

Again in 2014 Jerseys excelled over Holsteins for both income over feed costs per hundredweight and net income per hundredweight according to data published by the California Department of Food and Agriculture (CDFA). In late May CDFA released its annual Cost of Milk Production report. The survey compiled by the staff of the Cost of Production Unit was based on data collected from 14 Jersey and 80 Holstein herds. Herds that volunteer to participate in the analysis provide CDFA personnel with herd financial records that are subject to audit-level scrutiny to assure their accuracy. Using the herd-reported mailbox milk prices and cost data, Jerseys posted income over feed costs of \$13.67/cwt. compared to Holstein's \$10.86/cwt., for an advantage of \$2.81/cwt. Jersey net income of \$6.25/cwt. topped the Holstein figure of \$5.38 by \$0.87/cwt. (Figure 1)

and 3.60% butterfat and 8.87% nonfat solids for Holsteins. The Jersey mailbox price of \$25.92/cwt. represented a \$4.57 gain over 2013, and the Holstein price of \$21.46 was up \$3.34.

Cost Categories

Slightly higher costs for roughage and wet feed were more than offset by significantly lower costs for concentrates. Overall feed costs for Holsteins decreased by \$0.46/cwt. from 2013 while Jerseys went down by \$0.19. Jersey total feed costs ran \$1.65/cwt. more than Holstein. Feed costs represented 60.3% of the overall costs for Jerseys and 63.7% for Holsteins.

Income Over Feed Cost/cwt.

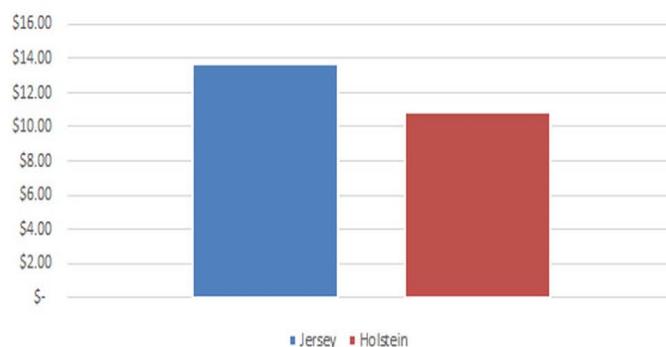


Figure 1 - Revenue and Income

Revenue Per CWT	Jersey	Holstein	Jersey Difference
California Mailbox	\$25.92	\$21.46	\$4.46
California Cheese Plant A	\$25.98	\$21.88	\$4.11
California Cheese Plant B	\$26.65	\$21.53	\$5.12
Federal Order Value	\$28.75	\$24.16	\$4.59

Net Per CWT	Jersey	Holstein	Jersey Difference
California Mailbox	\$6.25	\$5.38	\$0.87
California Cheese Plant A	\$5.69	\$5.25	\$0.45
California Cheese Plant B	\$6.36	\$4.90	\$1.46
Federal Order Value	\$8.46	\$7.53	\$0.93

Net Income Per Cow	Jersey	Holstein	Jersey Difference
California Mailbox	\$1,200.35	\$1,329.74	\$(129.39)
California Cheese Plant A	\$1,094.09	\$1,297.56	\$(203.46)
California Cheese Plant B	\$1,221.92	\$1,211.43	\$10.49
Federal Order Value	\$1,625.76	\$1,860.55	\$(234.79)

Net Income Per Animal Unit	Jersey	Holstein	Jersey Difference
California Mailbox	\$1,680.49	\$1,329.74	\$350.75
California Cheese Plant A	\$1,094.09	\$926.83	\$167.27
California Cheese Plant B	\$1,221.92	\$865.31	\$356.61
Federal Order Value	\$1,625.76	\$1,328.96	\$296.80

2014 CA average prices: Fat \$2.3346, Overbase SNF \$1.4688, Quota SNF \$1.6637
 2014 FMMO average prices: Fat \$2.3792, Protein \$3.7935, Other Solids \$0.4684, PPD \$0.93
 Animal Unit: Jersey 1.4, Holstein 1.0

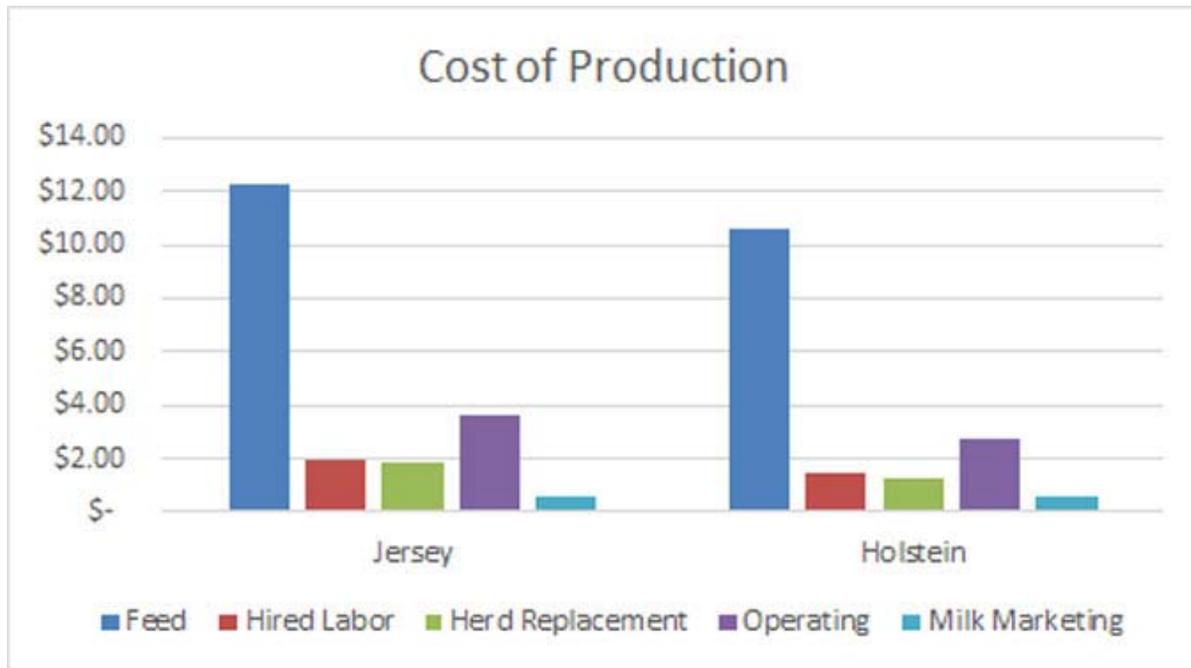
Not all cost categories saw declines last year. Herd replacement costs were up sharply. CDFA defines the expense as, “a twelve-month rolling average of the number and value of cows entering the herd, minus the total receipts of cows culled and dead, adjusted for the increase or decrease in herd inventory.” Because of the dairy industry’s increased profitability last year, replacement prices rose sharply. Both Holsteins and Jersey experienced increases over 25% from 2013 in the CDFA analysis. On a per hundredweight basis, Jersey replacement costs were \$1.81 while Holstein costs were \$1.29.

2014 continued the trend established the previous year of rising milk prices (which set another record) and lower overall feed costs, which represent the single largest cost category. The mailbox prices shown in Figure 1 are based on California’s regulated minimum prices plus earned premiums less marketing costs and assessments. Milk component levels reported by the herds averaged 4.75% butterfat and 9.36% nonfat solids for Jerseys

Each of the other three cost categories edged up. Hired labor expense ticked up \$0.15/cwt. for Jerseys to \$1.95, while the Holstein cost barely nudged up \$0.02/cwt. to \$1.48. Operating costs is the broadest category and includes, among other items, utilities, veterinarian, bedding, fuel, taxes,

insurance and depreciation. These costs picked up \$0.20/cwt. for Jerseys to \$3.67, while Holsteins only went up \$0.06 to \$2.71. Milk marketing costs of hauling and assessments gained a penny for the Holstein herds and seven cents for Jerseys.

On a per hundredweight basis, Jerseys netted more net income than Holsteins under all four pricing scenarios, with the greatest difference seen using Cheese Plant B’s premium program. However, as usually happens in extremely high milk price years,



The total costs for Holsteins actually declined \$0.10/cwt. last year to \$16.63. Jerseys, on the other hand, went up by \$0.58 to \$20.29.

Different Milk Pricing Scenarios

In addition to the CDFA reported mailbox price, NAJ analyzed milk revenue using three other scenarios, Federal Milk Marketing Order (FMMO) minimum prices, and two California cheese plants offering over-order premiums. Both cheese plants pay CDFA regulated minimum prices. Cheese Plant A adds a protein premium for milk above 3.0% true protein. Cheese Plant B’s premium program is based on a proprietary formula that incorporates product values of cheese-making byproducts. As in previous years, FMMO pricing resulted in higher prices and larger net incomes than California prices due to differences in make allowances, protein and other solids being priced separately, and how whey values are incorporated into price formulas.

on a per cow basis, Holsteins exceeded Jerseys due to their advantage in volume. The exception was for Cheese Plant B pricing. However, when net income is calculated on a CAFO Animal Units basis where Jerseys equal 1.0 and Holsteins equal 1.4, the profitability of Jersey Animal Units far exceed Holsteins. For new or expanding dairies, the number of Animal Units they are able to be permitted for may be their most limiting factor.

2014 resulted in a very unusual milk marketing year. Producer milk prices reached record levels and feed costs, representing the single largest cost category, were lower than 2013. The combination provided producers with one of the, if not the, best profit years in memory. In this extreme market situation Jersey profitability excelled on a per hundredweight basis. And as environmental and CAFO regulations become more prominent, Jerseys excel on a per Animal Unit basis, as well.