



Your Milkbench+ reports explained

Benchmarking group and ranking

All Milkbench+ reports (the dairy enterprise report and the cluster reports) show how your farm compares to all other farms matching your selection criteria. The “top 10%” and “bottom 10%” columns show the average values for the “top” and “bottom” 10% of farms ranked by your chosen criteria: the lowest and highest cost farms when you choose to rank by total cost of milk production per litre, or highest and lowest net margin 10% of farms when you choose to rank by total net margin per litre. The column showing “average” values shows the average values for your benchmarking group of farms.

When the reports show a breakdown of total costs, for example, total cost of purchased feed in the feed and forage report, the totals may not add up to the sum of the sub-categories. Using the example above, this is because the total average cost of purchased feed is calculated as the sum of the total cost of cereals, proteins and so on across farms divided by the number of farms, rather than as the sum of the average cost of each feed type per farm. The second approach leads to an overestimate of the average feed costs. All average totals are calculated in this way.

Blank values for “Your Farm” indicate you have not entered information to calculate that value. You can enter more detailed information by visiting the relevant data entry pages and using the arrow buttons on the left to open up data fields.

Your benchmarking set will consist of at least 15 farms whose financial year ends are close to yours. If Milkbench+ cannot find 15 other similar businesses in your year end month, then it will look for farms up to three months before and after to generate the report. If it cannot find enough farms it will fail to generate benchmark figures.

Dairy enterprise report

The dairy enterprise report is a summary of the physical and financial performance of your dairy enterprise defined here as your milk production enterprise, excluding youngstock rearing.

The dairy enterprise report first describes the group of farms you are compared with, then it provides a small number of key physical performance indicators and finally shows a full set of financial indicators. Brief descriptions of the main totals are given below:

Dairy Gross Output = income from milk sold + value of milk consumed on farm + income from sold calves (under 20 days) + value of calves transferred out of the dairy enterprise (at 20 days) + net value of quota leases + other dairy income – herd replacement cost.

Herd Replacement Cost = (number of outgoing dairy cows x average value of incoming heifers that year) – income made from cow sales, culls and sales of adult dairy bulls and disease compensation on dairy animals if applicable.

Total Dairy Variable Costs are the sum of feed and forage costs and livestock costs which are itemised in the report.

Fixed Costs are the sum of all labour costs (casual labour and the imputed cost of unpaid labour), power and machinery costs, depreciation on machinery and buildings, property costs and finance (including imputed net field rent and finance costs) and overhead costs, each itemised in the report.

Total Cost of Milk Production = total variable costs + total fixed costs + herd replacement cost.

Dairy Gross Margin = total dairy gross output (which includes a deduction for herd replacement costs) - total variable costs.

Dairy Net Margin = total dairy gross output - total variable costs - total fixed costs.

The dairy net margin represents the return to the farmer as the self-employed manager of the dairy enterprise and income for future investment in the business over and above capital replacement.

Imputed Costs

Milkbench+ does not require the disclosure of personal drawings, finance charges or actual rent paid. This means these costs need to be imputed across farms. This approach allows a fair comparison of efficiency in milk production across farms, whether they are owned or rented, whether funds were borrowed for investment or came from savings, or whether labour is family or employed.

These imputed costs are calculated as follows:

Farmer or other unpaid labour engaged in dairy tasks or forage tasks for the dairy herd: the number of hours worked by this type of labour is valued according to whether it was full time, part time, relief or casual. The hourly rate of pay used is the rate which that farm pays employed full time, part time, relief or casual labour, or the regional average for that type of work in agriculture (the source for this average is the Annual Survey of Hours and Earnings, ONS).

Finance charges are calculated as a rate of interest on the second hand valuation of dairy and forage machinery, the herd valuation and the value of quota owned. This rate of interest is the average of high street lending rates and the return on 5-year government bonds (representing a medium term secure investment).

Net field rent is the rent on the land used for the production of feed and forage for the dairy herd (not the total farm area). The rate of rent per hectare is that for grazing land in that area as given by the farmer or the regional average for that year.

Depreciation

The depreciation rules in Milkbench+ are as follows:

Dairy machinery and equipment is valued at its second-hand value (ie, depreciated value) and annual depreciation is charged at 15% of that valuation. In a similar

manner depreciation of forage machinery and equipment is charged at 20% of its second-hand valuation per year.

Buildings depreciation is charged at an annual flat rate of 5% of current rebuilding costs.

**If you have any questions understanding your reports, please ring us on
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