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Budgeting for organic dairying

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Budgeting for organic dairying

Abstract:

The PI identified the major types of farms producing organic milk based on typical breeds, production level and amount of grains fed. This information served as the basis for developing the nine organic dairy budgets.

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Budget:
\$9,638 for year one

Q How profitable are the various organic dairy systems?

A The budgets show that at current organic milk prices, all the systems can be profitable depending on management.



CROSS-CUTTING

Background

Organic dairy, from production to consumption, has benefitted from increased interest and expanded consumer choices over the past decade. Milk production plants that accept and process organic milk have noted higher demand for organic milk supplies. For one major milk cooperative, the amount of organic milk sales and number of organic dairy producers have averaged double-digit growth yearly for the past the past 12 to 14 years. However, despite the rapid growth in organic agriculture in general, there was a lack of information to help producers make educated business decisions relative to the profitability of organic dairying. This project aimed to create organic financial management budget resources similar to the ones available from ISU Extension for conventional dairy production.

Iowa dairy producers who were surveyed expressed both a need and desire to have better financial budget and benchmarking information available to assist their dairy farm business planning. ISU Extension and Outreach dairy and farm management field specialists already had conventional and pasture budgets under development. Organic dairy producers requested similar budgets specific to their dairying operations. CROPP/Organic Valley Cooperative, a leading dairy organization, also encouraged the development of organic dairy budgets.

Approach and methods

The main strategy in developing the organic dairy budgets was to use an Excel spreadsheet to develop a separate budget for each of the nine systems surveyed.

Here are the nine systems represented in the budgets:

- 1) No Grain Feeding, 6,000 lb. Rolling Herd Average (RHA)
- 2) No Grain Feeding, 9,000 lb. RHA
- 3) No Grain Feeding, 12,000 lb. RHA
- 4) Feeding Pasture, Hay, Corn, Silage Corn, 12,000 lb. RHA
- 5) Feeding Pasture, Hay, Corn Silage, 15,000 lb. RHA
- 6) Pasture, Hay Corn Silage, Corn, 15,000 lb. RHA
- 7) Pasture, Hay Corn Silage, Corn, 18,000 lb. RHA
- 8) Pasture, Hay Corn Silage Corn, Roasted Soybeans, 22,000 lb. RHA
- 9) Pasture, Hay Corn Silage, Corn, Roasted Soybeans, Linseed Meal 26,000 lb. RHA



*Start to Farm participants.
(photo courtesy Larry
Tranel)*

In addition, due to the complexity of determining cost structures for various capital investment items, a facility and equipment calculator was developed within the spreadsheet. Input worksheets were created for 1) rations, 2) input prices, and 3) other inputs.

Within the input prices spreadsheet, a formula was created to enable users to select which timeframe (or producer numbers) could be used throughout each of the budgets. So, rather than changing numbers in each spreadsheet, a row of input numbers could be selected and all the spreadsheet numbers would change accordingly.

Results and discussion

This grant project did not consist of data collection or evaluation, but only focused on creating the organic dairy budgets and disseminating the information.

Conclusions

The created resources include nine financial budgets, usable with different management and herd structures, along with a related publication. In addition to the individual budgets, summary spreadsheets comparing all the organic systems and the rations for each of the budgets were created. These resources are available on the ISU Extension's Dairy Team website for public use and have been promoted through Extension's dairy e-newsletter and mailed newsletter to all dairy producers in the state of Iowa. They can be accessed at: <https://iastate.box.com/v/ISUEO-DairyBudgets>

Impact of results

An anticipated outcome is continued development and promotion of the organic dairying system. The budgets provide a helpful resource to farmers and the profitability they show in their operations will help promote the organic dairy business. Those interested in organic production will see that it tends to be a system of reduced price risk and sustainable methods for Iowa dairy producers.

In addition, these budgets have been and will continue to be used by ISU Extension in working with individual producers who are deciding to begin or transition into an organic dairy operation. Organic Valley cooperative has been a partner with ISUEO on this project helping to establish the financial information and distribution of resources for the models.

Education and outreach

- Nine organic dairy budgets were created to accompany the existing eight conventional or pasture-based budgets. These budgets will allow users to compare various organic systems based on milk production, grain feeding levels and size of cow (breed).
- The nine organic budgets allow for a “cross comparison” with each other and also make it easier to generate a comparison with eight other more conventional or pasture-based dairy systems.
- A historical organic dairy database has been created that will be updated annually with new revenue and expense data. Historical data can be graphed to help visualize the historical trends over time. This will give ISU Extension and

other interested parties access to current organic dairy budgets and historical trends information to use with clients and agri-business personnel.

- ISUEO, Organic Valley, or other interested parties have and will continue to utilize and present the budgets at dairy producer meetings. The information will continue to be highlighted at the Iowa Dairy Days in the coming year.
- A Fact Sheet (User Guide) has been published on use of the dairy budgets and disseminated to all active dairy producers in Iowa.
- A recorded presentation of the budgets and their use will be developed, but was not yet completed at the time of the final reporting on the project.

Leveraged funds

This project leveraged resources from the ISU Dairy Team and their work on the conventional and pasture-based dairy budgets to create a complimentary set of organic dairy budgets. Resources from CROPP/Organic Valley also were leveraged to help the PI develop and understand the “systems” for which these dairy budgets are to be used. The estimated value of the leveraged resources was equivalent to the value of this grant.

**For more information,
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