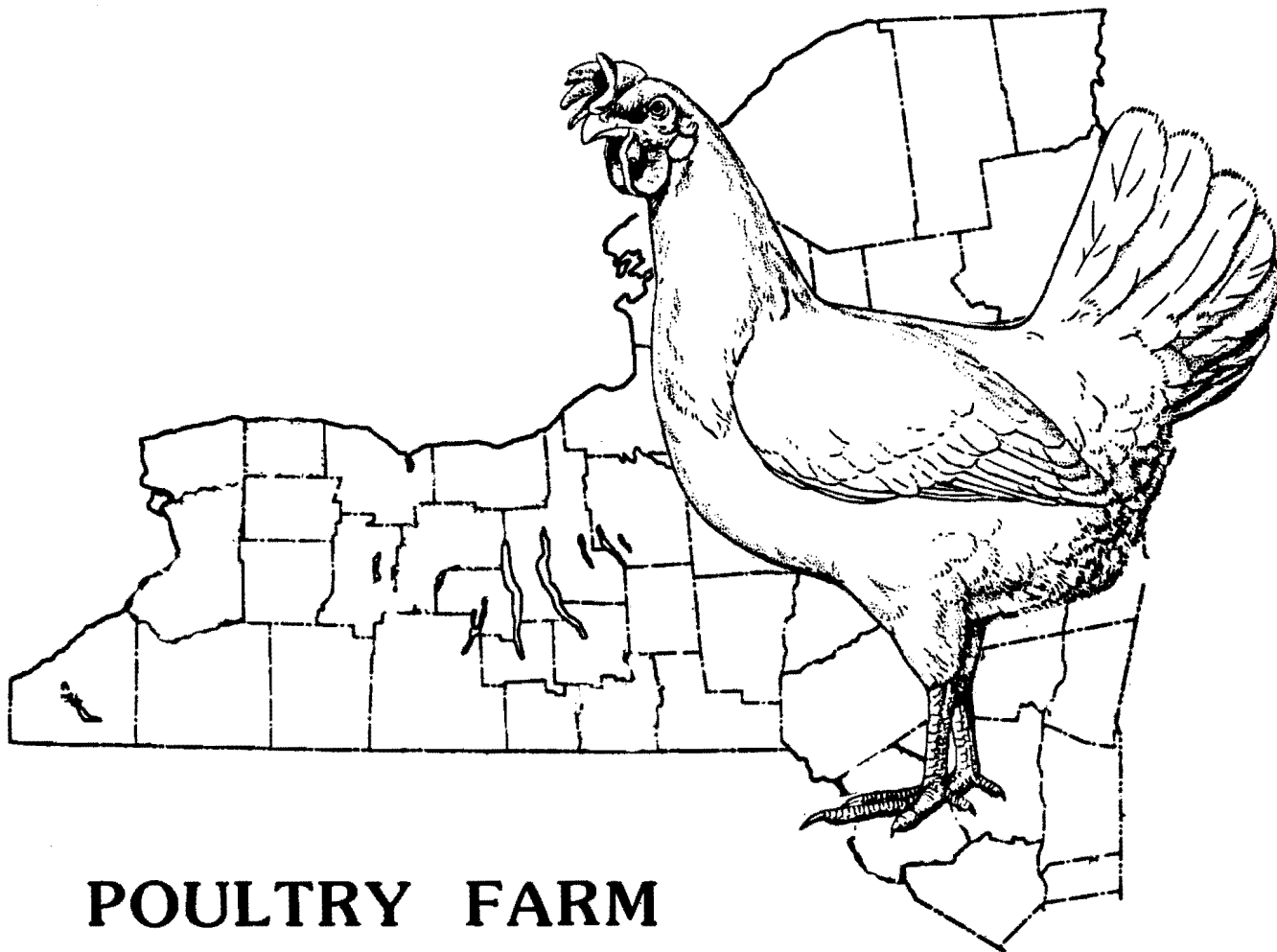


1986



POULTRY FARM BUSINESS SUMMARY

by

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POULTRY FARM BUSINESS SUMMARY

Large nonfarm businesses usually prepare and publish an annual report in which they review and analyze the business for the year. This provides a basis for evaluating past operations and for making plans for the future. A similar summary and analysis is useful in managing a farm business. The Cooperative Extension business management projects provide farm operators with an annual business report which can be used much the same as nonfarm business annual reports.

Poultry farm business management records have been summarized by the College of Agriculture and Life Sciences at Cornell for a number of years. For 1986, 16 poultry producers submitted records for summary and analysis. Extension field staff working with poultry producers collected the figures for each farm and summarized them. The summary results are presented in this workbook.

Poultry farm businesses vary in organizational makeup. The farms included in this report were divided into two groups; poultry (egg production) only, and poultry and other enterprises.

This workbook is designed to provide a systematic summarization and analysis of a poultry business. The group averages can be used in making comparisons. Working through this report step by step provides a good checkup for a poultry operation. In addition to the persons whose records are in the summary, this report should be useful to other poultry producers in the State, to teachers of agriculture, college farm management instructors, agency representatives, and to agribusiness persons.

Acknowledgements

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INTRODUCTION

One of the factors which influences the farm's bottom-line profit is the price the farm is able to receive for its eggs. To an extent this price may be influenced by marketing efforts on the part of the farm business, however, many other factors influencing the regional price are outside of the farmer's control. These may include the supply of laying hens, the economy, government policies and regulations, etc. The farm prices in New York from 1977 to 1986 show year-to-year fluctuations and do not move in the same direction for more than 3 consecutive years.

Table 1.

NEW YORK STATE EGG PRODUCTION AND FARM PRICE¹

Year	Eggs Produced	Farm Price per dozen
	(millions)	(cents)
1977	1,805	53.4
1978	1,845	46.5
1979	1,767	54.4
1980	1,776	50.3
1981	1,858	56.7
1982	1,859	55.5
1983	1,741	57.5
1984	1,710	70.8
1985	1,710	55.8
1986	1,523	59.0

Feed costs influence the cost of production and are in general approximately 50% of the total cost of eggs sold. Changes in poultry feed costs are also displayed in Figure 1.

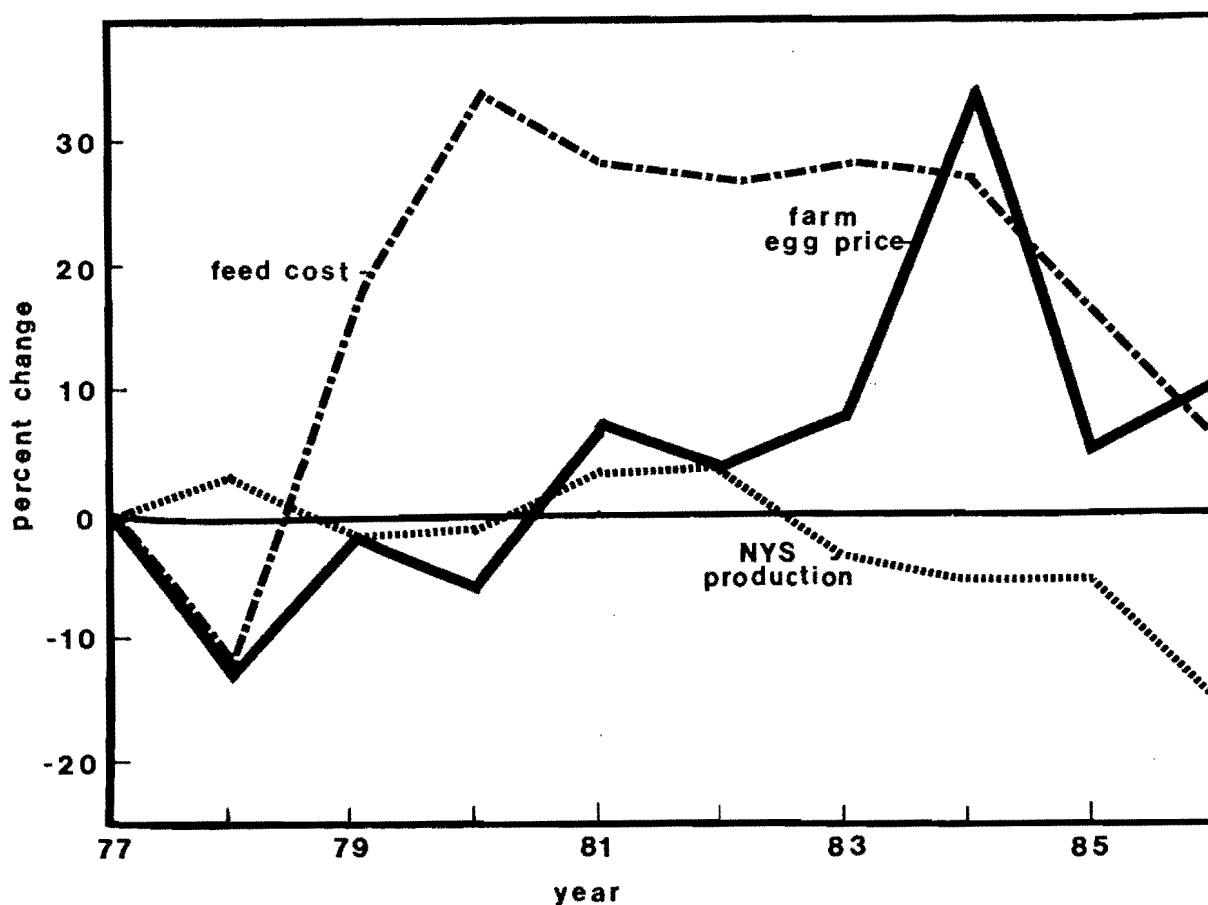
¹Source: NY Crop Reporting Service, New York Agricultural Statistics.

Figure 1 shows the relationships among New York State egg production, farm price and feed costs. The farm price of eggs in relation to the farm price in 1977 appears to be increasing each year while New York production is declining. Low farm prices and high feed costs in the early 80's resulted in an average income per operator of \$-19,952 for 1980 - 1982.

Feed prices have been declining slightly since 1982 when compared to 1977 feed prices. This has been due to the drop in the price of grains and other feed ingredients and also may be due to improved on-farm milling operations.

EGGS: NEW YORK STATE PRODUCTION, FARM PRICE AND FEED COST²

% change from 1977



²NY Crop Reporting Service, New York Agricultural Statistics and Poultry Farm Business Summary 1983.

GENERAL SUMMARY OF ALL FARMS

The 1986 Poultry Summary included 16 farm records. The size, organization and enterprises of the farms varied widely, and the figures presented in this summary are merely the averages of all farm situations. The 16 farms used in the summary can be divided into 9 farms with poultry operations only and 7 farms with other major enterprises such as beef, hogs, dairy or crops.

Below is a brief overview of some major business factors summarized from the 16 farms included in the statewide summary. For more detailed business analyses, calculations for the 9 farms with poultry only and the 7 farms including other major enterprises are separated.

Table 2. SUMMARY OF FARM BUSINESS FACTORS

Business Factor	16 Farm Average
No. of operators	1.48
Worker equivalent	6.93
months unpaid labor	3.96
months hired labor	59.4
total months labor	83.1
% Labor hired	71.5 %
Average Inventory	716,544
Average No. laying hens	53,652
Eggs Sold (dz.)	1,290,386

The Farm Income from Table 3 is accrual base Farm Receipts minus accrual Farm Expenses. The accrual base accounting includes machinery and real estate depreciation/appreciation as part of the farm business expenses. Changes in inventory are also accounted for. Inventory increases due to storage of feed that is not fed or sold that year and inventory decreases when feed is used up faster than it is being replaced are adjustments to the production expenses that must be made to accurately assess the income for the year. Farm Expenses also includes an adjustment for unpaid family labor.

Table 3.

FARM BUSINESS FINANCIAL SUMMARY

Item	16 Farm Average
Total Farm Receipts	\$878,442
Total Farm Expenses	(811,813)
Farm Income	\$66,629
Interest on Capital	(35,550)
Labor & Management Income/farm	\$31,079
Operators/Farm	1.48
Labor & Management Income/Operator	\$21,008

Labor and Management Income per Farm is calculated by subtracting the expense (cost) of using the owner's equity or investment in the farm business. The owner's equity, if used in an alternative investment would be expected to earn interest. Since the owner is using it in a farm business though, it is actually "costing" the farmer to keep it there, and that cost should be deducted from Farm Income. Nine percent of average inventory less the interest paid for the year is used to estimate the cost of equity.

Labor and Management Income per Operator is a measure of the return to the operator for his labor and management that he has invested in the farm business, and is a common measure for comparing the overall results of farm operations. The average Income per Operator from the 16 farms sampled was \$20,032. In addition to the labor and management income, the operator usually has certain privileges such as a house to live in, use of an automobile, utilities, eggs and poultry to use and other miscellaneous items.

The last Statewide Poultry Summary in 1983 also posted a positive average income. Three years prior, 1980-1982, however the average income per operator was -\$19,952. In 1986, the Income per Operator varied widely with a range of negative incomes to some with over \$30,000.

POULTRY FARM INCOME STATEMENT

Receipts

The size and the nature of a business many times can be assessed by examining its receipts. The size of many nonfarm businesses are measured in terms of gross sales. However, in the egg industry egg prices fluctuate causing substantial fluctuations in gross sales.

Below, Total Cash Farm Receipts are converted to accrual Total Farm Receipts by adjusting for any increase in inventory. Inventory increases are usually due to expansion or improvements or to changes in operations. Because increases in inventory could have been converted to cash and sold, they are considered here as receipts when summarizing the business data.

Table 4. FARM RECEIPTS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Egg		\$785,341	\$779,700
Poultry		40,246	13,888
Livestock		0	14,242
Crops		0	5,936
Custom Work		0	35,126
Gov't payments and refunds		965	32,816
Misc.		6,343	37,590
Total Cash Farm Receipts		\$832,895	\$919,298
Inv. Increase		10,376	4,364
Total Farm Receipts		\$843,271	\$923,662
Analysis:			
Average Price per dozen Sold		\$.612	\$.600
Cash Receipts per Worker		\$147,560	\$107,971

Total Farm Receipts for both farm categories, poultry only and poultry with other, were very close. However, egg sales on farms with only poultry comprised 93% of total receipts and only 84% on

farms with other enterprises.

Expenses

Cost information is needed in order to control production costs and to understand where and how to become more cost efficient.

Table 5. FARM EXPENSES

<u>Item</u>	<u>My Farm</u>	<u>9 Farms with Poultry Only</u>	<u>7 Farms with Poultry & Other</u>
<u>Replacements</u>			
Chicks purchased		\$19,341	\$16,536
Pullets purchased		67,370	50,624
<u>Feed</u>			
Layer Feed		336,233	234,723
Grower Feed		32,348	23,490
<u>Labor</u>			
Hired Labor		50,820	95,897
<u>Machinery</u>			
Machinery Hire		4,905	5,335
Poultry Equip. Repair		3,392	12,701
Machinery Exp.		6,064	5,480
Gas and Oil		4,116	14,883
<u>Poultry</u>			
Poultry Supplies		73,979	77,223
<u>Crop</u>			
Crop Expenses		0	27,679
<u>Real Estate</u>			
Land & Building Repairs		2,527	4,207
Taxes		4,058	8,273
Insurance		8,819	15,405
<u>Other</u>			
Utilities		20,522	17,598
Eggs purchased		42,387	168,700
Other Livestock exp.		0	5,840
Miscellaneous		39,659	46,435
 Total Cash Expenses		 \$716,540	 \$831,027
Machine Depreciation		24,494	31,433
Real Estate Depre.		12,172	9,388
Inventory Decrease		3,161	6,751
Unpaid Labor		2,500	1,286
 Total Farm Expenses		 \$758,867	 \$879,885

The miscellaneous expense item contains expenses such as

interest paid, office expenses, dues, travel, etc.

Total Farm Expenses were higher for poultry farms with other enterprises due primarily to higher labor costs, machinery expenses and crop expenses. Total farm expenses per day were \$2,079 and \$2,411 for "poultry only" farms and "poultry and other" farms respectively.

The price per dozen the farmer receives for his eggs is an important factor in determining the profitability of the business. The table below illustrates the relationship between the average egg price received at the farm and the Income per Operator.

Table 6. PRICE PER DOZEN
AND LABOR AND MANAGEMENT INCOME

Price per dozen (cents)	Labor and Management Income/Operator
< 55	\$ -9,466
55 - 65	12,625
> 65	18,817

Income Summary

The financial success of a poultry business can be measured in various ways, and there is no one best measure. This summary used the following measures:

- 1) Farm Income and Labor and Management Income
- 2) Rate of Return on Investment
- 3) Net Farm Cash Flow and Debt Repayment Ability

Farm Income measures the return from the business to the operator(s) for labor and management and capital and is the difference between total receipts and total expenses (accrual basis).

Labor and management Income per Operator is the return to each farm operator for his time and efforts.

The labor and management incomes varied widely among all farms in the survey with 10 of the 16 farms showing a negative income per operator and 6 farms showing a positive income per operator.

Table 7.

FARM INCOME AND
LABOR AND MANAGEMENT INCOME

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Total Farm Receipts		\$843,271	\$923,662
Total Farm Expenses		(758,867)	(879,885)
Farm Income		\$84,404	\$43,777
Int. on Capital		(29,919)	(42,790)
Labor & Management Income/Farm		\$54,485	\$ 987
No. of Operators		1.4	1.6
Labor & Management Income/Operator		\$38,703	\$ 634

Rate of Return on Investment is calculated by subtracting a charge for the operator's labor and management from the "farm income" and then dividing by the average investment for the year. In the above calculation, \$15,000 has been used as the value of the operator's labor and management. This is a modest charge for the operator's labor and management.

Table 8.

RATE OF RETURN ON INVESTMENT

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Farm Income		\$84,404	\$43,777
Value of Operator's Labor & Management		(22,567)	(23,643)
Return on Investment		\$61,838	\$ 20,134
Avg Capital Investment		\$648,418	\$804,134
Rate of Return on Investment		9.5%	2.5%

Net Farm Cash Flow reflects the cash that is available from the year's operation for family living, 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. Since actual living expenses were not available, they were estimated at \$15,000 per operator. It is assumed here that new machinery and real estate are purchased with borrowed capital. This measure is useful for planning debt repayment schedules.

Table 9. NET FARM CASH FLOW
AND DEBT REPAYMENT ABILITY

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Total Cash Receipts	_____	\$832,895	\$919,298
Total Cash Expenses	_____	(716,540)	(831,027)
Net Farm Cash Flow	_____	\$116,355	\$ 88,271
Family Living Expenses	_____	(22,567)	(23,643)
Debt Repayment Ability	_____	\$ 93,788	\$ 64,628

Capital Investment

The capital used to operate a poultry business is invested in machinery and equipment, poultry, feed and supplies, and land and buildings. Some of the capital used is owned by the operator and some is borrowed. The year's average inventory is used as a measure of the capital investment in the business. It is suggested that the inventory reflect its "market value".

Table 10.

FARM INVENTORY VALUES

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Machinery and Equipment	_____	\$204,511	\$212,800
Real Estate	_____	320,159	412,093
Other	_____	123,748	179,241
Total Inventory	_____	\$648,418	\$804,134

More important than the amount of capital is how effectively it is used. Capital that is "not productive" and does not provide the farmer with a high enough rate of return may indicate that money has been unwisely invested. Below are some measures used in analyzing the efficiency of the use of capital. These measures will be helpful in finding possible sources of "nonproductive" capital.

Farms having other enterprises generally have larger investments because of the additional land and machinery used in the other enterprises. However, Total Investment/Worker is smaller on farms with other enterprises because of the larger work force for both the poultry and other operations.

Table 11.

CAPITAL INVESTMENT ANALYSIS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Total Investment/Worker	_____	\$114,877	\$ 94,445
Total Investment/Hen	_____	11.42	16.20
Machinery & Equip/Hen	_____	3.60	4.29
Land & Buildings/Hen	_____	5.64	8.30
% Land and Building of Total Inventory	_____	49.4%	51.2%
Capital Turnover	_____	1.30	1.15

Capital Turnover is used to measure how many times the business' total investment can be recovered from one year of sales. It took less than one year for both farm categories to recover their total business investment.

PRODUCTION ANALYSIS

The summary of a business provides an overall look at the operation. It shows what you did. The analysis which follows includes a more detailed examination of the different parts of the business and helps to show ways to improve the operation. Measures have been developed to aid in analyzing farm business strengths and weaknesses.

In this section, several business factors are examined. Among these are: size of business, rates of production, labor efficiency, and cost control. Since many of the measures are interrelated, all of the factors should be examined before arriving at major conclusions. A complete analysis of the factors should point up the major strong and weak points of a business.

Size of Business

Size is usually the first factor examined when analyzing a business. Size affects other factors such as labor efficiency and cost control. Prices received and paid by poultrymen are often affected by volume which is a function of the size factor.

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

Table 12. MEASURES OF SIZE OF BUSINESS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Number of Hens	_____	\$ 56,779	\$ 49,632
Dozens Sold	_____	1,283,858	1,298,779
Dozens Produced	_____	1,221,081	1,038,396
Worker Equivalent	_____	5.6	8.5
Total Farm Receipts	_____	843,271	923,662
Total Investment	_____	662,510	815,467

Rates of Production

Rates of production for both poultry and crops are factors contributing to the success of poultry businesses. It is a challenge to find the levels of inputs, such as feed and fertilizer, which will give rates of production that yield the highest net income. This means a consideration of both the physical and economic returns from production.

Table 13. RATES OF PRODUCTION

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Eggs produced/Hen	_____	258	251
Eggs sold/Hen	_____	271	314

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

Egg production per hen in the 1983 Summary was 249 for both farm categories. Production in 1986 increased to 258 and 251 for farms with poultry only and for poultry and other respectively.

The relationship of egg production per hen and labor and management income per operator is illustrated below.

Table 14. EGG PRODUCTION PER HEN AND LABOR AND MANAGEMENT INCOME

Eggs Produced per Hen	Average Number of Hens	Labor and Management Income/Operator
< 240	24,018	\$-20,063
240 - 259	73,194	27,549
> 260	53,837	3,739

The largest income group was that with an average production of 240-259 eggs per hen. This may have been due to the large farms in that category rather than there being any special operating efficiency at 240 - 259 eggs per hen. Also, the larger farms that did post higher incomes may be more susceptible to problems due to multiple age groups which may have reduced egg production somewhat.

Labor Efficiency

Labor efficiency is sometimes claimed to be the most important single business factor affecting incomes on farms today. This is brought about by the fact that the operator's labor and management income is a function of the labor output. Rising farm wage rates over time have meant that generally more output is required to pay those wages. If a poultryman wants top efficiency from his hired workers as well as himself, he must keep close watch on the factors which affect labor efficiency.

Table 15. MEASURES OF LABOR EFFICIENCY

Measure	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Dozens sold/worker*	_____	229,723	139,638
Dozens produced	_____		
/worker	_____	214,939	114,551
Number hens/worker	_____	10,116	5,471

*Includes eggs bought for resale.

The farms with poultry and other had lower labor efficiencies than the farms with poultry only. The lower dozens sold per man on these farms reflects the considerable amount of work invested in cropping, livestock and other activities that has been added into the poultry enterprise.

When analyzing your labor efficiency consider:

1. Size of operation - it tends to reduce the fixed costs per unit.
2. Extent of marketing work performed - i.e., wholesale vs. retail marketing.
3. Arrangement of buildings and work areas.
4. Work methods - the easy way vs. the hard way.
5. The human factor or how fast people work.
6. Clarity of directions given to workers.
7. Incentives and motivation.

Cost Control

The 9 poultry only farm expenses averaged \$2,079 per day. With expenses of this amount, cost control is important. As more "input" items are purchased, cost control has a greater effect on incomes. Cost control is difficult to measure, but an analysis of good records can provide some useful checks and point to possible areas of cutting costs.

Feed, labor and machinery are big cost items on poultry farms, but it is important to watch the other costs too. Small leaks can build up into sizable losses. The next three pages are provided to help study costs.

Table 16. COST CONTROL MEASURES

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Value of layer feed/hen	\$_____	\$5.94	\$5.40
Layer feed/doz. produced	_____	28	26
Lbs. feed/doz. produced	_____	3.83	4.12
Total labor cost:			
/hen*	\$_____	\$ 1.34	\$2.43
/doz produced	_____	6.2 ¢	11.6 ¢
/doz sold	_____	5.9 ¢	9.3 ¢
Building repairs/hen	_____	\$ 4.4	8.5
Utilities/hen	_____	36.1	35.5
Taxes/hen	_____	7.1	16.7
Insurance/hen	_____	15.5	31.0
Total farm production expenses/hen (total less inventory increase and eggs bought)	\$_____	\$12.44	\$14.24
Total expenses/\$100 receipts	\$_____	\$91.11	\$95.71

*Includes operator's labor.

For the above measurements, it must be kept in mind that the "poultry and other" farms had other enterprises which affect several cost control measures. As a result, the total expenses per hen are generally higher on the poultry and other farms.

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

Table 17. POWER AND MACHINERY COSTS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Beg Inventory	_____	\$212,634	\$218,797
New machinery	_____	<u>8,671</u>	<u>19,508</u>
Total (1)	_____	\$221,305	\$238,305
End inventory	_____	\$196,389	\$206,804
Machinery sold	_____	<u>422</u>	<u>68</u>
Total (2)	_____	\$196,811	\$206,872
Depreciation (1 minus 2)	_____	\$ 24,494	\$31,434
Int. @ 9% av. inventory	_____	7,940	10,640
Gas and oil	_____	4,116	14,883
Machinery expense	_____	9,456	18,181
Machine hire	_____	4,905	5,335
Utilities	_____	<u>20,522</u>	<u>17,598</u>
Total Power & Mach. Cost	_____	\$ 71,433	\$ 98,071
Less: Gas tax refund & Income from machine work	_____	<u>18,287</u>	<u>79,060</u>
NET POWER AND MACHINERY COST	_____	\$ 53,146	\$ 19,011
Net power and machinery costs:			
/hen		\$ 0.94	\$ 0.38
/worker		\$9416.	\$2233.
/dozen eggs produced*		\$ 0.04	\$ 0.02

*Does not include eggs bought and resold.

Depreciation is the largest item in the power and machinery cost group. This is an indirect item and along with interest is often overlooked. Often nearly half of the total cost is represented by these two "overhead" items. One farm had a very large cost and income from custom work having a major influence on net power and machinery costs.

With the jump in fuel prices in recent years, the gas and electricity items have taken on added importance. Look for ways to save on energy use.

Farmers sometimes justify high machinery costs on the basis that the machinery saves on high cost labor. It is well to examine this justification. The combined machinery and labor cost measure gives a good check.

Table 18. LABOR COSTS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Value of operator's labor*	\$_____	\$ 22,567	\$ 23,643
Hired labor	_____	50,820	95,897
Unpaid family labor	_____	2,500	1,286
TOTAL LABOR COSTS	\$_____	\$ 75,887	\$ 120,825
Labor cost/hen	\$_____	1.337	2.434
Labor cost/dozen produced	_____	0.062	.116

*Valued at \$15,000 per operator.

For the 16 poultry farms, the labor cost was greater than the power and machinery cost. It is important to watch the combined labor and machinery costs. It is easy to spend for additional machinery but neglect to reduce the labor used. Below are some measures for use in examining labor costs.

Table 19.

LABOR, POWER AND MACHINERY COSTS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Total Labor Costs	\$ _____	\$ 75,887	\$ 120,825
Net Power & Machinery Costs	_____	<u>53,146</u>	<u>19,011</u>
TOTAL LABOR & MACHINERY COSTS	\$ _____	\$129,034	\$ 139,836
Labor & machinery cost:			
/hen	\$ _____	\$ 2.27	\$ 2.82
/dozen sold	_____	\$ 0.11	\$ 0.13

Table 20.

LABOR USE ANALYSIS

Item	My Farm	9 Farms with Poultry Only	7 Farms with Poultry & Other
Months of hired labor	_____	46.3	76.6
Hired labor expense	\$ _____	\$50,820	\$95,897
Hired Labor exp/month	\$ _____	\$ 1,097	\$1,252
Total labor cost/month	\$ _____	\$ 1,112	\$1,176
% of total labor by:			
Operator	_____ %	24.8%	18.4%
Unpaid family	_____ %	7.4%	2.5%
Hired	_____ %	67.8%	79.1%

Comparison of Recent Summaries

Businessmen must keep abreast of changes that are taking place. The poultry industry has changed more than many other types of farm businesses. Below is a comparison of selected factors from the last five New York poultry summaries. In comparing these factors, keep in mind that the number of farms sampled varies from year to year, and there are also some changes in individuals each year.

Table 21. NEW YORK POULTRY FARM SUMMARIES, 1980-1986

Factor	1980	1981	1982	1983	1986
Number of Farms	24	26	26	21	16
Worker equivalent	4.3	4.3	3.7	4.9	6.9
Number of hens	40,390	40,719	28,727	39,497	53,652
<u>Investment</u>					
Land & Buildings	\$267,174	\$264,449	\$216,146	\$270,548	\$360,380
Machinery	109,693	118,274	113,613	153,654	208,137
Other	<u>115,545</u>	<u>108,401</u>	<u>91,258</u>	<u>112,437</u>	<u>148,026</u>
Total	\$492,144	\$491,124	\$421,017	\$536,639	\$716,544
<u>Receipts</u>					
Egg sales	\$506,927	\$561,757	\$420,704	\$572,180	\$782,873
Livestock sales	18,832	22,501	24,730	35,620	34,946
Other	<u>35,040</u>	<u>21,263</u>	<u>36,865</u>	<u>38,216</u>	<u>52,878</u>
Total	\$560,799	\$605,521	\$457,569	\$646,016	\$870,697
<u>Expenses</u>					
Feed bought	\$305,982	\$299,047	\$183,480	\$282,465	\$320,295
Hired labor	30,980	30,385	26,280	39,919	70,542
Chicks & pullets	48,870	50,806	32,568	54,050	78,158
Utilities	8,490	9,497	10,218	13,312	19,243
Other	<u>193,296</u>	<u>181,984</u>	<u>144,294</u>	<u>161,818</u>	<u>278,392</u>
Total	\$587,618	\$571,719	\$396,840	\$551,564	\$766,629
<u>Business Factors</u>					
Av. price/doz.	54.8¢	63.3¢	58.6¢	61.3¢	60.4¢
Eggs /hen	240	231	237	249	255
Hens /worker	9,400	9,383	7,956	7,995	7,744
Lbs. feed/doz.	4.0	4.3	4.0	4.2	3.9
Labor inc./oper.	\$-47,536	\$ -8,278	\$ -4,178	\$17,601	\$21,008

Cost of Eggs Sold

The farm cost of eggs sold off the farm was calculated by adding 1) an estimate of the value of the operator's labor and management and 2) an interest charge on the capital used to the total farm expenses. The value of the operator's labor and management was estimated at \$15,000 per year. Receipts for items other than eggs are credited against the total cost on the assumption that these items were sold at cost.

Table 22. AVERAGE FARM COST OF EGGS SOLD

Item	My Farm	9 Farms with Poultry Only
Total Farm expenses	\$ _____	\$758,867
Interest on average capital @ 9%	_____	29,919
Value of Operator's Labor*	_____	<u>22,567</u>
Total Cost	\$ _____	\$811,353
Total receipts	\$ _____	\$843,271
Less egg sales	_____	(785,341)
Other Income	\$ _____	\$ <u>57,931</u>
Total Cost of Eggs Sold (Total Cost less Other Income)	\$ _____	\$753,423
Dozen eggs sold	_____	1,283,858
Cost /dozen eggs sold	_____	58.7
Average price received	_____	61.2

*Figured at \$15,000 per operator.

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

This "farm unit" method of calculating the cost of selling eggs has limitations but it does give a general indication of the overall costs. This method was applied to the 9 farms with poultry only to avoid the added costs of the other enterprises.

Another approach to calculating costs is to examine the cost of eggs produced. This has been done below for the 9 poultry only farms.

Table 23. COST ITEMS IN PRODUCING A DOZEN EGGS
9 New York Poultry Only Farms

Item	Cost per Dozen Produced	
	Amount (cents)	Percent
Feed for layers	27.5	49.2%
Replacements:		
Chicks & pullets bought	7.1	12.7%
Grower feed	2.6	4.7%
Total	9.8	17.4%
Less sale of birds	2.2	(3.9%)
Net Replacement Cost	7.5	13.5%
Labor	4.2	7.4%
Power & machinery (without interest)	3.1	6.6%
Interest on capital	2.5	4.4%
Poultry supplies, etc.	6.1	10.8%
Taxes & insurance	1.1	1.9%
All other (less eggs purchased)	3.5	6.2%
Total	55.9	100.0%

The feed cost/dz of 27.5 cents is the total layer feed expense divided by the dozen of eggs produced. Feed for layers accounted for 49.2 percent of the total cost of producing a dozen eggs.

Replacement costs include the expense for chick and pullets bought and grower feed. Fuel and other direct costs involved in rearing are not included here, but are included in the "All other" items listed. Hence, this replacement cost is on the low side. Receipts from birds sold are subtracted to get a "net" replacement cost. Replacements accounted for about 13.5 percent of the total cost.

The labor item includes a value for the operator's labor but not his management. The interest charge in power and machinery costs shown on page 15 was taken out since it is included here in interest on capital. Building repairs, depreciation and interest paid would be items in "All other".

Table 24.

COMPARISON OF COSTS OF PRODUCING
EGGS IN RECENT YEARS
NEW YORK POULTRY FARMS

Year	Price/ Dz. Sold	Farm Cost/ Dz.*	Layer Per Cwt.	Feed Per Dz.	Costs % Total Cost	Labor Cost/ Dz.
1973	54.8	52.5	\$6.75	30.3	58%	5.1
1974	52.4	54.2	7.09	32.0	59	3.9
1975	57.1	57.9	7.02	32.2	56	4.6
1976	59.3	57.6	6.89	31.4	55	5.5
1977	53.7	51.1	6.56	28.5	56	4.7
1978	52.8	53.1	5.67	25.8	49	5.5
1979	56.5	54.6	7.56	28.6	52	4.7
1980	55.0	63.9	8.73	40.0	63	4.3
1981	63.3	61.4	8.40	35.0	57	4.5
1982	61.4	63.1	8.28	32.1	51	6.9
1983	63.2	60.2	8.39	34.6	58	4.4
1986	61.4	55.9	6.91	27.5	49	7.5

*For "Poultry Only" farms in business summaries.

FARM BUSINESS SUMMARY
9 New York Poultry Farms

CAPITAL INVESTMENT

Machinery & equip.	\$204,511
Other	123,748
Land & buildings	<u>320,159</u>
TOTAL INVESTMENT	\$648,418

EXPENSES

Replacements

Chicks bought	\$ 19,341
Pullets bought	67,370

Feed

Layer feed bought	336,233
Other feed	32,348

Labor

Hired	50,820
Unpaid	2,500

Power & Machinery

Machine hire	4,905
Equipment expense	9,456
Gas & oil	4,116
Utilities	20,522

Poultry

Eggs bought for resale	42,387
Supplies	73,979

Crop

Crop expense	0
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Real Estate

Land, bldg., & fence repair	2,527
Taxes	4,058
Insurance	8,819

Other

Miscellaneous	39,659
Inventory Decrease	3,161
Depreciation	36,666

TOTAL FARM EXPENSES	\$758,867
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RECEIPTS

Egg sales	\$785,341
Poultry sold	40,246
Other livestock	0
Crop sales	0
Miscellaneous	<u>7,308</u>

Total Cash Receipts	\$832,895
Inventory Increase	<u>10,376</u>

TOTAL FARM RECEIPTS	\$843,271
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FINANCIAL SUMMARY

Total Farm Receipts	\$843,271
Total Farm Expenses	<u>758,867</u>

Farm Income	\$ 84,404
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Interest on average capital @ 9%	<u>29,919</u>
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Farm Labor Income	\$ 54,485
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Number of operators	1.4
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LABOR INCOME/OPERATOR	\$ 38,703
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BUSINESS FACTORS

Worker equivalent	5.6
Number of hens	56,779
Dzs produced	1,221,081
Eggs produced/hen	258
Doz. of eggs produced/worker	214,939
Hens /worker	10,116
Lbs feed/doz produced	3.83
Av. price/cwt. feed bought	\$7.21
Av. price/dz. eggs	61.2

FARM BUSINESS SUMMARY - AVERAGES PER HEN
9 New York Poultry Farms

CAPITAL INVESTMENT

Machinery & equip.	\$ 3.60
Other	2.78
Land & buildings	<u>5.64</u>
TOTAL INVESTMENT	\$ 11.42

RECEIPTS

Egg sales	\$ 13.83
Poultry sold	.71
Crop sales	0
Miscellaneous	<u>.13</u>

EXPENSES

Replacements

Chicks bought	\$.34
Pullets bought	1.19

Feed

Layer feed bought	5.92
Other feed	.57

Labor

Hired	.90
Unpaid	.04

Power & Machinery

Machine hire	.09
Equipment expense	.17
Gas & oil	.07
Utilities	.36

Poultry

Eggs bought for resale	.75
Supplies	1.30

Crop

Crop expense	0
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Real Estate

Land, bldg., & fence repair	.04
Taxes	.07
Insurance	.16

Other

Miscellaneous	.70
Inventory Decrease	.06
Depreciation	<u>.65</u>

TOTAL FARM EXPENSES \$ 13.37

Total Cash Receipts	\$ 14.67
Inventory Increase	<u>.18</u>

TOTAL FARM RECEIPTS \$ 14.85

FINANCIAL SUMMARY

Total Farm Receipts	\$ 14.85
Total Farm Expenses	<u>13.37</u>

Farm Income \$ 1.48

Interest on average capital @ 9%	<u>.53</u>
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Farm Labor Income \$.95

LABOR INCOME/OPERATOR/HEN \$.82

FARM BUSINESS SUMMARY
16 New York Poultry Farms

CAPITAL INVESTMENT

Machinery & equip.	\$208,137
Land & buildings	360,380
Other	<u>148,026</u>
TOTAL INVESTMENT	\$716,544

EXPENSES

Replacements

Chicks bought	\$ 18,114
Pullets bought	60,044

Feed

Layer feed bought	291,822
Other feed	31,028

Labor

Hired	70,541
Unpaid	1,969

Power & Machinery

Machine hire	5,093
Equipment expense	13,274
Gas & oil	8,827
Utilities	19,243

Poultry

Eggs bought for resale	97,649
Supplies	75,398

Crop

Crop expense	12,110
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Real Estate

Land, bldg., & fence repair	3,262
Taxes	5,902
Insurance	11,700

Other

Inventory Decrease	4,732
Miscellaneous	42,624
Depreciation	<u>38,484</u>

TOTAL FARM EXPENSES	\$811,812
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RECEIPTS

Egg sales	\$782,873
Poultry sold	28,714
Other livestock	6,231
Crop sales	2,597
Miscellaneous	<u>50,281</u>

Total Cash Receipts	\$870,696
Increase in Inventory	<u>7,746</u>

TOTAL FARM RECEIPTS	\$878,442
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FINANCIAL SUMMARY

Total Farm Receipts	\$878,442
Total Farm Expenses	<u>811,812</u>

Farm Income	\$ 66,630
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Interest on average capital @ 9%	<u>35,550</u>
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Farm Labor Income	\$ 31,080
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Number of operators (33)	1.48
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LABOR INCOME/OPERATOR	\$ 21,008
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BUSINESS FACTORS

Worker equivalent	6.9
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Number of hens	53,652
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Doz eggs (produced)	1,141,156
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Eggs produced/hen	255
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Doz. of eggs produced/worker	165,385
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Hens/worker	7,776
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Lbs. feed/dz produced	3.94
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Av. price/cwt. feed bought	6.91
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Av. price/dz. eggs	60.4 ¢
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Progress of the Farm Business

Comparing your own business to other poultry farms is very helpful. However, in order to set future goals, you must compare your current situation with that of previous years'. You may then assess what your future progress should be. Your business analysis on the preceding pages provides the factors for 1986. You will need to refer to earlier summaries for the 1982 and 1983 factors.

	1982	1983	1986	Target 1987
<u>Size of Business</u>				
Average number of layers	_____	_____	_____	_____
Value of egg sales	\$ _____	\$ _____	\$ _____	\$ _____
Worker equivalent	_____	_____	_____	_____
<u>Rate of Production</u>				
Eggs produced /hen	_____	_____	_____	_____
<u>Labor Efficiency</u>				
Hens /worker	_____	_____	_____	_____
Dz. eggs sold/worker	_____	_____	_____	_____
<u>Capital Efficiency</u>				
Total inventory value	\$ _____	\$ _____	\$ _____	\$ _____
Total investment/hen	\$ _____	\$ _____	\$ _____	\$ _____
Farm receipts /\$100 investment	\$ _____	\$ _____	\$ _____	\$ _____
<u>Cost Control</u>				
Layer feed bought /hen	\$ _____	\$ _____	\$ _____	\$ _____
Lbs. feed /dozen eggs	_____	_____	_____	_____
Labor cost /hen	\$ _____	\$ _____	\$ _____	\$ _____
Machinery cost /hen	\$ _____	\$ _____	\$ _____	\$ _____
Total expense /\$100 receipts	\$ _____	\$ _____	\$ _____	\$ _____
<u>Prices</u>				
Average price /dozen	\$ _____	\$ _____	\$ _____	\$ _____
<u>Financial Summary</u>				
Total Farm Receipts	\$ _____	\$ _____	\$ _____	\$ _____
Total Farm Expenses	\$ _____	\$ _____	\$ _____	\$ _____
Labor & management income /operator	\$ _____	\$ _____	\$ _____	\$ _____
Total debt outstanding	\$ _____	\$ _____	\$ _____	\$ _____
Debt /hen	\$ _____	\$ _____	\$ _____	\$ _____
Net Worth	\$ _____	\$ _____	\$ _____	\$ _____

SUMMARY OF SELECTED POULTRY
FARM MANAGEMENT FACTORS
9 Poultry Only Farms

NAME

Item	Your Farm	1986
Avg. Number of Layers		56,779
Eggs Produced/Hen		258
Pounds of Feed/Dozen		3.83
Feed Cost/Ton (\$)		144.23
Feed Cost/Dozen Produced (¢)		27.50
Cash Cost/Dozen Sold (¢)		58.68
Price Received/Dozen Sold (¢)		61.20
Total Cash Operating Receipts (\$)		832,895
Total Cash Operating Expenses (\$)		716,540
Net Cash Flow (\$)		116,355
Debt Repayment Ability (\$)		93,788
Average Farm Inventory (\$)		648,418
Labor Income/Operator (\$)		38,821