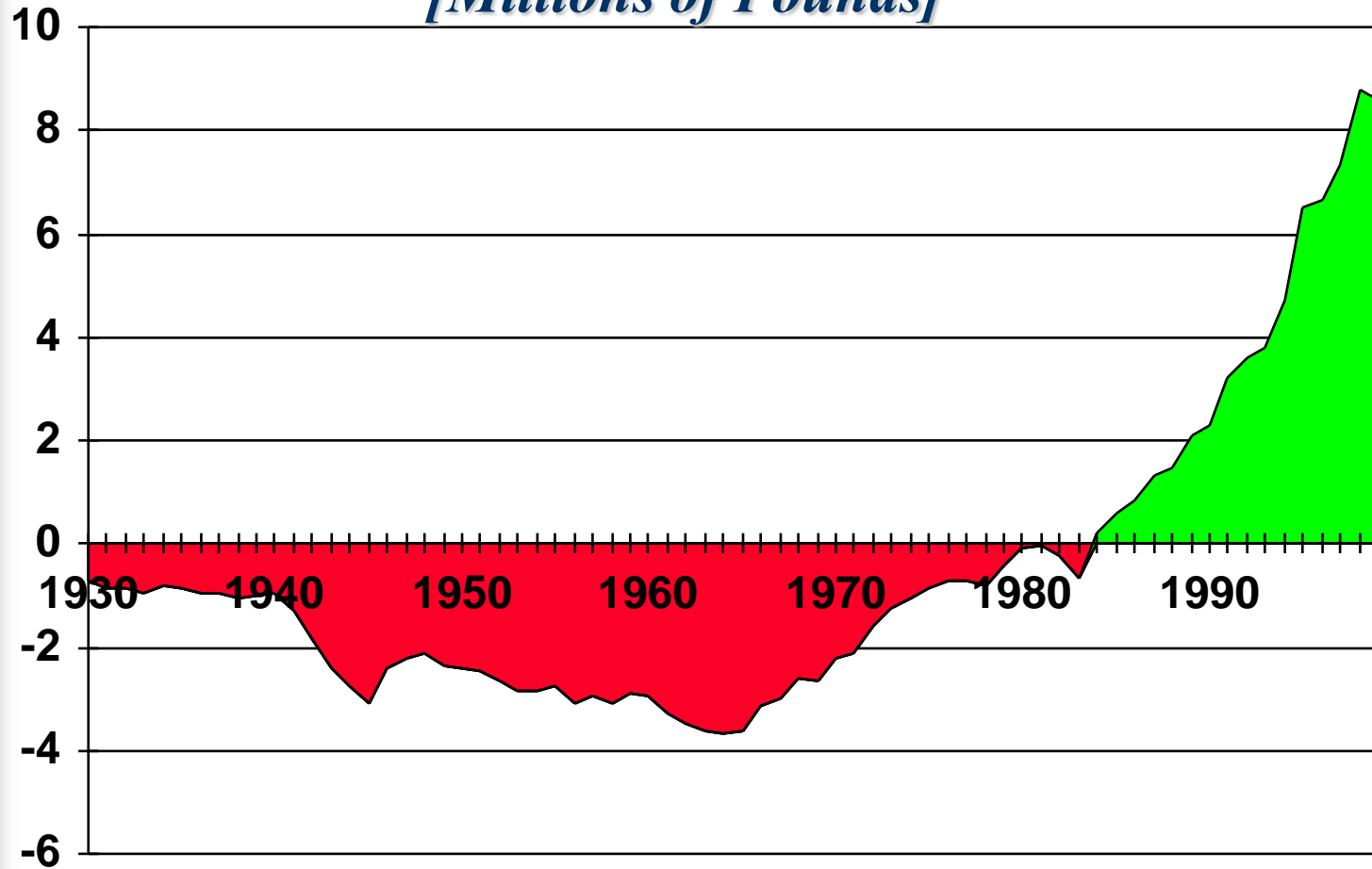
# Wisconsin Residual Milk

*[Millions of Pounds]*



# California Residual Milk

*[Millions of Pounds]*





# What Have We Learned?

- It is an advantage to be near your market.
- Production growth in the West has outpaced local demand.
- Are their agronomic resources superior?
- Has the food distribution system made moot the “locate near your market” idea?



# What are the New Questions?

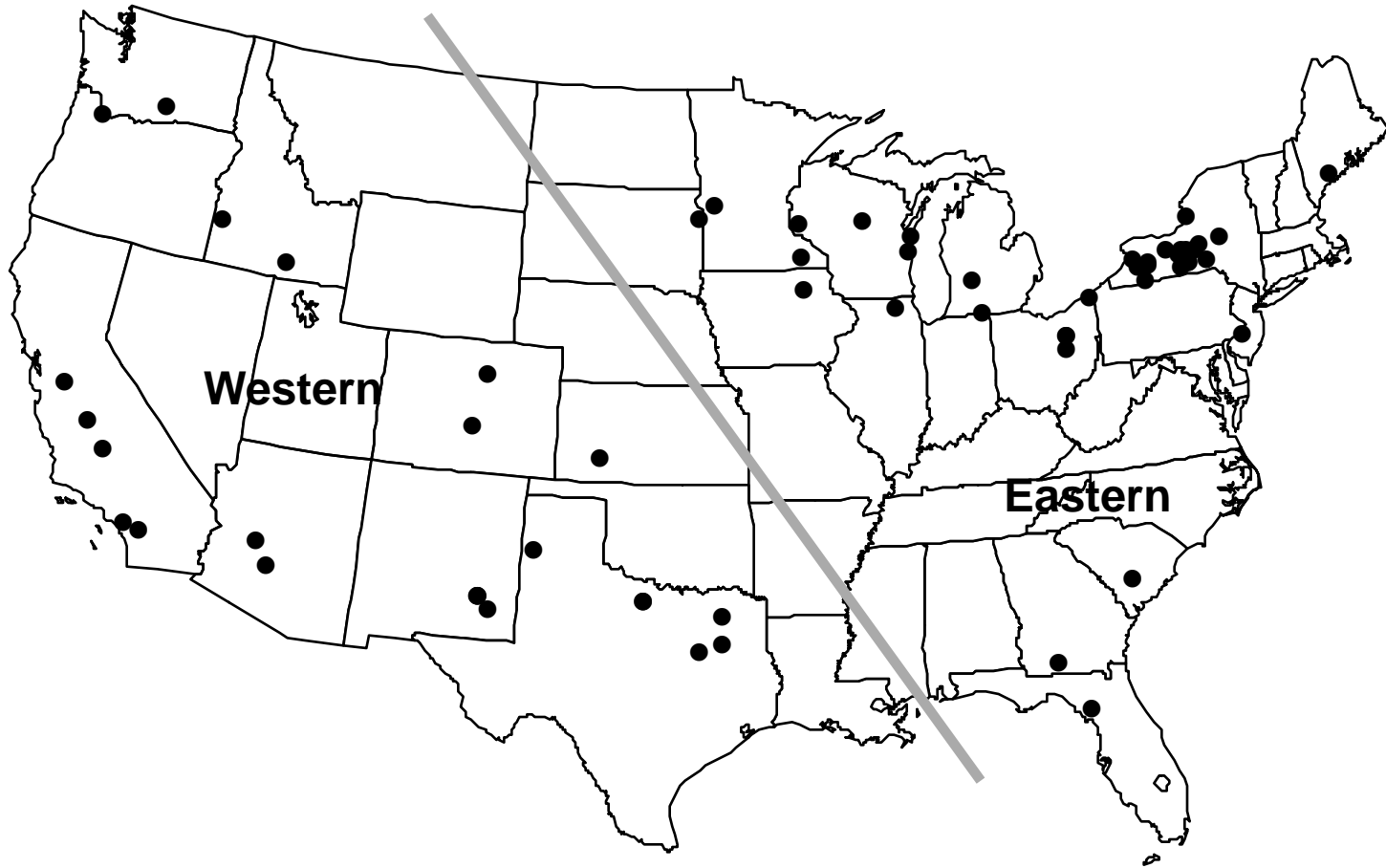
- Where should I locate my next farm?
  - What are the regulatory burdens?
  - What are the neighbor relations?
  - What is the labor supply?
  - What is the milk price?
  - **What is the cost of production?**



# How to Approach the Questions?

- Need to compare “apples to apples”
- Invite “best practice” farms to submit financial information
- Hold a workshop with these producers to discuss results.

# U.S. Top Dairies Program



# Descriptive Statistics

<u>Values for 1996</u>	<u>Average</u>	<u>Western</u>	<u>Eastern</u>	<u>West Top 5</u>	<u>East Top 5</u>
Cows	980	1419	655	1214	629
Heifers	510	615	432	517	461
Percent custom raised	18 %	20 %	17 %	31 %	14 %
Milk sold per dairy	20,168,780	27,645,684	14,630,333	22,026,043	14,078,959
Milk sold per cow	21,228	19,390	22,588	19,628	22,567
Milk sold per worker	1,291,990	1,637,631	1,035,959	1,688,509	1,062,397
Cows per worker	63	86	46	89	46
Total crop acres per cow	0.99	0.24	1.55	0.00	1.59
Crop acres	608	151	946	2	1005
Acres owned	419	132	632	0	583
Acres rented	341	45	561	2	697

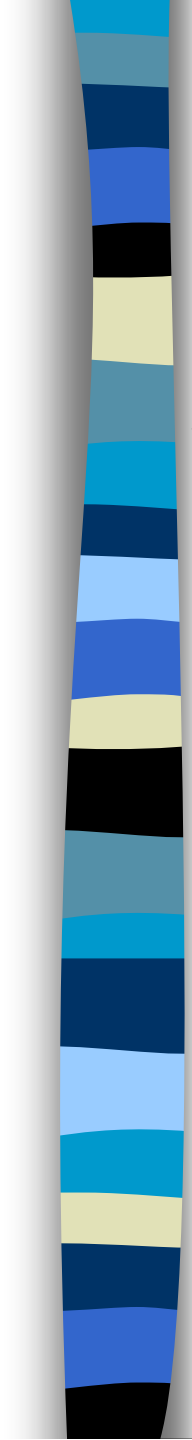
# Characteristics of Debt

Values for 1996	Average	Western	Eastern	West Top 5	East Top 5
Total Current Debt	\$681,189	\$1,127,593	\$383,587	\$997,948	\$248,597
Intermediate Debt	\$811,062	\$1,208,738	\$545,945	\$834,477	\$820,798
Long Term Debt	\$701,054	\$538,406	\$809,486	\$0	\$549,619
NPV of Leases	\$23,067	\$22,008	\$23,773	\$44,670	\$34,206
Total Liabilities	\$2,216,373	\$2,896,745	\$1,762,791	\$1,877,094	\$1,653,221

# Cost per Hundredweight

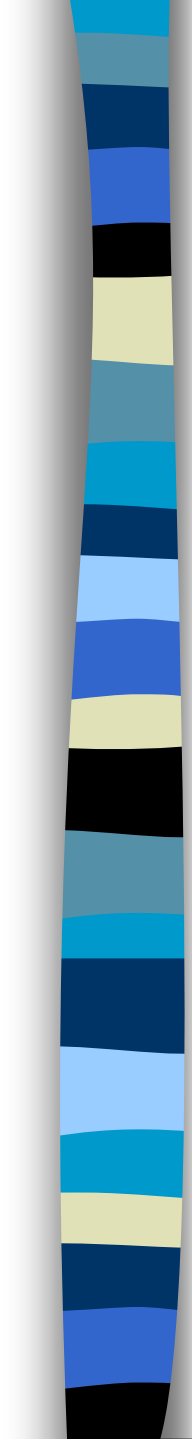
Values for 1996	Average	Western	Eastern	West Top 5	East Top 5
Operating Cost	\$12.26	\$12.51	\$12.09	\$11.98	\$10.87
Total Cost	\$15.54	\$15.21	\$15.76	\$13.20	\$13.69
Milk Price	\$14.52	\$14.06	\$14.84	\$14.75	\$15.19
Net Return over Operating	\$2.26	\$1.55	\$2.75	\$2.76	\$4.32

# What's the Bottom Line?



Values for 1996	Average	Western	Eastern	West Top 5	East Top 5
Net Farm Income	\$214,154	\$206,982	\$218,936	\$483,809	\$502,529
Rate of Return on Assets	3.97%	3.44%	4.32%	20.08%	14.12%

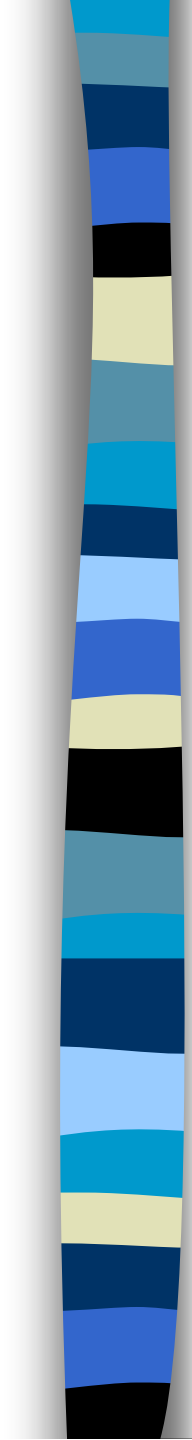
# Future of Dairying in Your Area



*[Percent of Responses]*

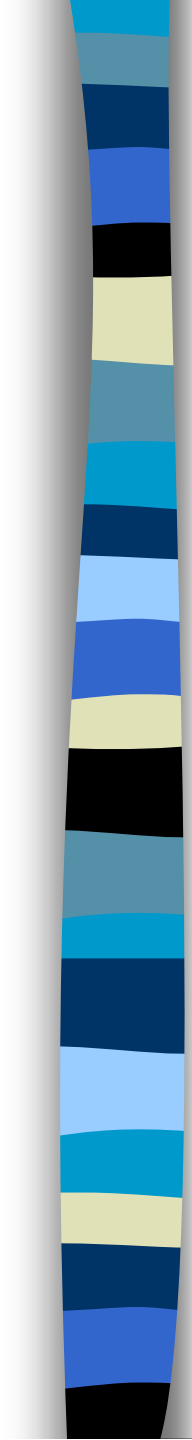
Rating	Average	Western	Eastern	West Top 5	East Top 5
EXCELLENT	26	16	32	20	40
GOOD	43	37	47	40	60
AVERAGE	15	21	12	40	0
FAIR	11	26	3	0	0
POOR	4	0	6	0	0

# Descriptive Statistics



Values for 1999	Western	Eastern	Western Top 5	Eastern Top 5
Cows	1112	193	1234	436
Heifers	737	156	811	745
Percent custom raised	21%	2%	24%	11%
Milk sold per dairy	23,417,461	4,001,775	28,278,731	9,836,584
Milk sold per cow	20,674	19,388	20,586	20,482
Milk sold per worker	2,601,591	691,705	1,938,834	938,823
Cows per worker	118	35	96	44
Total crop acres per cow	0.40	2.20	0.10	0.90
Crop acres	220	374	76	520
Percent Holstein	67%	92%	96%	100%

# What's the Bottom Line?



<u>Values for 1999</u>	<u>Western</u>	<u>Eastern</u>	<u>Western Top 5</u>	<u>Eastern Top 5</u>
Net Farm Income	\$251,855	\$108,633	\$525,196	\$587,818
Rate of Return on Assets	5.10%	6.00%	13.50%	22.70%