

John Dairy Case Study¹

	2008	2007	2006
Market and Economic Depreciation			
ROROE	4.1%	4.4%	2.8%
ROROA	4.6	4.9	3.8
OPM	13.2	14.0	11.5
ATO	34.8	35.1	33.3
Debt:Asset	22.9	25.5	27.9
Cost Basis, and Tax Depreciation			
ROROE	-1.51	.45	.83
ROROA	1.32	2.88	3.30
OPM	2.37	5.07	6.28
ATO	55.8	56.9	52.5
Debt:Asset	35.9	40.1	43.3

John and Mary Dairy milk approximately 155 cows in a freestall-parlor operation. The low milk prices of 2009 have taken their toll. John and Mary supplemented their last mortgage payment and their last operating payment by borrowing new funds under a second mortgage. Their operating line is nearly depleted and harvest supplies and expenses have not been fully covered. They have another sizeable payment coming up and their cash flow is currently \$6,700 short. Their accounts payable is increasing and milk production has been slipping. They are 52 years old and have a son that has come back to the farm and getting married this next month. Net income after unpaid labor and management and a charge for equity capital has been -2,527, 5,010, and -25,085 in years 2008-2006 respectively.

You are new to this account. They are coming in next week. What do you want to find out between now and then?

¹ "John and Mary Dairy Case Study (Word Document)." Part of the "Working with Dairy Businesses in Challenging Times," Presentation to the September 11, 2009 Ag Lenders Conference in Kimberly, WI. Kevin Bernhardt, Farm Management Specialist, Center for Dairy Profitability, University of Wisconsin-Platteville/Extension.