



Example 2: Gross margin analysis – Dairy

Calculating a gross margin for a dairy enterprise (450 cows on 200 hectares)*

Gross income (yield x price):

Item	Amount
Total milk produced (average yield/cow/year of 7100L)	3 195 000L
Price/L	\$0.45
Total milk sales	\$1 437 750
Livestock sales	\$54 560
Gross income	\$1 492 310
Gross income/ha	\$7462
Gross income/cow	\$3316

Variable costs:

Item	Total
Fertiliser – nitrogen	\$46 200
Fertiliser – other fertiliser	\$35 200
Feeds/supplements – grazing	\$112 600
Feeds/supplements – grains, pellets, concentrates	\$405 400
Feeds/supplements – forages (hay, silage, by-products)	\$59 200
Pasture maintenance	\$26 600
Animal health	\$34 800
Breeding and herd testing (including livestock purchases)	\$21 000
Dairy shed expenses	\$23 600
Electricity	\$26 400
Irrigation	\$41 800
Machinery operating – repairs and maintenance	\$55 800
Vehicle expenses – fuel and oil	\$31 500
Freight	\$9000
Casual labour	\$165 000
Total variable costs	\$1 094 100
Variable costs/ha	\$5471
Variable costs/cow	\$2431

Gross margin (gross income – variable costs):

Item	Amount
Gross margin	\$398 210
Gross margin/ha	\$1991/ha
Gross margin/cow	\$885/cow

* This is an example only; it is not from an actual business. Prices and costs may not be current.