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A METHOD OF ESTIMATING THE COST OF PRODUCING DAIRY PRODUCTS

THERE IS AN ACUTE NEED OF ACCURATE DATA ON THE PRESENT COST OF PRODUCING DAIRY PRODUCTS. INASMUCH AS THE INVESTIGATIONS IN THIS LINE ARE NOT COMPLETED, CONSIDERABLE TIME WILL BE REQUIRED TO CALCULATE APPLICABLE STAPLE FACTORS OF COST. THE FOLLOWING METHOD IS BASED ON PRELIMINARY AMOUNTS OF FEED CALCULATIONS ON 200 COWS IN RICE COUNTY, MINN., FOR THREE YEARS, WITH LABOR REQUIREMENTS ON 1,200 COWS OVER A PERIOD OF 10 YEARS IN THE SAME LOCALITY. THESE 200 COWS AVERAGED ANNUALLY 5,568 POUNDS OF MILK, EQUAL TO 189 POUNDS OF BUTTER FAT.

AN EXAMPLE

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ANNUAL COST PER COW (VARIOUS PRICES MAY BE APPLIED TO FEED AND LABOR.)

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(ACTUALLY CONSUMED)

FEED:	1,200 LBS. OF GRAIN	@ \$.015 PER LB.	=	\$18.00
	2,050 LBS. OF HAY	@ 8.00 PER TON	=	8.20
	5,500 LBS. OF SILAGE	@ 4.00 PER TON	=	11.00
	167 DAYS 2 A. PASTURE	@ 5.00 PER ACRE	=	10.00

TOTAL FEED COST (50% OF TOTAL COST*) \$47.20

(HOURS ACTUALLY SPENT)

LABOR:	145 MAN HOURS	@ \$.17 PER HOUR	=	\$24.85
	40 HORSE HOURS	@ .10 PER HOUR	=	4.00

TOTAL LABOR COST (30% OF TOTAL COST*) \$28.85

TOTAL FEED AND LABOR COST (80% OF TOTAL COST*) \$76.05

FEED AND LABOR COST (AT ABOVE PRICES) IS \$1.36 PER 100 POUNDS OF MILK.

METHOD OF CALCULATING TOTAL COST

80% = \$76.05

1% = 1/80 OF \$76.05 OR \$.9506

100% = \$95.06 OR TOTAL COST

*APPROXIMATELY CORRECT
PROPORTION OF COSTS FROM
SEVERAL YEARS' RECORDS.

THE DIFFERENCE BETWEEN THE TOTAL COST, \$95.06, AND \$76.05 EQUALS \$19.01, WHICH REPRESENTS THE MISCELLANEOUS COST ITEMS OR 20% OF THE TOTAL. THIS COST IS MADE UP OF SUCH ITEMS AS INTEREST, DEPRECIATION, SHELTER, EQUIPMENT, BULL CHARGE, AND OTHERS.

COW CREDITS. OTHER THAN MILK OR BUTTER FAT, CONSIST OF THE CALF, THE MANURE, AND THE SKIM-MILK PRODUCED, WHEN THE WHOLE MILK IS NOT SOLD. FROM AVAILABLE DATA IT IS ESTIMATED THAT THESE ARE ABOUT EQUAL TO THE MISCELLANEOUS ITEMS, OR 20% OF THE TOTAL COST. HENCE ONE SHOULD OBTAIN FROM A COW A CASH RETURN AT LEAST EQUAL TO THE FEED AND LABOR COST.

BY KNOWING THE APPROXIMATE AMOUNTS OF FEED TO ALLOW PER COW AND THE LABOR REQUIREMENTS, ONE MAY USE CURRENT PRICES AND VERY CLOSELY ESTIMATE THE PRODUCTION NECESSARY PER COW AND THE MINIMUM PRICE AT WHICH THE PRODUCT CAN BE PROFITABLY SOLD.