

DAIRY EXCEL'S 15 MEASURES OF DAIRY FARM COMPETITIVENESS

Sub theme: Knowledge and information: Providing farmers with useful tools

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Abstract:

Over the last 25 years, the dairy industry in the United States has changed dramatically, from farming as a way of life to managing a dairy farm as a business in order to enjoy it as a way of life. More recent challenges include dramatic swings in both milk and feed prices necessitating improved business and financial management practices. Dairy farmers may not always have records allowing them to complete an in-depth farm business analysis. Many were also not familiar with benchmarking their business's performance against industry standards.

The 15 Measures of Dairy Farm Competitiveness were originally developed in 1997 to help farmers make a critical assessment of their farm business using the typical information available on the farm. Each measure is described on two pages which include the competitive level, how it is calculated, an example calculation, a description of the measure, factors impacting the measure and things to look at if the competitive level is not being met. These key business measures with accompanying benchmarks achieved by competitive Midwest dairy farms include both financial and non-financial measures. The measures fall into 10 categories including: rate of production, cost control, capital efficiency, profitability, liquidity, repayment schedule, solvency, mission, maintaining the family's standard of living, and motivated labor force.

The 15 Measures has been used extensively by farmers, students and industry personnel. Farmers who did not have extensive records have been able to start monitoring their business's performance by calculating the 15 Measures. Farmers already doing an excellent job of managing their farm's business performance use the measures to benchmark their business's performance. The 15 Measures has been used as a reference in college classes in the United States and England, and to train dairy nutritionists in the United States and abroad. Agricultural lenders indicate that they use it as a reference when working with dairy clients, with some requiring their applicants to calculate the 15 measures for their dairy farm businesses as part of the application process. The second edition, published in 2008, is available as a downloadable pdf file, and in hard copy with more than 800 hard copies sold. The third revision of the 15 Measures of Dairy Farm Competitiveness, incorporating new measures reflecting continuing change in the dairy industry, will be completed in 2017 and will be available electronically at <http://dairy.osu.edu>.

Keywords: *Dairy Farm Competitiveness; Dairy Farm Financial Management; Competitiveness; Farm Management; Business Management*