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# The 2020 *Northeast Dairy Farm Summary*

Chris Laughton  
Director of Knowledge Exchange



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# Agenda

Review of 2020  
financial results

Brief 2021-  
2022 outlook

Audience  
questions



Download the full report at:  
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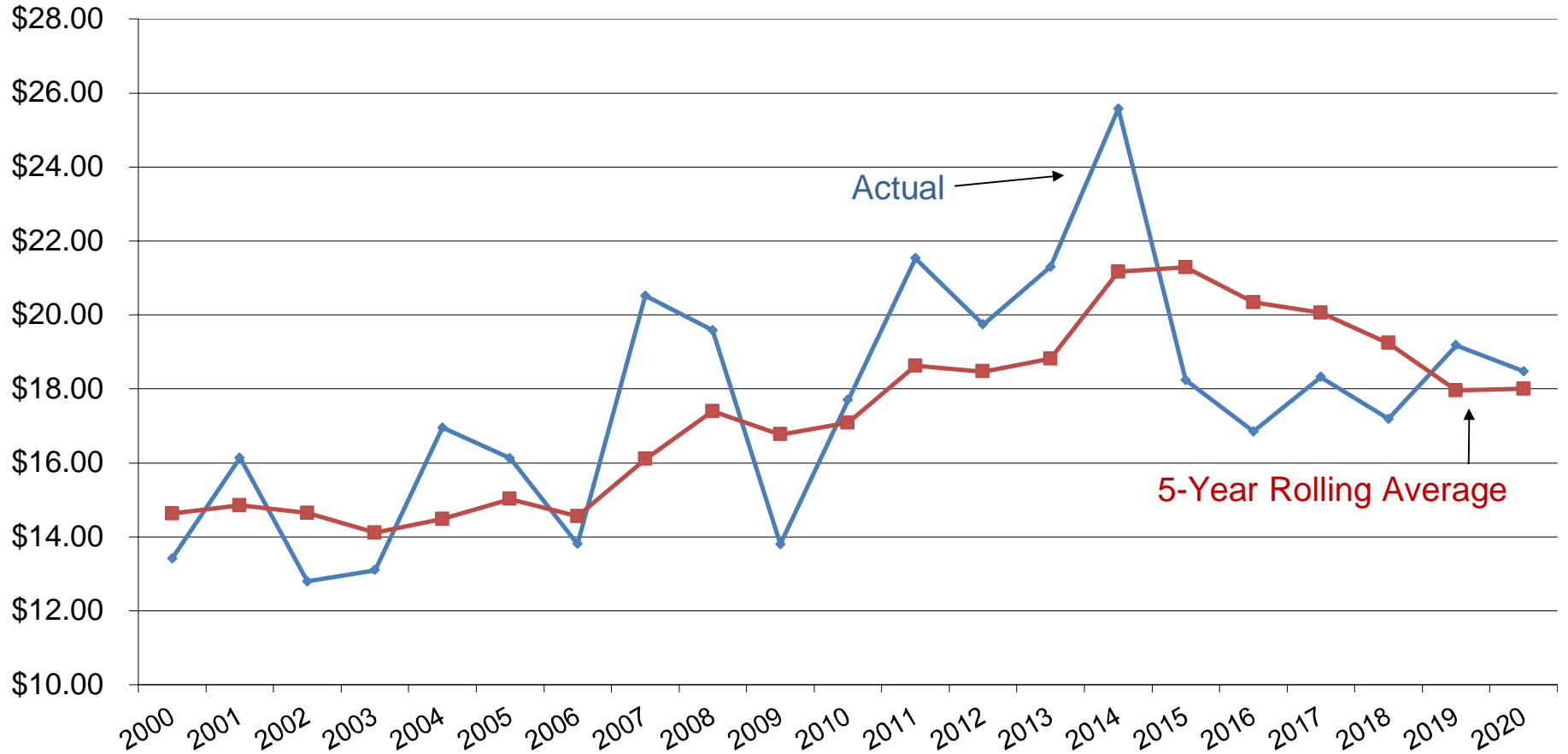


# Key Points

- **209 dairy farm participants**, mainly from New York
  - Our sample's herd size is larger and likely more profitable than true average
- Profitability increased in 2020, average: **\$663/cow** from \$447 in 2019. Government payments were significant.
- 2019 milk price: **\$18.48**, \$0.70 below 2019's \$19.18
- NCOP: **\$18.11**, \$0.30 greater than 2019
- Total debt per cow declined slightly to **\$3,981/cow**

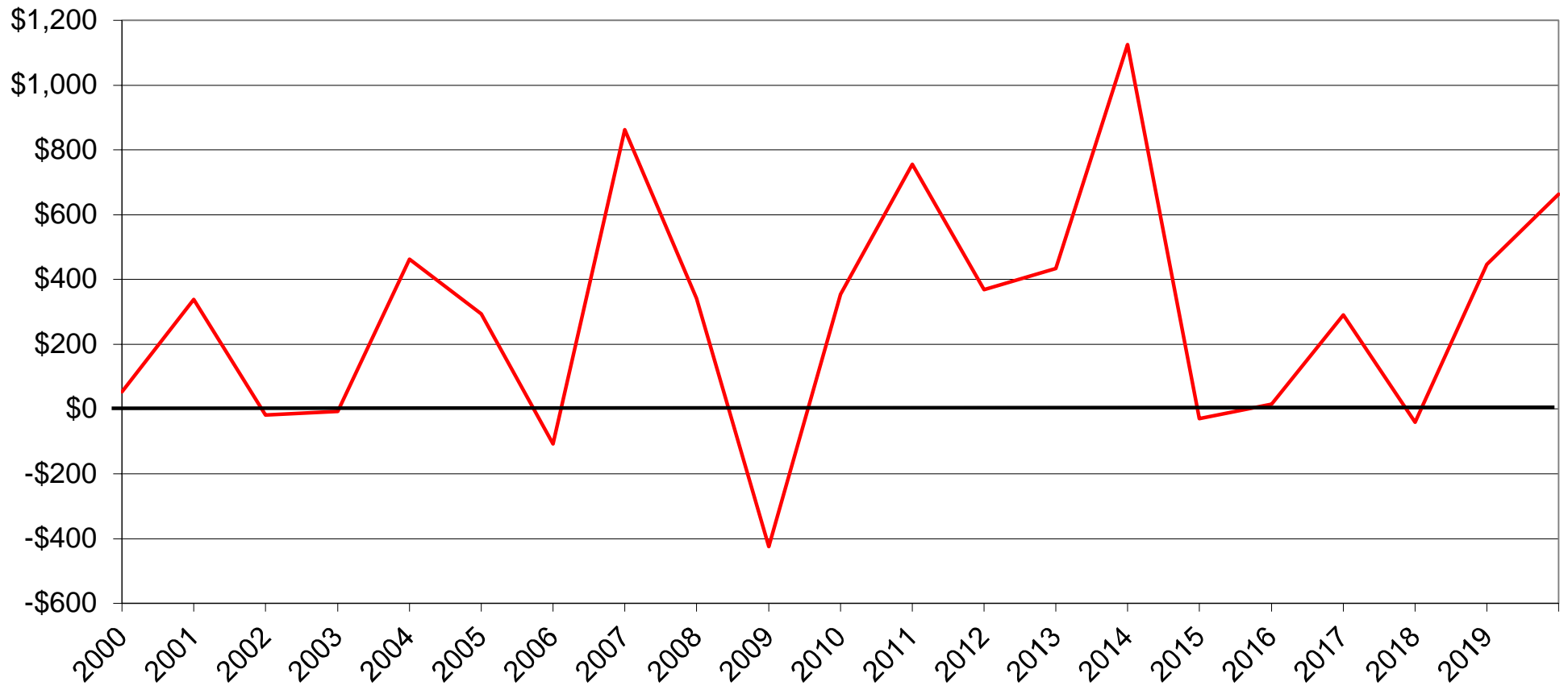


# Farm Milk Prices per Cwt.



Source for all charts: Farm Credit East, unless otherwise noted

# Net Earnings per Cow, 2000-2020

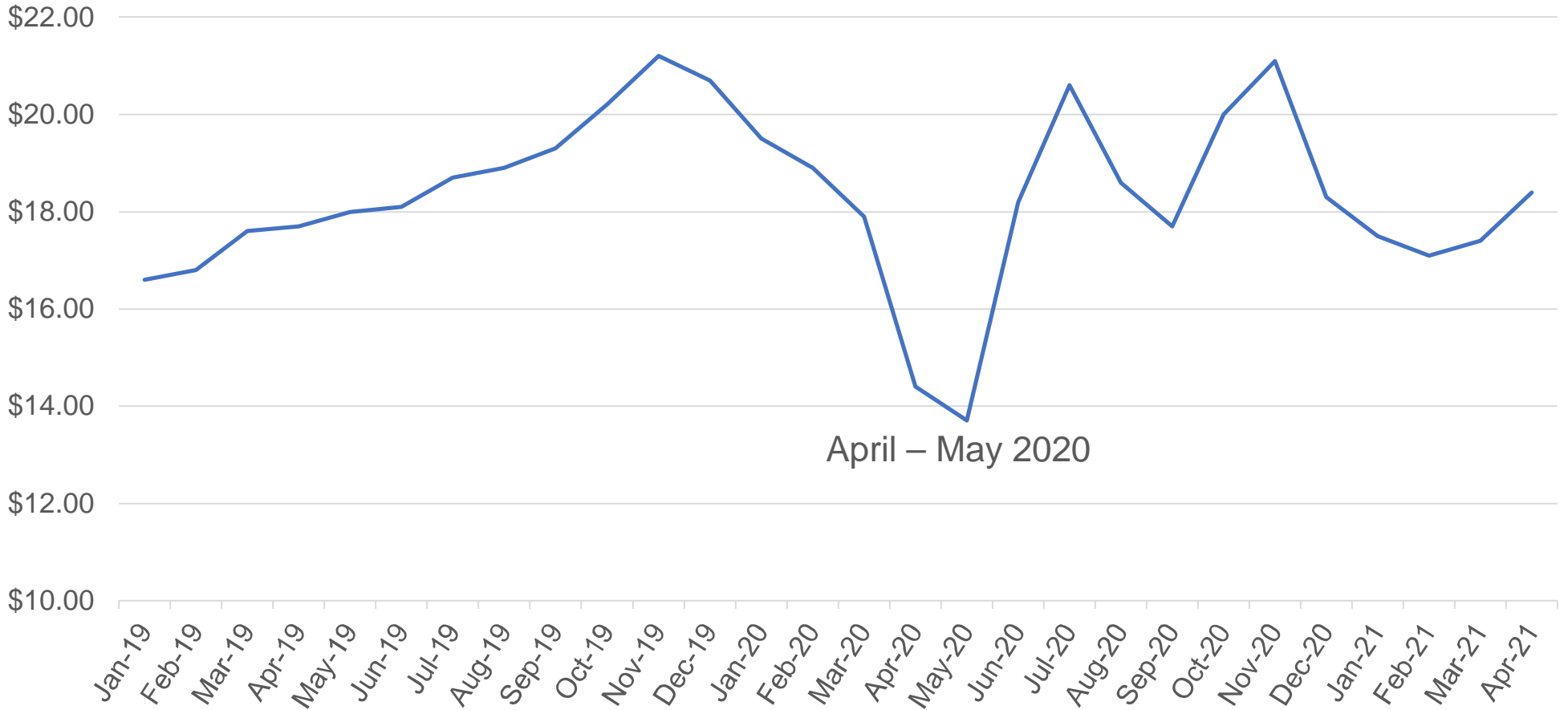


# Supply Chain Disruptions

- Pre-COVID, half of all food eaten outside the home
- Schools, restaurants, etc. closed over just a few weeks in March
- Processing system struggled to adjust
- News articles talked about a “broken” food system, and fragile supply chains
- Hundreds of articles about milk dumping
- Supply chains actually adapted quickly to a major disruption



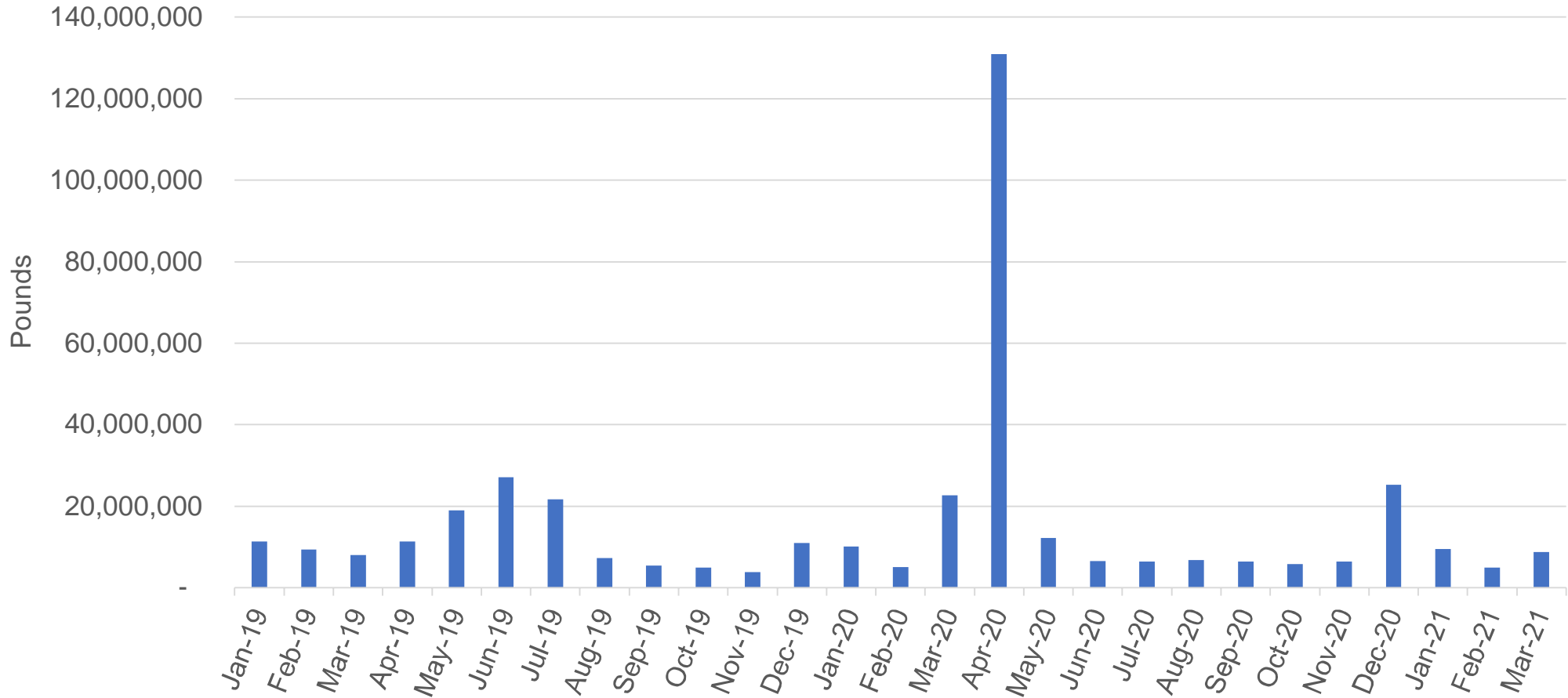
# USDA All-Milk Price



Source: USDA / NASS



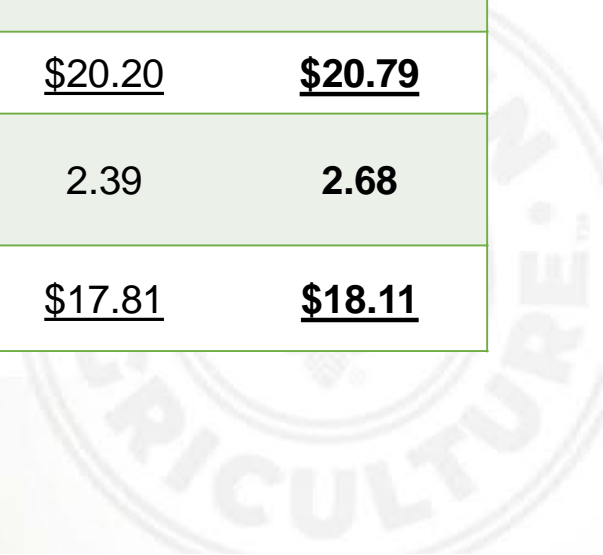
# Milk Dumped, Federal Order 1



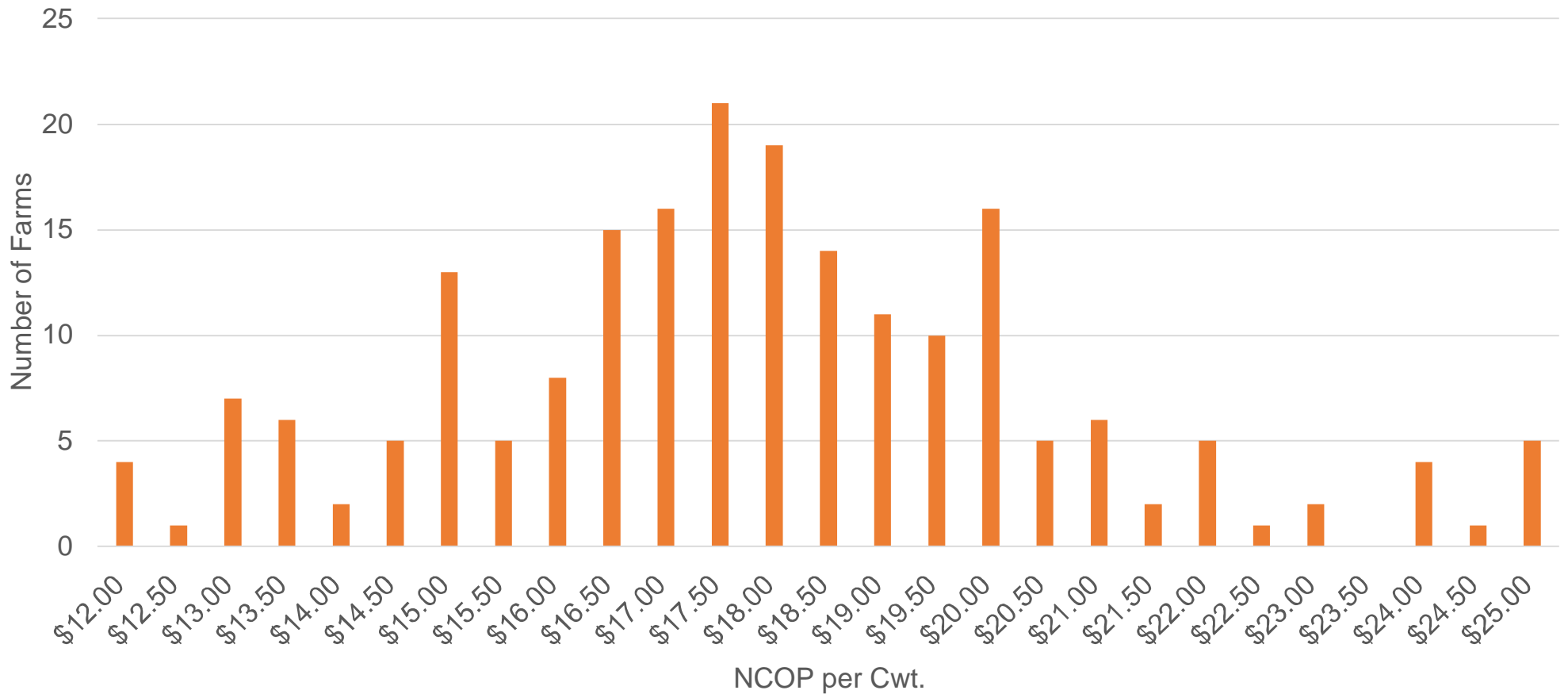
Source: Federal Order 1

## Cost of Production per cwt.

	2015	2016	2017	2018	2019	2020
<b>Cash Expenses</b>	\$20.00	\$18.24	\$18.54	\$18.60	\$18.59	<b>\$19.29</b>
<b>+ Depreciation</b>	1.44	1.38	1.30	1.28	1.20	<b>1.16</b>
<b>+ Family Living</b>	<u>0.69</u>	<u>0.58</u>	<u>0.49</u>	<u>0.48</u>	<u>0.41</u>	<b><u>0.34</u></b>
<b>Total costs</b>	<u>\$22.13</u>	<u>\$20.20</u>	<u>\$20.33</u>	<u>\$20.36</u>	<u>\$20.20</u>	<b><u>\$20.79</u></b>
<b>- Non-Milk Farm Income</b>	3.77	3.41	2.87	2.64	2.39	<b>2.68</b>
<b>NCOP</b>	<u>\$18.36</u>	<u>\$16.79</u>	<u>\$17.46</u>	<u>\$17.72</u>	<u>\$17.81</u>	<b><u>\$18.11</u></b>



# Distribution of Net Cost of Production



## NCOP by Region

	New York		New England	
	2019	2020	2019	2020
<b>Feed</b>	\$6.21	<b>\$6.55</b>	\$7.64	<b>\$7.87</b>
<b>Labor</b>	\$3.19	<b>\$3.31</b>	\$4.31	<b>\$3.95</b>
<b>Other Expenses</b>	<u>\$9.01</u>	<u><b>\$9.26</b></u>	<u>\$9.32</u>	<u><b>\$9.78</b></u>
<b>Cash Expenses</b>	<u>\$18.41</u>	<u><b>\$19.12</b></u>	<u>\$21.27</u>	<u><b>\$21.60</b></u>
<b>+ Depreciation</b>	1.21	<b>1.16</b>	1.22	<b>1.11</b>
<b>+ Family Living</b>	0.40	<b>0.34</b>	0.44	<b>0.40</b>
<b>Total Costs</b>	<u>\$20.02</u>	<u><b>\$20.62</b></u>	<u>\$22.93</u>	<u><b>\$23.11</b></u>
<b>- Nonmilk Income</b>	2.42	<b>2.70</b>	1.60	<b>2.12</b>
<b>NCOP</b>	<u>\$17.59</u>	<u><b>\$17.92</b></u>	<u>\$21.33</u>	<u><b>\$20.99</b></u>

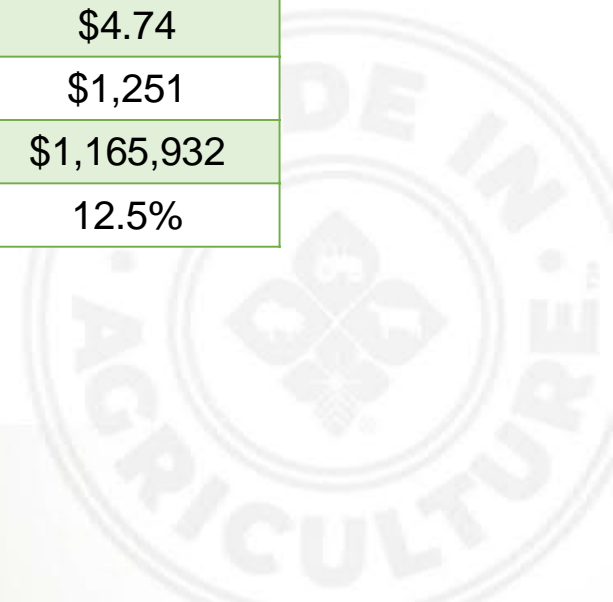


## Range of 2020 Profits

	Lower 25%	All Farms	Top 25%
<b>Average Number of Cows</b>	586	685	932
<b>Milk Sold per Cow</b>	25,765	25,884	26,385
<b>Milk Sold per Worker</b>	1,388,359	1,391,525	1,553,488
<b>Net Earnings</b>			
<b>Per Cwt.</b>	-\$0.29	\$2.56	\$4.74
<b>Per Cow</b>	-\$74	\$663	\$1,251
<b>Per Farm</b>	-\$43,364	\$454,155	\$1,165,932
<b>Return on Equity</b>	-1.0%	7.6%	12.5%



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## Accrual Earnings per Cwt.

	2015	2016	2017	2018	2019	2020
<b>Milk Price</b>	\$18.24	\$16.85	\$18.32	\$17.19	\$19.18	<b>\$18.48</b>
<b>-Variable Costs</b>	\$16.23	\$14.75	\$14.93	\$14.99	\$14.90	<b>\$15.50</b>
<b>-Fixed Costs</b>	<u>\$5.21</u>	<u>\$4.88</u>	<u>\$4.90</u>	<u>\$4.89</u>	<u>\$4.89</u>	<u><b>\$4.95</b></u>
<b>Net Farm Earnings</b>	<u>\$0.57</u>	<u>\$0.64</u>	<u>\$1.64</u>	<u>\$0.32</u>	<u>\$2.16</u>	<u><b>\$2.89</b></u>
<b>-Family Living</b>	\$0.69	\$0.58	\$0.49	\$0.48	\$0.41	<b>\$0.34</b>
<b>Net Earnings</b>	<u><del>-\$0.12</del></u>	<u>\$0.06</u>	<u>\$1.15</u>	<u><del>-\$0.16</del></u>	<u>\$1.75</u>	<u><b>\$2.55</b></u>



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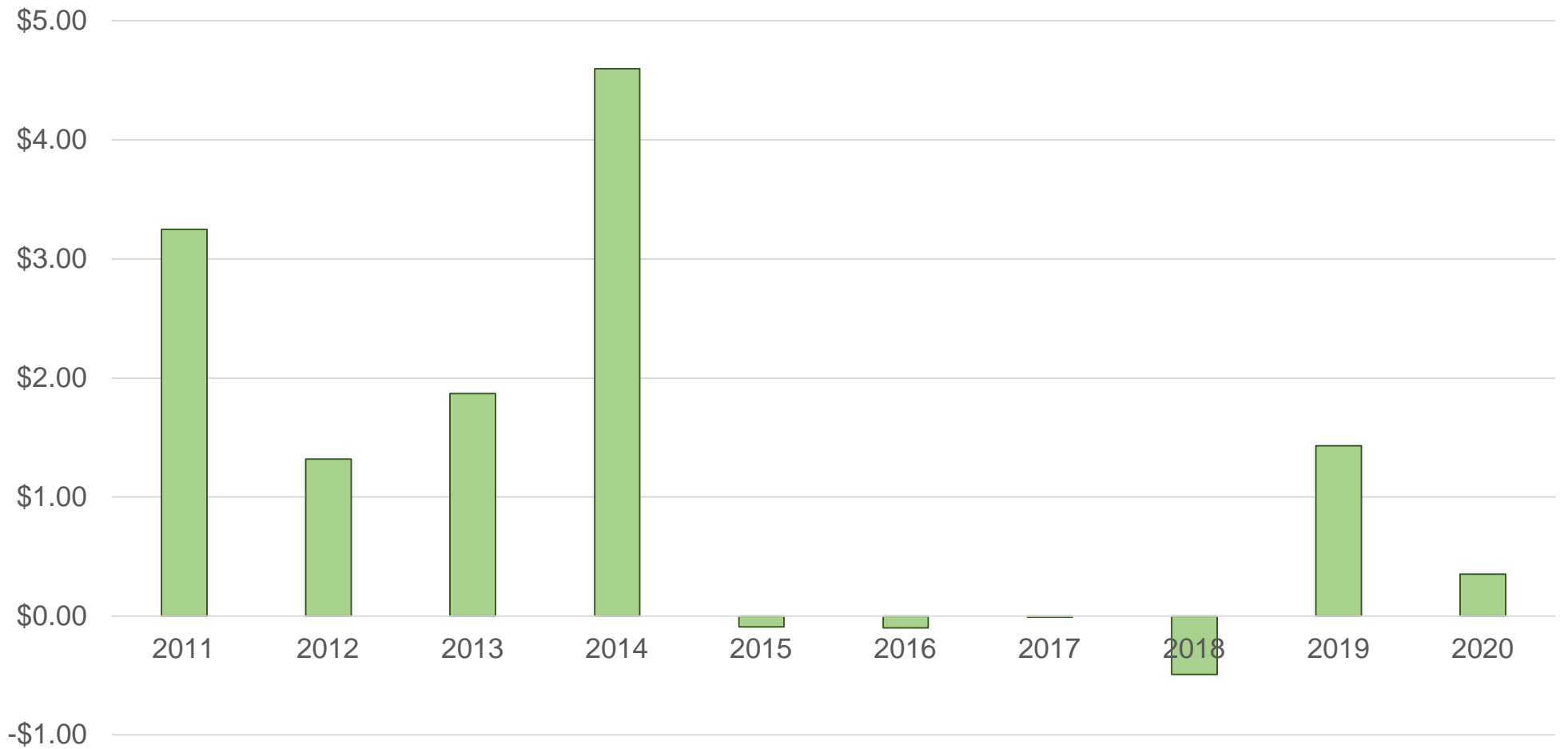


## Cash Flow Analysis per Cwt.

	2015	2016	2017	2018	2019	2020
<b>Milk Price</b>	\$18.24	\$16.85	\$18.32	\$17.19	\$19.18	<b>\$18.48</b>
<b>Cash Required</b>	\$22.14	\$20.34	\$21.64	\$20.66	\$20.62	<b>\$21.18</b>
<b>- Other Income</b>	<u>3.81</u>	<u>3.39</u>	<u>3.31</u>	<u>2.98</u>	<u>2.87</u>	<u>3.05</u>
<b>Breakeven Milk Price</b>	\$18.33	\$16.95	\$18.33	\$17.68	\$17.75	<b>\$18.13</b>
<b>Cash Margin</b>	-\$0.09	-\$0.10	-\$0.01	-\$0.49	\$1.43	<b>\$0.35</b>

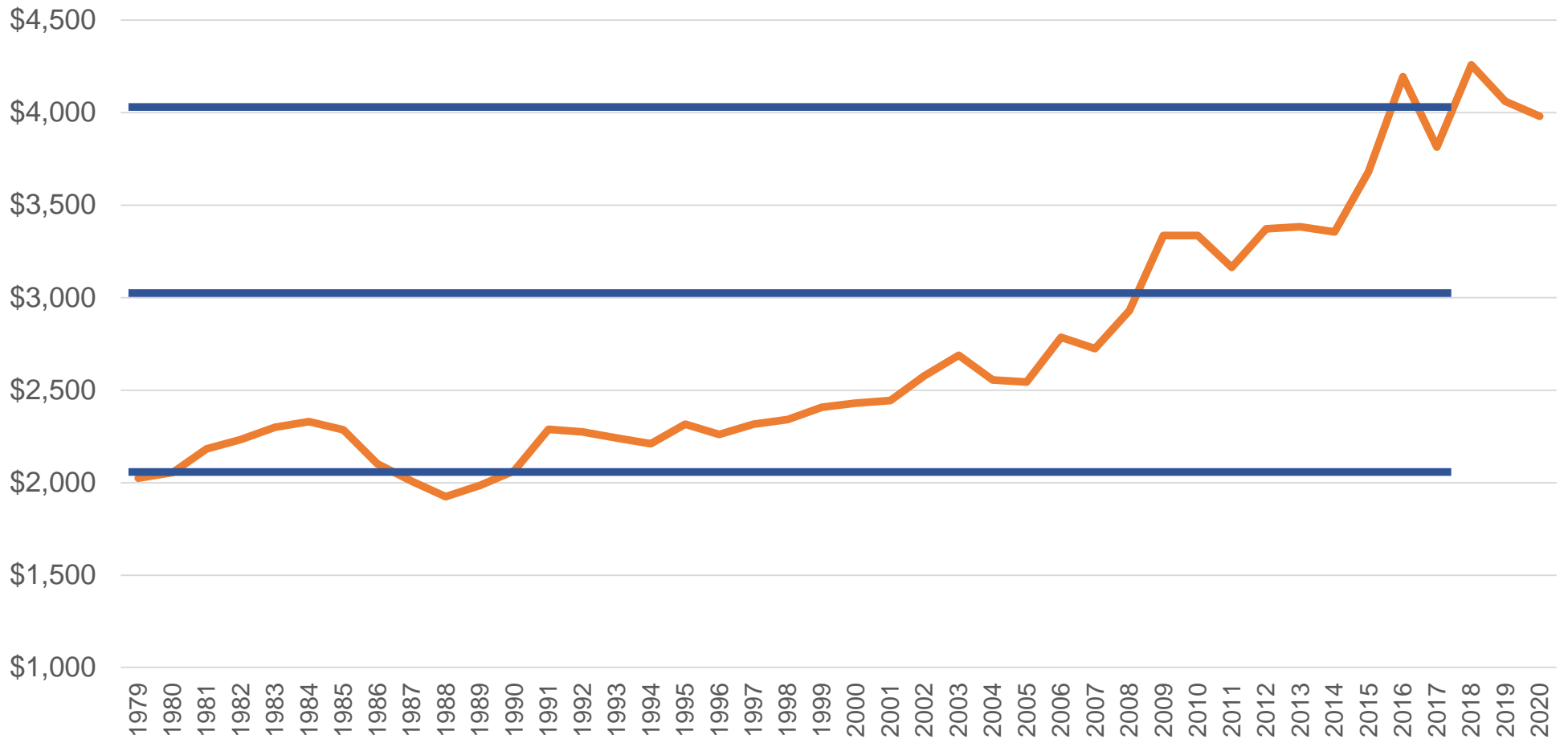


# Cash Flow per Cwt.

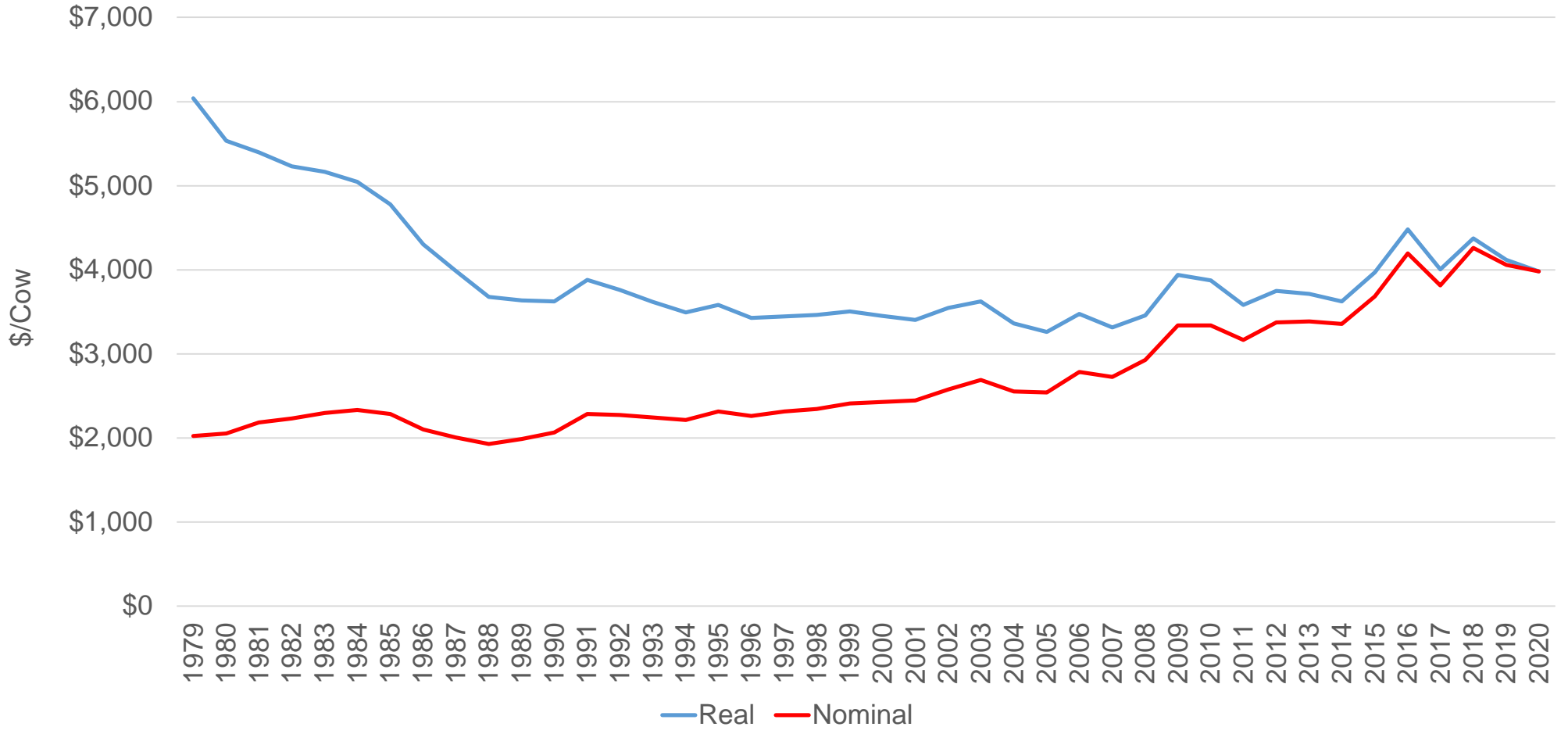




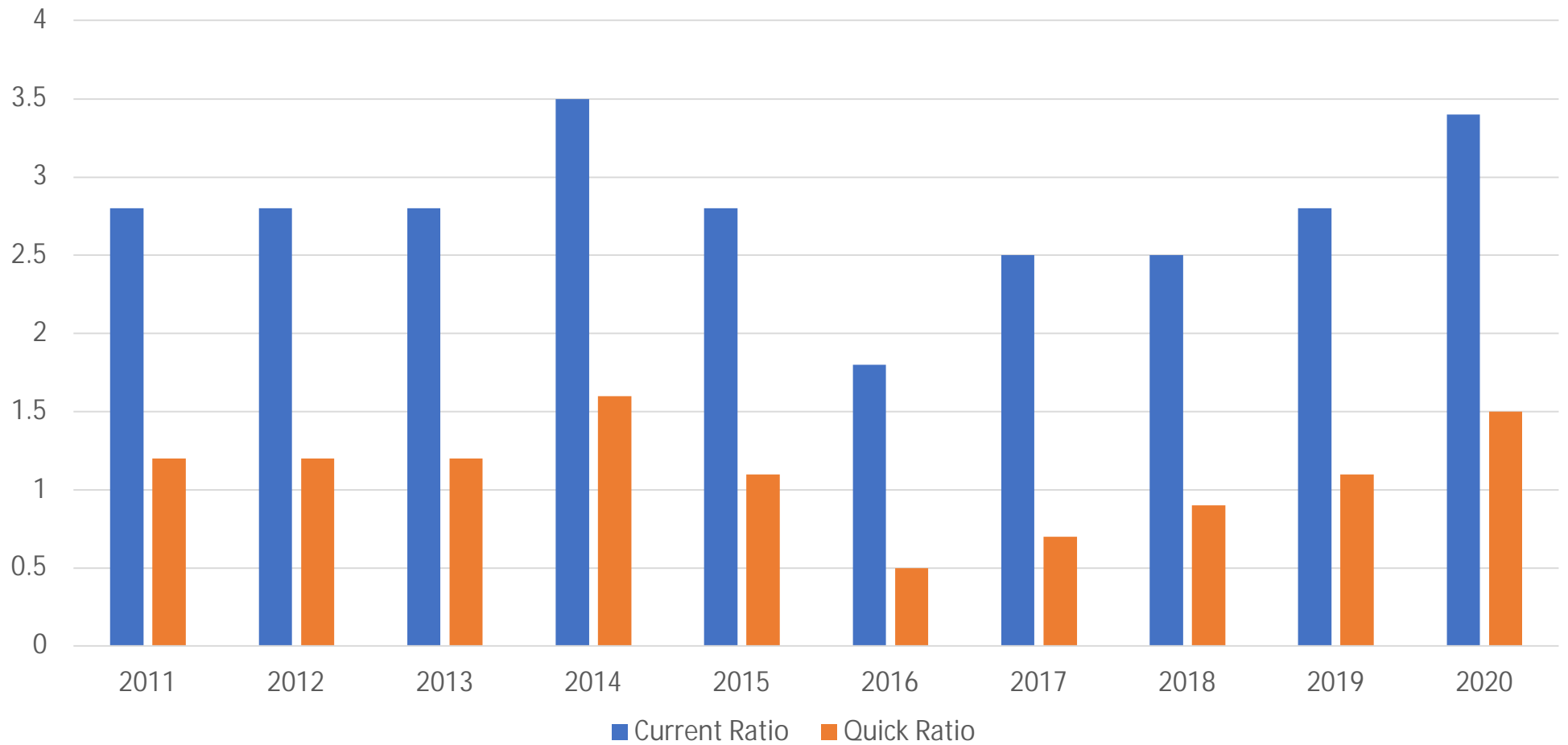
# Average Total Liabilities per Cow 1979-2020



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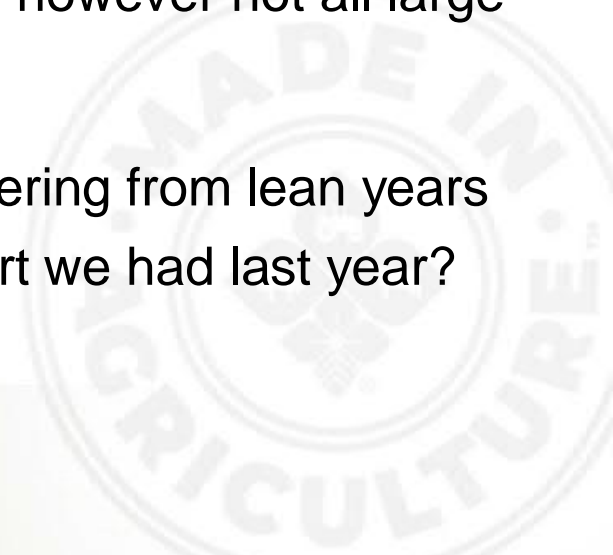


# Farm Liquidity



## Take-Aways from the 2020 *DFS*

- The COVID-19 pandemic significantly disrupted dairy markets and pricing, but supply chains were able to adapt relatively quickly
- Profitability improved significantly, largely due to government programs
- Wide range of results continues
- Average farm size continues to grow
- Positive correlations between farm size and profitability, however not all large farms did well
  - Only 1/3 of 700+ cow farms made top profit quartile
- Positive cash flow continues, but some farms still recovering from lean years
- What is going to happen without the government support we had last year?



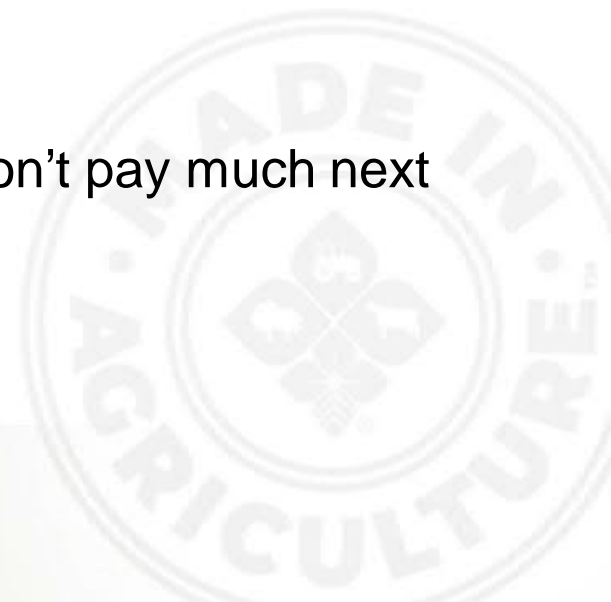
## 2021 Results

- Not a great year so far
- Cash flow tighter than last 2 years, not terrible, but certainly not great
- milk prices a bit higher, but input costs a lot higher (esp. summer purchased feed)
- Feed concentrates jumped from roughly \$6-ish/cwt to just under \$7
- IOFC margins substantially lower than last year
- Lot of labor headaches
- Government payments much less significant



## 2022 Outlook

- Milk prices forecast to rise, but so are costs!
- 2022 Mailbox milk prices forecast to average \$1.10-1.90 above 2021 (which is roughly \$0.65 above 2020)
- Feed commodities have risen, as has labor
- Labor costs: Minimum wage increase, uncertainty re: OT, market wage pressure, political pressure as well
- Other input costs rising as well
- DMC and LGM only account for feed costs (probably won't pay much next year)



## Questions / Discussion

[Chris.Laughton@FarmCreditEast.com](mailto:Chris.Laughton@FarmCreditEast.com)

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