

NEW YORK

POULTRY  
FARM  
BUSINESS  
SUMMARY

1969

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1969 NEW YORK  
POULTRY FARM BUSINESS SUMMARY

Forty-three poultrymen scattered over the State submitted records of their 1969 businesses for summary and analysis. Some records were from the Cornell electronic farm accounting program while others kept conventional record books. All accounts were checked by the farmer and the Extension Agent and sent to the College for summarization.

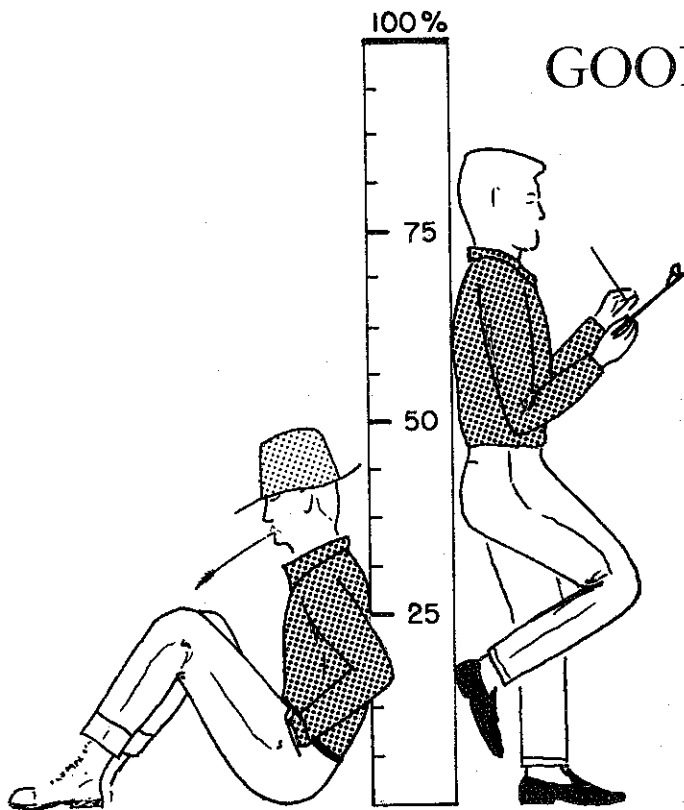
Twenty-three of the farms were layer operations with no crops. Thirteen farms were layer operations which also grew grain. There were four contract operations and three with one or more major enterprises in addition to the poultry. All 43 are included in a general summary but only the 23 straight layer operations and the 13 layer and grain crop operations are included in the detailed analysis.

This report is prepared in workbook form. Group averages are presented along with space for the figures from an individual business. This makes it convenient to systematically summarize and analyze an operation. This kind of study is useful for locating the strengths and weaknesses in a business.

Tools for use by managers of farm businesses are quite limited. A device for taking an analytical look at a business is one kind of management tool. This workbook is designed as a management tool for New York poultrymen.

Acknowledgements

This summary was prepared by C. A. Bratton, Department of Agricultural Economics, and G. H. Thacker, Department of Poultry Science, New York State College of Agriculture, in cooperation with Cooperative Extension Agents and Specialists S. E. Ackerman, A. Aja, G. A. Earl, Earl Howes, and W. J. Toleman.



## GOOD MANAGEMENT IS BASIC

### How do you measure up?

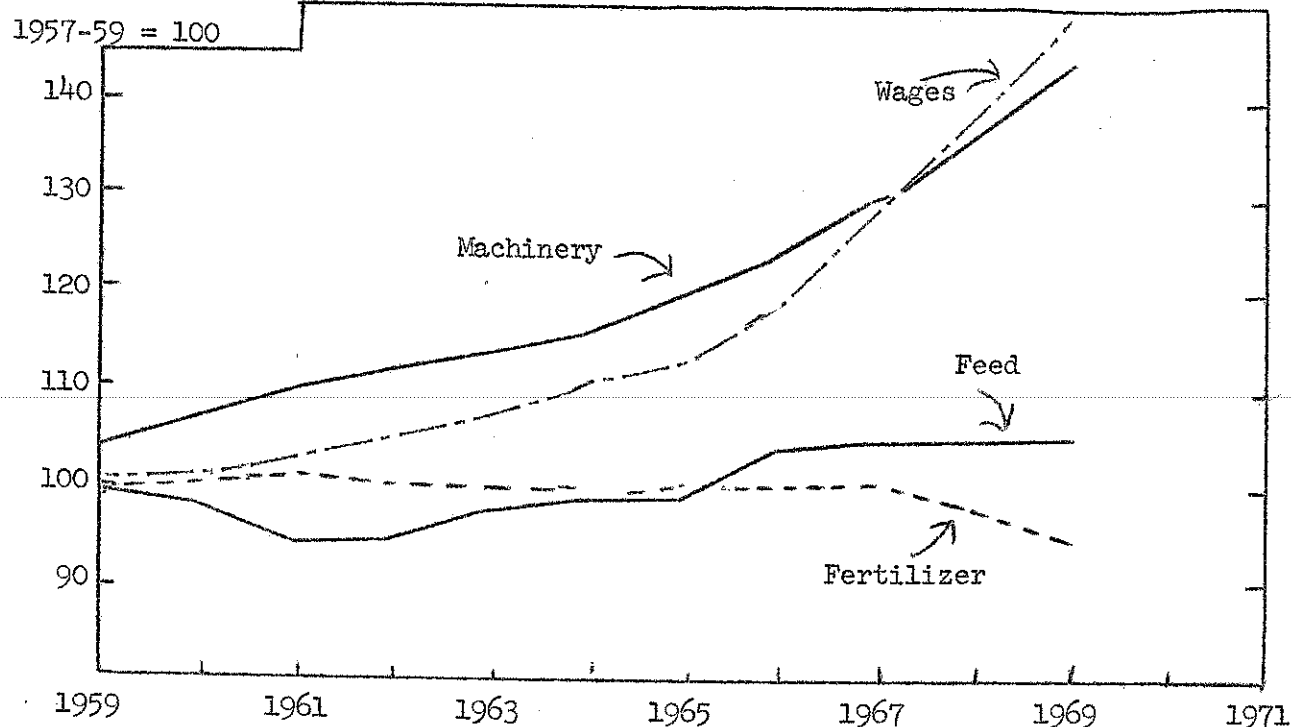
1. Have you developed a systematic approach to management problems?
2. Do you have the facts on your business?
3. Are you improving your managerial skills?

### Steps in making a management decision :

1. Locate the trouble spot (problem)
2. What is your objective? (goal)
3. Size up what you have to work with (resources)
4. Look for various ways to solve the problem (alternatives)
5. Consider probable results of each way (consequences)
6. Compare the expected results (evaluate)
7. Select way best suited to your situation (decision)
8. Put the decision into operation (action)

This workbook can help you !

## PRICES PAID BY FARMERS FOR SELECTED ITEMS, 1959-1969



The overall USDA index of prices paid by farmers in the United States continues to rise. However, the prices of some inputs have risen much more than others. For example, the index of New York hourly farm wages in 1969 was up 49 percent from 1957-59, while fertilizer prices were down six percent.

Feed is the major expense item on a poultry farm. Poultry ration prices in 1969 were about the same as 1968 but less than in 1967 or in 1959. In contrast, wages and machinery prices in 1969 were at an all time high.

Table 3. PRICES PAID BY NEW YORK POULTRY FARMERS, 1959-69

Year	Index 1957-59 = 100				Poultry ration (cwt.)	N.Y. farm wages per hour
	Feed	Fertilizer	Wages	Machinery		
1959	101	99	101	104	\$4.13	\$1.12
1960	98	100	101	107	4.03	1.12
1961	94	101	103	110	3.85	1.14
1962	95	100	105	112	3.89	1.17
1963	98	100	107	114	4.02	1.19
1964	99	99	111	116	4.04	1.23
1965	99	100	113	120	4.06	1.25
1966	104	100	119	124	4.25	1.32
1967	105	100	129	130	4.30	1.43
1968	100	98	139	136	4.10	1.54
1969	100	94	149	144	4.07	1.65

### General Summary of All Forty-Three Farms

Forty-three poultry farm records were submitted for summary. The organization of these farms varied widely. There were four contract operations, three poultry with other major enterprises, thirteen poultry layers with grain production, and twenty-three straight layer operations. In this general section, all forty-three businesses are included. For the more detailed analysis in the sections that follow, only the twenty-three layer operations and the thirteen layer with grain crops are included.

Table 4. FARM BUSINESS FINANCIAL SUMMARY  
43 New York Poultry Farms, 1969

Item	Average 43 farms	Range	
		Low	High
Average Capital Investment	\$100,485	\$9,494	\$404,214
Total Farm Receipts	144,975	5,951	457,399
Total Farm Expenses	119,083	4,886	444,759
Farm Income	\$ 25,892	\$1,065	\$ 79,824
Interest @ 7% on Capital	7,034	665	22,628
Labor Income per Farm	\$ 18,858	\$-2,154	\$ 61,402
Number of Operators	48		
LABOR INCOME PER OPERATOR	\$ 16,893	\$-2,154	\$ 61,402

Labor income is a measure of the return to the operator for his labor and management. It is the most commonly used measure for comparing the overall results of farm operations. For these 43 poultry farms, the average labor income per operator was \$16,893. In addition to the labor income, the operators usually have certain privileges such as a house to live in, eggs and poultry to use, and other miscellaneous items.

Labor incomes per operator ranged from a minus \$2,150 to a plus \$61,000. This is a great difference. There were two farms with minus labor incomes and fifteen with labor incomes per operator of over \$20,000. Fifteen, or one-third of the farms, had labor incomes between \$5,000 and \$15,000 (see page 12 for distribution.)

The average capital investment on these 43 farms was about \$100,000. The receipts averaged \$145,000 and the expenses \$119,000. Thus, on these farms, the receipts and the expenses were greater than the capital investment. "Capital turnover" on these farms, as measured by the number of years for the receipts to equal the capital, would be less than one (.69). This is in contrast to dairy businesses where commonly it takes two to three years for the receipts to equal the capital.

Table 5.

GENERAL FARM BUSINESS FACTORS  
43 New York Poultry Farms, 1969

Business factor	Average 43 farms	Range	
		Low	High
Man equivalent	2.9	1.0	7.4
Months unpaid labor	1.8	0	6.0
Months hired labor	19.1	0	77.0
Percent of labor hired	55.2%	NA	NA
Average labor cost/month hired	\$423	NA	NA
Average number of hens for year	13,700	2,000	49,480
Total work units	1,101	209	3,859
Work units per man	380	115	817
Eggs sold per hen	215	165	272
Pounds feed per dozen eggs	4.8	3.8	5.7
Average price per cwt. feed	\$3.77	\$3.25	\$5.11
Average price per dozen	\$.46	\$.35	\$.51

Poultry farm operations differ a great deal in their organization. Contract versus independent operations are one difference. The range in the capital investment is a reflection of this. The low capital investment was \$9,500 while the high was \$404,000. Similarly, the low expense reported was \$4,900 while the high was \$445,000. The wide range indicates that one should recognize certain limitations in the "averages" when they are used.

The labor force on these farms ranged from 1.0 to 7.4 man equivalent with an average of 2.9. The high farm, therefore, was not "large" from the standpoint of work force involved. For all 43 farms, over half the labor was hired and less than half was furnished by the operator and his family. The average labor expense per month of hired labor was \$423.

Number of hens is a common measure of size for a laying operation. The numbers varied from 2,000 to 49,500. These reflect the average number for the year. The number of eggs sold per hen averaged 215 but with a range from 165 to 272. The 215 average for the 43 farms compares with a reported New York State average for 1969 of 220 (see page 3).

Marketing arrangements differ with some selling all eggs wholesale while others sell all retail and some for hatching purposes. The average price received per dozen sold during 1969 was 46 cents with the range from 35 cents to 51 cents.

Feed is the major cost item on poultry farms. Efficiency of feed conversion is an important factor affecting incomes. It is not easy to arrive at this figure but efforts were made to calculate this factor. The average was 4.8 pounds per dozen eggs with the range from 3.8 to 5.7. Feed costs per hundredweight ranged from \$3.25 to \$5.11 with an average of \$3.77.

## SUMMARY OF THE BUSINESS

The first step in a management analysis is a systematic summary of the business. In this portion of the study, we examine the physical resources, capital investment, receipts, expenses, and the financial summary for the year.

Labor, Livestock, and Crops Grown

An early step in the management analysis of any business is to look at the resources being used. This includes both the physical and financial resources. Management decisions must be based on the things you have to work with. Below are the averages for the physical resources of 36 New York poultry farms for 1969.

Table 6.                      LABOR FORCE, LIVESTOCK, AND CROPS GROWN  
36 New York Poultry Farms, 1969

Item	My farm	Average or Number Reporting	
		23 farms with poultry only	13 farms with poultry and grain
<u>Labor:</u>			
Months of:			
Operators	_____	(23 farms) 13.0	(13 farms) 14.8
Family--unpaid	_____	(10 farms) 1.7	( 7 farms) 2.0
Hired	_____	(20 farms) 20.8	(13 farms) 17.3
Total	_____	35.5	34.1
Man equivalent (No. men)	_____	3.0	2.8
Number of operators	_____	25	16
Percent of labor hired	_____ %	59%	51%
<u>Livestock: (number)</u>			
Laying hens	_____	15,760	14,660
Pullets raised	_____	( 9 farms) 12,700	(10 farms) 13,400
<u>Crops: (acres grown)</u>			
Hay	_____		( 4 farms) 19*
Corn for grain	_____		(13 farms) 103*
Oats	_____		( 8 farms) 30*
Wheat	_____		( 8 farms) 24*
Total acres of crops	_____		143

\* Average of number reporting



## Capital Investment

Capital is a sizeable and important input in present day poultry operations. This capital is invested in machinery and equipment, poultry, feed and supplies, and land and buildings. Some of the capital is owned by the operator and some is borrowed. The end-of-year farm inventory is used as the measure of capital investment. The inventory reflects the "market value" of items.

Table 7. FARM INVENTORY VALUES, JANUARY 1, 1970  
36 New York Poultry Farms

Item	My farm	Amount per Farm	
		23 farms with poultry only	13 farms with poultry & grain
Machinery & equipment	\$ _____	\$ 25,554	\$ 31,899
Poultry	_____	20,909	17,883
Other livestock	_____	203	785
Feed & supplies	_____	5,278	11,591
Land & buildings	_____	48,861	53,211
TOTAL INVESTMENT	\$ _____	\$100,805	\$115,369

Total investment on these farms ranged from \$11,000 to \$421,000. Seventeen of the farms had investments of more than \$100,000. The inventory of machinery and of feed and supplies was larger on the farms growing grain which is logical.

How the capital is used is more important than the amount. Below are figures for analyzing the efficiency of the use of capital.

Table 8. CAPITAL INVESTMENT ANALYSIS

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Total investment/man	\$ _____	\$33,600	\$41,200
Total investment/hen	\$ _____	\$6.40	\$7.87
Machinery investment/hen	\$ _____	\$1.62	\$2.18
Land & building/hen	\$ _____	\$3.10	\$3.63
% land & buildings are of total investment	_____ %	48%	46%

Receipts

In the examination of any business, a look at the receipts reveals the major sources and amounts of income. It also gives an indication of the size of operation. Many nonfarm businesses use gross sales as a measure of size.

Table 9. FARM RECEIPTS  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Egg sales	\$ _____	\$149,577	\$121,720
Livestock sold	_____	3,478	6,614
Crop sales	_____	36	3,431
Miscellaneous	_____	1,920	2,558
Total cash farm receipts	\$ _____	\$155,011	\$134,323
Increase in inventory	_____	4,888	8,030
TOTAL FARM RECEIPTS	\$ _____	\$159,899	\$142,353

Total cash receipts averaged \$155,000 per farm for the farms with poultry only and \$134,000 for the farms with poultry and grain. Egg sales accounted for 96 percent and 91 percent respectively of the cash receipts on the two groups of farms.

Increases in inventory are usually due to expansion or improvements in the business. Inventory increases are considered as farm receipts. The major increases for the thirteen farms with poultry and grain were machinery and equipment \$3,700, and feed and supplies \$3,400.

Table 10. INCOME ANALYSIS

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Av. price/doz. of eggs sold	\$ _____	45.0¢	42.5¢
Total cash receipts/man	\$ _____	\$51,670	\$47,970
Total cash receipts per \$1,000 investment	\$ _____	\$1,538	\$1,164

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Total cash receipts per \$1,000 investment	\$ _____	\$1,538	\$1,164

Expenses

Cost control is an important job of any manager. This is certainly true for poultrymen. The first step in cost control is to know what the expenses are and how they compare with those of similar businesses.

Table 11.

FARM EXPENSES  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Hired labor	\$ _____	\$ 9,060	\$ 7,244
Layer feed bought	_____	57,119	45,482
Other feed	_____	244	493
Machine hire	_____	91	868
Machinery expense	_____	2,109	2,729
Auto expense (farm share)	_____	206	301
Gas and oil	_____	1,104	1,986
Livestock expense	_____	6,910	5,918
Lime & fertilizer	_____	5	2,842
Seeds and plants	_____	--	599
Spray & other crop expense	_____	9	369
Building expense	_____	930	1,266
Taxes	_____	1,103	1,362
Insurance	_____	1,044	1,155
Electricity	_____	1,356	1,377
Telephone	_____	288	322
Livestock purchases	_____	19,905	12,513
Eggs bought for resale*	_____	21,313	12,922
Rent	_____	114	663
Miscellaneous	_____	2,119	1,048
TOTAL CASH OPERATING EXPENSE	\$ _____	\$125,029	\$101,459
New machinery	_____	5,261	8,883
Real estate	_____	1,729	3,453
Unpaid labor	_____	496	600
Decrease in inventory	_____	--	--
TOTAL FARM EXPENSE	\$ _____	\$132,515	\$114,395

\* 12 farms with poultry only and 5 farms with poultry and grain

### Financial Summary

The financial summary of a poultry business can be measured in several ways. There is no one best measure. It is often helpful to look at several of the measures.

Farm income measures the return from the business to all capital and the operator's labor and management. Farm income is the difference between total receipts, including increase in inventory, and total expenses, including decrease in inventory but excluding interest payments.

Table 12.

#### FARM INCOME AND LABOR INCOME 36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Total farm receipts	\$ _____	\$159,899	\$142,353
Total farm expenses	_____	132,515	114,395
FARM INCOME	\$ _____	\$ 27,384	\$ 27,958
Interest on average capital at 7%		6,885	8,154
Labor income per farm	\$ _____	\$ 20,499	\$ 19,804
Number of operators		25	16
LABOR INCOME PER OPERATOR	\$ _____	\$ 18,858	\$ 16,091

Labor income is the return to the farm operator for his labor and management. This is the measure most commonly used when studying farm businesses. To get the labor income, a seven percent interest charge on all capital is subtracted from the farm income. (In previous years, a five percent interest charge has been used.) The average labor income per operator for the 23 farms was \$18,900, and for the 13 farms \$16,100. The distribution for all 43 farms is shown below.

Labor income per operator	Farms	
	Number	Percent
Minus	2	5
0 - \$ 4,999	3	7
\$ 5,000 - \$ 9,999	9	21
\$10,000 - \$14,999	6	14
\$15,000 - \$19,999	8	18
\$20,000 or more	15	35
	43	100

The labor income per hen was \$1.30 for the 23 farms and \$1.35 for the 13 farms. If the operator's labor is valued at \$8,000 per year, the return to "management" per farm for the two groups would be \$11,803 and \$9,958 respectively. The management return would be 7.4 percent and 7.0 percent respectively of the total farm receipts.

Table 13.

RATE OF RETURN ON INVESTMENT  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Farm income	\$ _____	\$27,384	\$ 27,958
Value of operator's labor*	_____	8,696	9,846
Return on investment	\$ _____	\$18,688	\$ 18,112
Average capital investment	\$ _____	\$98,361	\$111,454
RATE OF RETURN ON INVESTMENT	_____ %	19.0%	16.2%

\* \$8,000 per operator. Some farms had more than one operator.

Rate of return on investment is calculated by deducting a charge for the operator's labor from the "Farm income." This is then divided by the average investment for the year to determine the rate of return on investment. In the above calculation, \$8,000 has been used as the value of the operator's labor. The return on investment represents the return to "capital" and "management" combined.

Net farm cash flow reflects the cash available from the year's operation of the farm business for family living, interest and debt payments, and new capital purchases or investments. A family may have had additional cash available if some member of the family had a nonfarm income, or if money was inherited or borrowed.

Debt repayment ability is a measure of the amount of cash available for debt payments. It is calculated by deducting family living expenses from the farm cash operating income. It is assumed here that new machinery and real estate are purchased with borrowed capital. This measure is useful in planning debt repayment schedules.

Table 14.

FARM CASH FLOW AND DEBT REPAYMENT ABILITY  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with Poultry only	13 farms with poultry & grain
Total cash receipts	\$ _____	\$155,011	\$134,323
Total cash operating expense	_____	125,029	101,459
NET FARM CASH FLOW	\$ _____	\$ 29,982	\$ 32,864
Family cash living expenses*	_____	8,696	9,846
DEBT REPAYMENT ABILITY	\$ _____	\$ 21,286	\$ 23,018

\* Estimated at \$8,000 per operator per year

## ANALYSIS OF THE FARM BUSINESS

Farm business records provide information which can be used in making management decisions. A manager is always interested in finding ways to improve the income. A number of measures have been developed to aid in analyzing farm businesses for strong and weak points which is a first step toward improving the income.

In this section, four business factors are examined. These are: size of business, rates of production, labor efficiency, and cost control. The 1969 averages for selected measures for each of these factors are reported.

When analyzing a farm business, remember that many of the measures are interrelated. This means that all of the factors should be examined before arriving at major conclusions. A complete analysis of the business factors should point up the major strong and weak points of a farm business.

Size of Business

Size is usually the first factor to be examined when analyzing a farm business. Size of farm has an important effect on other factors such as labor efficiency and cost control. The prices received and paid by a farmer are often affected by the volume involved which is a function of the size factor.

Farm management research has shown that in general larger farm businesses make larger incomes. There are two basic reasons for this. Larger businesses make possible more efficient use of inputs such as equipment, the regular labor force, and other overhead items. Secondly, there are more units of production (eggs) on which to make a profit. However, when a business is unprofitable, these same factors operate and large farms have large losses.

Table 15.

MEASURES OF SIZE OF BUSINESS  
36 New York Poultry Farms, 1969

Measure	My farm	23 farms with poultry only	13 farms with poultry & grain
Number of hens	_____	15,760	14,660
Dozens of eggs sold*	_____	331,710	286,715
Man equivalent	_____	3.0	2.8
Total work units	_____	1,213	1,119
Total farm receipts	\$ _____	\$159,899	\$142,353
Total investment	\$ _____	\$100,805	\$115,369

\* Includes eggs bought for resale



### Rates of Production

Rates of production for both animals and crops have long been important factors contributing to the success of a farm business. The operator must strive to find the level of inputs, such as feed and fertilizer, which will give the highest net income.

Table 16. MEASURES OF RATES OF PRODUCTION  
36 New York Poultry Farms, 1969

Measure	My farm	23 farms with poultry only	13 farms with poultry & grain
Eggs produced/hen	_____	216	210
Bushels corn/acre	_____	--	82
Bushels oats/acre	_____	--	NA
Bushels wheat/acre	_____	--	NA

Eggs produced per hen is used in measuring the rate of production on poultry farms. Production per hen is calculated by dividing total eggs reported by the average number of hens for the year. Some farmers bought eggs for resale to supplement their own production. For eggs per hen, the eggs bought have been deducted from the dozens sold to get the eggs produced.

The eggs sold per hen averaged 216 and 210 for the two groups. This compares with an average of 215 for all farms as shown on the Farm Business Chart (page 21). The range for the 36 farms was from 165 to 272 eggs sold per hen.

The effect of eggs sold per hen on labor income is illustrated below.

Table 17. EGGS SOLD PER HEN AND LABOR INCOME  
36 New York Poultry Farms, 1969

Eggs sold per hen	Number of farms	Average number hens	Labor income per operator
Less than 210	17	16,200	\$13,819
210 - 230	12	13,800	\$18,010
More than 230	7	15,563	\$30,128

Labor Efficiency

Labor efficiency is sometimes claimed to be the most important single business factor on farms today. This is brought about by the rising wage rates and the fact that the operator's labor income is a function of his labor output. If a poultryman wants top efficiency from his hired worker's time as well as his own, he must keep a close watch on the factors which affect labor efficiency.

Table 18.

MEASURES OF LABOR EFFICIENCY  
36 New York Poultry Farms, 1969

Measure	My farm	23 farms with poultry only	13 farms with poultry & grain
Doz. eggs sold/man*		110,570	102,400
Number hens/man		5,250	5,230
Work units per man		404	400

\* Includes eggs bought for resale

The farms with poultry only had about the same labor efficiency as the farms with poultry and grain when measured by number of hens and work units per man. The poultry only showed larger numbers for dozens of eggs sold per man. This may indicate that the poultry only are buying eggs for resale to balance the time spent growing crops by the poultry and grain operators.

The relationship of labor efficiency and labor income is shown in the table below.

Table 19.

HENS PER MAN AND LABOR INCOME  
36 New York Poultry Farms, 1969

Hens per man	No. of farms	Labor income per operator
Less than 4,000	11	\$10,874
4,000 - 6,000	15	\$17,606
More than 6,000	10	\$27,824

Labor efficiency is affected by many things. Size of operation tends to reduce the overhead time per unit and in turn increases labor efficiency. Arrangements of buildings and work areas is another factor. Work methods likewise affect the output per worker. The human factor or how fast a person works also enters into this business factor. An operator must look at all of these when he tries to find ways to improve the labor efficiency of his business.

## Cost Control

These poultry farms spent an average of \$363 and \$313 per day respectively. With expenses of this amount, cost control becomes important on farms. As more "input" items are purchased, cost control has a greater effect on incomes. It is difficult to measure cost control. Nonetheless, good records properly used can give you some useful checks.

Feed, labor, and machinery are major cost items on poultry farms. However, it is also important to watch the minor costs. Small leaks can build up into sizeable losses. The next three pages are provided to help you study your costs.

Table 20. COST CONTROL MEASURES  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Layer feed bought per hen	\$ _____	\$3.62	\$3.10
Feed bought/doz. eggs produced	_____¢	20.1¢	17.7¢
Lbs. feed/doz. eggs produced	_____	4.8	4.6
Total labor cost per hen*	\$ _____	\$1.16	\$1.21
Total labor cost/doz. eggs produced*	_____¢	6.4¢	6.9¢
Building repairs per hen	_____¢	6¢	9¢
Electricity per hen	_____¢	9¢	9¢
Taxes per hen	_____¢	7¢	9¢
Insurance per hen	_____¢	7¢	8¢
Lime & fertilizer per crop acre	\$ _____	--	\$20
Total farm production expenses/hen (Total less inventory increase and eggs bought)	\$ _____	\$6.75	\$6.38
Total expenses per \$100 receipts	\$ _____	\$83	\$80

\* Includes operator's labor

For the above measures, it must be kept in mind that the "poultry and grain" farms had crop enterprises which affect some cost control measures.

Labor and machinery costs are sizeable on a poultry farm. It is important to keep these under control. Since labor and machinery work as a team, it is well to study them together.

Table 21.

POWER AND MACHINERY COSTS  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Beginning inventory	\$ _____	\$24,534	\$28,328
New machinery bought	_____	<u>5,261</u>	<u>8,749</u>
Total	\$ _____	\$29,795	\$37,077
End inventory	\$ _____	\$25,554	\$31,899
Machinery sold	_____	<u>85</u>	<u>--</u>
Total	\$ _____	<u>\$25,639</u>	<u>\$31,899</u>
Depreciation	\$ _____	\$ 4,156	\$ 5,178
Int. @ 7% av. inventory	_____	1,753	2,108
Gas and oil	_____	1,104	1,986
Machinery repairs	_____	2,109	2,729
Machine hire	_____	91	868
Auto expense (f.s.)	_____	206	301
Electricity (f.s.)	_____	<u>1,356</u>	<u>1,377</u>
Total power and machinery cost	\$ _____	\$10,775	\$14,547
Less: Gas tax refund	\$ _____	\$ 6	\$ 93
Income from machine work	_____	<u>67</u>	<u>--</u>
NET POWER AND MACHINERY COST	\$ _____	\$10,702	\$14,454
-----			
Net power & machinery cost:			
per hen	_____¢	68¢	99¢
per man	\$ _____	\$ 3,567	\$ 5,162
per dozen eggs produced*	_____¢	3.8¢	5.7¢

\* Does not include eggs bought and resold

Farmers frequently justify high machinery costs on the basis that the machinery saves labor. The combined machinery and labor cost measure gives a good check.

Table 22. LABOR AND POWER AND MACHINERY COSTS  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Value of operator's labor*	\$ _____	\$ 8,696	\$ 9,846
Hired labor	_____	9,060	7,244
Unpaid family labor	_____	496	600
TOTAL LABOR COSTS	\$ _____	\$18,252	\$17,690
Net power & machinery cost	_____	10,702	14,454
TOTAL LABOR & MACHINERY COSTS	\$ _____	\$28,954	\$32,144
-----			
Total per hen	\$ _____	\$1.84	\$2.19
Total per doz. eggs sold	_____¢	10.2¢	12.5¢
Total per work unit	\$ _____	\$24	\$29

\* Valued at \$8,000 per operator

On both groups of farms, labor cost was greater than the power and machinery cost. It is important to watch these costs. They can "eat into" the net returns.

Below are some measures for use in examining your labor costs.

Table 23. LABOR USE ANALYSIS

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Months of hired labor	_____	20.8	17.3
Hired labor expense	\$ _____	\$9,060	\$7,244
Labor expense/month hired	\$ _____	\$436	\$419
Percent of total labor by:			
Operator	_____%	37%	43%
Unpaid family	_____%	5%	6%
Hired	_____%	58%	51%

Array of Selected Farm Business Factors

Some of the records included items of chicken arithmetic which had been calculated. Those reported have been arrayed below. You can see how your factors compare with the others reporting.

<u>Eggs sold per layer</u>	<u>Av. price paid for feed</u>	<u>Av. price received for eggs</u>	<u>Lbs. feed per doz. eggs</u>	<u>Hens per man</u>
272	\$65	\$.51	3.8	16,542
254	66	.50	3.8	15,461
246	70	.50	4.0	11,975
239	70	.50	4.0	11,730
236	71	.50	4.1	11,629
236	71	.49	4.2	9,850
229	72	.49	4.4	7,368
229	72	.48	4.4	7,000
225	72	.48	4.5	6,905
225	73	.48	4.5	6,466
222	73	.48	4.6	5,677
219	73	.47	4.6	5,600
219	73	.47	4.6	5,541
217	73	.47	4.7	5,014
217	73	.46	4.7	5,000
216	74	.46	4.8	4,933
213	74	.46	4.8	4,913
211	74	.45	4.8	4,909
-----				
208	74	.45	4.8	4,858
208	75	.45	4.8	4,795
208	75	.44	4.9	4,626
206	75	.44	4.9	4,400
206	76	.42	4.9	4,341
206	76	.42	5.0	4,179
203	77	.40	5.0	4,038
200	77	.40	5.1	3,950
196	77	.40	5.1	3,544
196	78	.39	5.2	3,316
194	78	.39	5.3	3,261
194	78	.39	5.4	2,952
190	79	.39	5.4	2,941
189	81	.39	5.4	2,908
183	85	.38	5.5	2,801
172	86	.38	5.5	2,650
165	86	.35	5.6	2,040
	102	.35	5.7	455
			5.7	

# FARM BUSINESS CHART

FARM OF \_\_\_\_\_ YEAR \_\_\_\_\_

TOTAL ACRES IN THE FARM \_\_\_\_\_ ACRES OF TILLABLE LAND \_\_\_\_\_

Success in farming is the result of many factors. Farm business studies show that the most important factors under the farmer's control are size of business, production rates of crops and animals, labor efficiency and selection of enterprises.

The chart below shows the range of the experience of commercial farmers in New York with respect to size of business, production rates and labor efficiency.

The figure at the top of each column is the median of the highest ten per cent of the farms in that factor. For example, the figure 3.8 at the top of the column headed "Tons of Hay" is the median of the ten per cent of the farms with the highest yield of hay. The other figures in the column are the medians for "the next best 10 per cent," "the 10 per cent below that," and so forth. The figure 1.2 at the bottom of the column is the median of the ten per cent of the farms with the lowest yield of hay.

Each of the columns is independent of the others. The figure 22 at the top of the column headed "Tons of Corn Silage" is the median of the ten per cent of the farms with the highest yield of corn silage.

Hay, Silage, Grain Yields per Acre					Vegetable Yields per Acre							Fruit Yields per Acre			
Tons of Hay	Tons of Corn Silage	Bu. of Corn	Bu. of Oats	Bu. of Wheat	Lbs. of Dry Beans	Cwt. of Potatoes	Tons of Cabbage	Cwt. of Onions	Tons of Tomatoes	Net Tons of Sweet Corn	Tons of Snap Beans	Bu. of Apples	Bu. of Pears	Tons of Grapes	Tons of Sour Cherries
3.8	22	120	92	58	2,300	340	32	470	23	5.0	2.8	540	330	7.5	6.6
3.0	19	100	80	52	1,900	305	26	410	19	4.4	2.5	480	260	6.0	4.6
2.7	17	90	70	47	1,700	285	23	370	17	3.9	2.3	430	230	5.5	3.6
2.4	16	83	65	44	1,500	265	20	345	15	3.7	2.1	390	200	5.0	3.0
2.2	15	78	60	41	1,300	250	18	320	14	3.5	1.9	355	180	4.6	2.6
2.1	14	73	56	39	1,100	240	16	300	13	3.3	1.8	325	160	4.2	2.3
1.9	13	65	52	37	1,000	225	14	280	12	3.1	1.7	295	140	3.8	2.0
1.7	12	55	48	34	900	205	12	250	11	2.8	1.5	260	120	3.4	1.6
1.5	11	45	40	30	800	185	10	220	10	2.3	1.3	220	100	3.0	1.2
1.2	8	30	30	25	600	150	8	170	9	1.5	1.1	180	70	2.5	0.8

Dairy Farms					Labor			Poultry Farms				
Number of Cows	Pounds of Milk Sold	Pounds Milk Sold per Cow	Cows per Man	Pounds of Milk Sold per Man	Total Work Units	Man Equivalent	Work Units per Man	Number of Hens	Eggs Sold per Hen	Hens per Man	Dozens of Eggs Sold per Man	Pounds Feed per Dozen Eggs
95	1,000,000	14,500	38	475,000	1,000	3.5	420	55,000	250	12,000	240,000	4.0
60	640,000	12,500	32	350,000	720	2.7	340	30,000	235	9,500	175,000	4.3
50	530,000	11,500	28	300,000	590	2.3	310	20,000	225	7,500	125,000	4.6
42	450,000	10,900	25	260,000	520	2.0	290	16,000	220	6,000	100,000	4.7
39	400,000	10,300	23	230,000	460	1.8	270	12,000	217	5,000	85,000	4.8
36	355,000	9,700	21	210,000	430	1.6	250	9,500	214	4,000	75,000	4.9
32	315,000	9,000	20	190,000	390	1.4	230	7,000	210	3,500	65,000	5.0
28	265,000	8,100	19	175,000	350	1.3	210	5,200	205	3,000	55,000	5.2
24	210,000	7,200	17	160,000	310	1.2	190	4,000	200	2,500	45,000	5.4
20	150,000	6,000	14	120,000	250	1.0	160	3,000	185	2,000	35,000	5.8

## HOW TO USE THIS CHART

Draw lines in each column to show the rank of the farm business being studied. For example, if the farm produced 57 bushels of oats per acre draw a line in the "oats" column between the 56 and 60.

Draw heavy lines so that you can see them easily.

Do not draw lines for factors which are of only minor importance on the farm being studied.

## WORK UNITS FOR LIVESTOCK AND CROPS

### LIVESTOCK

	Number or acres on this farm	Work units per head or per acre	Total work units
Dairy Cows	_____X	7.5 =	_____
Beef Cows	_____X	2 =	_____
Heifers	_____X	2 =	_____
Hens (production only)	_____X	0.04 =	_____
Egg processing (per doz.)	_____X	0.002 =	_____
Pullets raised	_____X	0.004 =	_____
Broilers raised	_____X	0.003 =	_____
Brood sows	_____X	3 =	_____
Hogs raised	_____X	0.15 =	_____
Ewes	_____X	0.5 =	_____
_____	_____X	_____ =	_____

### CROPS

	Number or acres on this farm	Work units per head or per acre	Yield per acre	Total Crop
Hay	_____X	0.6 =	_____	_____ tons
_____	_____X	_____ =	_____	_____ tons
Corn Silage	_____X	0.8 =	_____	_____ tons
Corn for grain	_____X	0.6 =	_____	_____ bu.
Oats	_____X	0.6 =	_____	_____ bu.
Wheat	_____X	0.6 =	_____	_____ bu.
_____	_____X	_____ =	_____	_____
_____	_____X	_____ =	_____	_____
Dry beans	_____X	1.5 =	_____	_____ lbs.
Potatoes	_____X	6 =	_____	_____ cwt.
Cabbage	_____X	9 =	_____	_____ tons
Snap beans for processing	_____X	1 =	_____	_____ tons
Onions	_____X	12 =	_____	_____ cwt.
_____	_____X	_____ =	_____	_____
_____	_____X	_____ =	_____	_____
_____	_____X	_____ =	_____	_____
Apples—growing	_____X	4 =	_____	_____ bu.
Apples—harvest—per bushel	_____X	0.02 =	_____	_____

### OTHER

Work off farm, days	_____X	1 =	_____
Marketing	_____X	_____ =	_____
_____	_____X	_____ =	_____

### TOTAL WORK UNITS

### MAN EQUIVALENT

Workers	Full-Time Months
Operator(s)	_____
Family (paid)	_____
Family (unpaid)	_____
Hired men	_____
Other	_____
Total	_____
Man equivalent (Total ÷ 12)	_____

Yield per  
acre

Total Crop

### WORK UNITS PER MAN

(Total work units ÷ man equivalent)

Total pounds of milk sold	_____ ÷	no. of cows	_____ =	_____ pounds of milk sold per cow
Total pounds of milk sold	_____ ÷	man equivalent	_____ =	_____ pounds of milk sold per man
Number of cows	_____ ÷	man equivalent	_____ =	_____ cows per man

Total dozens of eggs sold	_____ ÷	no. of hens	_____ =	_____ dozens of eggs sold per hen
		Dozens of eggs per hen × 12	_____ =	_____ eggs sold per hen
Number of hens	_____ ÷	man equivalent	_____ =	_____ hens per man
Total dozens of eggs sold	_____ ÷	man equivalent	_____ =	_____ doz. of eggs sold per man
Total lbs. of feed for laying flock	_____ ÷	doz. of eggs sold	_____ =	_____ lbs. of feed per doz. eggs



# Financial Situation

Managing finances is an important part of farming today. Twelve of the 43 poultrymen included their financial situation in their records. These have been summarized and are reported below. It is helpful to examine your financial situation when you analyze your business.

Table 24.

## FARM FAMILY FINANCIAL SITUATION 12 New York Poultry Farms, 1969

Item	My farm	Average 12 farms
<u>Assets</u>		
Land & buildings	\$ _____	\$42,978
Machinery & equipment	_____	29,920
Poultry & livestock	_____	14,659
Feed & supplies	_____	7,825
Non-poultry farm assets*	_____	<u>11,345</u>
Total Farm Assets	\$ _____	\$106,727
Non-farm assets	_____	<u>30,359</u>
TOTAL ASSETS	\$ _____	\$137,266
<u>Liabilities</u>		
Real estate mortgage	\$ _____	\$23,971
Equipment mortgage	_____	12,479
Secured notes	_____	3,280
Unsecured notes	_____	83
Open accounts	_____	<u>2,291</u>
TOTAL LIABILITIES	_____	<u>42,104</u>
NET WORTH	\$ _____	\$ 95,162
-----		
Percent equity	_____ %	69%
Percent debt on real estate	_____ %	57%
Number of hens	_____	12,259
Total debt per hen	\$ _____	\$3.43

\* Farms with enterprises other than poultry have sizeable inventories in this category

Table 25.

NEW YORK POULTRY FARM SUMMARIES  
1966, 1967, 1968 and 1969

Factor	1966	1967	1968	1969
Number of farms	30	26	36	43
Man equivalent	2.7	2.8	2.7	2.9
Number of hens	11,400	13,900	14,800	13,700
<u>Investment</u>				
Land & buildings	\$ 48,396	\$ 54,831	\$ 50,257	\$ 48,818
Machinery	25,114	26,371	27,199	26,463
Livestock & poultry	19,254	20,202	20,440	18,626
Feed & other	5,246	5,653	5,374	8,285
Total	\$ 98,010	\$107,057	\$103,270	\$102,192
<u>Receipts</u>				
Egg sales	\$ 92,299	\$ 84,852	\$102,249	\$127,852
Livestock sales	3,571	3,625	3,819	6,214
Other	21,473	8,090	7,663	4,392
Total	\$117,343	\$ 96,567	\$113,731	\$138,458
<u>Expenses</u>				
Feed bought	\$ 48,996	\$ 50,245	\$ 48,117	\$ 48,436
Hired labor	5,571	5,943	6,750	8,075
Pullets & livestock purchased	10,711	10,656	12,843	14,804
Electricity & telephone	1,234	1,546	1,554	1,596
Other	27,972	12,161	25,006	36,304
Total	\$ 95,297	\$ 80,551	\$ 94,270	\$109,215
<u>Business Factors</u>				
Average price per doz.	42.6¢	32.0¢	36.7¢	45.6¢
Eggs per hen	216	233	216	215
Hens per man	4,200	4,800	5,500	4,720
Lbs. feed per doz. eggs	5.0	4.5	4.8	4.8
Labor income per operator	\$ 14,930	\$ 5,437	\$ 9,064	\$ 16,893

### Progress of the Farm Business

One phase of business analysis is that of comparing your business with that of other poultrymen. Another kind of analysis is that of comparing your current year's business with that of previous years. This shows the progress you are making. In planning ahead, it is helpful to set business targets or goals, which should be related to the progress you have been making.

Your current business analysis will give you the factors for 1969. You will need to refer to earlier summaries for the 1967 and 1968 data.

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u> <u>target</u>
<u>Size of Business</u>				
Average number of layers				
Value of egg sales	\$ _____	\$ _____	\$ _____	\$ _____
Man equivalent	_____	_____	_____	_____
<u>Rate of Production</u>				
Eggs produced per hen	_____	_____	_____	_____
<u>Labor Efficiency</u>				
Hens per man	_____	_____	_____	_____
Dozen eggs sold per man	_____	_____	_____	_____
<u>Prices</u>				
Average price per dozen	\$ _____	\$ _____	\$ _____	\$ _____
<u>Cost Control</u>				
Layer feed bought per hen	\$ _____	\$ _____	\$ _____	\$ _____
Lbs. feed per dozen eggs	_____	_____	_____	_____
Labor cost per hen	\$ _____	\$ _____	\$ _____	\$ _____
Machinery cost per hen	\$ _____	\$ _____	\$ _____	\$ _____
Total expenses/\$100 receipts	\$ _____	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency</u>				
Total inventory value	\$ _____	\$ _____	\$ _____	\$ _____
Total investment/hen	\$ _____	\$ _____	\$ _____	\$ _____
Farm receipts/\$100 investment	\$ _____	\$ _____	\$ _____	\$ _____
<u>Financial Summary</u>				
Total Farm Receipts	\$ _____	\$ _____	\$ _____	\$ _____
Total Farm Expenses	\$ _____	\$ _____	\$ _____	\$ _____
Labor Income/Operator	\$ _____	\$ _____	\$ _____	\$ _____
Total debt outstanding	\$ _____	\$ _____	\$ _____	\$ _____
Debt per hen	\$ _____	\$ _____	\$ _____	\$ _____
Net Worth	\$ _____	\$ _____	\$ _____	\$ _____

### Summarizing the Analysis

Each page in this booklet was designed to help you study your farm business. However, study and analysis alone will not make a business more profitable. Action must be taken.

Now take a careful overall look at your business. Summarize the strong and weak points revealed from the detailed analysis. This will help you to locate the trouble spots or problems. In view of what you have to work with, consider the possible ways that these problems might be solved. Next budget the likely effects of the proposed changes. Finally decide on the most promising proposal and then take action to put it into effect.

#### STRONG POINTS

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

#### WEAK POINTS

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

#### MAJOR PROBLEMS TO BE SOLVED

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

#### PROPOSED CHANGES TO STRENGTHEN THE BUSINESS

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

When you consider making a change in your business, there are usually two or three alternatives for consideration. The outline below is a guide to help compare these alternatives. If the change is to be a major one, you may wish to consult with your Poultry Extension Agent since he is experienced in the techniques of budgeting and has in his possession reference material that is helpful when comparing alternatives.

	My business in 1969	Proposed Change #1	Proposed Change #2
<b>I. Farm Receipts</b>			
Egg sales	\$ _____	\$ _____	\$ _____
Livestock sold	_____	_____	_____
Crop sales	_____	_____	_____
Miscellaneous receipts	_____	_____	_____
Total Cash Receipts	\$ _____	\$ _____	\$ _____
Increase in inventory	_____	_____	_____
Total Farm Receipts	\$ _____	\$ _____	\$ _____
<b>II. Farm Expenses</b>			
Hired labor	\$ _____	\$ _____	\$ _____
Layer feed bought	_____	_____	_____
Other feed bought	_____	_____	_____
Machine hire	_____	_____	_____
Machinery expense	_____	_____	_____
Auto expense (farm share)	_____	_____	_____
Gas and oil	_____	_____	_____
Livestock expenses	_____	_____	_____
Lime and fertilizer	_____	_____	_____
Seeds and plants	_____	_____	_____
Spray and other crop expense	_____	_____	_____
Building expense	_____	_____	_____
Taxes	_____	_____	_____
Insurance	_____	_____	_____
Electricity	_____	_____	_____
Telephone	_____	_____	_____
Livestock purchases	_____	_____	_____
Eggs bought	_____	_____	_____
Rent	_____	_____	_____
Miscellaneous	_____	_____	_____
Total Cash Operating Expenses	\$ _____	\$ _____	\$ _____
New machinery	_____	_____	_____
Real estate	_____	_____	_____
Unpaid labor	_____	_____	_____
Decrease in inventory	_____	_____	_____
Total Farm Expenses	\$ _____	\$ _____	\$ _____
<b>III. Farm Financial Summary</b>			
Capital Investment	\$ _____	\$ _____	\$ _____
Total Farm Receipts	\$ _____	\$ _____	\$ _____
Total Farm Expenses	_____	_____	_____
Farm Income	\$ _____	\$ _____	\$ _____
Interest on Capital	_____	_____	_____
LABOR INCOME	\$ _____	\$ _____	\$ _____

Family Living Expenditures

Family living expenses have first claim on farm income. In any farm business financial planning, it is important that the family living expenses be considered. Below are the living expenditures for families in Illinois who were in record keeping projects.

FAMILY LIVING EXPENDITURES  
Illinois Farm and Urban Families, 1967

Item	My family	Average of	
		176 farm families	79 urban families
Number in family	_____	4.1	4.0
Average age of husband	_____	45	40
<u>Living Expenses</u>			
Food	\$ _____	\$ 1,200	\$ 1,299
Fuel	_____	197	147
Electricity, gas, and water	_____	172	242
Telephone	_____	64	103
Household supplies and bank	_____	148	142
Paid service and laundry	_____	59	52
Housing	_____	536	1,470
Furnishings and equipment	_____	427	425
Clothing	_____	493	487
Personal care	_____	172	294
Transportation	_____	442	1,368
Medical care	_____	689	477
Recreation	_____	311	470
Education and reading	_____	272	368
Church and welfare	_____	418	365
Gifts	_____	293	196
Total Living Expenses	\$ _____	\$ 5,893	\$ 7,905
Income taxes	_____	756	1,038
Social Security	_____	245	212
Life insurance	_____	573	489
Savings and investments	_____	3,153	2,050
Total Family Expenditures	\$ _____	\$10,620	\$11,694

The urban family living expenses averaged about \$2,000 more than the farm families. The income taxes for the urban families were higher, while their savings and investments were lower than for the farm families. Housing and transportation for urban families were considerably higher than for the farm families.

Table 27. AVERAGE FARM COST OF PRODUCING EGGS  
36 New York Poultry Farms, 1969

Item	My farm	23 farms with poultry only	13 farms with poultry & grain
Farm expenses	\$ _____	\$132,515	\$114,395
Interest at 7%	_____	6,885	8,154
Operator's labor*	_____	<u>8,696</u>	<u>9,846</u>
Total Costs	\$ _____	\$148,096	\$132,395
Total receipts	\$ _____	\$159,899	\$142,353
Less egg sales	_____	<u>149,577</u>	<u>121,720</u>
Other Income	\$ _____	\$ <u>10,322</u>	\$ <u>20,633</u>
Cost of Producing Eggs (Total less other income)	\$ _____	\$137,774	\$111,762
Dozen eggs sold	_____	331,706	286,715
Cost per doz. eggs sold	_____¢	41.5¢	39.0¢
Average price received	_____¢	45.0¢	42.5¢

\* Figured at \$8,000 per operator but some farms had more than one operator

By adding an estimate of the value of the operator's labor and interest on the capital investment to the total farm expenses, the farm cost of producing eggs can be calculated. The value of the operator's time here was estimated at \$8,000 per year. Receipts for items other than eggs are credited against the total cost. This assumes that these items were produced at cost.

Farm expenses include costs for eggs purchased for resale. This tends to impose some egg market values in the calculation of production costs.

The cost per dozen of producing eggs was less for the thirteen farms that had poultry and grew grain than for the 23 farms with poultry only. This is only a general method of calculation of the cost of producing eggs but it gives an overall indication of the costs.

FARM BUSINESS SUMMARY  
Average of 36 New York Poultry Farms, 1969

CAPITAL INVESTMENT

	<u>1/1/69</u>	<u>1/1/70</u>
Machinery & equip.	\$ 25,904	\$ 27,845
Livestock	20,051	20,229
Feed & supplies	4,625	7,558
Land & buildings	49,534	50,432
<b>TOTAL INVESTMENT</b>	<b>\$100,114</b>	<b>\$106,064</b>

EXPENSESLabor

Hired	\$ 8,404
Unpaid	533

Feed

Layer feed bought	52,917
Other feed	334

Power and Machinery

Machine hire	371
Machinery repair	2,333
Auto expense	241
Gas and oil	1,423
Electricity	1,364

Poultry

Livestock purchases	17,236
Eggs bought for resale	18,283
Livestock expense	6,552

Crop

Fertilizer and lime	1,029
Seeds and plants	217
Spray and other	139

Real Estate

Land, bldg., & fence repairs	1,051
Taxes	1,197
Insurance	1,083
Rent	312

Capital Items

New machinery	6,569
New real estate	2,352

Other

Telephone	300
Miscellaneous	1,732

**TOTAL FARM EXPENSES** **\$125,972**

RECEIPTS

Egg sales	\$139,517
Livestock sold	4,611
Crop sales	1,262
Miscellaneous	2,150
<b>Total Cash Receipts</b>	<b>\$147,540</b>
Increase in Inventory	6,022
<b>TOTAL FARM RECEIPTS</b>	<b>\$153,562</b>

FINANCIAL SUMMARY

Total Farm Receipts	\$153,562
Total Farm Expenses	125,972
Farm Income	\$ 27,590
Interest on average capital @ 7%	7,216
Farm Labor Income	\$ 20,374
Number of operators	41
<b>LABOR INCOME/OPERATOR</b>	<b>\$ 17,778</b>

BUSINESS FACTORS

Man equivalent	2.9
Number of hens	15,360
Number of pullets raised (19 farms)	13,090
Dozens of eggs sold	315,460
Eggs produced/hen	214
Dozens of eggs sold/man	108,780
Hens per man	5,300
Lbs. feed/doz. eggs produced	4.8
Av. price/cwt. feed bought	\$3.77
Av. price/doz. eggs	\$ .44