

# COSTS & RETURNS *for* 15 DAIRY FARMS *in* *Alaska's Matanuska Valley, 1960*

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Information summarized in the following table is based on 1960 records obtained from 15 dairy farms in the Matanuska Valley. The three high and three low income farms were selected on the basis of their total net cash income.

These figures show some interesting trends on a year-to-year basis as well as among operations for 1960. Analysis of these 15 dairy operations should give an overall picture of the costs and returns to dairying in Alaska's Matanuska Valley.

**PRODUCTION** - Compared with 1959 the number of cows two years old and over per enterprise has gone up on the average by 12, varying from less than 20 in the smallest operation to over 50 in the largest. Production per dairy likewise shows an upswing, 1960 totals ranging from 160 thousand to over 500 thousand pounds.

Rapid increases in herd size have been accompanied by a slight drop in production per cow milked, which in 1960 ranged from 8,000 to 15,000 pounds. For the 15 farms it averaged 10,965 as compared to 11,009 pounds in 1959.

**INVESTMENT** - Investment, especially in terms of borrowed money, reflects a general increase. Growth in owner's equity is small compared to the total increase in investment. Total investment per cow in herd went down slightly, ranging in 1960 from \$1,920 to \$5,154 per cow milked.

Interest payments indicate the extent to which expansion has been accomplished with borrowed money. Interest paid by the 15 enterprises varied from zero to over \$4,500, averaging \$1,657 per farm. In contrast to 1959, the three farms yielding the highest net income also paid the most interest.

INCOME AND COST OF PRODUCTION - Income per pound of milk sold ranged from 9.4¢ to 12¢, the average being 10.9¢. Production costs showed extreme variation from 5 to 10¢ per pound, with an average of 7.8¢. Other income accounted for only 6 per cent of total cash farm receipts. Feed cost per cwt of milk produced varies among operations, accounting for 68 per cent of the total. A similar study in the other states shows that national average feed costs were 60 per cent of the total cost.

RETURN TO LABOR AND MANAGEMENT - Probably the most important single reason for remaining in business is the return that an operator realizes for his labor and management. The yearly return to the operator and his family compensates them for their work and worry. This figure varied in 1960 from less than \$1,000 to over \$20,000 the average being \$7,756.

SIGNIFICANT DIFFERENCES . . . . .

From among the 15 studied, the three enterprises earning the most net cash income had more than twice as many cows and milked more than twice as many as the three farms returning the least net income. On the three highest farms, compared with the three lowest --

- Production per cow was 20 per cent greater
- The operator hired \$79 worth of labor per cow annually, compared to \$42 for the low-income yielding farms
- The average operator owned 67 per cent equity in his enterprise, compared with only 30 per cent owned by the average operator of the three lowest enterprises
- The operator paid only \$62 interest per cow milked compared to \$92
- Investment per cow milked was \$900 (or 30 per cent) less
- Less feed was purchased per cwt of milk produced
- Cost per cwt of milk was \$6.49 compared to \$9.23
- Net cash return per cow milked was \$561 compared to \$180
- Annual net return to the operator for his labor and management skill was over \$17,000 compared to only \$2,000 for the lowest three farms

It is hoped these comparisons may aid individual dairymen to adjust their operation in such a manner as to realize a greater annual net return for their labor and management.

SUGGESTED GOALS FOR 1962 . . . . .

- Feed each cow on the basis of the milk she produces
- Sell at least 300,000 pounds of milk per man
- Up production per cow by 500 pounds
- Enlarge owner's equity by 10 per cent

COSTS OF PRODUCTION AND INCOME ANALYSIS OF  
15 DAIRY FARMS - MATANUSKA VALLEY - 1960

AVERAGES FOR DAIRY INDUSTRY

|  | THREE<br>HIGHEST<br>INCOME | ALL FARMS | THREE<br>LOWEST<br>INCOME | YOUR<br>OPERATION |
|--|----------------------------|-----------|---------------------------|-------------------|
| <b>PRODUCTION</b>                              |                            |           |                           |                   |
| Total milk per farm . . . . . pounds           | 454,339                    | 239,724   | 193,590                   | _____             |
| Cows 2 years old and over . . . . . number     | 50                         | 37        | 23                        | _____             |
| Production per cow . . . . . pounds            | 10,456                     | 8,311     | 7,348                     | _____             |
| Average number milked . . . . . number         | 37                         | 27        | 18                        | _____             |
| Production per cow milked . . . . . pounds     | 12,745                     | 10,965    | 10,528                    | _____             |
| <b>INVESTMENT PER FARM</b>                     |                            |           |                           |                   |
| Total investment . . . . .                     | \$105,323                  | \$89,262  | \$72,465                  | _____             |
| Total debt . . . . .                           | 34,881                     | 45,367    | 50,785                    | _____             |
| Owner's equity . . . . .                       | 70,442                     | 43,895    | 21,680                    | _____             |
| Percent indebtedness . . . . .                 | 27                         | 50        | 72                        | _____             |
| Interest paid . . . . .                        | 1,999                      | 1,657     | 1,654                     | _____             |
| Machinery investment, total . . . . .          | 15,960                     | 13,086    | 10,275                    | _____             |
| Per cultivated acre . . . . .                  | 88                         | 104       | 102                       | _____             |
| Investment, per cow 2 years & over . . . . .   | 2,466                      | 2,638     | 2,770                     | _____             |
| Investment per cow milking . . . . .           | 3,052                      | 3,514     | 3,954                     | _____             |
| <b>GROSS CASH INCOME RECEIVED</b>              |                            |           |                           |                   |
| Per cwt of milk sold . . . . .                 | \$ 10.84                   | \$10.93   | \$10.59                   | _____             |
| Total for milk sold . . . . .                  | 48,555                     | 31,616    | 20,331                    | _____             |
| Total from other sources . . . . .             | 4,616                      | 2,179     | 982                       | _____             |
| Total income . . . . .                         | 53,142                     | 33,795    | 20,980                    | _____             |
| <b>CASH COSTS OF PRODUCTION</b>                |                            |           |                           |                   |
| Per cwt of milk produced . . . . .             | \$ 6.49                    | \$ 7.86   | \$ 9.22                   | _____             |
| Miscellaneous costs per cwt produced . . . . . | 2.06                       | 2.43      | 2.39                      | _____             |
| Total feed costs per cwt of milk . . . . .     | 4.43                       | 5.43      | 6.83                      | _____             |
| Feed purchased per cwt. . . . .                | 2.15                       | 2.46      | 3.21                      | _____             |
| Feed raised per cwt . . . . .                  | 2.28                       | 2.97      | 3.62                      | _____             |
| Total costs per cow over 2 years . . . . .     | 653                        | 637       | 680                       | _____             |
| Total costs per cow milked . . . . .           | 831                        | 851       | 974                       | _____             |
| <b>NET CASH INCOME</b>                         |                            |           |                           |                   |
| Per cow milked . . . . .                       | 561                        | 400       | 180                       | _____             |
| Total . . . . .                                | 21,525                     | 10,390    | 3,348                     | _____             |
| Return to equity . . . . .                     | 4,226                      | 2,633     | 1,301                     | _____             |
| Return for labor and management. . . . .       | 17,299                     | 7,756     | 2,047                     | _____             |