

**Abstract Preview - Step 3/4**

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SP 5293 P. 167  
2010  
SP-PP-5293

Topic: 21. Animal Production systems &amp; Economics

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Text: The definition of dairy herd efficiency goals based on performance indicators has simpler implementation and use than the direct monitoring of profitability indicators. The objective of this study was to identify which performance indicators would be the main determinants of profitability in 159 dairy farms in the Triângulo Mineiro/Alto Paranaíba region of Minas Gerais. Profitability was measured by three indicators: annual net income (NI), annual net income divided by the assets value (NIA), and net income divided by gross income (NIGI). The statistical comparison of the 40 farms with negative profitability and the 119 positives showed that farms with positive NI produced more milk per unit of labor and per cow, had a greater proportion of lactating cows in the herd, had concentrate cost as a greater share and hired labor cost as a smaller share of the production cost, and had a smaller ratio of hired labor cost to concentrate cost. Farm size, farmer's age, animal stocking rate and production per area did not differ between positive and negative NI farms ( $P > 0.14$ ). Principal component analysis showed that the most important indicators to explain the variation in profitability among farms were: the ratio between labor cost and concentrated cost, hired labor cost per unit of milk, milk production per unit of hired labor, milk yield per cow, and the proportion of lactating cows in the herd. Greater profitability was associated with more efficient labor use, apparently the result of larger investment in concentrates and production per cow. Herds with increased proportion of lactating animals also were more efficient. Land productivity, measured as animals or income per area, was not primarily determinant of profitability on this sample of farms. There was a positive linear correlation between NIA and the annual milk yield per cow, although the regression determination coefficient was only 0.15. Obtaining gain in production per cow may be a feasible goal for directing the achievement of gain in profitability.

Conference: WORLD BUIATRICS CONGRESS · Abstract: A-224-0021-01487 · Status: Submitted

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