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Hitting the Mark

Using Key Performance Indicators for
Farm Evaluation

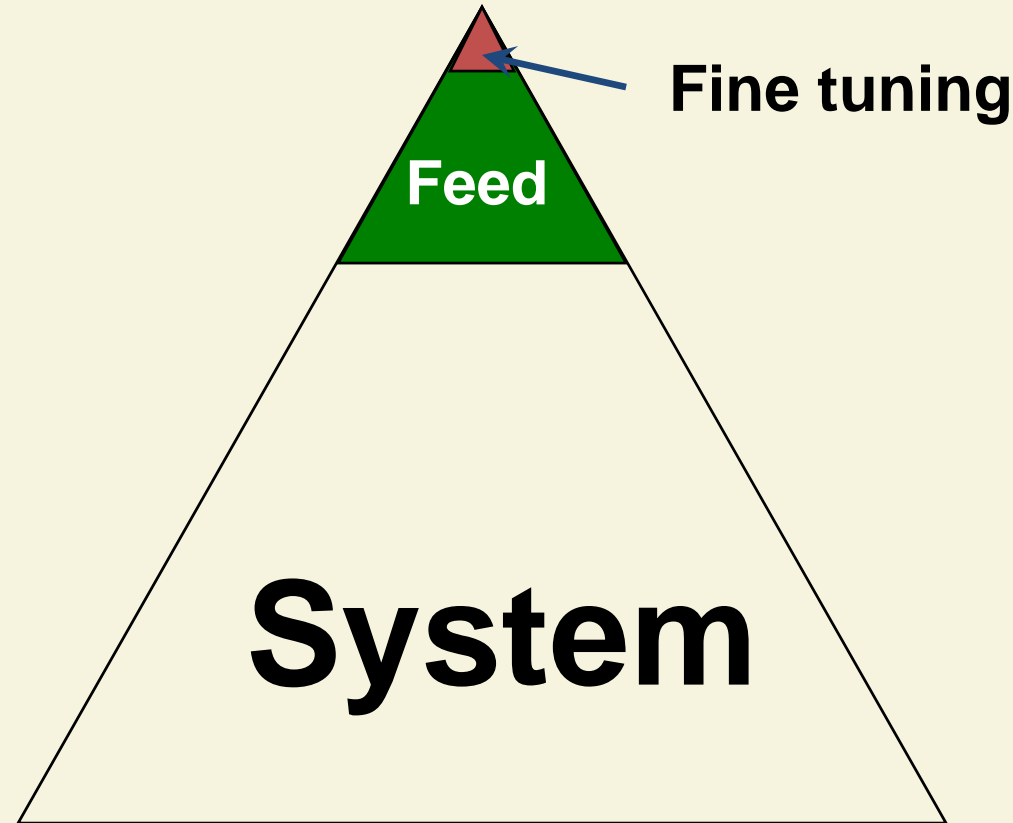
KPI's

- **Key Performance Indicators (KPI)** are financial and non-financial measures used to help an organization define and measure progress toward organizational goals.

What Makes Them Important

- Every key performance indicator has two parts:
 - 1. What you want to measure.
 - 2. What level of performance you anticipate or goals.
- Making KPI's fit your farm system
 - Cows
 - Infrastructure
 - Forages
 - Human Resources

Get the priorities right



**80% of potential gain made by
getting the system right**

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- **PROFIT**

Why Do Dairymen Do What They Do

- Profit
 - It is not a dirty word
 - Profit drives long-term success
 - ROA
 - ROI
- Profit provides Cash Generation!
- Profit allows Wealth Accumulation!

Why Do Dairymen Do What They Do

- Profit
 - It is not a dirty word
- Profit does not happen by happenstance, YOU MUST PLAN FOR IT!
- Not planning for it allows money to left on the table.
- Planning focuses on what is important to success of operation.

Why Do Dairymen Do What They Do

- Pasture-based dairying is a way of life, but only because it is profitable.
- Plus, grazing fits the family's lifestyle

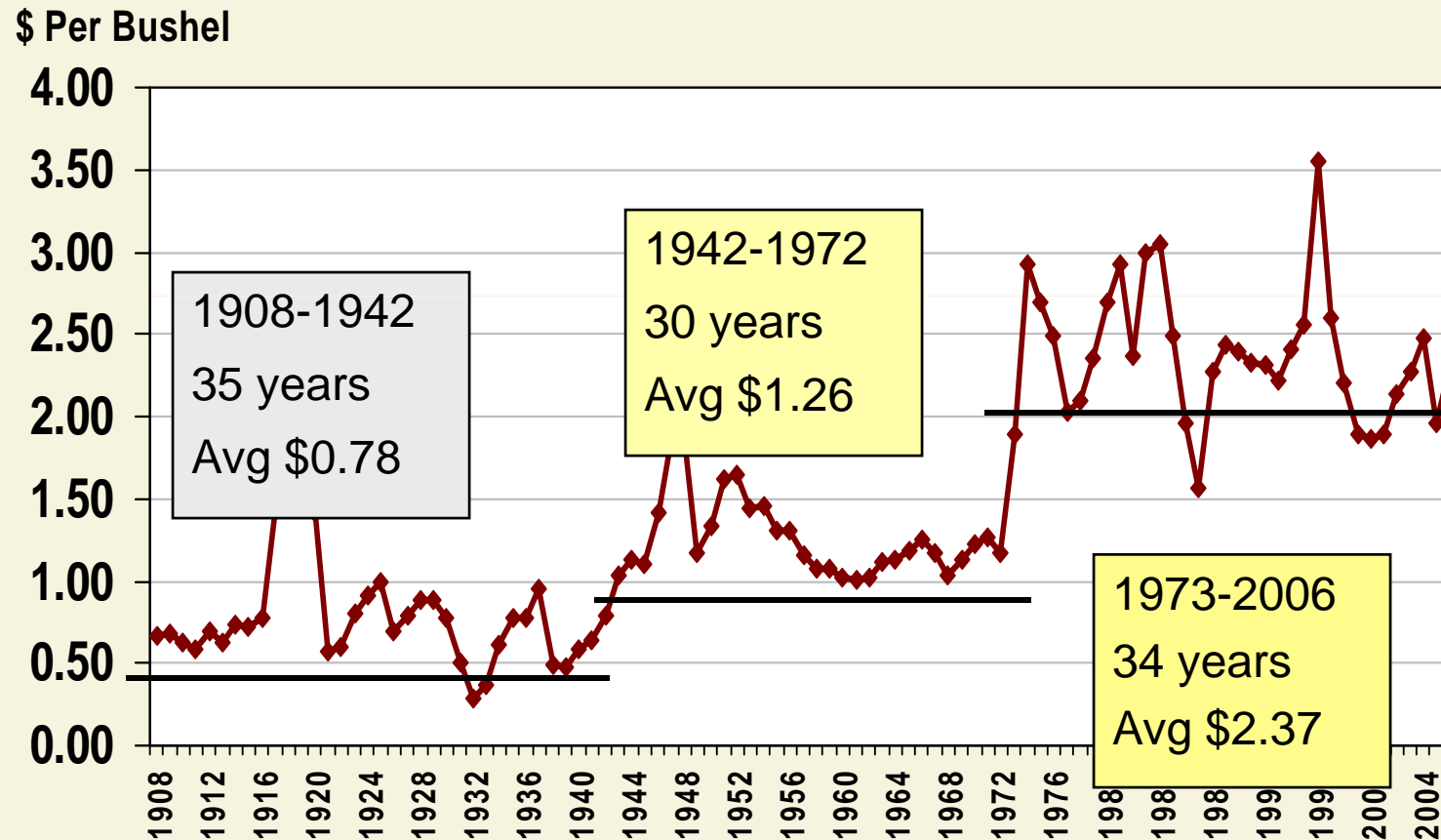


What Drives Profit

- COSTS
 - Feed - 55% of all operating costs
 - Concentrates 13-15¢
 - Grown Forage 3-4¢
 - Harvested Forage 7-8¢
 - Labor – 14% of all operating costs
 - Milking
 - Managing
 - Young/replacements

U.S. Average Corn Price, 1908-2006

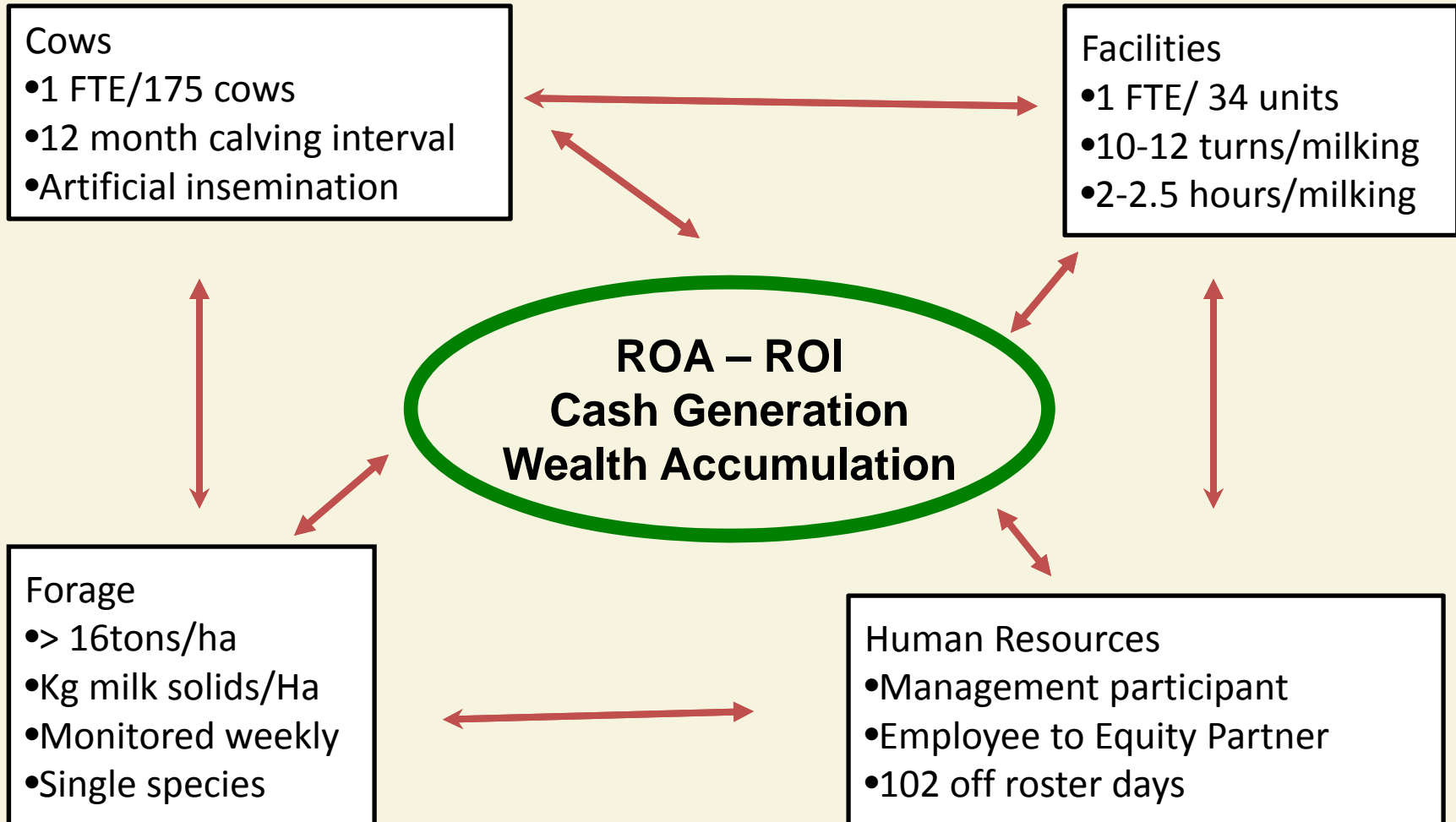
What's the next level?



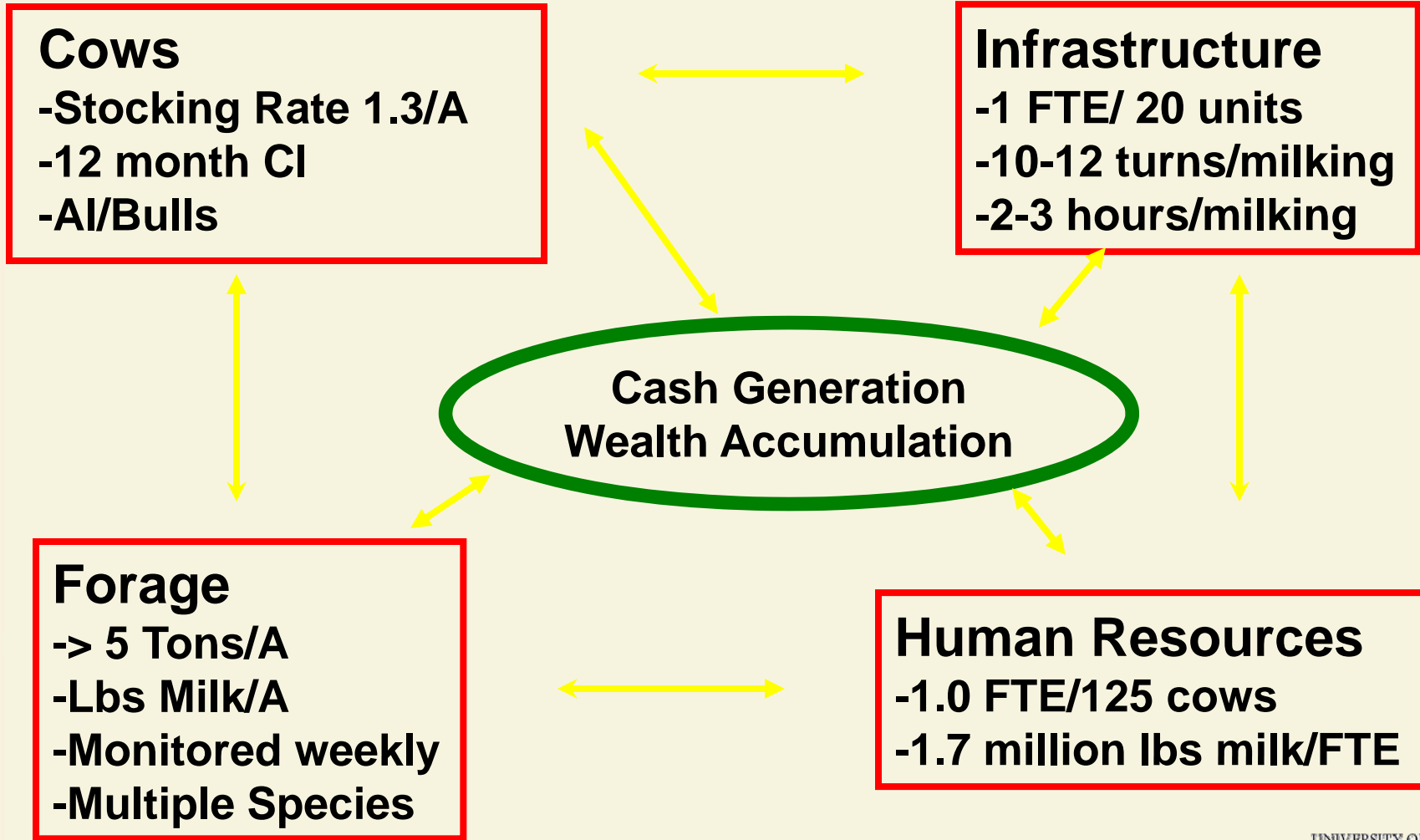
The 1940s step raised corn price 62%; the 70s step 88%.
A 75% step will take corn to \$4.15/bu

Thinking Systems!

NZ Key Performance Indicators



The Missouri System



One KPI Tracking Form

KPI Five Year Trends					
	2009	2010	2011	2012	2013
Key Performance Indicators					
Closing Total Equity					
Growth in Equity %					
Return on Assets %					
Debt to Assets %					
Return on Investment %					
Key Performance Indicators					
Gross Farm Revenue/A					
Operating Expenses/A					
Operating Profit/A					
Gross Farm Revenue/CWT					
Operating Expenses/CWT					
Operating Profit/CWT					
Farm Performance Indicators					
Labor Expenses/CWT					
Concentrate Costs/CWT					
Other Working Expenses/CWT					
Grazing Expenses seeding, fert. etc/CWT					
Stock Expenses Health and other /CWT					
Physical Detail					
CWT of milk/cow					
CWT of milk/A					
Cows/A					
Pasture & Crop Eaten tDM/A					
General Information					
Effective Milk price \$/CWT					
Total CWT					
Effective Dairy Area (Acres grazed)					

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