Wisconsin Dairy Ratio Benchmarking
Victor E. Cabrera & Jenny Vanderlin
Wisconsin Dairy Ratio Benchmarking Tool

- Online tool of Wisconsin financial data for the years 2000–2008 representing 500+ producer records

- Modeled after FAST suite of tools from IL

- Funding Source
  USDA – North Central Regional Risk Management Education Center (NCRMEC), Agricultural Risk Management Education Competitive Grants Program, and the Center for Dairy Profitability
Wisconsin Dairy Ratio Benchmarking Tool

- Allows producers to benchmark their financial status against their peers and industry.

- How do I compare?
  - Measure Financial Position & Performance
  - Monitor Farm Financial Health
Financial Indicators

Ratios and Measures:

Financial Position (one point in time)
1. Liquidity
2. Solvency

Financial Performance (over period of time)
3. Profitability
4. Repayment Capacity
5. Financial Efficiency
Wisconsin Dairy Farm Ratio Benchmarking Tool

- “Sweet-15” financial analysis measures
- Benchmarking with +500 Wisconsin farms

Cluster analysis
- Year
  - Herd size: 50, 100, 150, 300, >300
  - Income/cow: $4,000, $4,500, $5,000, >$5,500
  - Milk/cow: 16,000, 19,000, 22,000, >25,000

DuPont analysis
- ROROA = ATO * OPM
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Liquidity

Current Ratio

Your Current Ratio: 1.5

Net Working Capital (NWC)
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Specific Farm Ratio

Distribution for Wisconsin Industry

Industry Minimum Recommended Level

Industry Better Recommended Level

Your Rate of Return on Farm Equity (ROROE) 7.00%
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Your Rate of Return on Farm Assets (ROROA) 6.00%

Your Asset Turnover Ratio (ATO) 40%

Your Operating Profit Margin Ratio (OPM) 15.00%

![Graphs showing the relationship between rate of return on farm assets, asset turnover ratio, and operating profit margin.]

**Du Pont Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Rate of Return on Assets (ROROA)</th>
<th>Asset Turnover Ratio (ATO)</th>
<th>Operating Profit Margin (OPM) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin Farms</td>
<td>2.18</td>
<td>0.369</td>
<td>5.92</td>
</tr>
<tr>
<td>Your Farm</td>
<td>6</td>
<td>0.4</td>
<td>15</td>
</tr>
</tbody>
</table>

For every dollar invested in assets you had $0.06 of profit, for every dollar invested in assets you had $0.4 of revenue and for every dollar of total revenue you had $0.15 of profit. Consequently your rate of return of 6% is 0.4 of total revenue times 0.15 of profit.
Wisconsin Dairy Ratio Benchmarking Tool

http://dairymgt.info/tools

http://cdp.wisc.edu/agfa

Questions:

Victor Cabrera, Dept. of Dairy Science, vcabrera@wisc.edu, 608.265.8506

Jenny Vanderlin, Center for Dairy Profitability, jmvander@wisc.edu, 608.263.7795