



**FACT SHEET #2: COMPARING THE TOP HALF  
WITH THE BOTTOM HALF OF GRAZIERS**

## **Regional Multi-State Interpretation of Small Farm Financial Data from the Second Year Report on 2001 Great Lakes Grazing Network Grazing Dairy Data May 2003**

### **Summary**

The data and conclusions of this paper are derived from the report titled Regional Multi-State Interpretation of Small Farm Financial Data, the second year report of a USDA Integrated Food and Agricultural Systems (IFAS) grant project #00-52501-9708. Some strengths of this work include standardized data handling and analysis procedures, combined actual farm data of ten states and one province to provide financial benchmarks to help farm families and their communities be successful and sustainable. The main report is also based upon work supported by Smith Lever funds from the Cooperative State Research, Education and Extension Service, U.S. Department of Agriculture.

The first enterprise analyzed in this project is dairy grazing. To be considered a dairy farm for the study, 85% or more of gross income must be from milk sales, or 90% of gross income must typically be from dairy livestock sales plus milk sales. Additionally, to be considered a grazier for the study, one must harvest over 30 % of grazing season forage needs by grazing and must provide fresh pasture at least once every three days.

Management Intensive Rotational Grazing (MIRG) has become a more common dairy system in the northern U. S. This analysis of actual farm financial data from 126 graziers in the Great Lakes region provides some insight into the economics of grazing as a dairy system in the northern U.S.:

- There is a range of profitability amongst graziers. A comparison of the most profitable half with the least profitable half shows that the top herds had an advantage of \$2.81 in Net Farm Income From Operations per Hundred Weight Equivalent (NFIFO/CWT EQ). This result is similar to 2000.
- The average grazing herd with less than 100 cows had a higher NFIFO per cow and per CWT EQ than the average grazing herd with more than 100 cows. The smaller herds have a \$0.54 per CWT EQ advantage in the cost of paid labor, which accounts for more than the \$0.44 NFIFO/CWT EQ overall advantage that the smaller herds have. For more information see Fact Sheet #3 of this series.
- The average grazier in the 2001 data that used the seasonal calving strategy (stops milking at least one day each year), had more desirable financial performance than the average non-seasonal herd in 2001, whether NFIFO/cow, NFIFO/CWT EQ or total NFIFO is used as the yardstick. **This is a sharp contrast** to the 2000 comparison and with multiple years of other calving strategy comparisons. The average grazier in the 2000 data that used the seasonal calving strategy, had substantially less desirable financial performance than the average non-seasonal herd, whether NFIFO/cow, NFIFO/CWT EQ or total NFIFO is used as the yardstick. For more information see Fact Sheet #4 of this series.
- The graziers in the study were economically competitive with confinement herds in the states that had comparable data from both groups. For more information on the comparisons between grazing and confinement dairy farming see Fact Sheet # 5 in the series.

The study also confirms that accounting methodology and financial standards are important both in the accuracy and in the standardization of comparison values across large geographic areas that involve different combinations of production assets and management skills. In comparing the results of this study with other data, it will help to understand the measures used here but not in all places in the country.

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### Comparing the Top Half with the Bottom Half of Graziers Sorted by NFIFO/CWT EQ Sold

The average "top half" herd in 2001 is smaller, produces slightly more milk per cow, has a lower basic, allocated and total cost per CWT EQ and has about two and a half times as much NFIFO per CWT EQ and NFIFO per COW than the "bottom half" herds. For every basic cost item, the top group spent less per CWT EQ than the bottom group, except for rent, supplies, and seeds. They were tied in spending per CWT EQ for breeding, chemicals, fertilizer and lime.

Overall, the top herds have a \$1.40 per CWT EQ advantage in basic costs and another \$1.41 per CWT EQ advantage in the four non-basic cost categories that are added to the basic cost category to create the allocated cost category. More specifically, the top group spent \$0.32 per CWT EQ less for interest, \$0.76 per CWT EQ less for labor and management, and \$0.33 less per CWT EQ for depreciation than the low group.

This accounts for the \$2.81 per CWT EQ advantage that the top herds have in NFIFO.

Because of rounding, some small mathematical differences might be found in the summary tables below.

| Comparing The Top Half With The Bottom Half of Graziers<br>Sorted by NFIFO per CWT EQ Sold |               |               |               |
|--|---------------|---------------|---------------|
|  | Top Half      | Bottom Half   | 2001 Average  |
| Number of Herds  | 61            | 62            | 126           |
| Number of Cows per Herd  | 80            | 91            | 84            |
| Average Lbs. Milk per Cow  | 15,578        | 15,416        | 15,426        |
| Average Lbs. Milk per Herd   | 1,244,299     | 1,407,833     | 1,303,333     |
| Average Basic Cost per CWT EQ  | \$7.82        | \$9.22        | \$8.60        |
| Allocated Cost per CWT EQ  | \$10.18       | \$12.99       | \$11.68       |
| Allocated Minus Basic Cost per CWT EQ<br>(Non-Basic Costs)                                 | \$2.36        | \$3.77        | \$3.08        |
| NFIFO per Cow<br>(without deducting any labor compensation)                                | \$1101        | \$676         | 866           |
| NFIFO per CWT EQNFIFO per CWT EQ<br>(without deducting any labor compensation)             | \$5.49        | \$3.45        | \$4.39        |
| NFIFO per Farm   | \$76,462      | \$34,907      | \$54,283      |
| <b>NFIFO per Cow</b>   | <b>\$962</b>  | <b>\$382</b>  | <b>\$643</b>  |
| <b>NFIFO per CWT EQ</b>  | <b>\$4.76</b> | <b>\$1.95</b> | <b>\$3.26</b> |

If paid labor and management compensation were omitted, the NFIFO per CWT EQ would increase to \$5.49 for the top half and to \$3.45 for the bottom half.

The year 2000 comparison of the top versus bottom half was similar to the 2001 comparison but, the top half had over four times as much NFIFO per CWT EQ and NFIFO per cow in 2000.

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