



New Service Identifies Opportunities for Improved Profits

As costs continue to rise, producers are more aware than ever of the need to make sound business decisions based on factual information. Trying to get all the pertinent information together is difficult enough but when you have it, how do you use it to identify where you are and what are your best opportunities for increased profitability? CanWest DHI, in collaboration with a group of Ontario dairymen from Progressive Dairy Operators (formerly Large Herd Operators group), have developed a service that can help answer these questions.

Benchmarks provide important information on where you are today.

Profit Profiler is a new and innovative dairy financial analysis service that combines both the financial and physical aspects of managing a dairy business and provides simple benchmarks that rank your dairy business against your peer group and allows you to estimate the outcome of potential changes.



A pilot study of 40 herds was conducted before the service was made available to dairymen in the CanWest region. One of the pilot herds is owned by Thom Mueller of Vernon, Ontario. After completing the Profit Profiler process Mueller found that there was a lot of information to review, but going through the reports with the DHI specialist really helped. Profit Profiler gave him a good understanding of the bottom line for his business, while illustrating financial outcomes of different options he is considering for the future. When asked if he would recommend using the Profit Profiler, Mueller did not hesitate. "It is very useful to understand your numbers and it is a worthwhile exercise to really know how your farm compares to other operations. I feel it is money well spent."

Comparing options helps decide where you want to go in the future and the impact on profitability of different possibilities.

Dr. Robert Bell, a recognized expert in animal health and dairy financial analysis, has promoted identifying profitability options to

Evaluation of Impact of Meeting Goals...
For Herd dndd01 for the year ending 7/31/2008
Comparing current performance to predicted performance

Crops	Current	Predicted	Diff
Total Forage Cost	\$76,793	290	9
Total Cost of Grain Fed	\$61,377	151	11
Total Crop Sales	\$20,000	15	-20
Adjustment in cost to grow cash crops (\$8.576)			

Livestock	Current	Predicted	Diff
Milk Cows			
Milk Cow Pur. Feed Cost	\$6,000	100	\$12,911
Crop Cost attributed to Milk Cows	\$10,000	79%	\$0
Total	\$16,000	9,545	\$0
Change-Cow Var. Cost		329	\$0
Change-Crop Var. Cost		0.90	\$6,680
		12	\$1,091
		12.0	\$0
		26.0	\$2,687
		0.89	\$0
		0.89	\$0
		95%	\$8,622
		97%	\$3,714

Changes	Goal	Net \$ Impact
Labor (based on 2 persons working in Dairy)		
# Kg Fat Sold /Person	15,806	16,464
Milk Revenue /Person	\$276,844	\$295,647
Total Farm Revenue	\$630,113	\$656,250

TAKE A CLOSER LOOK

"If you are expanding or looking for ways to increase profit, this is the product to use."

Reg Gilmer, RicRoReg Holsteins, South Mountain, ON

producers for a number of years. When given the opportunity to review Profit Profiler, Bell was excited about what the program offers to producers. Many of the measures and comparisons corresponded completely with what he has been promoting, supporting that the Profit Profiler analysis is highly relevant to today's dairy farming business. Bell supports the Profit Profiler saying, "Today's successful businesses base their decisions on timely and pertinent information. CanWest DHI's dairy Profit Profiler provides producers the unique opportunity to compare their dairy operation's production and financial parameters with their peers. This program identifies areas of opportunity to improve productivity and profitability for producers and their management team."

Profit Profiler is also gathering great interest from the agricultural accounting firms and financial institutions. This type of information provides factual assessments of the current bottom line situation for agricultural clients looking to expand their businesses. It demonstrates that the producer is making all possible effort to ensure that the plans they are proposing are realistic. This not only helps the financial officers to see the projected outcome,

but also reinforces that these producers have strong management skill sets.

CanWest DHI uses its strengths to make Profit Profiler work for producers.

Bill Grexton, Manager of Herd Management Services at CanWest DHI and coordinator of the Profit Profiler concept explains why DHI created this opportunity for dairy producers. "A number of our customers, non-customers and producer groups have been looking for and asking for this type of information. CanWest DHI's strength is the collection and analysis of data and providing management information. It is a natural fit." Grexton adds, "Previously there were no concrete benchmarking tools available to measure and report the success and profitability for progressive dairy producers. With Profit Profiler these benchmarks are now available. The producers can now clearly identify how they compare within their peer groups, and with the "What if" options, they can come out with fact based projections with regards to potential changes and identify the one that provides them with the best option for increased profitability - decreasing the potential for costly errors."

If you are a dairy business manager who is looking for opportunities to improve productivity

EARLY RESULTS

In all, 35 herds in the pilot project provided information. To give you an idea of the range of results, the table below compares the group by milk production. These numbers were the AVERAGE of each group.

Production	High	Low
Avg kg Milk Sold Per Cow	9,907	8,532
Forage Cost per Acre	\$482	\$405
Forage Cost (% of Milk Revenue)	10.5%	11.1%
Feed Cost (% of Milk Revenue)	23%	24%
Dairy Labor Cost (% of Milk Revenue)	6.9%	9.0%
Total Cow Costs (% of Milk Revenue)	53%	49%
Cost per Replacement per year	\$954	\$880
Total Farm Cost (% of Total Farm Revenue)	82%	87%
Milk Revenue per Person	\$442,928	\$385,076

In this comparison, the largest herd difference was in labor cost. Higher production herds had a lower labor cost which accounted for half the difference in the total cow cost. They had a 5% advantage in overall costs - for \$750,000 gross sales, this amounts to \$37,500 additional profit.

and profit in the future, The Profit Profiler service can assist in taking the guess work out of where you are now and assists you to make sound financial management decisions for your future.

Profit Profiler also provides you with the type of documentation that you can take to your financial advisor to help make your plans a reality.

For more information, contact Bill Grexton at CanWest DHI, (800) 549-4373 Ext. 254 or email bgrexton@canwestdhi.com

Building or renovating a parlour? Please consider meter height!

Individual cow milk sample collection can be a challenge when meter and sampler height is low.

With unusually low meters, sample collection over several hours of milking can result in health and safety issues for family members, farm employees or DHI staff. In many cases, meters can be mounted at a higher level at the time of installation, therefore avoiding costly retrofitting at a later date. **Please consider the location and height of your meters and discuss this with your equipment supplier to ensure it is included in the design of your parlour.** Even if you do not expect to install sampling devices initially, your design should consider their future installation. This will help ensure safe and cost effective sample collection at your farm.

