Ever wish you paid more attention in that accounting class? Maybe you're a bit rusty on financial ratios, or looking to learn something new. Each month I will go over an accounting or finance topic as it relates to your farm business, so stay tuned! This month is Income over Feed Cost:

Income over feed cost has become one of the most monitor measures of profitability with Feed costs being the largest single expense on dairy farms today. Most farms evaluate this parameter on a monthly basis to help track and ensure profitability throughout the year.

Here is the information you will need to calculate income over feed costs (IFOC)

1. Average milk price/month

2. Total lbs produced per day over a month

3. Number of cows milking per month

4. Amount of feed used (tons)

5. Cost per ton of feed

-First calculate the total income by taking- milk price * (total lbs per day/100) * 30 days

-Then calculate total cost per ton of feed from your records and multiply by tons fed per day and 30 days for a month.

-Then, take total income—total feed cost. This will give you a dollars per day IFOC. This is the amount of funds you have left over per month to pay all other expenses. There are two ways to maximize income over feed costs:

1. Improve income– either by increasing lbs produced per month or improving components to improve milk price per cwt

2. Decrease feed cost– by adjusting rations or buying in bulk. This is a balance though, to decrease quality or amount of feed may decrease production.

It is best to consult your nutritionist before making big feed changes.