

Your Trusted Source for Dairy Producer Metrics

A History of Making Ag Producers More Profitable



The United Dairy Financial System (UDFS) is the next step in JBS United's long history of helping livestock and milk producers become more profitable. The UDFS program is very similar to the company's Pork Production Records Program, which now contains more than 30 years of collected data. This program was started in the early 1970's with a vision that producers would need a user-friendly method to accurately track their production expenses and efficiencies simultaneously to make better management decisions.

JBS United's company founder, John B. Swisher, personally worked on this program to turn it into a reality and by the mid 70's it was proving to be a great asset. Initially, everything was tracked manually, but ultimately, the program was computerized in the late 1970's and that was the point where it became an even more valuable and important tool. As the program and technology both evolved, and producers became more

aware of the value the program brought to their operation, its scope was expanded. The reports became more detailed and in depth, and the turnaround time was shortened to aid in making more timely management decisions.

The Pork Production Records Program is now serving hundreds of customers in the United States and the program has also been introduced in Asia. The program continues to evolve to meet the demands of the industry, while keeping a strong focus on the original goal of keeping a producer's operation competitive. The reports allow producers to benchmark their operation with others in the industry, while maintaining the confidentiality of their farm. The end result for the producer is lower costs, increased efficiencies and higher profits. The UDFS program will provide the same benefits for the dairy producers.

Please contact us to learn more about this valuable program and how it can improve your dairy operation.



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DAIRY PRODUCERS FINANCIAL RECORDS & ANALYSIS

Using Information to Increase Milk Production and Profits



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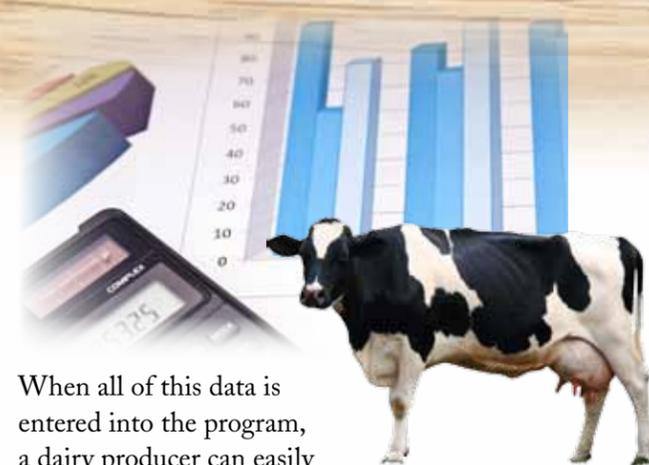
Using Information to Increase Milk Production and Profits

JBS United's United Dairy Financial System (UDFS) is a new and innovative approach that solves a very old problem. With the long lag time that can occur between expenses and revenues, it can be very difficult for a dairy producer to know how they are performing financially. They may be losing money and not taking actions to correct the problem, or making money and not planning for the best use of that cash flow. This is a very common problem in the dairy industry, but one that can be solved through good record keeping and the timely analysis of that data.

UDFS is a computer software program that helps dairy producers organize all their critical expense and revenue numbers in one place, and then allows that data to be easily analyzed. This is an important process that results in the information needed to make better business decisions. Decisions that may improve production and/or financial efficiency, leading to higher milk production and higher profits for the dairy producer. Factors that are taken into consideration include:

- Forages and Feed Costs
- Gasoline Costs
- Labor Costs
- Utility Costs
- Equipment Maintenance Costs
- Market Value of Milk Components
- Revenues from Bulls and Heifer Sales
- Revenue from Milk Production

All of these factors and more are considered. This includes a detailed breakdown of costs applied to crop production versus costs applied to milk production.



When all of this data is entered into the program, a dairy producer can easily determine exactly how much it costs to produce a hundred weight of milk. If a producer is not making a profit, the cause can be determined. Losing money may be the result of such factors as:

- Needing to increase or decrease the number of cows.
- Needing to adjust the feed to better control costs and/or increase milk production.
- Spending too much money on gasoline, labor and/or other costs.
- Not comparing production cost to others (benchmark) in the region.
- Not knowing exactly where your breakeven is.
- Not knowing how much feed you have available at the farm and its real / market price.
- Not getting the optimal agronomic performance from crops.

The value of tracking and analyzing this important data for a producer's own operation is tremendous, but the UDFS program also takes this concept a step further. While all data remains completely anonymous at all times, the information collected from each producer is used to generate averages and industry standards. This creates an exceptional benchmarking opportunity that allows all of the participating dairy producers to compare their costs to other operations and the industry as a whole.

The UDFS program allows every aspect of a dairy producer's operation to be easily recorded, monitored, analyzed and compared to others. All of this leads to better business decision-making. This program also generates accurate and timely data that can be shown to financial lenders as needed to get loans, restructure debt, etc. This data, and the organized manner in which it is maintained, shows the banker that a dairy producer understands their business at a deep financial level and knows how to use that knowledge to become more profitable.



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UDFS PROGRAM QUESTIONS & ANSWERS

The following are some common questions and answers about the program:

1 Is there a cost to participate in the program?

Initially, as the program is first launched and introduced, there will be No Charge to the participating dairy producers. These early adopters will help JBS United establish the system and provide the data needed to show other producers how it works and its many benefits. At some point in the future, additional dairy producers that choose to participate in the program will pay a minimal fee to cover the costs of collecting data and maintaining the program.

2 Who can participate in the program?

The UDFS program is available to all dairy producers, regardless of who provides their feed. They do not have to be JBS United customers to participate. The goal is to make the program as comprehensive as possible by having a large number of participants. Program participants simply need to be willing to provide important information about their operation. All of this information is kept confidential and is only used for benchmarking and comparison purposes.

3 Some accounting firms seem to provide similar data recording and analyzing services, so how is this different?

Most accountants do not record or analyze the number of cost and revenue factors that are taken into consideration with the UDFS program. This less than comprehensive view of the data is typically designed to analyze only one or two specific aspects of the business, rather than every important aspect. Also, this approach is not capable of easily comparing data from one producer to another or to the industry averages and standards. These are important limitations to understand, as they reduce the benefits that can be offered.

4 Since the UDFS program is new, and nothing like it has ever been done in the dairy industry, how are the benefits of it known?

For more than 30 years (see story on back cover), JBS United has operated the Pork Production Records Program to help swine producers understand their true costs and then be able to take the necessary actions to continually improve their efficiency and profitability. This is a very similar program to the UDFS system, except it is used with swine producers, rather than dairy producers. This swine records program is a proven system for improving the

productivity and profitability of swine producers, and it has received the praises of many industry experts and JBS United customers. The same results are expected for the UDFS program in the dairy industry.

5 How often is data collected and how much time will be required by the dairy producer?

Ideally, data should be collected monthly, but this varies based on a producer's schedule. JBS United staff will visit each participant to gather the needed information. The first visit is typically the longest as all of the initial data is collected. Once the system is established, all the dairy producer needs to do is follow the program guidelines and document certain key pieces of data, which typically only requires a few extra minutes of time per day.

6 What does the dairy producer receive and how often is it sent?

The reports provided to customers are very thorough documents filled with valuable information, including comparative summary sheets that compare the customer's operation to all the other dairy

producers in the program. By analyzing these reports, the producer can identify each specific area where their costs and production parameters differ from other producers and benchmarks. Acquiring this knowledge helps guide decisions that will result in cost savings and efficiencies, which can lead to higher milk production and increased profits. These reports are valuable third party assessments of the financial health of a dairy producer's operation.

Learn more at www.JBSUnited.com

