TABLE 1

	Definition	Benchmark	Formula
Current ratio with herd	Measures the ability to pay off short-term liabilities with current assets. For a dairy, this will include herd value vs. herd debt.	Your ratio should be greater than 1 and less than 3 (specific loan agreements will dictate the required ratio).	$\text{Current ratio} = \dfrac{\text{Current assets} + \text{herd value}}{\text{Current liabilities} + \text{herd debt}}$
Debt-to-equity ratio (a.k.a. leverage ratio)	Indicates how much the assets of your business are financed by debt.	A ratio of 1.00 indicates 50% of the assets are financed by debt. Anything over 1.00 indicates higher risk due to reliance on external financing.	$\text{Debt-to-equity ratio} = \dfrac{\text{Total liabilities}}{\text{Shareholders' equity}}$
Debt coverage ratio	Shows your ability to use available cash to pay short-term debt obligations.	A ratio greater than 1 indicates you can pay your debts.	$\text{Debt coverage ratio} = \dfrac{\text{Net operating income}}{\text{Total debt service}}$
Interest coverage ratio	Specifies how easily you can pay interest charges on debt obligations.	A higher ratio shows a greater ability to pay interest charges.	$\text{Interest coverage ratio:} = \dfrac{\text{EBIT}}{\text{Total interest charges}}$
Breakeven price	The amount of money for which a product must be sold to cover the costs of manufacture.		The amount of money invested in a specific quantity of milk or a head of livestock.
Cost of operation	Identifies the cost to produce one unit of milk (CWT).		$\text{Cost of operation} = \dfrac{\text{Total cost of production}}{\text{Units of production}}$