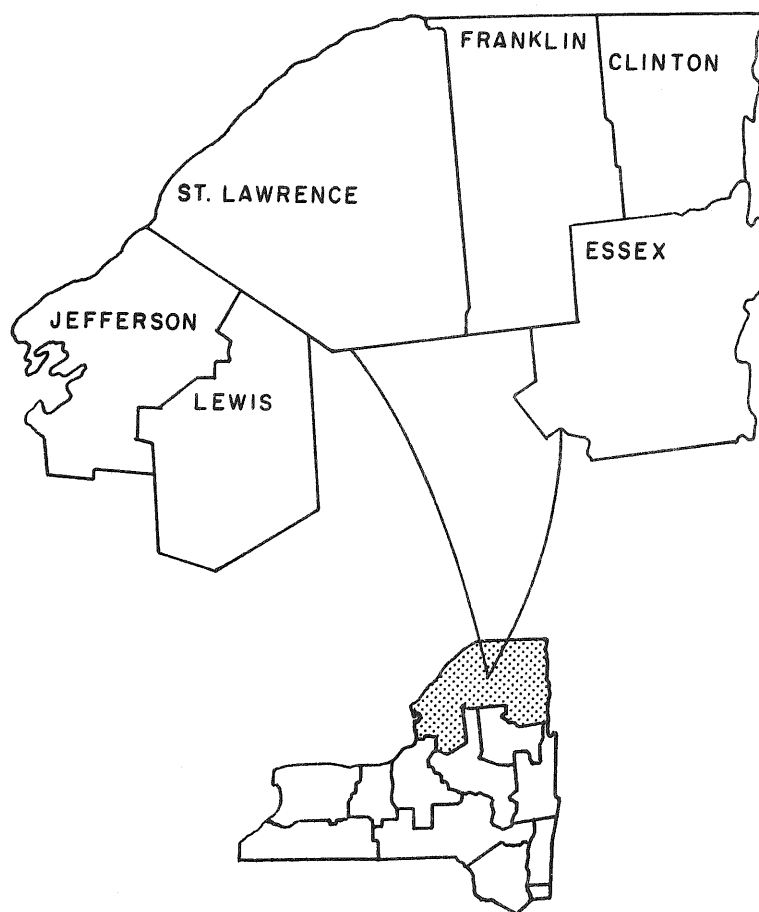


# DAIRY FARM BUSINESS SUMMARY

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# DAIRY FARM BUSINESS SUMMARY

Northern New York

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## DAIRY FARM BUSINESS SUMMARY Northern New York

### INTRODUCTION

This report is part of your Cooperative Extension Farm Business Management Program. Each year dairy farmers throughout New York State submit business records for summarization and analysis. In addition to this publication, each participating farmer receives an individual farm summary and analysis report for his or her business. The information in this publication is compiled by combining and averaging data submitted by the participating farmers from the Northern New York Region.

### Program Objectives

Primary objectives of the dairy farm business management program are to (1) assist farmers in developing and maintaining more complete farm business data for use in management decisions and (2) help farmers improve their management skills through appropriate use of farm record data and application of modern decision-making techniques. This report is prepared in work-book form for use in the systematic study of individual farm business performance.

The need for a thorough dairy farm business examination and follow-up plan is greater than ever. The years immediately ahead will bring continued economic pressures on dairy farmers. We must continue to place emphasis on cost control and improvements in operating efficiency to maintain adequate farm incomes. Projecting cash flows, planning for future needs, and recognizing how those needs can be met will be required to survive the current dairy farm financial crisis.

### New Developments

This year, several farm management agents and specialists are participating in a Dairy Farm Business Summary Pilot Program. Cooperative Extension Associations with appropriate microcomputers, have the capability to strengthen their dairy farm business analysis activities by calculating and printing the individual farm summary and analysis reports for immediate use by the agent and farmer, at any time. After the individual farm data is entered in the county office using the Micro DFBS computer program, it is sent to the Department of Agricultural Economics at Cornell University for additional review prior to transfer to a mainframe computer program for calculation of regional and state summaries.

Fifteen dairy farmers participating in the milk diversion program are included in this report. Since this is a relatively small number, the data from these farms has not been summarized separately. A separate summary and analysis of milk diversion program farms will be included in the 1984 New York State Dairy Farm Business Summary.

This summary was prepared by William F. Lazarus and Linda D. Putnam, Department of Agricultural Economics, New York State College of Agriculture and Life Sciences, Cornell University, in cooperation with Cooperative Extension Agents Pat Beyer, Pat Brown, Russell Coombe, George Field, William Gallamore, and Guy Hutt. The Northern New York Region (with the number of farms included in parentheses) is comprised of Clinton (4), Essex (5), Franklin (11), Jefferson (17), Lewis (32), and St. Lawrence (28) Counties.

## SUMMARY OF THE FARM BUSINESS

Business Characteristics

Finding the right combination of resources and management strategies is an important part of farming. The tables below show important farm business characteristics, the number of farms reporting these characteristics, and the average level of resources used in production.

MANAGEMENT SYSTEMS, PRODUCTION TECHNOLOGY AND FARM SIZE  
97 Northern New York Dairy Farms, 1984

Type of Business	Number	Business Records	Number	Dairy Records	Number
Proprietorship	74	CAMIS	5	D.H.I.C.	61
Partnership	21	Account Book	62	Owner Sampler	14
Corporation	2	Agrifax	9	Other	5
		Farm Bureau	2	None	17
Owner	95	Agway	5		
Renter	2	On-Farm Computer	4		
		Other	10		
Barn Type	Number	Milking System	Number		Number
Stanchion	57	Bucket & Carry	1	Herringbone	24
Freestall	27	Dumping Station	27	Other Parlor	3
Other	13	Pipeline	42		
Labor Force	My Farm	Average	Land Use	My Farm	Average
Operator 1.	mo.	12	Total acres owned		356
2.	mo.	3	Total acres rented		107
3.	mo.	0	Total tillable acres		239
Family paid	mo.	4	Tillable acres rented		87
Family unpaid	mo.	4			
Hired	mo.	9	Number of Cows	My Farm	Average
Total	mo.	32	Beginning of		
Age of operator(s) 1.	yrs.	44	year (owned)		73
2.	yrs.	36	End of year (owned)		73
3.	yrs.	24	Avg. for year (all)		72

Capital Investment-Farm Inventory represents the market value of resources committed to the farm business at the beginning and end of the year. Increases in inventory occur with herd expansion, new machinery, and building additions and appreciation of land, buildings and livestock.

CAPITAL INVESTMENT - FARM INVENTORY  
97 Northern New York Dairy Farms, 1984

Item	My Farm		Average	
	1/1/84	1/1/85	1/1/84	1/1/85
Livestock	\$	\$	\$101,915	\$ 99,349
Feed & supplies			25,931	25,477
Machinery & equipment			81,280	84,824
Land & buildings			180,670	181,821
TOTAL	\$	\$	\$389,796	\$391,471

### Inventory Accounting

The value of the dairy herd is influenced by market prices, herd quality and quantity. Changes in market value caused by inflationary or deflationary price changes, are separated from changes in inventory caused by changes in herd quality and quantity.

#### CHANGE IN LIVESTOCK INVENTORY 97 Northern New York Dairy Farms, 1984

Item	My Farm	Average
End of year market value	\$ _____	\$ 99,349
less end at beginning prices	- _____	<u>-103,566</u>
Change due to price	\$ _____	\$-4,217
End inventory at beginning prices	\$ _____	\$103,566
less beginning of year inventory	- _____	<u>-101,915</u>
Change due to quality & quantity	\$ _____	\$ 1,651

Machinery and real estate inventories, based on current market values, include a depreciation charge and are balanced by the residual called appreciation.

#### MACHINERY AND EQUIPMENT INVENTORY 97 Northern New York Dairy Farms, 1984

Item	My Farm	Average
End of year market value	(1)\$ _____	\$84,824
Beginning market value	\$ _____	\$81,280
Plus machinery purchased	+ _____	+12,223
Less machinery sold	- _____	- 396
Less depreciation	- _____	<u>-12,332</u>
Net end investment	(2)\$ _____	\$80,775
APPRECIATION (1 minus 2)	\$ _____	\$ 4,049

The change in real estate value is affected by market forces, building depreciation, and lost capital which is the portion of a new building investment that is not reflected in the value of the farm.

#### REAL ESTATE INVENTORY CALCULATIONS 97 Northern New York Dairy Farms, 1984

Item	My Farm	Average
End of year market value	(1)\$ _____	\$181,821
Beginning market value	\$ _____	\$180,670
Cost of new real estate	\$ _____	\$4,914
Less lost capital	- _____	<u>-1,142</u>
Value of new added	+ _____	+ 3,772
Less building depreciation	- _____	- 5,267
Less real estate sold	- _____	- 18
Net end investment	(2)\$ _____	\$179,157
APPRECIATION (1 minus 2)	\$ _____	\$ 2,664

## Receipts

Receipts from the business should be large enough to cover all expenses and leave a reasonable return for the operator's labor and management. Cash receipts occur when farm products and livestock are sold or services are performed and payment is received during the year. Noncash receipts do not result from sales, but are due to appreciation in value or increases in physical quantities of inventories that occurred during the year. Most of these items could be readily transformed into cash.

### FARM RECEIPTS 97 Northern New York Dairy Farms, 1984

Item	My Farm	Per Farm	Per Cow
<b>CASH RECEIPTS</b>			
Milk sales	\$ _____	\$141,152	\$1,961
Crop sales	_____	1,466	20
Dairy cattle sold	_____	9,453	131
Calves & other livestock sales	_____	2,219	31
Gas tax refunds	_____	216	3
Government payments	_____	4,320	60
Custom machine work	_____	168	2
Other	_____	1,654	23
Total Cash Receipts	\$ _____	\$160,648	\$2,231
<b>NONCASH RECEIPTS</b>			
Increase in livestock inventory <sup>1</sup>	_____	1,651	23
<b>TOTAL FARM RECEIPTS</b>			
EXCLUDING APPRECIATION	\$ _____	\$162,299	\$2,254
Livestock appreciation <sup>2</sup>	_____	- 4,217	- 58
Machinery appreciation <sup>3</sup>	_____	4,049	56
Real estate appreciation <sup>3</sup>	_____	2,664	37
TOTAL FARM RECEIPTS	\$ _____	\$164,795	\$2,289

<sup>1</sup>The increase in herd market value attributed to a change in numbers and/or a definite change in herd quality.

<sup>2</sup>The increase in herd market value, caused by inflationary price increase.

<sup>3</sup>Defined on page 3.

Income Analysis provides a means of examining the annual receipt producing capability of the farm business.

### INCOME ANALYSIS Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Average price/cwt. milk sold	\$ _____	\$13.19	\$13.28
Milk and cattle sales per cow	_____	\$2,123	\$2,142
Total cash receipts/worker	_____	\$60,168	\$58,546

Expenses

All farm expenses, cash operating and overhead, are summarized below.

FARM EXPENSES  
97 Northern New York Dairy Farms, 1984

Item	My Farm	Per Farm	Per Cow
<u>Hired Labor</u>	\$ _____	\$ 12,702	\$ 176
<u>Feed</u>			
Dairy concentrate	_____	37,573	522
Hay and other	_____	1,771	25
<u>Machinery</u>			
Machine hire, rent and lease	_____	948	13
Machinery repairs	_____	6,657	92
Auto expense (farm share)	_____	512	7
Gas and oil	_____	4,827	67
<u>Livestock</u>			
Replacement livestock	_____	1,541	21
Breeding fees	_____	2,004	28
Veterinary and medicine	_____	3,056	42
Milk marketing	_____	9,113	127
Cattle lease	_____	128	2
Other livestock expense	_____	5,934	82
<u>Crops</u>			
Fertilizer & lime	_____	6,041	84
Seeds and plants	_____	2,098	29
Spray, other crop expense	_____	1,714	24
<u>Real Estate</u>			
Land, building, fence repair	_____	2,245	31
Taxes	_____	3,810	53
Insurance	_____	2,385	33
Rent and lease	_____	2,007	28
<u>Other</u>			
Telephone (farm share)	_____	568	8
Electricity (farm share)	_____	3,604	50
Interest paid	_____	13,936	194
Miscellaneous	_____	1,833	26
Total Cash Expenses	\$ _____	\$127,007	\$1,764
Decrease in feed & supplies	_____	454	6
Expansion livestock	_____	331	5
Machinery depreciation	_____	12,332	171
Building depreciation	_____	5,267	73
Unpaid family labor @ \$500/month	_____	2,085	29
TOTAL FARM EXPENSES EXCLUDING INTEREST ON EQUITY CAPITAL	\$ _____	\$147,476	\$2,048
Interest on equity capital @ 5%	_____	13,006	181
TOTAL FARM EXPENSES	\$ _____	\$160,482	\$2,229



### Farm Business Profitability

The results of management are reflected in the net return from the business. Four common ways to measure the returns from a farm business are calculated.

Net cash farm income reflects the cash available from the year's operation of the business. Family living has first claim on cash income followed by fixed payments on debts. A family may have additional cash available if they have nonfarm income. Cash flow is not a good measure of farm business profits, but it is useful when planning debt repayment programs. Guidelines for annual cash flow planning are presented on page 9. Monthly cash flow planning is also recommended and may be required in order to identify cash flow problems in the year ahead. This is particularly true when major changes in the business are planned or when the price of important factors such as milk or purchased grain are expected to change significantly.

#### NET CASH FARM INCOME Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Cash Farm Receipts	\$ _____	\$160,648	\$156,317
Cash Farm Expenses	_____	<u>127,007</u>	<u>122,404</u>
NET CASH FARM INCOME	\$ _____	\$ 33,641	\$ 33,913

Labor and management income is the return to the operator for his or her labor and management input into the business. A five percent charge for the use of the operator's equity capital in the business has been included as a farm expense. This interest charge reflects the long term average rate of return that a farmer might expect to earn in investments with comparable risk to farm businesses in an economy with little or no inflation. Labor and management income is the measure used most commonly when comparing farm businesses. Appreciation in livestock, machinery and real estate inventories is included as ownership income, not return to operator labor and management.

#### LABOR AND MANAGEMENT INCOME Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Total farm receipts excluding appreciation	\$ _____	\$162,299	\$162,162
Total farm expenses	_____	<u>160,482</u>	<u>156,204</u>
LABOR & MANAGEMENT INCOME	\$ _____	\$ 1,817	\$ 5,958
Full-time operator-manager equivalents	_____	1.28	1.27
LABOR & MANAGEMENT INCOME PER OPERATOR-MANAGER	\$ _____	\$ 1,420	\$ 4,691

Labor, management and ownership income per operator reflects the combined return to the farmer for his or her triple role of worker-manager, financier and owner. Again, this is not a measure of the cash flow situation of the farm business. A satisfactory labor, management and ownership income does not eliminate cash flow problems if liabilities are large and repayment is rapid.

LABOR, MANAGEMENT AND OWNERSHIP INCOME  
Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Total farm receipts	\$ _____	\$164,795	\$159,190
Total farm expenses excluding interest on equity capital	_____	<u>147,476</u>	<u>142,627</u>
LABOR, MANAGEMENT AND OWNERSHIP INCOME PER FARM	\$ _____	\$ 17,319	\$ 16,563
Full-time operator-manager equivalents	_____	1.28	1.27
LABOR, MANAGEMENT AND OWNERSHIP INCOME PER OPERATOR-MANAGER	\$ _____	\$ 13,530	\$ 13,042

Return on equity capital measures the net profit remaining for the farmer's owned or equity capital after earnings have been allocated to the owner-operator's labor and management. The earnings or amount of gross profit allocated to labor and management is the opportunity cost or value of operator's labor and management estimated by the cooperators. Return on equity capital is computed including and excluding appreciation.

RETURN ON EQUITY CAPITAL  
Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Labor, management & ownership income per farm	\$ _____	\$17,319	\$16,563
Less value of operator's labor & management	_____	<u>20,884</u>	<u>21,229</u>
Return on equity capital	\$ _____	\$-3,565	\$-4,666
RATE OF RETURN INCLUDING APPRECIATION _____%		-1.4%	-1.7%
RATE OF RETURN EXCLUDING APPRECIATION _____%		-2.3%	-0.6%

The rate of return on equity capital is computed as the amount returned divided by farm net worth or equity capital.

# Farm Family Financial Situation

The financial situation is an important part of the farm business summary. It has a direct affect on current cash outflow and future capital investment decisions. Financial lease obligations are included in the balance sheet. The present value of all future payments is listed as a liability since the farmer is committed to make the payments. The present values are also listed as assets, representing the future value the item has to the business.

## FARM FAMILY NET WORTH 97 Northern New York Dairy Farms, 1984

Item	My Farm	Average
<u>Assets</u>		
Livestock	\$ _____	\$ 99,370
(includes discounted lease payments)*		(21)
Feed and supplies	_____	25,477
Machinery and equipment	_____	85,476
(includes discounted lease payments)*		(652)
Land and buildings	_____	182,323
(includes discounted lease payments)*		(502)
Co-op investments	_____	3,518
Accounts receivable	_____	12,537
Cash and checking accounts	_____	2,147
Total Farm Assets	\$ _____	\$410,848
Savings accounts	\$ _____	\$ 5,369
Cash value life insurance	_____	3,843
Stocks and bonds	_____	4,200
Nonfarm real estate	_____	13,219
Auto (personal share)	_____	2,431
All Other	_____	9,727
TOTAL FARM & NONFARM ASSETS	\$ _____	\$449,637
<u>Liabilities</u>		
Long term	\$ _____	\$ 91,256
Intermediate	_____	51,232
Financial lease*	_____	1,175
Short term	_____	3,386
Other farm accounts	_____	3,675
Total Farm Liabilities	\$ _____	\$150,724
Nonfarm Liabilities	_____	2,055
TOTAL LIABILITIES	\$ _____	\$152,779
FARM NET WORTH (EQUITY CAPITAL)	\$ _____	\$260,124
FAMILY NET WORTH	\$ _____	\$296,858

\*Future payments were discounted at an annual rate of 13 percent.

Payment ability is the most important consideration in determining if and how proposed investments should be financed. The farm business must produce sufficient cash income to meet operating expenses, to cover family living expenses and to make payments on debts. Interest paid and income from off-farm work are added to net cash farm income because planned debt payments will include interest as well as principal. Estimate your family living expenses to calculate cash available for debt payments and capital purchases made in cash.

A cash flow coverage ratio of less than one indicates that planned cash outflows exceed cash availability determined from 1984 records.

FARM FAMILY DEBT REPAYMENT  
97 Northern New York Dairy Farms, 1984

Item	My Farm	Average
<u>Payment Ability</u>		
Net cash farm income	\$ _____	\$33,641
Plus interest paid	_____	13,936
Plus off-farm income	_____	2,716
CASH AVAILABLE FOR DEBT SERVICE AND LIVING	\$ _____	\$50,293
Less family living expenses <sup>1</sup>	_____	20,377
CASH AVAILABLE FOR DEBT PAYMENTS AND CAPITAL PURCHASES	\$ _____	\$29,916
<u>Scheduled Annual Debt Payments</u>		
Long term	\$ _____	\$13,056
Intermediate	_____	14,787
Short term	_____	2,477
Other farm accounts	_____	1,219
TOTAL FARM DEBT PAYMENTS	\$ _____	\$31,539
Nonfarm debt payments	_____	452
TOTAL PAYMENTS PLANNED 1985	\$ _____	\$31,991
CASH FLOW COVERAGE RATIO <sup>2</sup>	_____	0.94
<u>Commitment and Measures of Debt Equity Position</u>		
Farm debt payments planned per cow	\$ _____	\$432
Farm debt payments as % milk sales	_____ %	22%
Farm debt/asset ratio-long term	_____	0.50
Farm debt/asset ratio-intermediate and short term	_____	0.24
Farm debt per cow	\$ _____	\$2,065
Percent equity (total)	_____ %	66%

<sup>1</sup> Estimated as \$10,900 per family plus four percent of cash farm receipts.

<sup>2</sup> Cash available for debt payments and capital purchases divided by total payments planned.

## ANALYSIS OF THE FARM BUSINESS

When analyzing a farm business, a manager must consider measures or factors that reflect the performance of specified parts of the farm business. To do this one must look at factors of size, rates of production, labor efficiency, capital efficiency and cost control. These measures and factors are detailed on the following pages.

Size of Business

Studies have shown that, in general, larger farms are more profitable than smaller farms. Larger businesses make possible more efficient use of overhead inputs such as labor and machinery and there are more units of production on which to earn a profit. Profitable farm businesses with good management have the ability and incentive to become larger. Large farms are not necessarily more profitable however, and size increases are only profitable with good management.

MEASURES OF SIZE OF BUSINESS  
Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Number of cows	_____	72	71
Number of heifers	_____	61	60
Pounds of milk sold	_____	1,070,400	1,066,500
Worker equivalent	_____	2.67	2.70
Total work units	_____	809	790
Total tillable acres	_____	239	231

In the table below, the 510 New York farms for 1983 are sorted by number of cows and the labor and management income is shown for each size group. In general, the large farms paid better, but, variability of income was significant.

FARM SIZE AND FARM INCOME MEASURES  
510 New York Dairy Farms, 1983

Number of Cows	Number of Farms	Worker Equivalent	Net Cash Farm Income	Labor, Management & Owner- ship Income Per Operator
Under 40	51	1.67	\$12,955	\$ 2,541
40 to 54	103	2.08	19,443	6,279
55 to 69	95	2.42	32,659	14,886
70 to 84	79	2.83	33,688	11,517
85 to 99	54	3.08	43,739	19,509
100 to 149	64	3.75	50,521	21,210
150 to 199	38	4.58	62,048	7,458
200 to 249	13	6.00	100,374	43,033
250 & over	13	8.42	180,903	99,327

### Rates of Production

Crop yields and rates of animal production are factors that have a significant impact on farm incomes. Here is a description of crops grown and yields along with the pounds of milk sold per cow.

#### CROP YIELDS & MILK SOLD PER COW 97 Northern New York Dairy Farms, 1984

Crop	My Farm		Average of Farms Reporting		
	Acres	Yield	Farms	Acres	Yield/Acre
Dry hay			97	(combined below)	
Hay crop silage			69	(combined below)	
Total hay crops			97	144	2.3 tons D.M.
Corn silage			81	56	13.9 tons
Other forage			18	20	1.2 tons D.M.
Total forage crops			97	195	2.9 tons D.M.
Grain corn			20	59	92.6 bushels
Oats			17	23	46.4 bushels
Wheat			2	12	23.8 bushels
Other crops			13	34	
Tillable pasture			43	35	
Idle tillable land			24	30	
<hr/>					
Milk sold per cow				14,867 pounds	

Tons of dry matter per acre from all hay and silage is a good measure of the overall rate of forage production.

The importance of strong milk output per cow is shown in the table below.

#### MILK SOLD PER COW AND LABOR AND MANAGEMENT INCOME 510 New York Dairy Farms, 1983

Pounds of Milk Sold Per Cow	Number of Farms	Number of Cows	Labor & Mgmt. Income/Oper.	Labor, Mgmt., & Ownership Income/Operator
Under 11,000	26	58	\$-4,275	\$ -903
11,000 to 11,999	35	62	-1,323	370
12,000 to 12,999	44	71	-3,493	5,074
13,000 to 13,999	56	79	-1,391	5,411
14,000 to 14,999	85	87	4,607	13,504
15,000 to 15,999	95	101	2,804	11,607
16,000 to 16,999	80	101	13,797	28,297
17,000 to 17,999	49	96	12,335	31,231
18,000 & over	40	101	18,716	36,819

### Labor Efficiency

Labor input is an important factor in farm production. Several measures of accomplishment per worker (labor efficiency) are shown below.

#### MEASURES OF LABOR EFFICIENCY Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Worker equivalent	_____	2.67	2.70
Cows per worker	_____	27	27
Lbs. milk sold per worker	_____	400,899	399,438
Work units per worker	_____	303	296

Number of cows per worker is calculated by dividing the average number of cows by the worker equivalent which represents the total farm labor force. Pounds of milk sold per worker is an important measure of labor efficiency on the dairy farm. It measures the ability of the labor force to handle a large number of cows without sacrificing milk output per cow.

It is important to look at other measures of labor efficiency, such as work units per worker because all dairy farms do not have the same relationship between cows, heifers, and crops grown.

Labor efficiency depends on a number of things. Among these are the amount of mechanization, the field and building layout, the work methods, and the abilities of the workers. All of these are management items under the control of the operator.

Another factor which may influence the productivity of labor is the wage paid to employees. A productive employee will require a reasonable and competitive wage.

#### MILK SOLD PER WORKER AND LABOR AND MANAGEMENT INCOME 510 New York Dairy Farms, 1983

Pounds of Milk Sold Per Worker	Number of Farms	Number of Cows	Pounds Milk Per Cow	Labor & Mgmt. Income Per Operator	Labor, Mgmt., & Ownership Income Per Operator
Under 250,000	46	44	11,386	\$-2,734	\$ 926
250,000 to 299,999	38	48	13,298	-1,281	4,804
300,000 to 349,999	56	64	14,128	860	5,896
350,000 to 399,999	70	75	14,793	993	9,853
400,000 to 449,000	95	77	15,319	6,463	17,787
450,000 to 499,999	68	89	15,293	3,590	13,037
500,000 to 599,999	81	104	15,710	5,968	19,317
600,000 & over	56	187	16,473	26,312	48,943

### Capital Efficiency

Capital is a key resource in dairy farm businesses and a manager must continually analyze its use in the business. The measures of capital efficiency shown in the following table include owned as well as borrowed capital. It is possible for the business to be undercapitalized, but investing too much capital per productive unit is a more common problem.

MEASURES OF CAPITAL EFFICIENCY  
Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Farm capital per worker	\$ _____	\$146,618	\$152,701
Farm capital per cow	\$ _____	5,363	5,510
Machinery investment per cow	\$ _____	1,162	1,127
Machinery per tillable acre	\$ _____	355	361
Land & buildings per cow	\$ _____	2,491	2,610
Land & buildings/tillable acre owned	\$ _____	967	1,061
Capital turnover (years)	_____	2.4	2.6

Land and building investment per crop acre owned shows the relationship between investments in land and buildings. The farmer who owns little crop-land but builds many farm buildings will have a relatively large land and building investment per crop acre owned. This could be an indication that capital use is out of balance.

Capital turnover is calculated by dividing the total farm capital (total year-end farm inventory) by the total farm receipts for the year. The factor is called capital turnover because it measures the number of years of receipts needed to equal or "turnover" farm capital. A fast rate of turnover is more desirable than a slow rate because it means capital purchases can be paid off at a faster rate. This figure also depends upon the enterprise selection of the business.

CAPITAL TURNOVER AND LABOR AND MANAGEMENT INCOME  
510 New York Dairy Farms, 1983

Capital Turnover Rate - Years	Number of Farms	Number of Cows	Capital Investment		Labor & Mgmt. Income Per Operator
			Per Cow	Per Worker	
less than 1.5	14	126	\$3,178	\$105,385	\$ 34,525
1.5 to 1.99	92	121	4,493	153,029	15,742
2.0 to 2.49	168	97	5,246	163,826	5,682
2.5 to 2.99	113	74	6,239	170,148	3,794
3.0 to 3.49	66	63	6,364	168,003	-2,369
3.5 & over	57	60	7,601	206,061	-8,415



## Cost Control

The control of costs is a big factor in the success of modern commercial dairy operations. Feed, machinery and labor costs are major items and should be examined in detail. It is important to check all cost items both large and small. Expenses should be incurred only when the returns from the expense are expected to be greater than the cost incurred.

### Feed Costs

Purchased feed is the largest single expenditure on most dairy farms. Two considerations are important in keeping the feed bill down: (1) Be careful that only nutrients required by the cow are being fed. A dairy farmer cannot afford to buy a feed mix that overfeeds energy or protein. (2) Be certain that the required nutrients are being obtained from their least expensive source. For example, is the lowest cost source of protein, urea, soybean meal or a commercial protein? Help in answering these questions can come from budgeting, from agribusiness people selling feeds, and from dairy and management extension agents. Extension is supporting computerized decision aids to assist in answering these questions including the NEWPLAN program, Least-Cost Balanced Dairy Rations, and the dairy ration analyzers.

The size and productivity of the cropping program has an important influence on the amount of the purchased feed bill. Increased production of either roughages or grains should reduce the purchased feed expense unless cow numbers are increased. Also, heifer raising practices affect feed costs. The overall feed situation must be examined and evaluated as a "system".

#### FEED COSTS AND RELATED MEASURES Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Dairy concentrate purchased per cow	\$ _____	\$522	\$539
Dairy concentrate purchased per cwt. of milk sold	\$ _____	\$3.51	\$3.59
Percent dairy concentrate is of milk receipts	_____ %	27%	27%
Crop expense per cow	\$ _____	\$137	\$130
Feed & crop expense/cwt. milk	\$ _____	\$4.60	\$4.65
Forage dry matter harv./cow (tons)	_____	7.8	7.8
Acres of forage per cow	_____	2.7	2.6
Total tillable acres per cow	_____	3.3	3.3
Fertilizer and lime/tillable acre	\$ _____	\$25	\$24
Heifers as % of cow numbers	_____ %	85%	85%

### Machinery, Labor and Miscellaneous Costs

Labor and machinery operate as a team on a dairy farm. The challenge is to obtain an efficient combination of these two inputs that will result in a low cost per unit of output.

#### MACHINERY AND LABOR COSTS Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
<u>Machinery:</u> Depreciation <sup>1</sup>	\$ _____	\$12,332	\$11,826
Interest <sup>2</sup>	_____	4,153	4,102
Operating expense <sup>3</sup>	_____	12,944	12,586
Total machinery	\$ _____	\$29,429	\$28,514
Per cow	_____	\$409	\$402
<u>Labor:</u> Value of operators <sup>4</sup>	\$ _____	\$11,474	\$11,078
Unpaid family <sup>5</sup>	_____	2,085	2,265
Hired	_____	12,702	10,850
Total labor	\$ _____	\$26,261	\$24,193
Per cow	_____	\$365	\$341
Per cwt. milk	_____	\$2.45	\$2.27
Labor & machinery costs per cow	_____	\$774	\$743
Labor & machinery costs/cwt. milk	\$ _____	\$5.20	\$4.94

<sup>1</sup>Regular depreciation from last year's tax plus 10 percent of new purchases.

<sup>2</sup>Five percent of average machinery investment.

<sup>3</sup>Machine hire, repairs, farm share auto expense, and gas and oil.

<sup>4</sup>\$750 per month.

<sup>5</sup>\$500 per month.

#### MISCELLANEOUS COST CONTROL MEASURES Northern New York Dairy Farms, 1984 & 1983

Item	My Farm	97 Farms 1984	100 Farms 1983
Livestock expense per cow	\$ _____	\$281	\$256
Real estate expense per cow	\$ _____	\$145	\$153
Total farm expense per cow	\$ _____	\$2,229	\$2,142

Livestock expense per cow includes breeding fees, veterinary and medicine, milk marketing, dairy supplies, bedding and DHIC fees. Real estate expenses include repairs, taxes, insurance and rent.

## YEARLY CASH FLOW PLANNING &amp; ANALYSIS

This worksheet is a valuable tool in financial planning, expansions and for setting goals for improving the farm business.

Item	97 N. New York Farms	My Farm, _____		Cows
	Avg. Per Cow	Per Cow	Total	Goal
<u>CASH RECEIPTS</u>				
Milk sales	\$1,961	\$ _____	\$ _____	\$ _____
Crop sales	20	_____	_____	_____
Dairy cattle	131	_____	_____	_____
Calves & other livestock	31	_____	_____	_____
Other	88	_____	_____	_____
Total Cash Receipts	\$2,231	\$ _____	\$ _____	\$ _____
<u>CASH EXPENSES</u>				
Hired labor	\$ 176	\$ _____	\$ _____	\$ _____
Dairy concentrate	522	_____	_____	_____
Hay and other	25	_____	_____	_____
Machine hire	13	_____	_____	_____
Machine repair & auto expense	100	_____	_____	_____
Gas & oil	67	_____	_____	_____
Replacement livestock	21	_____	_____	_____
Breeding fees	28	_____	_____	_____
Vet & medicine	42	_____	_____	_____
Milk marketing (ADA, Dues)	127	_____	_____	_____
Other livestock exp. (incl. \$2 lease)	84	_____	_____	_____
Fertilizer & lime	84	_____	_____	_____
Seeds & plants	29	_____	_____	_____
Spray & other	24	_____	_____	_____
Land, bldg. fence repair	31	_____	_____	_____
Taxes	53	_____	_____	_____
Insurance	33	_____	_____	_____
Rent	28	_____	_____	_____
Telephone & elec. (farm share)	58	_____	_____	_____
Miscellaneous	25	_____	_____	_____
Total Cash Expenses <sup>1</sup>	\$1,570	\$ _____	\$ _____	\$ _____
Total Cash Receipts	\$2,231	_____	_____	_____
Total Cash Expenses <sup>1</sup>	-1,570	- _____	- _____	- _____
Net Cash Flow	\$ 661	\$ _____	\$ _____	\$ _____
Cash Family Living Expense <sup>2</sup>	- 283	- _____	- _____	- _____
Amount Left for Debt Service, Capital Investment & Retained Earnings	\$ 378	\$ _____	\$ _____	\$ _____
Scheduled Farm Debt Service	- 432	- _____	- _____	- _____
Available for Capital Investment	\$ -54	\$ _____	\$ _____	\$ _____
Planned Expansion Livestock Purch.		_____	_____	_____
Planned Equipment Purchase		_____	_____	_____
Borrowed or Equity Funds Needed		\$ _____	\$ _____	\$ _____

<sup>1</sup>Interest paid excluded for it is contained in Scheduled Debt Service.

<sup>2</sup>Estimated: \$10,900 per family and four percent of cash farm receipts.

# PROGRESS OF THE FARM BUSINESS

Comparing your business with that of other farmers is one part of a business checkup. It is equally important to compare your current year's business with that of earlier years to show the progress you are making, and to plan ahead, by setting business targets or goals. Data from 72 identical Northern New York dairy farms is included to provide a basis for comparison.

Item	Avg. of 72 N. New York Identical* Farms		My Farm		
	1983	1984	1983	1984	Goal
<u>Size of Business</u>					
Number of cows	75	74			
Number of heifers	61	64			
Milk sold (cwt.)	11,305	11,225			
Worker equivalent	2.67	2.75			
Total tillable acres	232	242			
<u>Rates of Production</u>					
Pounds milk sold per cow	15,073	15,169			
Tons hay D.M. per acre	2.3	2.4			
Tons corn silage per acre	14.7	13.6			
<u>Labor Efficiency</u>					
Cows per worker	28	27			
Pounds milk sold/worker	423,408	408,182			
<u>Cost Control</u>					
Purch. feed as % milk sold	27%	26%	%	%	%
Feed & crop exp./cwt. milk	\$4.70	\$4.56	\$	\$	\$
Labor & machinery cost/cow	\$755	\$797	\$	\$	\$
<u>Capital Efficiency</u>					
Farm capital per cow	\$5,529	\$5,538	\$	\$	\$
Capital turnover (years)	2.5	2.4			
<u>Price</u>					
Price per cwt. milk	\$13.33	\$13.12	\$	\$	\$
<u>Financial Summary</u>					
Net cash farm income	\$35,688	\$36,036	\$	\$	\$
Labor & mgmt. income/oper.	\$4,003	\$654	\$	\$	\$
Farm net worth	\$290,323	\$280,200	\$	\$	\$
Rate of return on equity	-1.7%	-1.9%	%	%	%
Percent equity	68%	67%	%	%	%
Farm debt per cow	\$1,990	\$2,070	\$	\$	\$

\*"Identical" means that each of these farms were included in the data for both 1983 and 1984.

### Farm Business Chart

The Farm Business Chart is a tool which can be used in analyzing a business by drawing a line through the figure in each column which represents the current level of management performance. The figure at the top of each column is the average of the top 10 percent of the 510 farms for that factor. The other figures in each column are the average for the second 10 percent, third 10 percent, etc. Each column of the chart is independent of the others. The farms which are in the top 10 percent for one factor would not necessarily be the same farms which make up the top 10 percent for any other factor.

#### FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS 510 New York Dairy Farms, 1983

Size of Business			Rates of Production			Labor Efficiency	
Worker Equiv- valent	No. of Cows	Pounds Milk Sold	Pounds Milk Sold Per Cow	Tons Hay Crop D.M./ Acre	Tons Corn Silage Per Acre	Cows Per Worker	Pounds Milk Sold Per Worker
6.3	233	3,749,300	18,500	4.8	21	47	722,800
4.2	136	2,058,600	17,200	3.5	17	37	570,200
3.4	100	1,547,000	16,500	3.1	16	34	510,400
3.1	85	1,324,900	15,900	2.7	15	31	472,400
2.8	75	1,153,100	15,300	2.5	14	29	437,800
2.5	67	988,000	14,800	2.3	13	27	413,100
2.2	59	870,600	14,200	2.1	12	26	373,900
2.0	51	730,000	13,400	1.9	12	23	340,700
1.8	44	600,600	12,400	1.7	10	21	290,800
1.4	34	410,300	10,300	1.3	7	17	200,300
<hr/>							
Feed Bought Per Cow	% Feed is of Milk Receipts		Machinery Costs Per Cow	Labor and Machinery Costs Per Cow		Feed and Crop Expenses Per Cwt. Milk	
\$224	12%		\$215	\$ 499		\$2.82	
329	17		281	598		3.55	
389	20		324	641		4.00	
448	23		354	678		4.29	
505	26		384	723		4.57	
552	28		418	767		4.83	
596	29		458	816		5.04	
646	31		501	875		5.30	
698	34		557	952		5.67	
830	40		684	1,141		6.63	

The cost control factors are ranked from low to high, but the lowest cost is not necessarily the most profitable. In some cases, the "best" management position is somewhere near the middle or average. Many things affect the level of costs, and must be taken into account when analyzing the factors.

### Financial Analysis Chart

The farm financial analysis chart is designed just like the Farm Business Chart in Table 35 on page 28 and may be used to measure the financial health of the farm business. Most of the financial measures used are defined on pages 14 through 16 and 21 in this publication.

#### FINANCIAL ANALYSIS CHART 510 New York Dairy Farms, 1983

Liquidity (Repayment)				
Debt Payments Per Cow	Available for Debt Service Per Cow	Cash Flow Coverage Ratio	Debt Payments as Percent of Milk Sales	Debt Per Cow
\$ 56	\$844	7.49	3	\$ 152
191	625	2.02	10	735
290	543	1.36	15	1,193
368	471	1.07	19	1,620
429	418	.90	22	1,991
481	361	.78	24	2,289
547	308	.62	28	2,667
618	236	.48	32	3,054
710	147	.32	37	3,643
940	-69	-.88	52	4,751

Solvency				Efficiency & Profitability		
Leverage Ratio <sup>1</sup>	Percent Equity	Debt/Asset Ratio		Capital Turnover (years)	Rate of Return on	
		Current & Intermediate	Long Term		Equity	Investment <sup>2</sup>
.01	97	.00	.00	1.17	15%	12%
.13	88	.05	.04	1.87	6	7
.25	79	.11	.16	2.13	4	5
.37	72	.17	.30	2.32	1	4
.51	66	.24	.41	2.53	- 1	3
.69	59	.30	.51	2.72	- 3	1
.90	52	.38	.62	2.92	- 6	- 0.4
1.23	44	.46	.74	3.25	-10	- 2
1.72	36	.54	.89	3.83	-19	- 5
5.19	16	.83	1.68	7.55	-59	-10

<sup>1</sup>Dollars of debt per dollar of equity, computed by dividing total liabilities by total equity.

<sup>2</sup>Return on all farm capital (no deduction for interest paid) divided by total farm assets.

FARM BUSINESS SUMMARY BY HERD SIZE  
510 New York Dairy Farms, 1983

Item	Farm Size:	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows
<u>Capital Investment (end of year)</u>					
Livestock		\$ 41,228	\$ 61,459	\$ 85,887	\$ 98,628
Feed & supplies		10,381	18,411	26,767	34,220
Machinery & equipment		39,680	58,452	76,189	88,047
Land & buildings		114,057	150,410	190,603	222,475
TOTAL INVESTMENT		\$205,346	\$288,732	\$379,446	\$443,370
<u>Receipts</u>					
Milk sales		\$ 59,890	\$ 94,045	\$127,435	\$156,255
Dairy cattle sold		3,615	5,780	7,799	10,293
Other livestock sales		1,545	1,445	1,656	2,097
Crop sales		220	673	1,661	1,698
Miscellaneous receipts		1,321	1,903	3,160	4,444
Total Cash Receipts		\$ 66,591	\$103,846	\$141,711	\$174,787
Increase in livestock		865	1,618	2,714	500
Increase in feed & supplies		900	2,433	2,726	2,775
Appreciation		(2,802)	(2,389)	(1,245)	312
TOTAL FARM RECEIPTS		\$ 65,554	\$105,508	\$145,906	\$178,374
TOTAL FARM REC. EXCL. APPREC.		\$ 68,356	\$107,897	\$147,151	\$178,062
<u>Expenses</u>					
Hired labor		\$ 2,980	\$ 5,421	\$ 7,306	\$ 12,401
Dairy grain & concentrate		17,146	25,553	32,132	40,676
Other feed		1,229	985	1,452	1,896
Machine hire		714	885	1,600	1,694
Machinery repair		2,486	4,235	5,858	7,778
Auto expense (farm share)		527	462	481	466
Gas & oil		2,044	3,256	4,611	5,664
Replacement animals		1,406	1,432	1,292	1,284
Breeding fees		895	1,372	1,890	2,381
Veterinary & medicine		996	1,967	2,431	3,174
Milk marketing		4,666	6,785	8,683	10,155
Cattle lease		0	80	32	440
Other livestock expense		2,061	3,864	5,203	5,687
Fertilizer & lime		1,730	4,013	5,441	7,393
Seeds & plants		595	1,289	1,901	2,513
Spray & other crop expense		518	1,075	1,352	1,956
Land, bldg., fence repair		1,020	1,286	1,506	2,676
Taxes & insurance		3,317	4,308	5,766	7,255
Electricity & phone (farm share)		2,048	2,823	3,863	4,501
Interest paid		6,002	10,569	12,769	15,946
Miscellaneous expenses		1,256	2,743	3,483	5,163
Total Cash Expenses		\$ 53,636	\$ 84,403	\$109,052	\$141,099
Expansion livestock		196	819	460	244
Machinery depreciation		5,504	7,716	10,016	13,621
Building depreciation		1,840	3,176	4,914	6,207
Unpaid family labor		1,735	1,859	1,963	1,886
Interest on equity @ 5%		7,110	9,155	13,065	14,243
TOTAL FARM EXPENSES		\$ 70,021	\$107,128	\$139,470	\$177,300
<u>Financial Summary</u>					
NET CASH FARM INCOME		\$ 12,955	\$ 19,443	\$ 32,659	\$ 33,688
Labor & Management Income		\$ -1,665	\$ 769	\$ 7,681	\$ 762
Number of Operators		1.04	1.20	1.31	1.33
LABOR & MGT. INCOME/OPER.		\$ -1,601	\$ 641	\$ 5,863	\$ 573
LABOR, MGT. & OWNSHP. INC./OPER.		\$ 2,541	\$ 6,279	\$ 14,886	\$ 11,517

FARM BUSINESS SUMMARY BY HERD SIZE  
510 New York Dairy Farms, 1983

Item	Farms with:	85 to 99 cows	100 to 149 cows	150 to 199 cows	200 to 249 cows	250 or more cows
<u>Capital Investment (end of year)</u>						
Livestock		\$125,294	\$160,160	\$215,402	\$308,916	\$497,937
Feed & supplies		42,139	53,070	70,909	94,822	175,581
Machinery & equipment		110,980	124,768	169,416	181,519	242,080
Land & buildings		254,998	317,401	386,900	506,269	880,006
TOTAL INVESTMENT		\$533,411	\$655,399	\$842,627	\$1,091,526	\$1,795,604
<u>Receipts</u>						
Milk sales		\$190,993	\$247,849	\$349,071	\$467,567	\$824,478
Dairy cattle sold		10,718	14,575	21,762	31,483	42,411
Other livestock sales		2,607	3,842	4,377	5,806	9,078
Crop sales		1,983	2,306	3,857	6,873	4,792
Miscellaneous receipts		4,830	5,743	9,982	18,207	12,250
Total Cash Receipts		\$211,131	\$274,315	\$389,049	\$529,936	\$893,009
Increase in livestock		4,555	5,724	6,427	15,172	38,561
Increase in feed & supplies		5,158	4,630	4,639	(2,857)	21,929
Appreciation		(1,923)	277	(17,087)	3,307	4,649
TOTAL FARM RECEIPTS		\$218,921	\$284,946	\$383,028	\$545,558	\$958,148
TOT. FARM REC. EXCL. APPREC.		\$220,844	\$284,669	\$400,115	\$542,251	\$953,499
<u>Expenses</u>						
Hired labor		\$15,684	\$24,817	\$38,523	\$67,620	\$109,208
Dairy feed & concentrate		47,017	59,535	85,473	117,279	207,775
Other feed		1,907	3,919	3,926	3,132	2,251
Machine hire		1,404	1,586	1,293	3,033	4,444
Machinery repair		10,162	12,342	17,337	26,385	35,838
Auto expense (farm share)		615	617	560	381	1,023
Gas & oil		7,216	9,871	13,358	14,604	25,295
Replacement animals		1,332	2,292	9,477	2,581	3,831
Breeding fees		2,484	3,159	4,990	7,320	10,807
Veterinary & medicine		3,654	4,738	7,219	11,416	21,224
Milk marketing		13,440	16,589	24,264	30,999	52,366
Cattle lease		0	261	424	0	259
Other livestock expense		7,446	9,139	13,376	20,365	30,827
Fertilizer & lime		9,701	12,280	18,126	19,367	33,696
Seeds & plants		3,173	4,395	5,592	5,486	11,555
Spray & other crop expense		2,673	3,514	5,951	7,783	12,986
Land, bldg., fence repair		2,595	3,234	4,060	7,705	8,837
Taxes & insurance		7,799	10,163	12,513	16,015	19,210
Elec. & phone (farm share)		5,151	6,402	7,874	10,544	14,898
Interest paid		17,309	25,135	40,718	43,956	80,607
Miscellaneous expenses		6,630	9,806	11,947	13,591	25,169
Total Cash Expenses		\$167,392	\$223,794	\$327,001	\$429,562	\$712,106
Expansion livestock		579	1,016	1,905	3,219	6,532
Machinery depreciation		15,519	19,044	28,209	33,853	45,379
Building depreciation		6,888	9,440	12,849	18,539	25,884
Unpaid family labor		1,426	1,109	908	1,000	385
Interest on equity @ 5%		18,640	20,948	24,879	36,983	58,899
TOTAL FARM EXPENSES		\$210,444	\$275,351	\$395,751	\$523,156	\$849,185
<u>Financial Summary</u>						
NET CASH FARM INCOME		\$43,739	\$50,521	\$62,048	\$100,374	\$180,903
Labor & Management Income		\$10,400	\$9,318	\$4,364	\$19,095	\$104,314
Number of Operators		1.39	1.44	1.63	1.38	1.69
LABOR & MGT. INCOME/OPER.		\$7,482	\$6,471	\$2,677	\$13,837	\$61,724
LABOR, MGT. & OWNSHP. INC/OP.		\$19,509	\$21,210	\$7,458	\$43,033	\$99,327



SELECTED BUSINESS FACTORS BY HERD SIZE  
510 New York Dairy Farms, 1983

Item	Farms with:			
	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows
Number of farms	51	103	95	79
<u>Size of Business</u>				
Number of cows	34	47	63	76
Number of heifers	26	38	50	63
Pounds of milk sold	440,800	695,800	938,300	1,152,000
Worker equivalent	1.67	2.08	2.42	2.83
Total work units	370	531	695	849
Total tillable acres	118	164	213	251
(Tillable acres rented)*	(28)	(48)	(70)	(81)
<u>Rates of Production</u>				
Milk sold per cow	12,965	14,804	14,894	15,158
Tons hay crop dry matter per acre	2.1	2.1	2.4	2.5
Tons corn silage per acre	12.6	12.8	13.3	12.7
Bushels of oats per acre	33.6	52.9	48.0	54.3
<u>Labor Efficiency</u>				
Cows per worker	20	23	26	27
Pounds milk sold per worker	263,952	334,519	387,727	407,067
Work units per worker	222	255	287	300
<u>Feed Costs</u>				
Feed purchased per cow	\$504	\$544	\$510	\$535
Crop expense per cow	\$84	\$136	\$138	\$156
Feed cost per cwt. milk	\$3.89	\$3.67	\$3.42	\$3.53
Feed & crop exp. per cwt. milk	\$4.81	\$4.73	\$4.51	\$4.73
% feed is of milk receipts	29%	27%	25%	26%
Tons forage dry matter per cow	6.8	7.6	7.5	7.7
Tillable acres per cow	3.5	3.5	3.4	3.3
Fertilizer & lime per crop acre	\$15	\$24	\$26	\$29
<u>Machinery &amp; Labor Costs</u>				
Total machinery costs	\$13,243	\$19,463	\$26,309	\$33,550
Machinery cost per cow	\$390	\$414	\$418	\$441
Machinery cost per cwt. milk	\$3.00	\$2.08	\$2.80	\$2.91
Labor cost per cow	\$415	\$382	\$330	\$345
Labor cost per cwt. milk	\$3.20	\$2.58	\$2.22	\$2.28
<u>Capital Efficiency</u>				
Investment per worker	\$122,962	\$138,813	\$156,796	\$156,668
Investment per cow	\$6,040	\$5,892	\$5,929	\$5,758
Investment per cwt. milk	\$47	\$41	\$40	\$38
Land & buildings per cow	\$3,355	\$3,070	\$2,978	\$2,889
Machinery investment per cow	\$1,167	\$1,193	\$1,190	\$1,143
Capital turnover	3.1	2.7	2.6	2.5
<u>Other</u>				
Price per cwt. milk sold	\$13.59	\$13.52	\$13.58	\$13.56
Acres hay crops*	78	104	117	131
Acres corn silage*	16	29	40	57

\*Average of all farms.

SELECTED BUSINESS FACTORS BY HERD SIZE  
510 New York Dairy Farms, 1983

Item	Farms with:				
	85 to 99 cows	100 to 149 cows	150 to 199 cows	200 to 249 cows	250 or more cows
Number of farms	54	64	38	13	13
<u>Size of Business</u>					
Number of cows	91	121	168	219	355
Number of heifers	77	101	127	177	292
Pounds of milk sold	1,390,800	1,806,600	2,553,800	3,444,600	6,016,600
Worker equivalent	3.08	3.75	4.58	6.00	8.42
Total work units	1,014	1,345	1,836	2,356	3,755
Total tillable acres	294	378	503	543	731
(Tillable acres rented)*	(103)	(126)	(204)	(210)	(230)
<u>Rates of Production</u>					
Milk sold per cow	15,284	14,931	15,201	15,729	16,948
Tons hay crop dry matter/acre	2.7	2.6	2.7	2.8	3.3
Tons corn silage per acre	13.0	13.2	13.9	15.1	15.2
Bushels of oats per acre	50.8	51.3	53.0	56.0	80.0
<u>Labor Efficiency</u>					
Cows per worker	30	32	37	37	42
Pounds milk sold per worker	451,558	481,760	557,598	574,100	714,561
Work units per worker	329	359	401	393	446
<u>Feed Costs</u>					
Feed purchased per cow	\$517	\$492	\$509	\$536	\$585
Crop expense per cow	\$171	\$167	\$177	\$149	\$164
Feed cost per cwt. milk	\$3.38	\$3.30	\$3.35	\$3.40	\$3.45
Feed & crop exp. per cwt. milk	\$4.64	\$4.63	\$4.66	\$4.44	\$4.46
% feed is of milk receipts	25%	24%	24%	25%	25%
Tons forage dry matter per cow	7.6	7.8	7.5	7.0	7.2
Tillable acres per cow	3.2	3.1	3.0	2.5	2.1
Fertilizer & lime per crop acre	\$33	\$32	\$36	\$36	\$46
<u>Machinery &amp; Labor Costs</u>					
Total machinery costs	\$40,311	\$49,645	\$69,160	\$87,257	\$123,695
Machinery cost per cow	\$443	\$410	\$412	\$398	\$348
Machinery cost per cwt. milk	\$2.90	\$2.75	\$2.71	\$2.53	\$2.06
Labor cost per cow	\$325	\$321	\$322	\$368	\$352
Labor cost per cwt. milk	\$2.13	\$2.15	\$2.12	\$2.34	\$2.07
<u>Capital Efficiency</u>					
Investment per worker	\$173,185	\$174,773	\$183,980	\$181,921	\$213,255
Investment per cow	\$5,798	\$5,202	\$4,957	\$4,873	\$4,827
Investment per cwt. milk	\$38	\$36	\$33	\$32	\$30
Land & buildings per cow	\$2,772	\$2,519	\$2,276	\$2,260	\$2,366
Machinery investment per cow	\$1,206	\$990	\$997	\$810	\$651
Capital turnover	2.4	2.3	2.2	2.0	1.9
<u>Other</u>					
Price per cwt. milk sold	\$13.73	\$13.72	\$13.67	\$13.57	\$13.70
Acres hay crops*	149	185	234	231	230
Acres corn silage*	64	98	133	179	341

\*Average of all farms.

FARM FAMILY FINANCIAL SITUATION BY HERD SIZE  
510 New York Dairy Farms, January 1, 1984

Item	Farms with:	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows	85 to 99 cows
Number of farms		51	103	95	79	54
<b>Assets</b>						
Livestock (includes discounted lease payments)		\$ 41,228 (0)	\$ 61,540 (81)	\$ 85,929 (42)	\$ 98,674 (46)	\$125,294 (0)
Feed & supplies		10,381	18,411	26,767	34,220	42,139
Machinery & equipment (includes discounted lease payments)		40,785 (1,105)	59,115 (663)	77,201 (1,112)	89,233 (1,186)	111,861 (881)
Land & buildings (includes discounted lease payments)		114,500 (443)	152,831 (2,421)	193,038 (2,435)	224,054 (1,579)	256,322 (1,324)
Co-op investment		1,529	2,642	5,006	6,123	7,916
Accounts receivable		4,567	7,630	10,557	13,143	16,950
Cash & checking accounts		949	885	2,300	3,350	2,221
Total Farm Assets		\$213,939	\$303,054	\$400,798	\$468,797	\$562,703
Savings accounts		3,067	2,032	4,289	3,106	4,344
Cash value life insurance		2,366	2,498	2,854	2,052	2,454
Stocks & bonds		899	1,605	2,541	4,369	4,856
Nonfarm real estate		3,843	3,684	10,491	1,744	5,784
Auto (personal share)		1,110	1,532	1,710	1,425	1,946
All other		7,694	7,975	6,536	6,215	7,282
Total Nonfarm Assets		\$ 18,979	\$ 19,326	\$ 28,421	\$ 18,911	\$ 26,666
TOTAL ASSETS		\$232,918	\$322,380	\$429,219	\$487,708	\$589,369
<b>Liabilities</b>						
Long term		\$ 45,225	\$ 70,854	\$ 83,044	\$115,843	\$109,048
Intermediate		21,775	41,239	45,676	56,631	64,655
Financial lease		1,548	3,165	3,489	2,811	2,205
Short-term		1,170	1,263	3,011	3,242	7,094
Other farm accounts		2,023	3,443	4,279	5,418	6,910
Total Farm Liabilities		\$ 71,741	\$119,964	\$139,499	\$183,945	\$189,912
Total Nonfarm Liabilities		338	926	1,310	189	641
TOTAL LIABILITIES		\$ 72,079	\$120,890	\$140,809	\$184,134	\$190,553
Farm Net Worth (Eq. Cap.)		\$142,198	\$183,090	\$261,299	\$284,852	\$372,791
FAMILY NET WORTH		\$160,839	\$201,490	\$288,410	\$303,574	\$398,816
<b>Financial Measures</b>						
Percent equity		69%	63%	67%	62%	68%
Farm debt per cow		\$2,110	\$2,448	\$2,180	\$2,389	\$2,064
Available for debt service & living		\$21,523	\$32,196	\$46,794	\$51,210	\$62,252
Scheduled annual debt payment		\$13,513	\$23,122	\$30,289	\$37,532	\$42,918
Scheduled debt payments/cow		\$393	\$468	\$471	\$486	\$464
Payment as % of milk check		22%	24%	24%	24%	22%
Debt/Asset ratio - long term		0.39	0.46	0.43	0.52	0.43
Debt/Asset ratio - intermediate & short-term		0.25	0.30	0.25	0.26	0.24
Cash flow coverage ratio		0.59	0.67	0.90	0.81	0.91

FARM FAMILY FINANCIAL SITUATION BY HERD SIZE  
510 New York Dairy Farms, January 1, 1984

Item	100 to 149 cows	150 to 199 cows	200 to 249 cows	250 or more cows
Number of farms	64	38	13	13
<u>Assets</u>				
Livestock (includes discounted lease payments)	\$160,160 (0)	\$216,151 (749)	\$ 308,916 (0)	\$ 497,937 (0)
Feed & supplies	53,070	70,909	94,822	175,581
Machinery & equipment (includes discounted lease payments)	125,491 (723)	169,416 (0)	186,283 (4,764)	242,080 (0)
Land & buildings (includes discounted lease payments)	322,858 (5,457)	389,980 (3,080)	507,695 (1,426)	883,526 (3,520)
Co-op investment	11,794	24,462	32,374	30,627
Accounts receivable	20,230	27,582	41,128	77,943
Cash & checking accounts	2,417	3,430	4,270	10,072
Total Farm Assets	\$696,020	\$901,930	\$1,175,488	\$1,917,766
Savings accounts	3,391	5,178	132	3,115
Cash value life insurance	2,951	6,111	1,808	4,821
Stocks & bonds	2,770	6,629	13,102	2,308
Nonfarm real estate	5,508	20,423	399	3,846
Auto (personal share)	1,695	2,650	1,173	962
All other	5,170	8,079	6,392	5,231
Total Nonfarm Assets	\$ 21,485	\$ 49,070	\$ 23,006	\$ 20,283
TOTAL ASSETS	\$717,505	\$951,000	\$1,198,494	\$1,938,049
<u>Liabilities</u>				
Long term	\$145,700	\$214,453	\$222,344	\$370,108
Intermediate	113,125	170,191	192,872	328,702
Financial lease	6,180	3,829	6,190	3,520
Short-term	4,972	5,471	1,957	12,491
Other farm accounts	7,078	10,406	12,459	24,959
Total Farm Liabilities	\$277,055	\$404,350	\$ 435,822	\$ 739,780
Total Nonfarm Liabilities	3,589	5,870	7,385	0
TOTAL LIABILITIES	\$280,644	\$410,220	\$ 443,207	\$ 739,780
Farm Net Worth (Equity Cap.)	\$418,965	\$497,580	\$ 739,666	\$1,177,986
FAMILY NET WORTH	\$436,861	\$540,780	\$ 755,287	\$1,198,269
<u>Financial Measures</u>				
Percent equity	61%	57%	63%	62%
Farm debt per cow	\$2,199	\$2,379	\$1,946	\$1,989
Available for debt service & living	\$77,036	\$105,000	\$144,344	\$261,536
Scheduled annual debt payment	\$57,984	\$86,400	\$94,063	\$137,159
Scheduled debt payments/cow	\$459	\$507	\$416	\$369
Payment as % of milk check	23%	25%	20%	17%
Debt/Asset ratio - long term	0.45	0.55	0.44	0.42
Debt/Asset ratio - intermediate & short-term	0.33	0.35	0.30	0.33
Cash flow coverage ratio	0.88	0.84	1.16	1.52

### MEASURE YOUR PERFORMANCE

After you have entered your farm business data on the pages of this workbook, categorize your farm business performance into three groups. List the strong points, those which indicate average performance and those areas which need improvement. Your business factors that exceed the regional average should be listed as strong points, factors that are close to the regional average should be identified as average, and factors that are below average should be listed under need improvement.

The Farm Business Chart on the page 18 and the Financial Analysis Chart on page 19 can be used to identify strengths and weaknesses by comparing your business with a large number of New York dairy farms summarized for the previous year. It is recommended that you use more than one standard for comparison when analyzing the farm business.

#### STRONG POINTS:

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#### AVERAGE:

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#### NEED IMPROVEMENT:

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After identifying opportunities for improvement, consider alternative ways of solving each problem. List each alternative and analyze the consequences in detail. Extension conducts many schools, meetings, and provides many printed materials that should be of assistance. Local agribusinesses often provide helpful information and assistance. Seek out information related to the problem under consideration.

Another way to measure your management performance is to compare your current business factors with those from previous years. Page 17 is provided for this purpose. Answering the following questions may also help evaluate your farm business progress.

- 1) Do livestock numbers, labor force, and crop acres make up a well balanced unit of resources?
- 2) Have rates of production shown a steady increase?
- 3) When will milk output per worker reach 600,000 pounds?
- 4) Have increases in costs been limited to the effects of inflation?
- 5) Is growth in net worth keeping up with increased capital investment?
- 6) Is net cash farm income increasing fast enough to meet your needs?
- 7) Have you reached the business goals set for 1984 and have you set new goals for 1985?