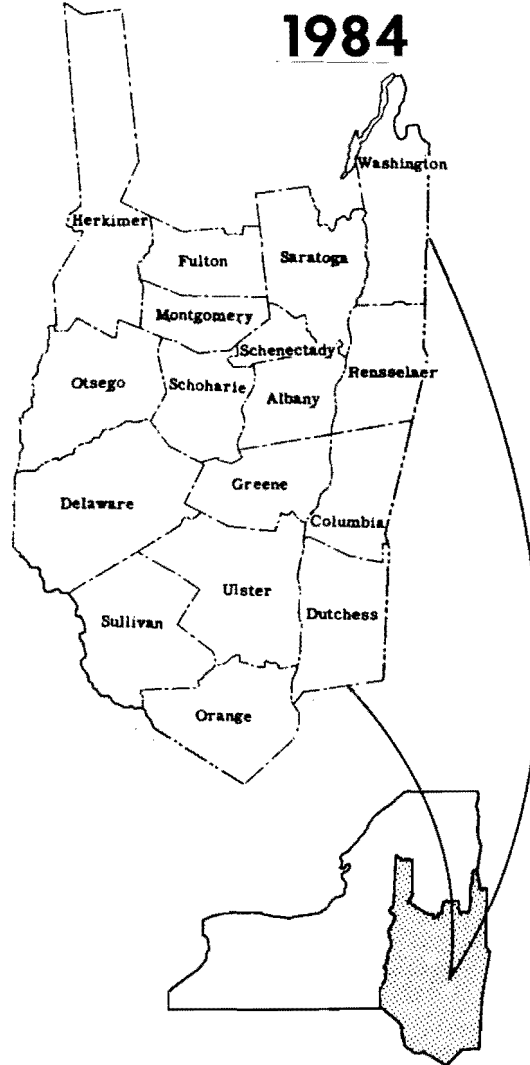


DAIRY FARM BUSINESS SUMMARY

EASTERN NEW YORK RENTER SUMMARY 1984



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1984 EASTERN NEW YORK DAIRY FARM RENTER BUSINESS SUMMARY

INTRODUCTION

Dairy farmers throughout New York State submit business records for summarization and analysis through Cooperative Extension's Farm Business Management Program. Averages from a compilation of the individual farm reports are published in 10 regional summaries and in one statewide summary.

This special Eastern New York Dairy Summary is an average of 27 businesses that are renting substantially all of the farm real estate. The farm income, financial summary, and business analysis sections of this report include comparisons with average data on 177 owned dairy farms in the region. This report is prepared in workbook form for farm renters to use in the systematic study of their farm business operations.

LIST OF TABLES

Table	Page
Management Systems, Production Technology, and Farm Size	2
Capital Investment - Farm Inventory	2
Inventory Accounting, Selected Changes	3
Farm Receipts	3
Farm Expenses	4
Farm Income Summary	5
Farm Family Financial Situation	6
Financial Measures and Debt Commitment	7
Measures of Size of Business	8
Crop Yields and Milk Sold Per Cow	8
Measures of Labor Efficiency	9
Measures of Capital Efficiency	9
Feed Costs and Related Measures	9
Machinery and Labor Costs	10
Other Cost and Receipt Measures	10
Yearly Cash Flow Planning and Analysis	11
Progress of the Farm Business	12

Business records for 27 farms in Columbia, Delaware, Dutchess, Montgomery, Otsego, Rensselaer, Saratoga, Schoharie, Sullivan, and Washington Counties are summarized in this publication. The Eastern New York region consists of these counties plus Albany, Herkimer, Orange, and Ulster counties which do not have farms that classify as renters. The 177 owned dairy farms summarized in this publication include farms from the entire region.

SUMMARY OF THE FARM BUSINESS

Business Characteristics

The combination of resources and management techniques used to put resources to work is an important part of planning. 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
27 Eastern New York Dairy Farm Renters, 1984

Type of Business	Number	Business Records	Number	Dairy Records	Number
Proprietorship	20	Account Book	13	D.H.I.C.	21
Partnership	6	Agrifax	9	Owner Sampler	2
Corporation	1	Other	5	None	4

Barn Type	Number	Milking System	Number	Number	
Stanchion	23	Bucket & Carry	1	Herringbone	4
Freestall	4	Dumping Station	4	Pipeline	18

Labor Force	My Farm	Average	Land Use	My Farm	Average
Operator 1.	_____ mo.	12	Total acres rented	_____	278
2.	_____ mo.	4	Tillable acres rented	_____	169
3.	_____ mo.	0			
Family paid	_____ mo.	2	<u>Number of Cows</u>	<u>My Farm</u>	<u>Average</u>
Family unpaid	_____ mo.	4	Beg. year (owned)	_____	55
Hired	_____ mo.	6	End year (owned & leased)	_____	59
Total	_____ mo.	28	Average for year (owned & leased)	_____	58

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 occurs with herd expansion, new machinery, and building additions and appreciation of land, buildings, and livestock.

CAPITAL INVESTMENT - FARM INVENTORY
27 Eastern New York Dairy Farm Renters, 1984

Item	My Farm		Average	
	1/1/84	1/1/85	1/1/84	1/1/85
Livestock	\$ _____	\$ _____	\$ 69,009	\$ 69,787
Feed & supplies	_____	_____	16,636	18,853
Machinery & equipment	_____	_____	50,188	51,623
Land & buildings	_____	_____	7,738	7,964
TOTAL	\$ _____	\$ _____	\$143,571	\$148,227

INVENTORY ACCOUNTING, SELECTED CHANGES
27 Eastern New York Dairy Farm Renters, 1984

Item	My Farm	Average
Livestock Inventory:		
Total Change	\$ _____	\$ 778
Appreciation ¹	_____	-1,568
Net Change in Inventory ²	_____	2,346
Machinery & Equipment:		
Depreciation	_____	7,489
Appreciation ^{1,3}	_____	2,726
Real Estate:		
Value added ⁴	_____	474
Depreciation	_____	617
Appreciation ¹	_____	369

¹Change in inventory caused by inflation or deflation of prices.

²Change in inventory caused by change in herd size and/or quality.

³Positive value indicates machinery depreciation charge exceeds actual decline in market value.

⁴Cost of new real estate that can be added to value of new farm. Lost capital has been deducted.

FARM RECEIPTS
27 Eastern New York Dairy Farm Renters, 1984

Item	My Farm	Per Farm	Per Cow
<u>CASH RECEIPTS</u>			
Milk sales	\$ _____	\$119,925	\$2,068
Crop sales	_____	158	3
Dairy cattle sold	_____	5,855	101
Calves & other livestock sales	_____	1,820	31
Gas tax refund	_____	36	1
Government payments	_____	1,779	30
Custom machine work	_____	17	<1
Other	_____	1,027	18
Total Cash Receipts	\$ _____	\$130,617	\$2,252
<u>NONCASH RECEIPTS</u>			
Increase in livestock inventory	_____	2,346	41
Increase in feed & supplies	_____	2,217	38
TOTAL FARM RECEIPTS EXCLUDING APPRECIATION	\$ _____	\$135,180	\$2,331
Livestock appreciation	_____	- 1,568	- 27
Machinery appreciation	_____	2,726	47
Real estate appreciation	_____	369	6
TOTAL FARM RECEIPTS	\$ _____	\$136,707	\$2,357

FARM EXPENSES
27 Eastern New York Dairy Farm Renters, 1984

Item	My Farm	Per Farm	Per Cow
<u>Hired Labor</u>	\$ _____	\$ 8,262	\$ 142
<u>Feed</u>			
Dairy concentrate	_____	34,103	588
Hay & other	_____	4,096	71
<u>Machinery</u>			
Machine hire	_____	1,313	23
Machinery repairs	_____	5,147	89
Auto expense (farm share)	_____	288	5
Gas & oil	_____	3,962	68
<u>Livestock</u>			
Replacement livestock	_____	1,121	19
Breeding fees	_____	1,806	31
Veterinary & medicine	_____	2,189	38
Milk marketing	_____	11,159	192
Cattle lease	_____	644	11
Other livestock expense	_____	5,383	93
<u>Crops</u>			
Fertilizer & lime	_____	4,434	76
Seeds & plants	_____	1,286	22
Spray, other crop expense	_____	851	15
<u>Real Estate</u>			
Land, building, fence repair	_____	1,322	23
Taxes	_____	926	16
Insurance	_____	1,667	29
Rent	_____	10,160	175
<u>Other</u>			
Telephone (farm share)	_____	448	8
Electricity (farm share)	_____	2,975	51
Interest paid	_____	6,295	109
Miscellaneous	_____	1,394	24
Total Cash Expenses	\$ _____	\$111,231	\$1,918
Decrease in livestock and/or feed	_____	0	0
Expansion livestock	_____	321	5
Machinery depreciation	_____	7,489	129
Building depreciation	_____	617	11
Unpaid family labor @ \$500/month	_____	1,778	31
TOTAL FARM EXPENSES EXCLUDING INTEREST ON EQUITY CAPITAL	\$ _____	\$121,436	\$2,094
Interest on equity capital @ 5%	_____	5,489	94
TOTAL FARM EXPENSES	\$ _____	\$126,925	\$2,188

Farm Business Profitability

Four common ways to measure the returns from a farm business are reported here.

Net cash farm income reflects the cash available from the year's operation of the business. Labor and management income is the return to the operator for his or her labor and management input into the business. Labor, management, and ownership income per operator reflects the combined return to the farmer for his/her triple role of worker-manager, financier, and owner. Return on equity capital is computed with appreciation. To compute the rate of return, divide return on equity capital by farm net worth or equity capital.

FARM INCOME SUMMARY Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Cash farm receipts	\$ _____	\$130,617	\$185,408
Cash farm expenses	_____	<u>111,231</u>	<u>153,702</u>
NET CASH FARM INCOME	\$ _____	\$ 19,386	\$ 31,706
Total farm receipts excluding appreciation	\$ _____	\$135,180	\$188,796
Total farm expenses	_____	<u>126,925</u>	<u>191,876</u>
LABOR & MANAGEMENT INCOME	\$ _____	\$ 8,255	\$ -3,080
Full-time operator-management equiv.	_____	1.33	1.30
LABOR & MANAGEMENT INCOME PER OPERATOR-MANAGER	\$ _____	\$ 6,207	\$ -2,369
Total farm receipts	\$ _____	\$136,707	\$196,143
Total farm expenses excluding interest on equity capital	_____	<u>121,436</u>	<u>175,669</u>
LABOR, MANAGEMENT, & OWNERSHIP INCOME PER FARM	\$ _____	\$ 15,271	\$ 20,474
Full-time operator-management equiv.	_____	1.33	1.30
LABOR, MANAGEMENT, & OWNERSHIP INCOME PER OPERATOR-MANAGER	\$ _____	\$ 11,482	\$ 15,749
Labor, management, & ownership income per farm	\$ _____	\$ 15,271	\$ 20,474
Less value of operator's labor & management*	_____	<u>18,637</u>	<u>20,337</u>
Return on Equity Capital Including Appreciation	\$ _____	\$ -3,366	\$ 137
RATE OF RETURN ON \$ _____ EQUITY	_____	-3.1%	0.0%

*Value of operator's labor and management estimated by operators.

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. A farmer may have a good labor and management income, but high debt payments may restrict management flexibility. Farm net worth is total farm assets less total farm liabilities. Family net worth is total assets less all liabilities reported.

FARM FAMILY FINANCIAL SITUATION Eastern New York Dairy Farm Renters and Owners, January 1, 1985

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
<u>Assets</u>			
Livestock	\$ _____	\$ 69,787	\$103,020
(includes discounted lease pymts)		(0)	(0)
Feed & supplies	_____	18,853	36,502
Machinery & equipment	_____	52,078	91,389
(includes discounted lease pymts)		(455)	(1,082)
Land & buildings	_____	8,096	240,895
(includes discounted lease pymts)		(132)	(2,273)
Co-op investments	_____	7,435	9,958
Accounts receivable	_____	11,792	15,018
Cash & checking accounts	_____	1,697	3,344
Total Farm Assets	\$ _____	\$169,738	\$500,126
Savings accounts	_____	5,743	5,018
Cash value life insurance	_____	1,011	2,013
Stocks & bonds	_____	850	3,639
Nonfarm real estate	_____	5,926	4,579
Auto (personal share)	_____	1,861	1,477
All other	_____	4,117	6,681
Total Nonfarm Assets	\$ _____	\$ 19,508	\$ 23,407
TOTAL ASSETS	\$ _____	\$189,246	\$523,533
<u>Liabilities</u>			
Long term	\$ _____	\$ 10,519	\$102,113
Intermediate	_____	43,570	59,924
Financial lease	_____	587	3,355
Short term	_____	804	3,839
Other farm accounts	_____	4,478	6,751
Total Farm Liabilities	\$ _____	\$ 59,958	\$175,982
Nonfarm Liabilities	_____	2,997	508
TOTAL LIABILITIES	\$ _____	\$ 62,955	\$176,490
FARM NET WORTH (EQUITY CAPITAL)	\$ _____	\$109,780	\$324,144
FAMILY NET WORTH	\$ _____	\$126,291	\$347,043

Payment ability is the most important consideration in determining if and how proposed investment should be financed. The farm business must produce sufficient cash income to meet operating expenses, to cover family or personal living expenses, to make payments on debts, and to cover cash purchases of capital items that occur during the year.

Payment ability is estimated in the following table. Interest paid and income from off-farm work are added to net cash farm income because planned or budgeted debt payments will include interest as well as principal. Estimate family living expenses for your farm to calculate cash available for debt payment and capital purchases made in cash.

Debt payments planned are the scheduled debt payments as of January. Some farms in the group had scheduled debt payments exceeding 50 percent of the milk receipts. Committing this much cash inflow to debt payments can put a "big squeeze" on cash available for operating the business and family living.

FINANCIAL MEASURES AND DEBT COMMITMENT
Eastern New York Dairy Farm Renters and Owners, January 1, 1985

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
<u>Payment Ability</u>			
Net cash farm income	\$ _____	\$19,386	\$31,706
Plus interest paid	_____	6,295	16,447
Plus off-farm income	_____	<u>1,209</u>	<u>2,101</u>
CASH AVAILABLE FOR DEBT SERVICE & LIVING	\$ _____	\$26,890	\$50,254
Less family living expenses*	_____	<u>19,721</u>	<u>21,586</u>
CASH AVAILABLE FOR DEBT PAYMENTS & CAPITAL PURCHASES	\$ _____	\$ 7,169	\$28,668
<u>Scheduled Annual Debt Payments</u>			
Long term	\$ _____	\$ 1,201	\$13,615
Intermediate	_____	13,857	18,412
Short term	_____	780	3,040
Other farm accounts	_____	<u>1,340</u>	<u>1,990</u>
TOTAL PAYMENTS PLANNED FOR 1985	\$ _____	\$17,178	\$37,057
<u>Measures of Debt Commitment & Equity Position</u>			
Debt payments planned per cow	\$ _____	\$291	\$457
Debt payments planned as percent of milk sales	_____ %	14%	22%
Farm debt per cow	\$ _____	\$1,016	\$2,173
Percent equity (total)	_____ %	67%	66%

*Estimated at \$10,900 per family plus four percent of cash receipts.

ANALYSIS OF THE FARM BUSINESS

In analyzing a farm business, a manager must consider measures or factors that reflect the performance of specified parts of the farm business. One method of doing this is to look at factors of size, production, labor efficiency, capital efficiency, and cost control. These factors are considered on the following pages.

MEASURES OF SIZE OF BUSINESS
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Number of cows	_____	58	79
Number of heifers	_____	43	67
Pounds of milk sold	_____	859,800	1,183,700
Worker equivalent	_____	2.33	2.83
Total work units	_____	632	888
Total tillable acres	_____	170	245

CROP YIELDS AND MILK SOLD PER COW
27 Eastern New York Dairy Farm Renters, 1984

Crop	My Farm		Average of Farms Reporting		
	Acres	Yield	Farms	Acres	Yield/Acre
Baled hay	_____	_____	24	(combined	
Hay crop silage	_____	_____	14	below)	
Total Hay Crops	_____	_____	25	120	2.2 tons DM
Corn silage	_____	_____	24	47	11.9 tons
Other forage	_____	_____	3	20	1.6 tons DM
Total Forage Crops	_____	_____	25	168	2.6 tons DM
Grain corn	_____	_____	6	13	59.5 bushels
Oats	_____	_____	2	22	58.6 bushels
Other crops	_____	_____	3	25	
Tillable pasture	_____	_____	4	29	
Idle tillable pasture	_____	_____	4	25	

Milk sold per cow	_____	_____	14,824 pounds		

1984 average yields for 177 dairy farm owners in Eastern New York included:
Milk sold per cow, 14,984 pounds
All hay crops, 2.6 tons dry matter per acre
Corn silage, 13.5 tons per acre

MEASURES OF LABOR EFFICIENCY
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Cows per worker	_____	25	28
Pounds of milk sold per worker	_____	369,013	418,269
Work units per worker	_____	271	314

MEASURES OF CAPITAL EFFICIENCY
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Farm capital per worker	\$ _____	\$63,617	\$165,530
Farm capital per cow	\$ _____	\$2,512	\$5,783
Machinery investment per cow	\$ _____	\$875	\$1,115
Machinery per tillable acre	\$ _____	\$304	\$369
Capital turnover	_____ years	1.1 years	2.4 years

FEED COSTS AND RELATED MEASURES
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Dairy concentrate purchased per cow	\$ _____	\$588	\$525
Dairy concentrate purchased per cwt. of milk sold	\$ _____	\$3.97	\$3.51
Percent dairy concentrate is of milk receipts	_____ %	28%	25%
Crop expense per cow	\$ _____	\$113	\$166
Feed & crop expense per cwt. milk	\$ _____	\$5.21	\$4.79
Forage dry matter harv./cow (tons)	_____	7.7	7.8
Acres of forage per cow	_____	2.9	2.5
Total tillable acres per cow	_____	2.9	3.1
Fertilizer & lime per tillable acre	\$ _____	\$26	\$34
Heifers as percent of cow numbers	_____ %	74%	85%

MACHINERY AND LABOR COSTS
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
<u>Machinery:</u> Depreciation ¹	\$ _____	\$ 7,489	\$13,401
Interest ²	_____	2,545	4,439
Operating expense ³	_____	<u>10,710</u>	<u>16,397</u>
Total Machinery	\$ _____	\$20,744	\$34,237
Per cow	\$ _____	\$358	\$433
Per cwt. of milk	\$ _____	\$2.41	\$2.89
<u>Labor:</u> Value of operators ⁴	\$ _____	\$11,667	\$11,597
Unpaid family ⁵	_____	1,778	1,325
Hired	_____	<u>8,262</u>	<u>15,781</u>
Total Labor	\$ _____	\$21,707	\$28,703
Per cow	\$ _____	\$374	\$363
Per cwt. milk	\$ _____	\$2.52	\$2.42
Labor & machinery costs/cwt. milk	\$ _____	\$4.93	\$5.31

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

²Five percent of average machinery investment.

³Machine hire, repairs, farm share auto expense, and gas and oil.

⁴\$750 per month.

⁵\$500 per month.

OTHER COST AND RECEIPT MEASURES
Eastern New York Dairy Farm Renters and Owners, 1984

Item	My Farm	27 Dairy Farm Renters	177 Dairy Farm Owners
Total livestock expense (excluding replacements & overhead) per cow	\$ _____	\$365	\$349
Total real estate expenses per cow	\$ _____	\$243	\$161
Milk & cattle sales per cow	\$ _____	\$2,200	\$2,250
Average price per cwt. milk sold	\$ _____	\$13.95	\$13.95
Total cash receipts per worker	\$ _____	\$56,059	\$65,515

YEARLY CASH FLOW PLANNING AND ANALYSIS

The worksheet below is a valuable tool in planning expansions and for setting goals for improving the farm business. The average is from 27 Eastern New York dairy farm renters.

Item	Average Per Cow	My Farm,		Cows Goal
		Per Cow	Total	
CASH RECEIPTS				
Milk sales	\$2,068	\$ _____	\$ _____	\$ _____
Crop sales	3	_____	_____	_____
Dairy cattle	101	_____	_____	_____
Calves & other livestock	31	_____	_____	_____
Other	49	_____	_____	_____
Total Cash Receipts	\$2,252	\$ _____	\$ _____	\$ _____
CASH EXPENSES				
Hired labor	\$ 142	\$ _____	\$ _____	\$ _____
Dairy concentrate	588	_____	_____	_____
Hay & other	71	_____	_____	_____
Machine hire	23	_____	_____	_____
Machine repair & auto expense	94	_____	_____	_____
Gas & oil	68	_____	_____	_____
Replacement livestock	19	_____	_____	_____
Breeding fees	31	_____	_____	_____
Vet & medicine	38	_____	_____	_____
Milk marketing (ADA, Dues)	192	_____	_____	_____
Other livestock exp. (incl. \$11 lease)	104	_____	_____	_____
Fertilizer & lime	76	_____	_____	_____
Seeds & plants	22	_____	_____	_____
Spray & other	15	_____	_____	_____
Land, building, fence repair	23	_____	_____	_____
Taxes	16	_____	_____	_____
Insurance	29	_____	_____	_____
Rent	175	_____	_____	_____
Telephone (farm share)	8	_____	_____	_____
Electricity (farm share)	51	_____	_____	_____
Miscellaneous	24	_____	_____	_____
Total Cash Expenses ¹	\$1,809	\$ _____	\$ _____	\$ _____
Total Cash Receipts	\$2,252	\$ _____	\$ _____	\$ _____
Total Cash Expenses ¹	-1,809	-	-	-
Net Cash Flow	\$ 443	\$ _____	\$ _____	\$ _____
Cash Family Living Expense ²	- 340	-	-	-
Amount Left for Debt Service, Capital Investment & Retained Earnings	\$ 103	\$ _____	\$ _____	\$ _____
Scheduled Debt Service	- 291	-	-	-
Available for Capital Investment	\$ (188)	\$ _____	\$ _____	\$ _____
Planned Expansion Livestock Purch.		_____	_____	_____
Planned Equipment Purchase		_____	_____	_____
Borrowed or Equity Funds Needed		\$ _____	\$ _____	\$ _____

¹Interest paid excluded for it is contained in Scheduled Debt Service.

²Estimated: \$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.

Item	1982	1983	1984	1985 Goal
<u>Size of Business</u>				
Number of cows	_____	_____	_____	_____
Number of heifers	_____	_____	_____	_____
Pounds of milk sold	_____	_____	_____	_____
Worker equivalent	_____	_____	_____	_____
Total tillable acres	_____	_____	_____	_____
<u>Rates of Production</u>				
Pounds milk sold per cow	_____	_____	_____	_____
Tons hay dry matter per acre	_____	_____	_____	_____
Tons corn silage per acre	_____	_____	_____	_____
<u>Labor Efficiency</u>				
Cows per worker	_____	_____	_____	_____
Pounds milk sold per worker	_____	_____	_____	_____
<u>Cost Control</u>				
Purchased feed as % milk sold	\$ _____	\$ _____	\$ _____	\$ _____
Feed & crop expense/cwt. milk	\$ _____	\$ _____	\$ _____	\$ _____
Labor & machinery cost/cow	\$ _____	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency</u>				
Farm capital per cow	\$ _____	\$ _____	\$ _____	\$ _____
Capital turnover	\$ _____	\$ _____	\$ _____	\$ _____
<u>Price</u>				
Price per cwt. milk	\$ _____	\$ _____	\$ _____	\$ _____
<u>Financial Summary</u>				
Net cash farm income	\$ _____	\$ _____	\$ _____	\$ _____
Labor & mgmt. income/operator	\$ _____	\$ _____	\$ _____	\$ _____
Farm net worth	\$ _____	\$ _____	\$ _____	\$ _____
Rate of return on equity	_____ %	_____ %	_____ %	_____ %
Percent equity	_____ %	_____ %	_____ %	_____ %
Farm debt per cow	\$ _____	\$ _____	\$ _____	\$ _____