



Wisconsin Dairy Ratio Benchmarking

Victor E. Cabrera & Jenny Vanderlin

NORTH CENTRAL
RISK MANAGEMENT
EDUCATION CENTER



Wisconsin Dairy Ratio Benchmarking Tool

- Online tool of Wisconsin financial data for the years 2000–2008 representing 500+ producer records
- Modeled after FAST suite of tools from IL
- **Funding Source**
USDA – North Central Regional Risk Management Education Center (NCRMEC), Agricultural Risk Management Education Competitive Grants Program, and the Center for Dairy Profitability



Wisconsin Dairy Ratio Benchmarking Tool

- Allows producers to benchmark their financial status against their peers and industry.
 - ✓ How do I compare?
 - ✓ Measure Financial Position & Performance
 - ✓ Monitor Farm Financial Health



Financial Indicators

Ratios and Measures:

Financial Position (one point in time)

1. Liquidity
2. Solvency

Financial Performance (over period of time)

3. Profitability
4. Repayment Capacity
5. Financial Efficiency






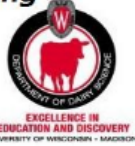


Wisconsin Dairy Farm Ratio Benchmarking Tool

- “Sweet-15” financial analysis measures
- Benchmarking with +500 Wisconsin farms
- Cluster analysis
 - Year
 - Herd size: 50, 100, 150, 300, >300
 - Income/cow: \$4,000, \$4,500, \$5,000, >\$5,500
 - Milk/cow: 16,000, 19,000, 22,000, >25,000
- DuPont analysis
 - $ROROA = ATO * OPM$

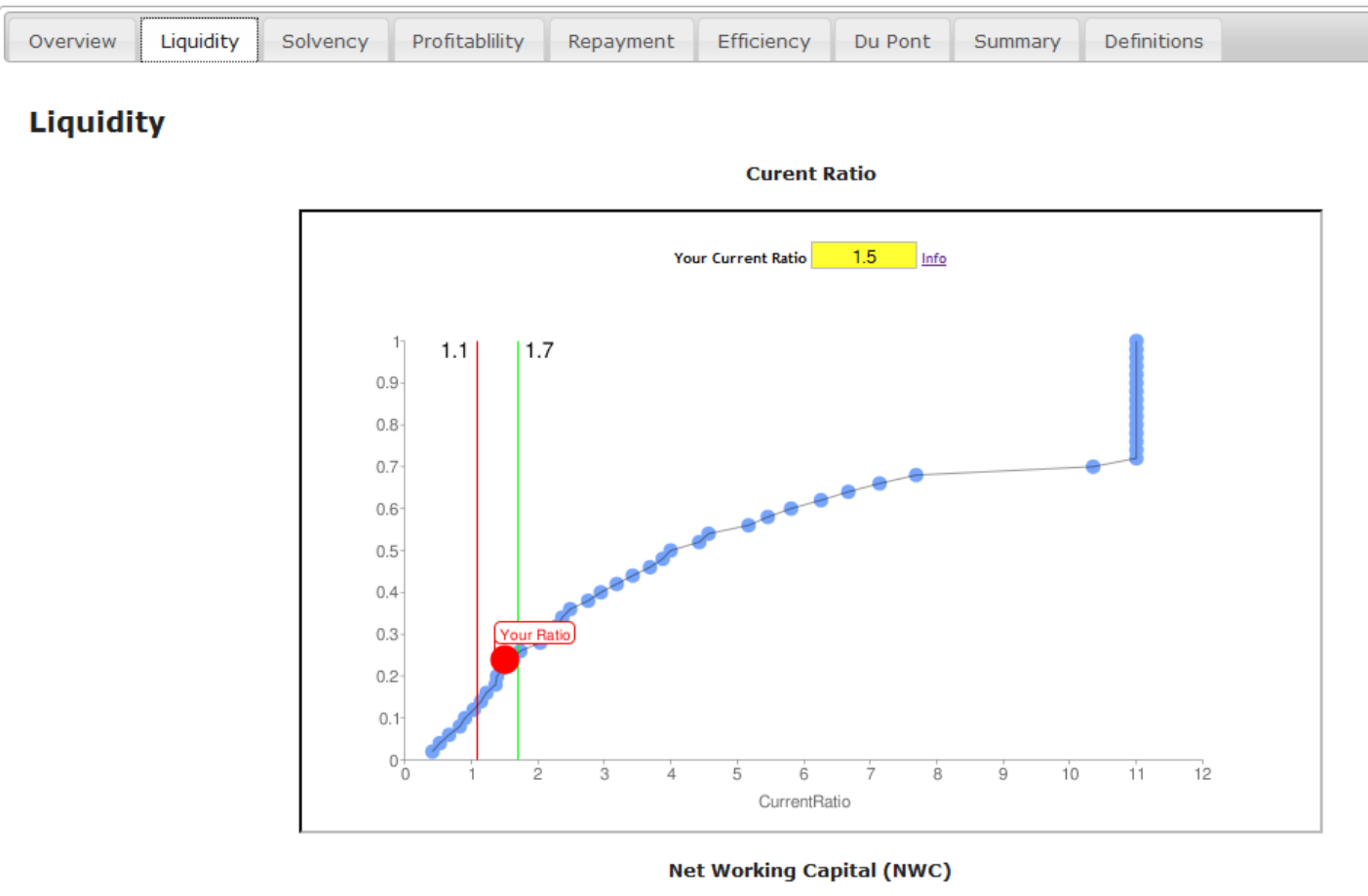


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Year
Herd Size <50
Inc/Cow <40000
Milk/Cow <16000



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YEAR 2008

HERD SIZE >50<=100

INC/COW >5000<=5500

MILK/COW >25000

YEAR 2008

HERD SIZE >50

INC/COW >50

MILK/COW >25

2000
2001
2002
2003
2004
2005
2006
2007
2008

YEAR 2008

HERD SIZE >50<=100

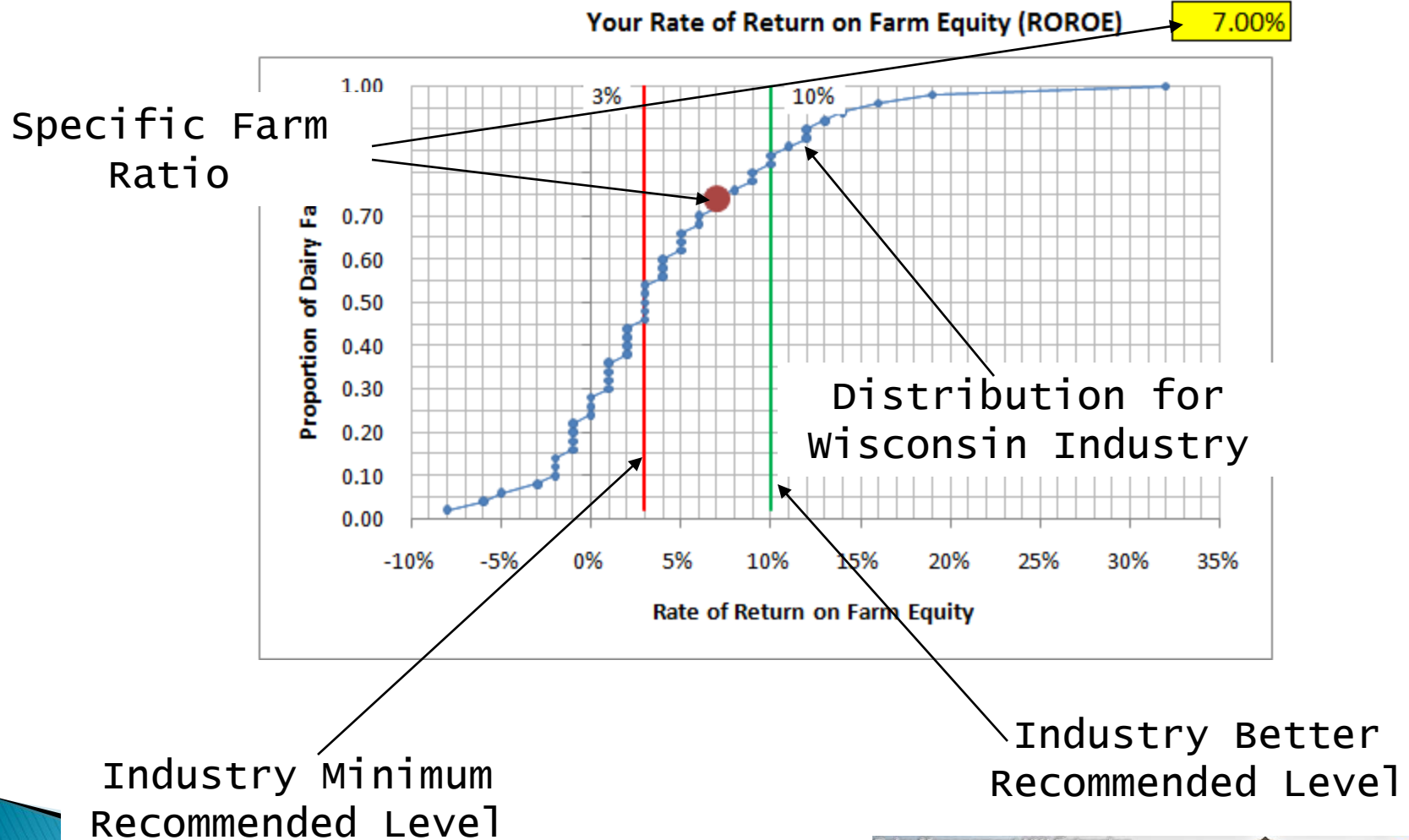
INC/COW

MILK/COW

<=50
>50<=100
>100<=150
>150<=300
>300



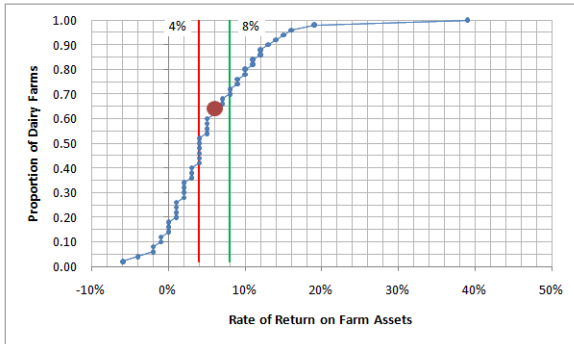
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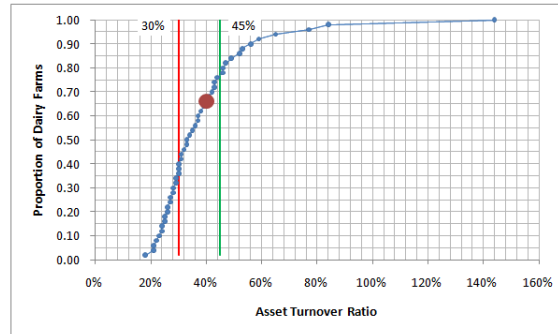
Your Rate of Return on Farm Assets (ROROA)

6.00%



Your Asset Turnover Ratio (ATO)

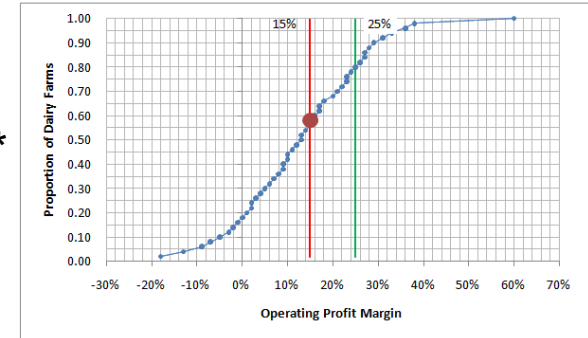
40%



=

Your Operating Profit Margin Ratio (OPM)

15.00%



*

Du Pont Analysis			
	Rate of Return on Assets (ROROA)%	Asset Turnover Ratio (ATO)	Operating Profit Margin (OPM) %
Wisconsin Farms	2.18	0.369	5.92
Your Farm	6	0.4	15

For every dollar invested in assets you had \$0.06 of profit,
 for every dollar invested in assets you had \$0.4 of revenue and
 for every dollar of total revenue you had \$0.15 of profit.
 Consequently your rate of return of 6% is 0.4 of total revenue times 0.15 of profit.



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<http://dairymgt.info/tools>

<http://cdp.wisc.edu/agfa>

Questions:

Victor Cabrera, Dept. of Dairy Science,
vcabrera@wisc.edu, 608.265.8506

Jenny Vanderlin, Center for Dairy Profitability,
jmvander@wisc.edu, 608.263.7795

