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The Dairy Gauge Benchmarking Tool

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Benchmarking compares your farm's performance to past performance or to established measures of success. The benchmark is some measure of a goal, or a range of what is desirable and what is not. You do this all the time, comparing this year's yields to past years or this cow's performance to others in the herd. These comparisons lead to informed decision-making, especially in managing the cow herd. Comparing your *business* performance is far less common, especially to the performance of other dairies. But it is critical to business success.

The Dairy Gauge is a business benchmarking tool designed for use by dairies. It has been developed as part of the Southeast Dairy Business Innovation Initiative and is being used by Ag Extension Services in Tennessee, Kentucky, and North Carolina as well as by the Kentucky Dairy Development Council, the UT MANAGE program, and the Kentucky Farm Business Management program. Benchmarks include balance sheet, income and expense, and feed measures. The benchmarks have been developed by farm management specialists based on research and experience. It is designed to be easily completed by the producer and provides instant analysis and recommendations.

Input comes from the year's final milk statement, the farm income and expense records or the Schedule F, and the balance sheet. Some adjustment is made for prepaid and unpaid expenses to get the actual cost of what was produced this year. The cost of farm-produced forage is calculated by estimating a percentage of costs involved. For instance, most dairies reported 100% of chemical, seed, and fertilizer went to producing 2020 forages. Many dairies harvested some corn for grain in 2021, so the percent of costs of forages drops. The six numbers needed to create the balance sheet can be found in the farmer's records or the lender's balance sheet.

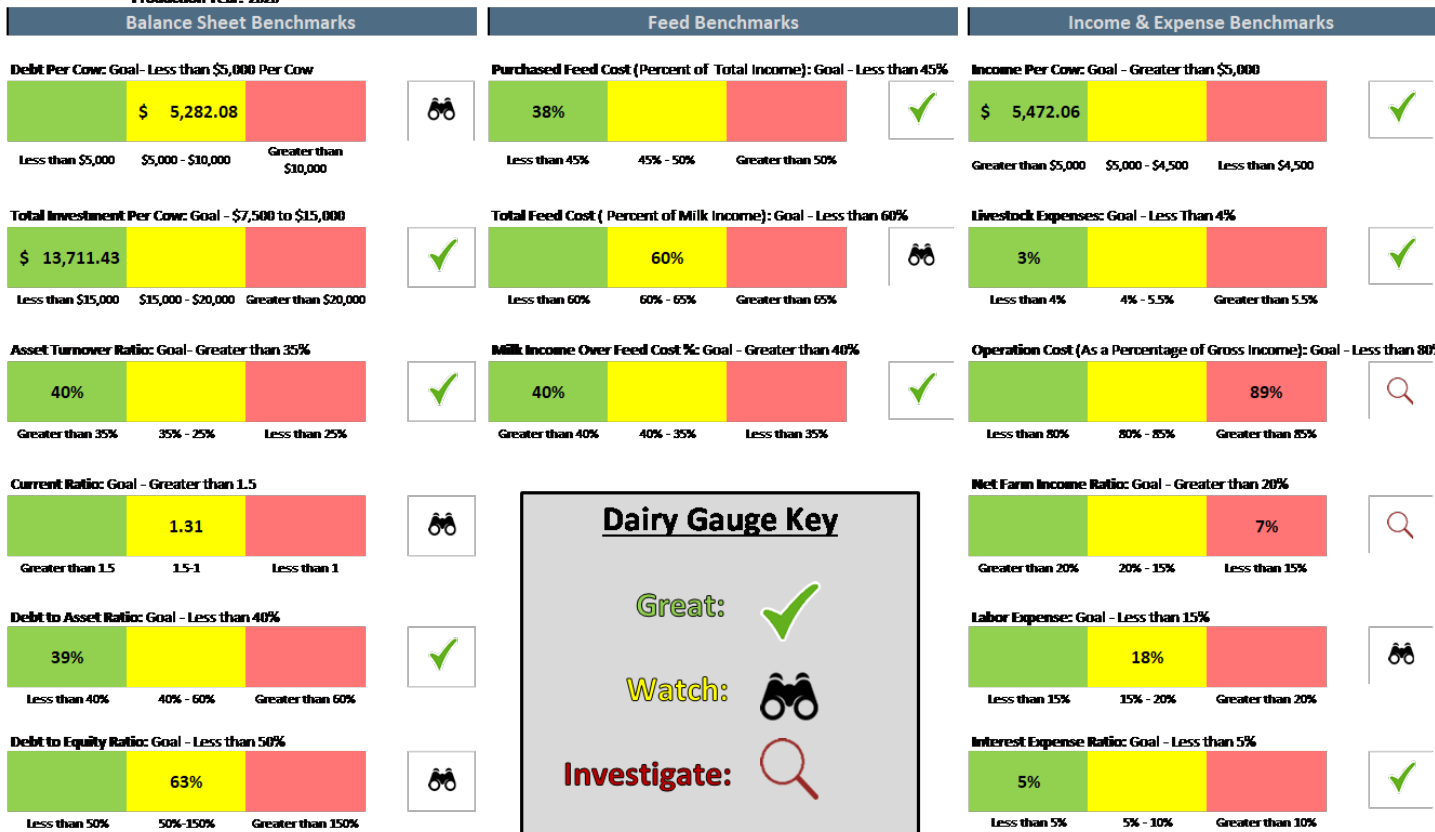
The results are calculated as the numbers are entered. The Dairy Gauge produces a detailed Report and a quick Scorecard. You can see at a glance how the dairy performed from a business perspective and what areas need attention. The results can also give insight to others who may help you interpret and apply the results.

The Scorecard for a sample farm is below.

Dairy Gauge



Production Year: 2020



The two most important Balance Sheet Benchmarks indicate the farm’s ability to meet its debt obligations in the long term and in the short run. The Debt to Asset Ratio measures long-term solvency. The benchmark says under 40% is good, but over 60% is nearing insolvency. The Current Ratio shows the ability to meet financial obligations due in the next 12 months. This is critical to securing continued operating loans and is a matter to watch for the sample farm.

Feed is the most important input to dairy production. Milk Income Over Feed Cost is influenced by production and milk price. The Scorecard shows this farm meets the benchmark goal, but Total Feed Cost bears watching. The Report goes on to suggest total feed costs are slightly elevated and to look into the nutrition program and forage quality.

Income and Expense Benchmarks indicate that Net Farm Income for this farm is in the red - a matter to investigate. This is a warning to seek help. Income is low and operational expense is high. Labor expense may be a contributing factor. Livestock expenses are under control. Income per cow exceeds the benchmark goal of \$5000/cow, so look closely at lowering the dairy’s expenses without lowering efficiency or production.

Benchmarking key production and financial measures gives critical insight into the business and leads to better decision-making. The Dairy Gauge Benchmarking Tool provides an easy-to-use way to evaluate your dairy’s business performance, and a useful tool when you want input from others. Learn more and to get the tool at <https://utdairy.tennessee.edu/dairy-gauge-program/>.

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