



## ADVISOR NEWSLETTER

### Sharing Information and Trends

*This semi-annual newsletter is keep you informed of the results of the Profit Profiler Dairy Financial Analysis Service and to show some trends based on various management differences. If you do not wish to continue receiving this newsletter, please contact me at [profiler@canwestdhi.com](mailto:profiler@canwestdhi.com). More information is available at [www.profitprofiler.ca](http://www.profitprofiler.ca).*

### WEBSITE VERSION AVAILABLE SOON

Profit Profiler will be available to participating dairymen and their certified advisors via the internet in late 2010. Any advisor (certified to use the program), can enter data directly into the program, re-compare existing herds to other dairymen using various criteria, or look at the impact of changing various management strategies with the "What If" feature of the program.

As before, everything is treated with extreme confidentiality with only the dairyman, their advisor and the program administrator having access to the client's information.

This is one more step towards making a valuable tool more accessible to the progressive dairy business manager and their advisors. Benchmarking is necessary if a business is to progress in critical times. Profit Profiler is unique in what it offers to the dairy business.

The web-version is possible only because of support from the following sponsors who have provided funding to have the necessary programming completed.



#### Progressive Dairy Operators

PDO has been a supporter of the program since the beginning. All PDO members receive a discounted price.

[www.pdo-ontario.ca](http://www.pdo-ontario.ca)



#### Grand Valley Fortifiers, Cambridge Ontario

Jeff Keunen is certified to work with you if you are a client of Grand Valley.

[www.grandvalley.com](http://www.grandvalley.com)



#### CFMBC

An agency whose mandate is to provide resources to improve business management practices on Canadian farms.

[www.farmcentre.com](http://www.farmcentre.com)



#### Bank of Montreal with branches across Canada.

A number of account managers are certified to offer this service and more will be in the future.

[www.bmo.com/home/commercial/banking/specialized-banking/farms-agriculture](http://www.bmo.com/home/commercial/banking/specialized-banking/farms-agriculture)

### WHERE DOES ALL THE MONEY GO?

One of the goals of Profit Profiler is to determine an accurate cost of production for the four main enterprises in a dairy business - cows, heifers, forages and grains. Costs shown include all costs associated with that enterprise including the individual's allocations for items like labor and fuel use.

Now that almost 100 herds have completed the analysis we have an idea how much of the income is used by the various parts of the dairy business. The table below shows a partial breakdown of those progressive dairymen. Costs are expressed as a percentage of total farm revenue.

|                                | Average | Low Cost Herds |
|--------------------------------|---------|----------------|
| Forages                        | 9.2%    | 8.1%           |
| Grains                         | 5.1%    | 4.9%           |
| Heifers                        | 7.0%    | 6.8%           |
| Cows                           | 37.3%   | 37.0%          |
| All Labor & Management         | 13.6%   | 13.0%          |
| Debt & Depreciation            | 36.4%   | 33.0%          |
| Profit (after debt & drawings) | 4.9%    | 10.3%          |

Quick calculations show that for \$600,000 total farm revenue, the difference in profit is \$32,400 per year. As significant as that is, the difference between herds group is even greater. Of the 36 herds providing 2008 data, some of the measures are as follows:

|                       | Avg     | Range (25-90 PCTL) | Actual Difference (\$ /yr)** |
|-----------------------|---------|--------------------|------------------------------|
| Total Cow Costs*      | 54.8%   | 47 – 60%           | <b>\$87,750</b>              |
| Total Cow Feed Costs* | 24.5%   | 20 – 27%           | <b>\$47,250</b>              |
| Labor Costs (cows)*   | 8.3%    | 4.4 – 10.3%        | <b>\$39,835</b>              |
| Health & Breeding*    | 3.7%    | 1.9 – 4.7%         | <b>\$18,900</b>              |
| Cost/Heifer/year      | \$944   | \$623 – \$1105     | <b>\$44,030</b>              |
| Forage Cost/Acre      | \$416   | \$261 – \$512      | <b>\$42,921</b>              |
| Cost to Make \$1.00   | \$0.821 | \$0.726 – \$0.876  | <b>\$206,585</b>             |

\* Top four measures are expressed as percentage of milk revenue

\*\* Difference is based on 100 cow herd size and range of 25-90 PCTL

## Where Does the Money Go? (CONTINUED)

We know that there is a large range in management across Canadian dairies. **However, the magnitude of these differences as shown means there is a lot of money on the table to be gained by improving some management items on all dairies – anywhere from \$20,000 to \$200,000.** There is still 35% of the herds whose costs are wider than the range shown)

### DOES YOUR CLIENT...

- Know the true cost to produce 1 acre of forage?
- Know what their home-grown feed costs are?
- Know the total cost of feed as a percentage of milk revenue?
- Know their COW costs as a percentage of milk revenue?
- Know what their HEIFER rearing costs are?
- Know what it costs to make \$1.00 of revenue?
- Know how their labor efficiency is compared to others?

If they are planning to be in the dairy business for any length of time they should! Knowing these individual costs allows them to make meaningful decisions that will positively affect the bottom line. With the prospect of minimal or no milk price increases and almost guaranteed interest rate increases, your clients will need to find additional profit from improved efficiencies.

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## ADVISOR INVOLVEMENT

There are now a total of 39 advisors that have been certified to offer this service to Canadian dairies. In addition to individuals, a number of companies have multiple staff certified as noted at the bottom of this newsletter. To see a complete list of certified advisors go to [www.profitprofiler.ca](http://www.profitprofiler.ca), click on the Information button and look at the right side of the page.

Unfortunately understanding the value and need for this service and being able to convince clients to proactively use it sometimes is difficult. Many of the issues fall into the following reasons:

- “I don’t want to know”
- “I’m not sure my information is kept confidential”
- “It is too much work and I am too busy”
- “It doesn’t apply to my herd”
- “How much value is it to me?”

Each person has to decide for themselves whether they want to know how their business compares and where their opportunities to make improvements are. However, with the probability of smaller margins, I think every one needs to know how to find another \$20,000 if needed.

**Confidentiality is paramount with this program. No one has access to the information except the client, their certified advisor who helped collect the information and the administrator of the program.**

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### ADVISOR INVOLVEMENT WITH PROFIT PROFILER

In addition to CanWest DHI, a number of Advisors (including those below, or perhaps someone you are already dealing with), can provide this service to you. Their personnel have been trained to collect the information and explain the results in accordance with requirements. **For more information, please visit the program website.**



## As far as the other concerns, here is what some users have to say:

*Profit Profiler has great value. It ties in relevant DHI information along with the financials, to produce reports crucial to today's dairyman. If the report encourages one management change by demonstrating an opportunity, then it is worth the money and you can easily recoup your costs. As far as being too busy; are you too busy to spend 2-3 hours looking for ways to improve your dairy farm and bottom-line?*

### Terry Howell, Maplebrae Farm Inc, Jerseyville, ON, (70 cows)

*Profit Profiler provides detailed insight into many different dairy businesses. Although the reports are detailed, filling out the information forms was no problem at all using only my own standard financial statements. When assessing an opportunity to make a management change, I was able to use Profit Profiler to precisely determine what the results would be. It helps take some of the guess work out of the business.*

### Andrew Henderson, Kenora Farms, Spencerville ON, (145 cows)

*Herd size should not be a reason for not using Profit Profiler because the information is all the same. Look at “per cow” and “per litre of milk sold”. When you go deeper into the numbers you are surprised in some areas like heifer and labor costs. If you don’t do it, you don’t know. If you plan to expand, you need to know these details before going to your lender.*

### Cees Haanstra, Geiden Farms Ltd., St. Marys, ON, (550 Cows)

This analysis allows you to find out how your client compares to other progressive dairymen in more than 160 benchmark measures. This is a confidential analysis between you and your client.

Everyone is good in at least 1 aspect of the business but has others that could be improved. Profit Profiler helps you identify which areas could be improved and what the impact would be if changes were made.

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**TAKE-HOME MESSAGE: High profit can be found in all herd sizes and means getting more return for each cost invested in the business. Profit Profiler will identify which expense needs to be evaluated and adjusted. Anyone who plans to be in the business long term needs to know the measures this program offers.**

You do not need to be a DHI customer to participate.

ALL INFORMATION RECEIVED IS CONFIDENTIAL and is not shared with any other person other than their specific program representative.

More details can be found at [www.profitprofiler.ca](http://www.profitprofiler.ca)