

Income tax management vs. managing investment per cow

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The 4th quarter of 2008 is two weeks away. Following harvest, the management radar focuses more closely on income and tax issues. For many, 2008 will be a profitable year, following an equally profitable 2007. Typical income tax management involves pre-payment/purchase of 2009 inputs, followed by purchases of machinery, equipment and other capital investments for the cows. It is critical that capital purchases be evaluated for their contributions to the efficiency and profitability of the dairy enterprise, not just their income tax-reduction attributes. Additional investment should return additional revenue to the dairy enterprise. Measures 5 – Dairy investment per cow, and 6 – Asset turnover ratio of “Dairy Excel’s 15 Measures of Dairy Farm Competitiveness” address the implications of over-investment in the dairy operation.