



Name \_\_\_\_\_

Date \_\_\_\_\_

## Worksheet for Calculating Your Cost per cwt of Milk Produced

**Instructions for completing the worksheet are on the back.**

	One Year Ago _____	Two Years Ago _____	Three Years Ago _____
(1) Average Number of Cows.....			
(2) cwt of Milk Sold.....			
(3) Milk Sold per Cow <i>[divide line 2 by line 1 and multiply by 100]</i> ..			
(4) Total Farm Receipts.....			
(5) Milk Sales.....			
(6) Total Non-Milk Receipts <i>[subtract line 5 from line 4]</i> .....			
(7) Total Farm Expenses.....			
(8) Total Non-Milk Expenses <i>[enter line 6 here]</i> .....			
(9) Operating Cost of Producing Milk <i>[subtract line 8 from line 7]</i> ....			
(10) Principle Payment.....			
(11) Family Living Draw.....			
(12) Capital Replacement.....			
(13) Total Cost of Producing Milk <i>[add lines 9 through 13]</i> .....			
(14) Operating Cost per cwt Milk <i>[divide line 9 by line 2]</i> .....			
(15) Total Cost per cwt Milk <i>[divide line 13 by line 2]</i> .....			
(16) Milk Price <i>[divide line 5 by line 2]</i> .....			

## Worksheet Instructions

### Line Number

- (1) Enter the average number of cows in your herd last year.
- (2) Enter the hundredweight of milk sold last year.
- (3) Divide line (2) by line (1) and multiply the result by 100 to determine the pounds of milk sold per cow. **Note:** *Don't use your DHI value here.*
- (4) In an ideal world, all receipts would be given on an accrual basis. That is to say, *changes* in inventory values and accounts receivable would be included with cash values. If you don't have accrual values, enter total farm cash receipts.
- (5) Enter the gross value of milk sold last year.
- (6) Subtract line (5) from line (4) to calculate total non-milk receipts.
- (7) As with receipts, it would be ideal to enter total accrual farm expenses here. These would include all cash costs as well as *changes* in inventory values and accounts payable. If you don't have accrual values, enter total farm cash expenses.
- (8) Enter the value on line (6) here. It is assumed that non-dairy enterprises are "break even" in the long-run and therefore, receipts equal expenses. This is a strong assumption and works best for farms with little non-dairy farm income. Farms whose ratio of Milk Sales to Total Receipts [*line (5) divided by line (4)*] is greater than 0.70 fit this assumption well. On many farms, expenses represent approximately 70% of the receipts. Therefore, you may want to multiply line (6) by .7.
- (9) Subtract line (8) from line (7) to determine your total cash operating costs of production last year.
- (10) Enter the annual principle paid on farm loan(s).
- (11) Enter a value for family living expenses incurred over the year.
- (12) Over the long-run, farm equipment and machinery needs to be replaced. Enter a value for capital replacement.
- (13) Add lines (9) through (12) to determine the total costs of production last year.
- (14) Your operating or cash cost of producing milk is found by dividing line (9) by line (2).
- (15) Your total cost of producing milk is found by dividing line (13) by line (2).
- (16) Your annual average milk price may be found by dividing line (5) by line (2).

Name \_\_\_\_\_

Date \_\_\_\_\_

## Worksheet for Calculating Your Cost per cwt of Milk Produced

### *Example*

**Instructions for completing the worksheet are on the back.**

(1) Average Number of Cows.....	50	cows
(2) cwt of Milk Sold.....	10,327	cwt
(3) Milk Sold per Cow <i>[divide line 2 by line 1 and multiply by 100]</i> .....	20,654	lbs/cow
(4) Total Farm Receipts.....	\$ 163,608	
(5) Milk Sales.....	\$ 131,244	
(6) Total Non-Milk Receipts <i>[subtract line 5 from line 4]</i> .....	\$ 32,364	
(7) Total Farm Expenses.....	\$ 116,280	
(8) Total Non-Milk Expenses <i>[enter line 6 here]</i> .....	\$ 32,364	
(9) Operating Cost of Producing Milk <i>[subtract line 8 from line 7]</i> .....	\$ 83,916	
(10) Principle Payment.....	\$ 5,716	
(11) Family Living Draw.....	\$ 28,000	
(12) Capital Replacement.....	\$ 5,000	
(13) Total Cost of Producing Milk <i>[add lines 9 through 13]</i> .....	\$ 122,632	
(14) Operating Cost per cwt Milk <i>[divide line 9 by line 2]</i> .....	\$ 8.13	/cwt
(15) Total Cost per cwt Milk <i>[divide line 13 by line 2]</i> .....	\$ 11.87	/cwt
(16) Milk Price <i>[divide line 5 by line 2]</i> .....	\$ 12.71	/cwt

## ***Example Farm*** – John Dairy

Eight lines of information are needed to calculate the cost of production.

- (1) Average Number of Cows
- (2) cwt of Milk Sold
- (4) Total Farm Receipts
- (5) Milk Sales
- (7) Total Farm Expenses
- (10) Principle Payment
- (11) Family Living Draw
- (12) Capital Replacement

Most of this information is readily available from the farmer's 1040F, accounting information and the operator's own head.

### ***Example:***

- Farm has 50 cows
- Sold 10,327 cwt of milk last year
- Total Receipts were \$163,608
- Milk Sales were \$131,244
- Total Farm Expenses was \$116,280
- Principle payment due \$5,716
- Estimated family living draw \$28,000
- Farm equipment and machinery replacement \$5,000

See example calculations on back.