

DAIRY  
FARM BUSINESS  
SUMMARIES  
1957



Prepared by  
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## DAIRY FARM BUSINESS SUMMARIES, 1957

"Dairy farm business management projects" were sponsored by the county agricultural agents in fifteen counties in the State during the Year 1957. These projects, which are organized on a three-year basis, were carried on in cooperation with the College of Agriculture at Cornell.

Each cooperating family had a farm inventory and kept a record of receipts and expenses, and crops grown. At the end of the year, the records were checked and summarized at the College. Selected farm business factors were calculated. The figures for each farm were combined with those of the other cooperators in a county to get averages for the county group. These group averages were published in county summary reports. The individual cooperators used the figures in studying their businesses.

Participation in these projects was voluntary. The farm families that cooperated generally were scattered throughout the county. The major interest of the cooperators was to find ways to improve their farm businesses. The summary of these businesses DOES NOT reflect the average for all farms in these counties. The summary merely reports on the experiences of the individual farm operators in the projects.

Farm operators today are faced with many business management decisions. Good managers in any kind of business look for facts which will aid them in making decisions. The business analysis of the records kept by these farm families during 1957 provides facts that may be of help to other farmers in making management decisions.

A general summary of the 464 dairy farm businesses in the fifteen counties has been prepared. The averages for the 464 farms are reported in this mimeograph. Blank spaces have been provided so that any interested farmer can compare his figures with the group averages. Selected information from the individual county summaries is included on pages 18 to 21.

The county agricultural agents in ten other counties in the State obtained farm business information for 1957 from farmers and prepared summary reports. Selected business factors from these county summaries are reported on pages 22 and 23.

This report has been prepared principally for the use of county agricultural agents and teachers of vocational agriculture in their educational programs. Farmers and others interested in agriculture also may find a use for this information.

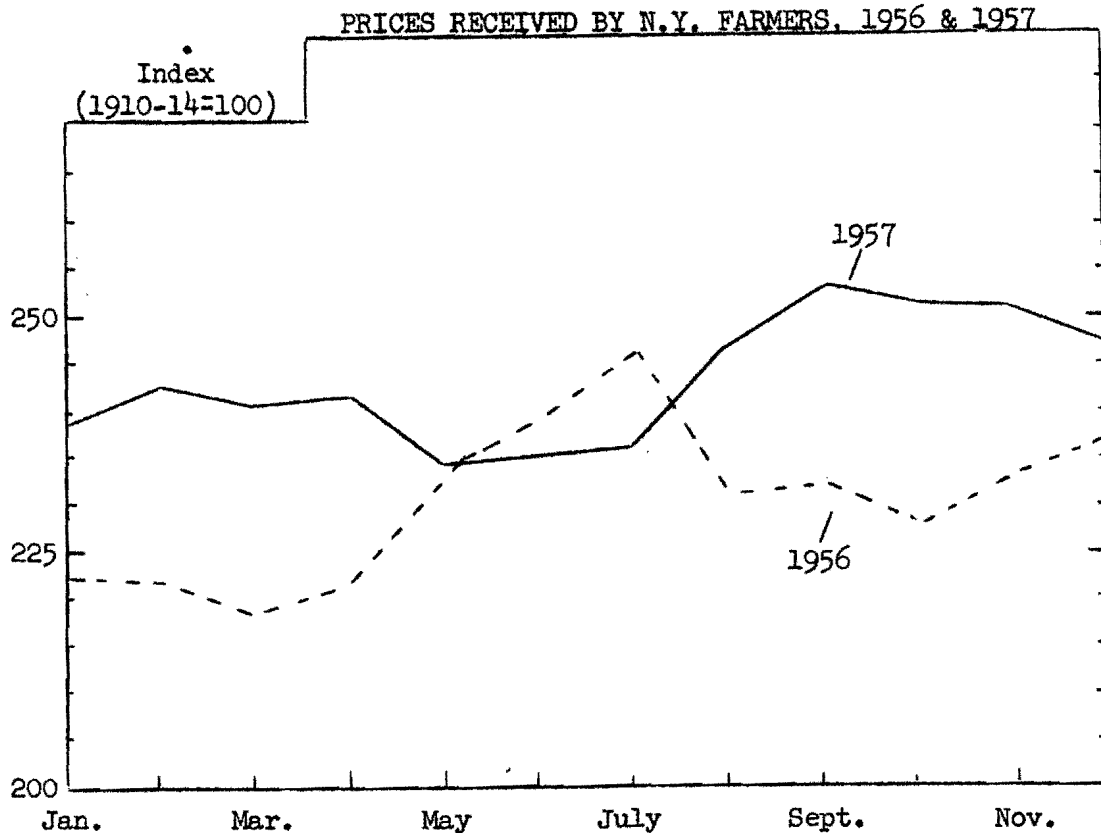
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This summary prepared by C. A. Bratton, Department of Agricultural Economics. G. J. Conneman, C. W. Loomis, R. S. Smith, and C. A. Bratton in cooperation with the county agents prepared the individual county summaries.

Agents sponsoring the fifteen county farm business management projects included: N. C. Kidder and L. M. Palmer, Albany; G. L. Conklin, Cayuga; H. W. Matott and W. E. Worth, Chenango; M. W. Reese and W. H. Kahabha, Clinton; C. S. Denton and H. B. Loomis, Delaware; Ray Bender, Essex; W. E. Schumacher, Greene; R. M. Cary, Madison; H. E. Johnson, Monroe; Frank Colling, Montgomery; R. F. Geiger, Oswego; W. D. Brown, Otsego; R. E. Wingert and Arne Nissen, Schoharie; E. A. Wilde, Sullivan; and G. C. Smith, Yates.

FARM PRICES

Prices are an important factor affecting profits from farming. In studying the financial returns from farm businesses for any year, consideration must be given to the nature of prices for that year.



Prices received by New York farmers in 1957 were above those of the corresponding month in 1956 for all months except June and July. The average for the year was up about 6 per cent. The 1957 average still was about 14 per cent below that for 1952. A marked rise occurred from July to September 1957. Crops increased about 17 per cent, poultry and eggs 10 per cent, and dairy 6 per cent during this period.

The index of prices received by New York farmers is weighted by commodities according to their importance. Milk has a weight of 53; cattle and calves 10; eggs 13; and other poultry 6. All crops have a weight of 17 with potatoes accounting for 6 and apples 4.

Prices paid by farmers continued to rise in 1957 averaging 4 per cent higher than 1956. Wages and machinery rose in 1957 while fertilizer remained unchanged and feed costs declined slightly. Farm machinery costs in 1957 were up 5 per cent from 1956 and wages were up 4 per cent, while feed was down 1 per cent.

CAPITAL INVESTMENT

Capital is required to provide many of the things to work with. In modern farm businesses, the capital investment is large. In this report, the farm inventory is used as a measure of capital investment.

FARM INVENTORY VALUES, JANUARY 1, 1958  
464 New York Dairy Farms

Item	Amount per farm		Amount per cow	
	Av. 464 farms	Your farm	Av. 464 farms	Your farm
Land and buildings	\$20,373	\$ _____	\$ 617	\$ _____
Machinery and equipment	9,163	_____	278	_____
Cattle	10,024	_____	304	_____
Other livestock	162	_____	5	_____
Feed and supplies	<u>3,722</u>	_____	<u>113</u>	_____
<b>TOTAL INVESTMENT</b>	<b>\$43,444</b>	<b>\$ _____</b>	<b>\$ 1,317</b>	<b>\$ _____</b>

The average investment per man on these farms was \$24,136. This is nearly double the capital investment per worker in many industries.

The total investment per cow of \$1,317 is in line with that found in most dairy areas. (Land and buildings was the largest item amounting to \$617 per cow.) The amount of cropland on the farms and the location in respect to cities affects the land and building investment per cow.

High capital investment per "productive unit" (per cow) in a business tends to cause a heavier overhead cost per unit. In some cases, it may indicate that the capital resources are not being used to capacity.

Capital turnover (years required for receipts to equal capital) is sometimes used to measure efficiency in the use of capital. On these farms, it would require 2.2 years for the 1957 farm receipts to equal the capital investment.

LABOR INCOMES  
464 New York Dairy Farms, 1957

Item	Your farm	Average of 464 farms
Capital Investment	\$ _____	\$42,012
Farm Receipts	\$ _____	\$20,166
Farm Expenses	\$ _____	<u>\$13,798</u>
Farm Income	\$ _____	\$ 6,368
Interest on Capital at 5%	\$ _____	<u>\$ 2,101</u>
LABOR INCOME per farm	\$ _____	\$ 4,267
Number of operators	_____	526
LABOR INCOME per operator	\$ _____	\$ 3,764

"Labor Income" is a measure of the return to the farm operator for his labor and management. It is the amount left after paying the usual farm expenses, and deducting a charge for unpaid family labor and for interest on the capital invested.

Changes in inventories during the year are included in figuring labor income. If the farmer builds up his inventory, this is considered as a farm receipt, and if he depletes his inventory, the amount used up is included as a farm expense. Interest and principal payments on debts are not included in the expenses. On the other hand, to make all farms comparable, a five per cent interest charge on the capital investment (average of beginning and end inventories) is deducted in figuring labor income.

In addition to the labor income on a farm, the family usually has the use of a house, milk, eggs, meat, vegetables, and other products produced on the farm. The estimated value of these farm privileges for 1957 on 282 of these dairy farms averaged \$1,009. In general, these items were valued at what they would sell for at the farm. If they were purchased in the city, they would cost considerably more.

If the operators' labor were figured at \$3,600 per year, the rate of return on the capital investment would be 5.4%.

WHERE THE MONEY WENT

The expenses on these farms averaged about \$1,150 per month or \$38 per day including Sundays. This is the equivalent of spending \$1.58 per hour every hour of the year.

FARM EXPENSES  
464 New York Dairy Farms, 1957

Item	Your farm	Average of 464 farms	Per cent of total
Dairy feed bought	\$ _____	\$ 3,515	33
Other feed bought	_____	321	3
Hired labor	_____	1,145	11
Dairy & poultry expense*	_____	938	9
Gas and oil	_____	670	6
Machinery repairs, etc.	_____	709	7
Auto expense (farm share)	_____	147	1
Machine hire	_____	121	1
Fertilizer and lime	_____	634	6
Other crop expenses	_____	409	4
Building repairs, etc.	_____	324	3
Livestock bought	_____	585	5
Miscellaneous**	_____	<u>1,152</u>	<u>11</u>
Total cash operating	\$ _____	\$10,670	100
New machinery	_____	2,079	
New buildings	_____	809	
Unpaid family labor	_____	240	
Decrease in inventory	_____	--	
<b>TOTAL FARM EXPENSE</b>	<b>\$ _____</b>	<b>\$13,798</b>	

\*Includes milk hauling \$271

\*\*Taxes \$440, Insurance \$187, Electricity \$217, Telephone \$56, Rent \$120  
.. Other \$132

FARM MACHINERY COSTS

Machinery costs of all kinds (including milk hauling) were 22 per cent of the total farm expenses and interest on investment. Machinery costs were unquestionably the second most important item of expense on these farms.

MACHINERY COSTS\*  
464 New York Dairy Farms, 1957

Item	Your farm	Average 464 farms	
		Amount	Per cent
Beginning inventory	\$ _____	\$8,306	
New machinery bought	_____	2,079	
Total	\$ _____	\$10,385	
End inventory	\$ _____	\$9,163	
Machinery sold	_____	100	
Total	\$ _____	<u>\$ 9,263</u>	
Depreciation	\$ _____	\$ 1,122	32
Interest @ 5% Av. inventory	_____	437	13
Gas and oil	_____	670	19
Machinery repairs	_____	709	20
Milk hauling	_____	271	8
Machine hire	_____	147	4
Auto expense (farm share)	_____	<u>121</u>	<u>4</u>
Total machinery cost	\$ _____	\$ 3,477	100
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Machinery cost per cow	\$ _____	\$105	
Machinery cost per crop acre	\$ _____	\$35	
Machinery cost per work unit	\$ _____	\$6.04	
Machinery cost per man	\$ _____	\$1,932	

\*Does not include insurance, housing, or labor repair costs.

Depreciation was the largest item in the machinery costs and accounted for one-third of the total. This is an item sometimes overlooked by farmers in estimating what it costs to operate machinery. Machines do wear out and become obsolete which accounts for the depreciation. The fixed costs of depreciation and interest made up 45 per cent of the total cost.

RATES OF PRODUCTION  
464 New York Dairy Farms, 1957

Item	Your farm	Av. of farms reporting
<u>Animal Production:</u>		
Lbs. 3.7% milk sold per cow	_____	8,885
<u>Crop Yields:</u>		
Tons hay per acre	_____	2.1
Tons corn silage per acre	_____	11.4
Bu. oats per acre	_____	58

Pounds of milk sold has been adjusted to a 3.7 per cent butterfat equivalent so that farms would be comparable. Pounds of milk sold per cow is always less than D.H.I.C. or other production records. The pounds of milk sold per cow ranged from 4,500 to 13,800.

Roughage is the cheapest source of nutrients available to New York State dairymen. It is for this reason that good crop yields are important on dairy farms. Crop yields are frequently a weak point in farm businesses.

Rates of production also have an effect on farm incomes. There is a point, however, beyond which it is no longer profitable to increase the rates of production. Below are data on rates of production and incomes from the dairy farms in the 1957 farm business management projects.

MILK SOLD PER COW AND LABOR INCOME  
464 New York Dairy Farms, 1957

Lbs. Milk sold per cow	Number of farms	Number of cows	Milk sold per man	Labor income per operator
Under 7,000	66	29	117,000	\$2,350
7,000-7,999	92	32	141,100	2,780
8,000-8,999	99	34	168,600	3,630
9,000-9,999	107	34	176,100	4,100
10,000-10,999	59	38	207,000	5,560
11,000-over	41	33	210,700	5,500