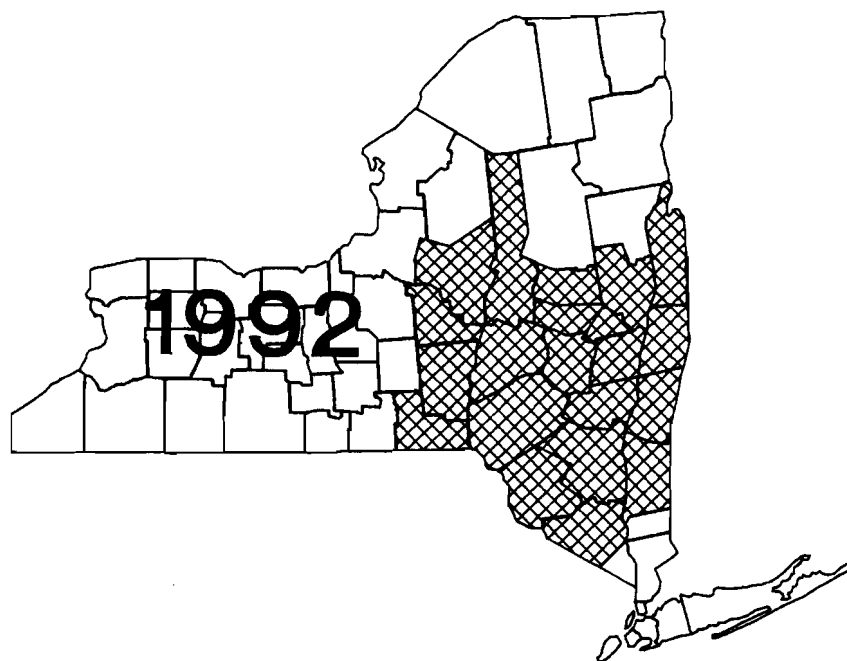


DAIRY FARM BUSINESS SUMMARY

EASTERN NEW YORK RENTER SUMMARY



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1992 DAIRY FARM BUSINESS SUMMARY

EASTERN NEW YORK RENTERS

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1992 EASTERN NEW YORK DAIRY FARM RENTER BUSINESS SUMMARY

INTRODUCTION

Dairy farmers throughout New York State submit business records for summarization and analysis through Cornell Cooperative Extension's Farm Business Management Program. Averages from a compilation of the individual farm reports are published in eight regional summaries and in one statewide summary.¹

Accrual procedures have been used to provide the most accurate accounting of farm receipts and farm expenses for measuring farm profits. An explanation of these procedures is found on pages 4-6. Four measures of farm profits are calculated on pages 7 and 8. The balance sheet, statement of owner equity, and cash flow statement are featured on pages 9-16. The dairy program analysis includes data on the costs of producing milk (pages 19 and 20).

This Eastern New York Dairy Summary is an average of 32 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 155 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.

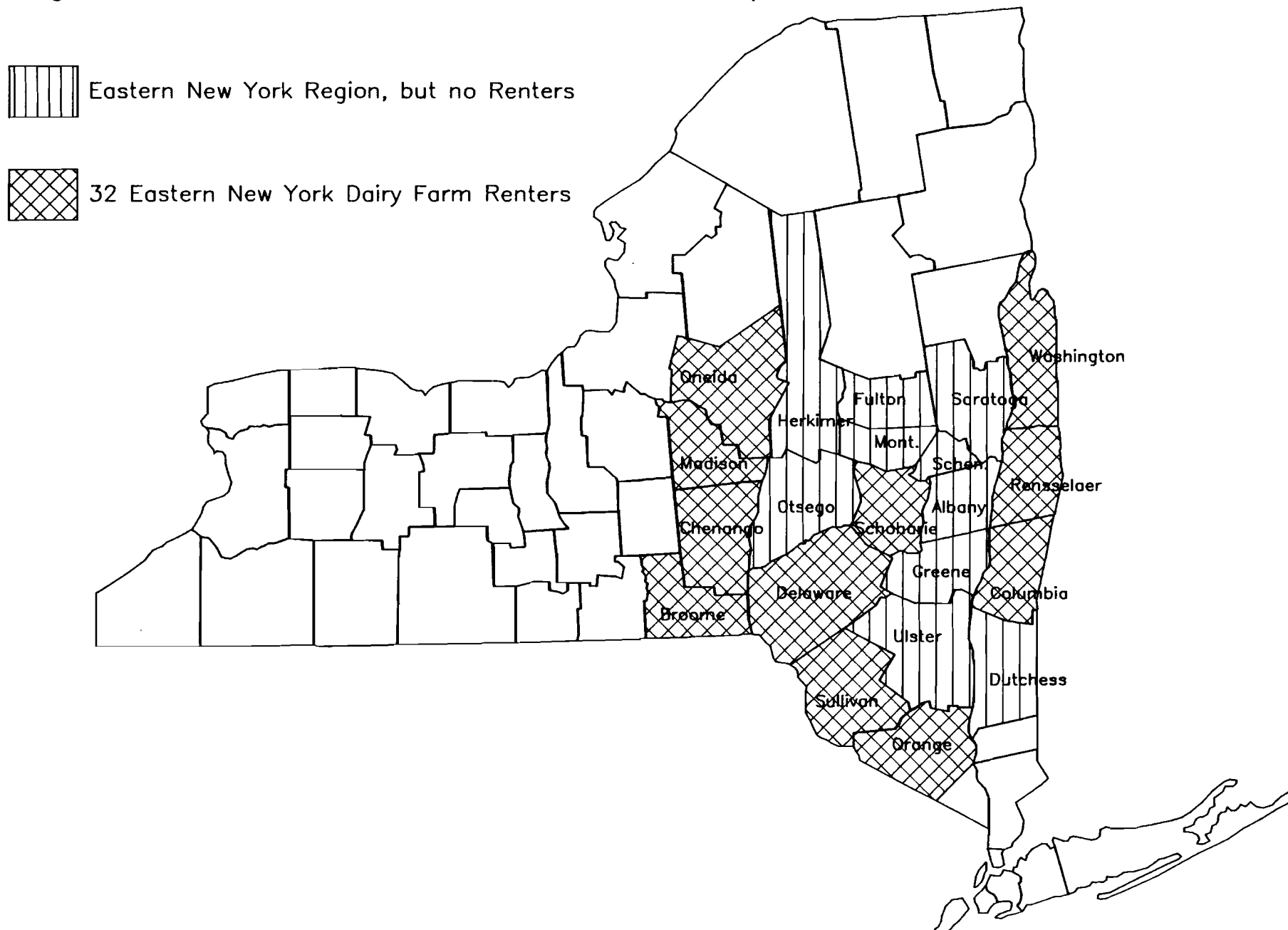
Business records for 32 farms in Broome, Chenango, Columbia, Delaware, Madison, Oneida, Orange, Rensselaer, Schoharie, Sullivan, and Washington Counties are summarized in this publication. The Eastern New York region consists of these counties plus Albany, Dutchess, Fulton, Greene, Herkimer, Montgomery, Otsego, Saratoga, Schenectady, and Ulster Counties which do not have dairy farm business summary participants that classify as renters (see Figure 1 on page 2). The 155 owned dairy farms summarized in this publication include farms from the entire region.

Use Comparative Profitability Data With Caution

The profitability analysis on page 8 where labor and management income is calculated implies that renting a dairy farm is more profitable than owning one. Concessionary rental rates set by some land owners is a major factor. The farm owners are often father and mother and other landlords who are willing to accept a very low return for their investment. Total real estate costs including depreciation and interest on equity capital averaged \$171 per tillable acre on the owned dairy farms compared to only \$141 on the rented farms. This accounts for a \$17,972 difference in costs between owned and rented farms.

¹Smith, Stuart F., Wayne A. Knoblauch, and Linda D. Putnam, Dairy Farm Management Business Summary, New York, 1992, A.E. Res. 93-11, August 1993.

Figure 1. Location of Eastern New York Dairy Farm Renters, 1992.



SUMMARY AND ANALYSIS OF THE FARM BUSINESS

Business Characteristics and Resources Used

Recognition of important business characteristics and identification of the farm resources used are necessary for evaluating management performance. The combination of resources and management practices is known as farm organization. Important farm business characteristics, the number of farms reporting these characteristics, and a listing of the average labor, land, and dairy cattle resources used are presented in the following table.

BUSINESS CHARACTERISTICS AND RESOURCES USED
32 Eastern New York Dairy Farm Renters, 1992

<u>Type of Business</u>	<u>Number</u>	<u>Labor Force</u>	<u>My Farm</u>	<u>Average</u>
Single proprietorship	21	Operator 1.	_____ mo.	12.00
Partnership	11	Operator 2.	_____ mo.	3.91
		Operator 3.	_____ mo.	0.38
<u>Milking System</u>	<u>Number</u>	Family paid	_____ mo.	1.94
Dumping station	0	Family unpaid	_____ mo.	2.88
Pipeline	29	Hired	_____ mo.	7.72
Herringbone parlor	2	Total	_____ mo.	28.83
Other parlor	1			
		Worker equivalent		
<u>Type of Barn</u>	<u>Number</u>	(total ÷ 12)	_____	2.40
Stanchion	27	Operator/Manager		
Freestall	3	Equivalent		
Combination	2	(Oper. mo. ÷ 12)	_____	1.36
<u>Dairy Records Service</u>	<u>Number</u>	<u>Land Use</u>	<u>My Farm</u>	<u>Average</u>
DHIC	26	Total acres rented	_____	405
DHIC Owner-Sampler	4	Tillable acres rented	_____	215
Other	1			
None	1			
<u>Business Record System</u>	<u>Number</u>	<u>Number of Cows</u>	<u>My Farm</u>	<u>Average</u>
Account Book	10	Beg. year (owned)	_____	67
Agrifax (mail-in only)	10	End year (owned &		
ELFAC	0	leased)	_____	72
Other	8	Average for year		
On-farm computer	4	(owned & leased)	_____	70

Predominate business characteristics of the 32 rented farms include the single proprietorship, pipeline milking system, stanchion or conventional stall barn, DHIC herd records and an account book or Agrifax mail-in record system. Only 12.5 percent of the renters were using on-farm computers compared to 20 percent of the owners.

The average size of the labor force on the rented farms was 20 percent less than the 2.99 worker equivalent on owned farms. The rented farms averaged 215 tillable acres and 70 cows compared to 283 tillable acres and 95 cows on the 155 owned dairy farms in the same region. The owned farms averaged 32 cows per worker compared to 29 on the rented farms. In 1992, the rented farms did not use land and labor resources as efficiently as the owned farms.

Income Statement

The accrual income statement begins with an accounting of all farm business expenses.

CASH AND ACCRUAL FARM EXPENSES
32 Eastern New York Dairy Farm Renters, 1992

Expense Item	Cash Paid	Inventory or Prepaid Expense	Change in Accounts Payable	Accrual Expenses	Percent of Total
<u>Hired Labor</u>	\$ 12,789	\$ 0 *	\$-15	\$ 12,774	8
<u>Feed</u>					
Dairy grain & conc.	44,578	348	-782	44,144	29
Dairy roughage	3,148	-1,319	849	2,678	2
Other livestock	204	1	0	205	<1
<u>Machinery</u>					
Mach. hire, rent/lease	2,809	-47 *	-20	2,742	2
Machinery repairs/parts	8,959	6	-10	8,955	6
Auto expense (farm share)	752	0 *	0	752	<1
Fuel, oil & grease	5,106	24	-11	5,119	3
<u>Livestock</u>					
Replacement livestock	1,915	0 *	0	1,915	1
Breeding	2,730	-52	-3	2,675	2
Vet & medicine	3,470	16	-27	3,459	2
Milk marketing	11,469	0 *	2	11,471	7
Cattle lease/rent	413	0 *	0	413	<1
Other livestock expense	10,090	-23	91	10,158	7
<u>Crops</u>					
Fertilizer & lime	5,259	124	87	5,470	4
Seeds & plants	2,335	97	101	2,533	2
Spray, other crop exp.	2,211	55	50	2,316	1
<u>Real Estate</u>					
Land/bldg./fence repair	2,325	-7	16	2,334	2
Taxes	1,162	0 *	0	1,162	1
Rent & lease	16,317	0 *	-56	16,261	11
<u>Other</u>					
Insurance	2,888	0 *	-22	2,866	2
Telephone (farm share)	718	0 *	2	720	<1
Electricity (farm share)	4,885	0 *	0	4,885	3
Interest paid	4,919	0 *	0	4,919	3
Miscellaneous	2,257	47	0	2,304	1
Total Operating	\$153,708	\$-730	\$252	\$153,230	100
Expansion livestock	\$3,042	\$0 *	\$0	3,042	
Machinery depreciation				9,517	
Building depreciation				815	
TOTAL ACCRUAL EXPENSES				\$166,604	

Cash paid is the actual amount of money paid out during the year and does not necessarily represent the cost of goods and services actually used.

Change in inventory: An increase in inventory is subtracted in computing accrual expenses because it represents purchased inputs not actually used during the year. A decrease in inventory is added to expenses because it represents the cost of inputs purchased in a prior year and used this year.

Changes in prepaid expenses apply to non-inventory categories (noted by « in the tables). Include any expenses that have been paid for in advance of their use, for example, 1993 rent paid in 1992. A positive change is the amount the prepayment account declined from beginning to end year, a negative change indicates an increase in the account.

Change in accounts payable: An increase in payables is added and a decrease is subtracted when calculating accrual expenses.

Accrual expenses are the costs of inputs actually used in this year's production.

Worksheets are provided to enable any dairy farmer to compute his or her accrual farm expenses and compare them with the averages on the previous page.

CASH AND ACCRUAL FARM EXPENSES WORKSHEET

Expense Item	Cash Paid +	Change in Inventory or Prepaid Expense +	Change in Accounts Payable	Accrual = Expenses
<u>Hired Labor</u>	\$ _____	\$ _____ «	\$ _____	\$ _____
<u>Feed</u>				
Dairy grain & conc.	_____	_____	_____	_____
Dairy roughage	_____	_____	_____	_____
Other livestock	_____	_____	_____	_____
<u>Machinery</u>				
Mach. hire, rent/lease	_____	_____ «	_____	_____
Machinery repairs/parts	_____	_____	_____	_____
Auto expense (farm share)	_____	_____ «	_____	_____
Fuel, oil & grease	_____	_____	_____	_____
<u>Livestock</u>				
Replacement livestock	_____	_____ «	_____	_____
Breeding	_____	_____	_____	_____
Vet & medicine	_____	_____	_____	_____
Milk marketing	_____	_____ «	_____	_____
Cattle lease/rent	_____	_____ «	_____	_____
Other livestock expense	_____	_____	_____	_____
<u>Crops</u>				
Fertilizer & lime	_____	_____	_____	_____
Seeds & plants	_____	_____	_____	_____
Spray, other crop exp.	_____	_____	_____	_____
<u>Real Estate</u>				
Land/bldg./fence repair	_____	_____	_____	_____
Taxes	_____	_____ «	_____	_____
Rent & lease	_____	_____ «	_____	_____
<u>Other</u>				
Insurance	_____	_____ «	_____	_____
Telephone (farm share)	_____	_____ «	_____	_____
Electricity (farm share)	_____	_____ «	_____	_____
Interest paid	_____	_____ «	_____	_____
Miscellaneous	_____	_____	_____	_____
Total Operating	\$ _____	\$ _____	\$ _____	\$ _____
Expansion livestock	_____	_____ «	_____	_____
Machinery depreciation	_____	_____	_____	_____
Building depreciation	_____	_____	_____	_____
TOTAL ACCRUAL EXPENSES				\$ _____

CASH AND ACCRUAL FARM RECEIPTS
32 Eastern New York Dairy Farm Renters, 1992

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk sales	\$173,200				\$ -827		\$172,373
Dairy cattle	9,694		\$6,946		-226		16,414
Dairy calves	2,876				5		2,881
Other livestock	474		182		0		656
Crops	1,534		3,768		63		5,302
Government receipts	1,671		0*		0		1,671
Custom machine work	459				0		459
Gas tax refund	193				0		193
Other	1,290				0		1,290
- Nonfarm noncash capital**			(-) 0				(-) 0
Total Accrual Receipts	\$191,391		\$10,896		\$-1,048		\$201,239

*Change in advanced government receipts.

**Gifts or inheritances of cattle or crops included in inventory.

Cash receipts include the gross value of milk checks received during the year plus all other payments received from the sale of farm products, services, and government programs. Nonfarm income is not included in calculating farm profitability.

Changes in inventory are calculated by subtracting beginning of year values from end of year values excluding appreciation. Increases in livestock inventory caused by herd growth and/or quality are added and decreases caused by herd reduction and for quality are subtracted. Changes in inventories of crops grown are also calculated. Changes in advanced government receipts are calculated by subtracting the end year balance from the beginning year balance (balances are listed with the current liabilities on the Balance Sheet).

Changes in accounts receivable are calculated by subtracting beginning year balances from end year balances. The January milk check for this December's marketings compared with the previous January's check is included as a change in accounts receivable.

Accrual receipts represent the value of all farm commodities produced and services actually generated by the farmer during the year.

CASH AND ACCRUAL FARM RECEIPT WORKSHEET

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk sales	\$ _____				\$ _____		\$ _____
Dairy cattle	_____		\$ _____		_____		_____
Dairy calves	_____		_____		_____		_____
Other livestock	_____		_____		_____		_____
Crops	_____		_____		_____		_____
Government receipts	_____		_____		_____		_____
Custom machine work	_____		_____		_____		_____
Gas tax refund	_____		_____		_____		_____
Other	_____		_____		_____		_____
Less gifts of cattle & crops			(-) _____				(-) _____
Total Accrual Receipts	\$ _____		\$ _____		\$ _____		\$ _____

Profitability Analysis

Farm owners/operators contribute labor, management, and capital to their businesses and the best combination of these resources maximizes income. Farm profitability can be measured as the return to all family resources or as the return to one or more individual resources such as labor and management.

Net farm income is the total combined return to the farm operator(s) and other unpaid family members for their labor, management, and equity capital. It is the farm family's net annual return from working, managing, financing, and owning the farm business. This is not a measure of cash available from the year's business operation. Cash flow is evaluated later in this report.

Net farm income is computed with and without appreciation. Appreciation represents the change in values caused by annual changes in prices of livestock, machinery, real estate inventory, and stocks and certificates (other than Farm Credit stock). Appreciation is a major factor contributing to changes in farm net worth and must be included for a complete profitability analysis.

NET FARM INCOME Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Total accrual receipts	\$201,239	\$279,085	\$ _____
+ Appreciation: Livestock	1,236	4,534	_____
Machinery	1,900	2,221	_____
Real Estate	3,971	7,788	_____
Other Stock/Cert.	-55	51	_____
- Total Including Appreciation	\$208,291	\$293,679	\$ _____
- Total accrual expenses	166,604	244,728	_____
- Net Farm Income (with appreciation)	\$ 41,687	\$ 48,951	\$ _____
Net Farm Income (without appreciation)	\$ 34,635	\$ 34,357	\$ _____

Return to operators' labor, management, and equity capital measures the total business profits for the farm operator(s). It is calculated by deducting a charge for unpaid family labor from net farm income. Operators' labor is not included in unpaid family labor. Return to operators' labor, management, and equity capital has been calculated with and without appreciation. Appreciation is considered an important part of the return to ownership of farm assets.

RETURN TO OPERATOR(S') LABOR, MANAGEMENT, AND EQUITY Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Net farm income (with appreciation)	\$41,687	\$48,951	\$ _____
- Family labor unpaid @ \$1,350 per month	3,888	3,227	_____
- Return to operators' labor, management, & equity (with appreciation)	\$37,799	\$45,724	\$ _____
- Appreciation	7,052	14,594	_____
- Return to operators' labor, management, & equity (without appreciation)	\$30,747	\$31,130	\$ _____

Labor and management income is the return which farm operators receive for their labor and management used in operating the farm business. Appreciation is not included as part of the return to labor and management because it results from ownership of assets rather than management of the farm business. Labor and management income is calculated by deducting the opportunity cost of using equity capital at a real interest rate of five percent, from the return to operators' labor, management, and equity capital excluding appreciation. The interest charge of five percent reflects the long-term average rate of return that a farmer might expect to earn in comparable risk investments in a low inflation economy.

LABOR AND MANAGEMENT INCOME
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Return to operators' labor, mgmt., & equity without appreciation	\$30,747	\$31,130	\$ _____
- Real interest @ 5% on average equity capital	<u>7,849</u>	<u>24,391</u>	- _____
= Labor & Management Income	\$20,898	\$ 6,739	\$ _____
Labor & Management Income per Operator/Manager	\$15,366	\$ 4,713	\$ _____

Return on equity capital measures the net return remaining for the farmer's equity or owned capital after a charge has been made for the owner-operator's labor and management. The earnings or amount of net farm income allocated to labor and management is the opportunity cost of operators' labor and management estimated by the cooperators. Return on equity capital is calculated with and without appreciation. The rate of return on equity capital is determined by dividing the amount returned by the average farm net worth or equity capital. Return on total capital is calculated by adding interest paid to the return on equity capital and then dividing by average farm assets to calculate the rate of return on total capital.

RETURN ON EQUITY CAPITAL AND RETURN ON TOTAL CAPITAL
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Return to operators' labor, mgmt., & equity capital with apprec.	\$37,799	\$45,724	\$ _____
- Value of operators' labor & mgmt.	<u>27,970</u>	<u>30,148</u>	_____
= Return on equity capital with apprec.	\$ 9,829	\$15,576	\$ _____
+ Interest paid	<u>4,919</u>	<u>16,498</u>	_____
= Return on total capital with apprec.	\$14,748	\$32,074	\$ _____
Return on equity capital without apprec.	\$2,777	\$982	\$ _____
Return on total capital without apprec.	\$7,696	\$17,480	\$ _____
Rate of return on average equity capital:			
with appreciation	5.0%	3.2%	_____ %
without appreciation	1.4%	0.2%	_____ %
Rate of return on average total capital:			
with appreciation	5.5%	4.5%	_____ %
without appreciation	2.9%	2.5%	_____ %

Farm and Family Financial Status

The first step in evaluating the financial status of the farm is to construct a balance sheet which identifies all the assets and liabilities of the business. The second step is to evaluate the relationship between assets, liabilities, and net worth and changes that occurred during the year.

1992 FARM BUSINESS & NONFARM BALANCE SHEET 32 Eastern New York Dairy Farm Renters

Farm Assets			Farm Liabilities & Net Worth		
	Jan. 1	Dec. 31		Jan. 1	Dec. 31
<u>Current</u>			<u>Current</u>		
Farm cash, checking & savings	\$ 3,445	\$ 3,696	Accounts payable	\$ 2,834	\$ 3,085
Accounts rec.	14,969	13,922	Operating debt	2,446	3,504
Prepaid exp.	0	47	Short-term	1,500	2,215
Feed & supplies	<u>32,441</u>	<u>36,892</u>	Advanced govt. rec.	<u>0</u>	<u>0</u>
Total	\$ 50,855	\$ 54,557	Total	\$ 6,780	\$ 8,804
<u>Intermediate</u>			<u>Intermediate</u>		
Dairy cows: owned	\$ 71,530	\$ 78,080	Structured debt		
leased	0	0	1-10 years	\$ 55,410	\$ 58,772
Heifers	28,189	29,908	Financial lease		
Bulls/other lvstk.	850	945	(cattle/mach.)	0	185
Mach./eq. owned	82,427	90,164	Farm Credit stock	<u>595</u>	<u>799</u>
Mach./eq. leased	0	185	Total	\$ 56,005	\$ 59,756
Farm Credit stock	595	799			
Other stock/cert.	<u>4,298</u>	<u>4,372</u>	<u>Long Term</u>		
Total	\$187,889	\$204,453	Structured debt		
<u>Long-Term</u>			≥10 years	\$ 2,159	\$ 4,476
Land/buildings:			Financial lease		
owned	\$ 12,517	\$ 21,669	(structures)	<u>392</u>	<u>2,177</u>
leased	<u>392</u>	<u>2,177</u>	Total	\$ 2,551	\$ 6,653
Total	\$ 12,909	\$ 23,846	Total Farm Liab.	\$ 65,336	\$ 75,213
Total Farm Assets	\$251,653	\$282,856	FARM NET WORTH	\$186,317	\$207,643
(Average for 20 farms reporting)			Nonfarm Liabilities*		
Nonfarm Assets*			& Net Worth		
	Jan. 1	Dec. 31		Jan. 1	Dec. 31
Personal cash, chkg. & savings	\$ 2,079	\$ 2,215	Nonfarm Liab.	\$8,250	\$7,487
Cash value life ins.	4,140	6,795	NONFARM NET WORTH	\$68,083	\$71,809
Nonfarm real estate	56,200	56,450			
Auto (personal sh.)	4,500	4,150	<u>FARM & NONFARM*</u>	<u>Jan. 1</u>	<u>Dec. 31</u>
Stocks & bonds	1,900	1,878	Total Assets	\$327,986	\$362,152
Household furn.	6,744	6,725	Total Liabilities	<u>73,586</u>	<u>82,700</u>
All other	<u>770</u>	<u>1,083</u>	TOTAL FARM & NON-		
Total Nonfarm	\$76,333	\$79,296	FARM NET WORTH	\$254,400	\$279,452

*Assumes that average nonfarm assets and liabilities for the nonreporting farms were the same as for those reporting.

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 by signing the lease. The present value is also listed as an asset, representing the future value the item has to the business.

Advanced government receipts are included as current liabilities. Government payments received in 1992 that are for participation in the 1993 program are the end year balance and payments received in 1991 for participation in the 1992 program are the beginning year balance.

Date _____

1992 FARM BUSINESS & NONFARM BALANCE SHEET

Farm Assets			Farm Liabilities & Net Worth		
	Jan. 1	Dec. 31		Jan. 1	Dec. 31
<u>Current</u>			<u>Current</u>		
Farm cash, checking & savings			Accounts payable		
Accounts rec.			Operating debt:		
Prepaid expense					
Feed & supplies			Short Term:		
Total					
<u>Intermediate</u>			<u>Intermediate</u>		
Dairy cows:			Adv. govt. rec.		
owned			Total		
leased					
Heifers					
Bulls/other lvstk.					
Mach./eq. owned					
Mach./eq. leased					
Farm Credit stock			Financial lease		
Other stock/cert.			(cattle/mach.)		
Total			Farm Credit stock		
			Total		
<u>Long-Term</u>			<u>Long-Term</u>		
Land/buildings:					
owned					
leased					
Total			Financial lease		
			(structures)		
			Total		
Total Farm Assets			Total Farm Liab.		
			FARM NET WORTH		
Nonfarm Assets			Nonfarm Liabilities & Net Worth		
	Jan. 1	Dec. 31		Jan. 1	Dec. 31
Personal cash, chkg. & savings			Nonfarm Liab.:		
Cash val. life ins.					
Nonfarm real est.					
Auto (pers. share)					
Stocks & bonds			Total Nonfarm		
Household furn.			Liabilities		
All other			Nonfarm		
Total Nonfarm			Net Worth		
TOTAL FARM & NONFARM			Jan. 1 Dec. 31		
Total Farm & Nonfarm Assets					
Less Total Farm & Nonfarm Liabilities					
Farm & Nonfarm Net Worth					

Balance sheet analysis requires an examination of financial and debt ratios measuring levels of debt. Percent equity is calculated by dividing end of year net worth by end of year assets. The debt to asset ratio is compiled by dividing liabilities by assets. Low debt to asset ratios reflect strength in solvency and the potential capacity to borrow. Debt levels per unit of production include some old standards that are still useful if used with measures of cash flow and repayment ability. The change in farm net worth without appreciation is an excellent indicator of financial progress.

BALANCE SHEET ANALYSIS
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
<u>Financial Ratios - Farm:</u>			
Percent equity	73%	68%	_____ %
Debt/asset ratio: total	0.27	0.32	_____
long-term	0.28	0.31	_____
intermediate/current	0.26	0.33	_____
<u>Farm Debt Analysis:</u>			
Accounts payable as % of total debt	4%	5%	_____ %
Long-term liabilities as a % of total debt	9%	47%	_____ %
Current & inter. liab. as a % of total debt	91%	53%	_____ %
<u>Farm Debt Levels Per Cow:</u>			
Total farm debt	\$1,045	\$2,389	\$ _____
Long-term debt	\$92	\$1,125	_____
Intermediate & current debt	\$952	\$1,264	_____

Farm inventory balance is an accounting of the value of machinery and equipment used on the balance sheet and the changes that occur from the beginning to end of year. Changes in the livestock inventory are included in the dairy analysis. Net investment indicates whether the capital stock is being expanded (positive) or depleted (negative).

FARM MACHINERY AND EQUIPMENT INVENTORY BALANCE
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Value beg. of year	\$82,427	\$123,520	\$ _____
Purchases	\$15,561	\$17,245	\$ _____
+ Nonfarm noncash transfer	0	235	+ _____
- Net Sales	208	406	- _____
- Depreciation	<u>9,517</u>	<u>13,269</u>	- _____
= Net investment	5,836	3,805	-+ _____
+ Appreciation	<u>1,900</u>	<u>2,221</u>	+ _____
= Value end of year	\$90,164	\$129,557	\$ _____

The Statement of Owner Equity has two purposes. It allows (1) verification that the accrual income statement and market value balance sheet are interrelated and consistent (in accountants' terms, they reconcile) and (2) identification of the causes of change in equity that occurred on the farm during the year. The Statement of Owner Equity allows the farmer to determine to what degree the change in equity was caused by (1) earnings from the business, and nonfarm income, in excess of withdrawals being retained in the business (called retained earnings), (2) outside capital being invested in the business or farm capital being removed from the business (called contributed/withdrawn capital) and (3) increases or decreases in the value (price) of assets owned by the business (called change in valuation equity).

The change in farm net worth without appreciation is an excellent indicator of farm generated financial progress.

STATEMENT OF OWNER EQUITY (RECONCILIATION)
32 Eastern New York Dairy Farm Renters, 1992

Item	Average	My Farm
Beginning of year farm net worth	\$186,317	\$ _____
Net farm income w/o apprec. \$34,635		\$ _____
+Nonfarm cash income + 2,688		+ _____
-Personal withdrawals & family expenditures excluding non-farm borrowings -25,647		- _____
RETAINED EARNINGS	+\$11,676	+\$ _____
Nonfarm noncash transfers to farm \$ 0		\$ _____
+Cash used in business from nonfarm capital + 3,973		+ _____
-Note/mortgage from farm real estate sold (nonfarm) - 0		- _____
CONTRIBUTED/WITHDRAWN CAPITAL	+\$ 3,973	+\$ _____
Appreciation \$ 7,052		\$ _____
-Lost capital - 1,150		- _____
CHANGE IN VALUATION EQUITY	+\$ 5,902	+\$ _____
IMBALANCE/ERROR	-\$ 228	-\$ _____
End of year farm net worth*	-\$207,643	-\$ _____
Change in net worth with apprec.	\$ 21,326	\$ _____
<u>Change in Net Worth</u>		
Without appreciation	\$14,274	\$ _____
With appreciation	\$21,326	\$ _____

*May not add due to rounding.

Cash Flow Statement

Completing an annual cash flow statement is an important step in understanding the sources and uses of funds for the business. Understanding last year's cash flow is the first step toward planning and managing cash flow for the current and future years.

The annual cash flow statement is structured to show net cash provided by operating activities, investing activities, financing activities and from reserves. All cash inflows and outflows including beginning and end balances are included. Therefore the sum of net cash provided from all four activities should be zero. Any imbalance is the error from incorrect accounting of cash inflows/outflows.

ANNUAL CASH FLOW STATEMENT

32 Eastern New York Dairy Farm Renters, 1992

<u>Item</u>	<u>Average</u>	
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$191,391	
- Cash farm expenses	<u>153,708</u>	
= Net cash farm income		\$37,683
Nonfarm income	\$ 2,688	
- Personal withdrawals/family expenses including nonfarm debt payments	<u>25,925</u>	
+ Net cash nonfarm income		<u>\$-23,237</u>
= Net Provided by Operating Activities		\$14,446
<u>Cash Flow From Investing Activities</u>		
Sale of assets: Machinery	\$ 208	
+ real estate	0	
+ other stock/cert.	<u>0</u>	
= Total asset sales		\$ 208
Capital purchases: expansion livestock	\$ 3,042	
+ machinery	15,561	
+ real estate	7,146	
+ other stock/cert.	<u>129</u>	
- Total invested in farm assets		<u>\$25,878</u>
= Net Provided by Investment Activities		\$-25,670
<u>Cash Flow From Financing Activities</u>		
Money borrowed (inter. & long-term)	\$21,524	
+ Money borrowed (short-term)	2,261	
+ Increase in operating debt	1,058	
+ Cash from nonfarm cap. used in business	3,973	
+ Money borrowed - nonfarm	<u>278</u>	
= Cash inflow from financing		\$29,094
Principal payments (inter. & long-term)	\$15,845	
+ Principal payments (short-term)	1,546	
+ Decrease in operating debt	<u>0</u>	
- Cash outflow for financing		<u>\$17,391</u>
= Net Provided by Financing Activities		\$11,703
<u>Cash Flow From Reserves</u>		
Beginning farm cash, checking & savings	\$ 3,445	
- Ending farm cash, checking & savings	<u>3,696</u>	
= Net Provided from Reserves		<u>\$ -251</u>
<u>Imbalance (error)</u>		\$ 228

ANNUAL CASH FLOW STATEMENT

Item		My Farm
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$ _____	
- Cash farm expenses	_____	
= Net cash farm income		\$ _____
Nonfarm income	\$ _____	
- Personal withdrawals/family expenses including nonfarm debt payments	_____	
+ Net cash nonfarm income		\$ _____
= Net Provided by Operating Activities		\$ _____
<u>Cash Flow From Investing Activities</u>		
Sale of assets: Machinery	\$ _____	
+ real estate	_____	
+ other stock/cert.	_____	
= Total asset sales		\$ _____
Capital purchases: expansion livestock	\$ _____	
+ machinery	_____	
+ real estate	_____	
+ other stock/cert.	_____	
- Total invested in farm assets		\$ _____
= Net Provided by Investment Activities		\$ _____
<u>Cash Flow From Financing Activities</u>		
Money borrowed (inter. & long-term)	\$ _____	
+ Money borrowed (short-term)	_____	
+ Increase in operating debt	_____	
+ Cash from nonfarm cap. used in business	_____	
+ Money borrowed - nonfarm	_____	
= Cash inflow from financing		\$ _____
Principal payments (inter. & long-term)	\$ _____	
+ Principal payments (short-term)	_____	
+ Decrease in operating debt	_____	
- Cash outflow for financing		\$ _____
= Net Provided by Financing Activities		\$ _____
<u>Cash Flow From Reserves</u>		
Beginning farm cash, checking & savings	\$ _____	
- Ending farm cash, checking & savings	_____	
= Net Provided from Reserves		\$ _____
<u>Imbalance (error)</u>		\$ _____

Repayment Analysis

The second step in cash flow analysis is to compare the debt payments planned for the last year with the amount actually paid. The measures listed below provide a number of different perspectives on the repayment performance of the business. However, the critical question to many farmers and lenders is whether planned payments can be made in 1993. The cash flow projection worksheet on the next page can be used to estimate repayment ability, which can then be compared to planned 1993 debt payments shown below.

FARM DEBT PAYMENTS PLANNED Same 26 Eastern New York Dairy Farm Renters, 1992*

Debt Payments	Average			My Farm		
	1992 Payments		Planned 1993	1992 Payments		Planned 1993
	Planned	Made		Planned	Made	
Long-term	\$ 1,418	\$ 370	\$ 769	\$ _____	\$ _____	\$ _____
Intermediate-term	15,499	23,139	18,739	_____	_____	_____
Short-term	1,701	1,986	1,020	_____	_____	_____
Operating (net red.)	323	0	587	_____	_____	_____
Accounts payable (net reduction)	4	0	1,038	_____	_____	_____
Total	\$18,944	\$25,495	\$22,153	\$ _____	\$ _____	\$ _____
Per cow	\$263	\$354		\$ _____	\$ _____	
Per cwt. 1992 milk	\$1.45	\$1.95		\$ _____	\$ _____	
Percent of total 1992 receipts	9%	12%		_____	_____	
Percent of 1992 milk receipts	11%	14%		_____	_____	

*Farms that completed Dairy Farm Business Summaries for both 1991 and 1992.

The cash flow coverage ratio measures the ability of the farm business to meet its planned debt payment schedule. The ratio shows the percentage of planned payments that could have been made with last year's available cash flow. Farmers that did not participate in DFBS last year will find in their report a cash flow coverage ratio based on planned debt payments for 1993.

CASH FLOW COVERAGE RATIO Eastern New York Dairy Farm Renters and Owners, 1992

Item	Same 26 Farm Renters	Same 138 Farm Owners	My Farm
Cash farm receipts	\$198,274	\$261,031	\$ _____
- Cash farm expenses	159,050	213,858	_____
+ Interest paid	5,731	15,514	_____
- Net personal withdrawals from farm*	23,294	26,141	_____
(A) = Amount Available for Debt Service	\$21,661	\$ 36,546	\$ _____
(B) = Debt Payments Planned for 1992 (as of December 31, 1991)	\$18,944	\$38,710	\$ _____
(A ÷ B) = Cash Flow Coverage Ratio for 1992	1.14	0.94	_____

*Personal withdrawals and family expenditures less nonfarm income and nonfarm money borrowed. If family withdrawals are excluded the cash flow coverage ratio will be incorrect.

ANNUAL CASH FLOW WORKSHEET

Item	32 Dairy	My Farm		Expected	1993
	Farm Renters	Total	Per Cow	Change	Projection
	(per cow)				
Average number of cows	70				
<u>Accrual Oper. Receipts</u>					
Milk	\$2,477	\$	\$		\$
Dairy cattle	236				
Dairy calves	41				
Other livestock	9				
Crops	76				
Misc. receipts	52				
Total	\$2,891	\$	\$		\$
<u>Accrual Oper. Expenses</u>					
Hired labor	\$ 184	\$	\$		\$
Dairy grain & conc.	634				
Dairy roughage	38				
Other lvstk. feed	3				
Mach. hire/rent/lease	39				
Mach. repair/parts & auto	139				
Fuel, oil & grease	74				
Replacement lvstk.	28				
Breeding	38				
Vet & medicine	50				
Milk marketing	165				
Cattle lease	6				
Other lvstk. exp.	146				
Fertilizer & lime	79				
Seeds & plants	36				
Spray/other crop exp.	33				
Land, bldg., fence repair	34				
Taxes	17				
Real est. rent/lease	234				
Insurance	41				
Utilities	81				
Miscellaneous	33				
Total Less Interest Paid	\$2,131	\$	\$	\$	\$
<u>Net Accrual Operating Income</u>	(total)				
(without interest paid)	\$52,931	\$			\$
- Change in lvstk./crop inv.	10,896				
- Change in accts. rec.	-1,048				
+ Change in feed/supply inv.*	-730				
+ Change in accts. payable**	252				
NET CASH FLOW	\$42,605	\$			\$
- Net personal withdrawals & family expenditures	22,959				
Available for Farm Debt Payments & Investments	\$19,646	\$			\$
- Farm debt payments	22,139				
Available for Farm Investments	\$-2,493	\$			\$
- Capital purchases: cattle, machinery & improvements	\$25,878	\$		\$	\$
Additional Capital Needed		\$			\$

*Includes change in prepaid expenses.

**Excludes change in interest account payable.

Cropping Program Analysis

The cropping program is an important part of the dairy farm business and sometimes it is overlooked and neglected. A complete evaluation of available land resources, how they are being used, how well crops are producing and what it costs to produce them, is required to evaluate alternative cropping and feed purchasing choices.

LAND RESOURCES AND CROP PRODUCTION 32 Eastern New York Dairy Farm Renters, 1992

<u>Item</u>	<u>Average of Farms Reporting</u>			<u>My Farm</u>	
<u>Crop Yields</u>	<u>Farms</u>	<u>Acres</u>	<u>Prod/Acre*</u>	<u>Acres</u>	<u>Prod/Acre</u>
Hay crop	31	129	2.63 tn DM	_____	_____ tn DM
Corn silage	29	48	14.40 tn	_____	_____ tn
			4.99 tn DM	_____	_____ tn DM
Other forage	2	22	1.49 tn DM	_____	_____ tn DM
Total forage	31	176	3.15 tn DM	_____	_____ tn DM
Corn grain	18	52	97.11 bu	_____	_____ bu
Oats	5	16	81.97 bu	_____	_____ bu
Wheat	0	0	0.00 bu	_____	_____ bu
Other crops	2	11		_____	
Tillable pasture	9	21		_____	
Idle	8	25		_____	
Total Tillable Acres	32	215		_____	

*1992 average yields for 155 dairy farm owners in Eastern New York included: all hay crops, 2.6 tons dry matter per acre; corn silage, 14.9 tons per acre.

Average crop acres and yields compiled for the region are for the number of farms reporting each crop. Yields of forage crops have been converted to tons of dry matter using dry matter coefficients reported by the farmers. Grain production has been converted to bushels of dry grain equivalent based on dry matter information provided.

The following measures of crop management indicate how efficiently the land resource is being used and how well total forage requirements are being met.

CROP MANAGEMENT FACTORS Eastern New York Dairy Farm Renters and Owners, 1992

<u>Item</u>	<u>32 Dairy Farm Renters</u>	<u>155 Dairy Farm Owners</u>	<u>My Farm</u>
Total tillable acres per cow	3.09	2.98	_____
Total forage acres per cow	2.43	2.48	_____
Harvested forage dry matter, tons per cow	7.70	8.17	_____

Average fertilizer and lime, seeds and plants, and spray and other crop expenses have been computed per tillable acre for all farms in the first column of the table below. Average hay crop and corn crop related expenses are from the limited number of farms allocating crop expenses. Additional expense items such as fuels, labor, and machinery repairs are not included.

CROP RELATED ACCRUAL EXPENSES

Eastern New York Dairy Farm Renters and Owners, 1992

	Total/ Till.	Hay Crop		All Corn	Corn Sil. Per Ton	Corn Grain Per Dry
Expense	Acre	Per Acre	Per Ton DM	Per Acre	DM	Shell Bu.
<u>32 Dairy Farm Renters:</u> Average 6 Farms Reporting Individual Crop Costs						
Fertilizer & lime	\$25.44	\$19.20	\$ 8.95	\$45.00	\$ 8.61	\$0.48
Seeds & plants	11.78	9.40	4.38	19.13	3.66	0.20
Spray & other crop expense	<u>10.77</u>	<u>4.09</u>	<u>1.90</u>	<u>21.07</u>	<u>4.03</u>	<u>0.22</u>
Total	\$47.99	\$32.69	\$15.23	\$85.20	\$16.30	\$0.90
<u>155 Dairy Farm Owners:</u> Average 36 Farms Reporting Individual Crop Costs						
Fertilizer & lime	\$27.14	\$17.26	\$ 6.45	\$ 47.89	\$ 9.66	\$0.46
Seeds & plants	13.42	7.27	2.72	23.57	4.76	0.23
Spray & other crop expense	<u>11.92</u>	<u>3.85</u>	<u>1.44</u>	<u>36.84</u>	<u>7.43</u>	<u>0.36</u>
Total	\$52.48	\$28.38	\$10.61	\$108.30	\$21.85	\$1.05
<u>My Farm:</u>						
Fertilizer & lime	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Seeds & plants	_____	_____	_____	_____	_____	_____
Spray & other crop expense	_____	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Most machinery costs are associated with crop production and should be analyzed with the crop enterprise. Total machinery expenses include the major fixed costs (interest and depreciation), as well as the accrual operating costs. Although machinery costs have not been allocated to individual crops, they are shown below per total tillable acre.

ACCRUAL MACHINERY EXPENSES

Eastern New York Dairy Farm Renters and Owners, 1992

Item	Average Per Tillable Acre		My Farm	
	32 Dairy Farm Renters	155 Dairy Farm Owners	Total Expenses	Per Til. Acres
Fuel, oil & grease	\$ 23.81	\$ 25.06	\$ _____	\$ _____
Machinery repairs & parts	41.65	46.15	_____	_____
Machine hire, rent & lease	12.75	10.46	_____	_____
Auto expense (farm share)	3.50	2.61	_____	_____
Interest (5%)	20.07	22.36	_____	_____
Depreciation	<u>44.27</u>	<u>46.89</u>	_____	_____
Total	\$146.05	\$153.53	\$ _____	\$ _____

Dairy Program Analysis

Analysis of the dairy enterprise can tell a great deal about the strengths and weaknesses of the dairy farm business. Information on this page should be used in conjunction with DHI and other dairy production information. Changes in dairy herd size and market values that occur during the year are identified in the table below. The change in inventory value without appreciation is attributed to physical changes in herd size and quality. This increase in inventory is included as an accrual farm receipt when calculating profitability without appreciation impacts.

DAIRY HERD INVENTORY
Eastern New York Dairy Farm Renters and Owners, 1992

	<u>Dairy Cows</u>		<u>Heifers</u>					
			<u>Bred</u>		<u>Open</u>		<u>Calves</u>	
<u>Item</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
<u>32 Dairy Farm Renters:</u>								
Beg. year (owned)	67	\$71,530	19	\$16,019	17	\$7,942	16	\$4,227
+ Change w/o apprec.		5,600		1,425		-539		461
+ Appreciation		<u>950</u>		<u>-161</u>		<u>329</u>		<u>206</u>
End year (owned)	71	\$78,080	20	\$17,283	15	\$7,732	18	\$4,894
End incl. leased	72							
Average number	70							
			53 (all age groups)					
<u>155 Dairy Farm Owners:</u>								
Beg. year (owned)	94	\$ 98,124	26	\$22,145	26	\$13,624	23	\$5,865
+ Change w/o apprec.		4,219		535		-252		762
+ Appreciation		<u>1,003</u>		<u>2,913</u>		<u>466</u>		<u>144</u>
End year (owned)	98	\$103,346	26	\$25,593	25	\$13,838	24	\$6,771
End incl. leased	98							
Average number	95							
			75 (all age groups)					
<u>My Farm:</u>								
Beg. of year (owned)	___	\$___	___	\$___	___	\$___	___	\$___
+ Change w/o apprec.		___		___		___		___
+ Appreciation		___		___		___		___
End of year (owned)	___	\$___	___	\$___	___	\$___	___	\$___
End including leased	___							
Average number	___							
			___ (all age groups)					

Total milk sold and milk sold per cow are extremely valuable measures of productivity on the dairy farm. These measures of milk output are based on pounds of milk marketed during the year. Farm managers on DHI should compare milk sold per cow with rolling herd average on the test date nearest December 31.

MILK PRODUCTION
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Dairy Farm Renters	155 Dairy Farm Owners	My Farm
Total milk sold, lbs.	1,259,868	1,729,547	_____
Milk sold per cow, lbs.	18,111	18,216	_____
Average milk plant test, % butterfat	3.75	3.69	_____

The cost of producing milk has been compiled using the whole farm method, and is featured in the following table. Accrual receipts from milk sales are compared with the accrual costs of producing milk per hundredweight of milk. Using the whole farm method, operating costs of producing milk are estimated by deducting nonmilk accrual receipts from total accrual operating expenses plus expansion livestock purchased. Total costs of producing milk include the operating costs plus depreciation on machinery and buildings, the value of unpaid family labor, the value of operator(s') labor and management, and an interest charge for using equity capital. Note that the cost of labor, management, and equity capital has been excluded in the intermediate compilation.

ACCRUAL RECEIPTS FROM DAIRY AND COST OF PRODUCING MILK
Eastern New York Dairy Farm Renters and Owners, 1992

Item	32 Renters		155 Owners		My Farm	
	Total	Per Cwt.	Total	Per Cwt.	Total	Per Cwt.
<u>Accrual Costs of Producing Milk</u>						
Operating costs	\$127,406	\$10.11	\$184,371	\$10.66	\$_____	\$_____
Total costs with- out op(s') labor, mgmt. & capital	\$141,626	\$11.24	\$208,232	\$12.04	\$_____	\$_____
Total Costs	\$179,445	\$14.24	\$262,771	\$15.19	\$_____	\$_____
<u>Accrual Receipts from Milk</u>						
	\$172,373	\$13.68	\$239,361	\$13.84	\$_____	\$_____

The accrual operating expenses most commonly associated with the dairy enterprise are listed in the table below. Evaluating these costs per unit of production enables the comparison of different size dairy farms for strengths and areas for improvement.

DAIRY RELATED ACCRUAL EXPENSES
Eastern New York Dairy Farm Renters and Owners, 1992

Item	Average Per Cwt. Milk		My Farm Per Cwt.
	32 Renters	155 Owners	
Purchased dairy grain & conc.	\$3.50	\$3.95	\$_____
Purchased dairy roughage	0.21	0.06	_____
Total Purchased Dairy Feed	\$3.71	\$4.01	\$_____
Purchased grain & conc. as % of milk receipts	26%	29%	_____ %
Purchased feed & crop exp.	\$4.54	\$4.86	\$_____
Purchased feed & crop exp. as % of milk receipts	33%	35%	_____ %
Breeding	\$0.21	\$0.21	\$_____
Veterinary & medicine	0.27	0.33	_____
Milk marketing	0.91	0.95	_____
Cattle lease	0.03	0.01	_____
Other livestock expense	0.81	0.67	_____

Capital and Labor Efficiency Analysis

Capital efficiency factors measure how intensively the capital is being used in the farm business. The asset turnover ratio is the ratio of total farm income to total farm assets. It is calculated by dividing total accrual operating receipts plus appreciation by average total farm assets. Measures of labor efficiency are key indicators of management's success in generating products per unit of labor input.

CAPITAL EFFICIENCY
Eastern New York Dairy Farm Renters and Owners, 1992

Item	Per Worker	Per Cow	Per Tillable Acre
<u>32 Dairy Farm Renters:</u>			
Farm capital	\$111,250	\$3,840	\$1,243
Machinery & equipment	35,961	\$1,241	402
Asset turnover ratio	0.78		
<u>155 Dairy Farm Owners:</u>			
Farm capital	\$239,388	\$7,533	\$2,526
Machinery & equipment	42,940	1,351	453
Asset turnover ratio	0.41		
<u>My Farm:</u>			
Farm capital	\$ _____	\$ _____	\$ _____
Machinery & equipment	_____	_____	_____
Asset turnover ratio	_____		

LABOR FORCE ANALYSIS
Eastern New York Dairy Farm Renters and Owners, 1992

Efficiency	<u>32 Renters</u>		<u>155 Owners</u>		<u>My Farm</u>	
	Total	Per Worker	Total	Per Worker	Total	Per Worker
Cows, average number	70	29	95	32	_____	_____
Milk sold, pounds	1,259,868	524,444	1,729,547	579,167	_____	_____
Tillable acres	215	89	283	95	_____	_____
Work units	726	302	997	334	_____	_____
<hr/>						
Labor Costs	<u>32 Renters</u>		<u>155 Owners</u>		<u>My Farm</u>	
	Total	Per Cow	Total	Per Cow	Total	Per Cow
Value of operator(s) labor*	\$21,992	\$316	\$23,153	\$244	\$ _____	\$ _____
Family unpaid*	3,888	56	3,227	34	_____	_____
Hired	12,774	184	23,692	250	_____	_____
Total Labor	\$38,654	\$555	\$50,071	\$528	\$ _____	\$ _____
Machinery Cost	\$31,400	\$451	\$43,448	\$458	\$ _____	\$ _____
Total Labor & Mach.	\$70,053	\$1,007	\$93,519	\$985	\$ _____	\$ _____

*\$1,350 per month.

COMPARATIVE ANALYSIS OF THE FARM BUSINESS

Progress of the Farm Business

Comparing your business with average data from regional DFBS cooperators that participated in both of the last two years is one part of a business checkup. It is equally important for you to determine the progress your business has made over the past two or three years and to set targets or goals for the future.

PROGRESS OF THE FARM BUSINESS

Same 26 Eastern New York Dairy Farm Renters, 1991 & 1992

Selected Factors	Average		My Farm		Goal
	1991	1992	1991	1992	
<u>Size of Business</u>					
Average number of cows	71	72			
Average number of heifers	56	56			
Milk sold, lbs.	1,212,665	1,306,923			
Worker equivalent	2.39	2.43			
Total tillable acres	224	224			
<u>Rates of Production</u>					
Milk sold per cow, lbs.	17,080	18,094			
Hay DM per acre, tons	2.5	2.6			
Corn silage per acre, tons	11	15			
<u>Labor Efficiency</u>					
Cows per worker	30	30			
Milk sold per worker, lbs.	507,094	537,983			
<u>Cost Control</u>					
Grain & conc. purchased as % of milk sales	28%	25%	%	%	%
Dairy feed & crop exp. per cwt. milk	\$4.68	\$4.55	\$	\$	\$
Labor & mach. costs/cow	\$936	\$990	\$	\$	\$
<u>Capital Efficiency*</u>					
Farm capital per cow	\$3,984	\$3,954	\$	\$	\$
Mach. & equip. per cow	\$1,246	\$1,304	\$	\$	\$
Asset turnover ratio	0.66	0.76			
<u>Profitability</u>					
Net farm income w/o apprec.	\$17,914	\$35,221	\$	\$	\$
Net farm income w/apprec.	\$23,291	\$42,934	\$	\$	\$
Labor & mgmt. income per operator/manager	\$2,696	\$15,419	\$	\$	\$
Rate of return on equity capital w/apprec.	-4.1%	5.1%	%	%	%
Rate of return on all capital w/apprec.	-0.7%	5.6%	%	%	%
<u>Financial Summary</u>					
Farm net worth	\$205,230	\$215,061	\$	\$	\$
Debt to asset ratio	0.29	0.29			
Farm debt per cow	\$1,164	\$1,173	\$	\$	\$

*Average for the year.

Regional Farm Business Chart

The Farm Business Chart is a tool which can be used in analyzing your business. Compare your business by drawing a line through or near the figure in each column which represents your current level of performance. The five figures in each column represent the average of each 20 percent or quintile of farms included in the regional summary.

FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS

32 Eastern New York Dairy Farm Renters, 1992

<u>Size of Business</u>			<u>Rates of Production</u>			<u>Labor Efficiency</u>	
Worker Equiv- alent	No. of Cows	Pounds Milk Sold	Pounds Milk Sold Per Cow	Tons Hay Crop DM/Acre	Tons Corn Silage Per Acre	Cows Per Worker	Pounds Milk Sold Per Worker
(11)*	(10)	(10)	(10)	(9)	(9)	(11)	(11)
3.5	114	2,072,364	21,554	3.6	19	39	737,581
2.8	80	1,505,419	19,153	2.9	16	32	566,408
2.4	61	1,166,407	17,860	2.5	15	28	486,083
1.8	46	781,692	16,490	2.1	13	25	430,781
1.4	38	597,116	14,008	1.3	10	20	343,623

Cost Control

Grain Bought Per Cow	% Grain is of Milk Receipts	Machinery Costs Per Cow	Labor & Machinery Costs Per Cow	Feed & Crop Expenses Per Cow	Feed & Crop Expenses Per Cwt. Milk
(10)	(10)	(11)	(11)	(10)	(10)
\$356	16%	\$331	\$ 774	\$ 477	\$3.03
541	23	399	932	739	4.03
666	27	431	1,024	825	4.37
762	30	478	1,095	937	5.05
918	38	635	1,345	1,113	6.36

<u>Value and Cost of Production</u>			<u>Profitability</u>		
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income w/Apprec.	Net Farm Inc. w/o Apprec.	Labor & Mgt. Inc. Per Oper.
(10)	(10)	(10)	(3)	(3)	(3)
\$2,842	\$ 6.72	\$11.63	\$92,604	\$76,484	\$42,288
2,657	9.20	13.50	51,930	42,865	20,563
2,501	10.03	14.39	33,616	28,664	9,782
2,263	10.78	15.35	17,124	16,370	3,848
1,909	12.71	17.38	2,979	456	-9,946

*Page number of the participant's DFBS where the factor is located.

Regional Financial Analysis Chart

The farm financial analysis chart is designed just like the Farm Business Chart and may be used to assess the financial health of the farm business. Most of the financial measures used in the chart are defined on pages 7, 8, 11, and 15 of this publication. References to DFBS output page numbers for participating dairy farmers are provided in the table headings.

FINANCIAL ANALYSIS CHART

32 Eastern New York Dairy Farm Renters, 1992

<u>Liquidity (repayment)</u>				
Planned Debt Payments Per Cow	Available for Debt Service Per Cow	Cash Flow Coverage Ratio	Debt Payments as Percent of Milk Sales	Debt Per Cow
(8)*	(12)	(8)	(8)	(5)
\$ 53	\$587	2.68	4%	\$ 59
181	368	1.49	8	363
237	251	1.03	11	857
304	184	0.75	14	1,390
600	22	0.16	26	2,495

<u>Solvency</u>			<u>Profitability</u>	
Leverage Ratio**	Percent Equity	<u>Debt/Asset Ratio</u> Current & Intermediate	Percent Rate of Return with appreciation on: Equity	Investment***
	(5)	(5)	(3)	(3)
0.02	98%	0.02	34%	25%
0.11	88	0.10	6	6
0.25	75	0.23	-1	2
0.47	62	0.34	-7	-3
2.37	37	0.59	-17	-10

<u>Efficiency (Capital)</u>			
Asset Turnover Ratio	Machinery Investment Per Cow	Total Farm Assets Per Cow	Change in Net Worth w/Appreciation
(11)	(11)	(11)	(6)
1.19	\$ 484	\$2,653	\$58,137
0.85	1,012	3,302	24,200
0.75	1,231	3,849	14,983
0.67	1,401	4,289	5,500
0.57	2,107	5,166	-2,801

*Page number of the participant's DFBS where the factor is located.

**Dollars of debt per dollar of equity, computed by dividing total liabilities by total equity.

***Return on all farm capital (no deduction for interest paid) divided by total farm assets.

IDENTIFY AND SET GOALS

If businesses are to be successful, they must have direction. Written goals help provide businesses with an identifiable direction over both the long and the short term. Goal setting is as important on a dairy farm as it is in other businesses. Written goals are a tool which farm operators can use to ensure that the business continues to move in the proper direction. Goals should be SMART:

1. Goals should be Specific.
2. Goals should be Measurable.
3. Goals should be Achievable but challenging.
4. Goals should be Rewarding.
5. You should designate a Time when each goal will be achieved.

Goal setting on a dairy farm does not have to be a complex process. In many cases it provides a process for writing down and agreeing on goals that you have already given some thought to. It is also important to remember that once you write out your goals they are not cast in concrete. If a change takes place which has a major impact on the farm business, the goals should be reworked to accommodate that change. Refer to your goals as often as necessary to keep the farm business progressing.

It is important to identify both objectives (long-range) and goals (short-range) when looking at the future of your farm business.

A suggested format for writing out your goals is as follows:

- a. Begin with a mission statement which describes why the business exists based on the preferences and values of the owners.
- b. Identify 4-6 objectives.
- c. Identify SMART goals.

Worksheet for Setting Goals

I. Mission and Objectives

Worksheet for Setting Goals (continued)

II. Goals

[illegible]

Summarize Your Business Performance

The Farm Business and Financial Analysis Charts on pages 23 and 24 can be used to help identify strengths and weaknesses of your farm business. Identify three major strengths and three areas of your farm business that need improvement.

Strengths:	Need Improvement:

GLOSSARY AND LOCATION OF COMMON TERMS

Accounts Payable - Open accounts or bills owed to feed and supply firms, cattle dealers, veterinarians and other providers of farm services and supplies.

Accounts Receivable - Outstanding receipts from items sold or sales proceeds not yet received such as the payment for December milk sales received in January.

Accrual Expenses - (defined on page 5)

Accrual Receipts - (defined on page 6)

Annual Cash Flow Statement - (defined on page 13)

Appreciation - (defined on page 7)

Asset Turnover Ratio - (defined on page 21)

Balance Sheet - A "snapshot" of the business financial position at a given point in time, usually December 31. The balance sheet equates the value of assets to liabilities plus net worth.

Capital Efficiency - The amount of capital invested per production unit. Relatively high investments per worker with low to moderate investments per cow imply efficient use of capital.

Cash From Nonfarm Capital Used in the Business - Transfers of money from nonfarm savings or investments to the farm business where it is used to pay operating expenses, make debt payments and/or capital purchases.

Cash Flow Coverage Ratio - (defined on page 15)

Cash Paid - (defined on page 4)

Cash Receipts - (defined on page 6)

Change in Accounts Payable - (defined on page 5)

Change in Accounts Receivable - (defined on page 6)

Change in Inventory - (defined on page 4)

Dairy (farm) - A farm business where dairy farming is the primary enterprise, operating and managing this farm is a full-time occupation for one or more people and cropland is owned.

Dairy Cash-Crop (farm) - Operating and managing this farm is the full-time occupation of one or more people, cropland is owned but crop sales exceed 10 percent of accrual milk receipts.

Debt Per Cow - Total end-of-year debt divided by end-of-year number of cows.

Debt to Asset Ratios - (defined on page 11)

Dry Matter - The amount or proportion of dry material that remains after all water is removed. Commonly used to measure dry matter percent and tons of dry matter in feed.

Equity Capital - The farm operator/manager's owned capital or farm net worth.

Expansion Livestock - Purchased dairy cattle and other livestock that cause an increase in herd size from the beginning to the end of the year.

Farm Debt Payments as Percent of Milk Sales - Amount of milk income committed to debt repayment, calculated by dividing planned debt payments by total milk receipts. A reliable measure of repayment ability, see page 15.

Farm Debt Payments Per Cow - Planned or scheduled debt payments per cow represent the repayment plan scheduled at the beginning of the year divided by the average number of cows for the year. This measure of repayment ability is used in the Financial Analysis Chart.

Financial Lease - A long-term non-cancellable contract giving the lessee use of an asset in exchange for a series of lease payments. The term of a financial lease usually covers a major portion of the economic life of the asset. The lease is a substitute for purchase. The lessor retains ownership of the asset.

Income Statement - A complete and accurate account of farm business receipts and expenses used to measure profitability over a period of time such as one year or one month.

Labor and Management Income - (defined on page 8)

Labor and Management Income Per Operator - The return to the owner/manager's labor and management per full-time operator.

Labor Efficiency - Production capacity and output per worker.

Liquidity - Ability of business to generate cash to make debt payments or to convert assets to cash.

Net Farm Income - (defined on page 7)

Net Worth - The value of assets less liabilities equal net worth. It is the equity the owner has in owned assets.

Operating Costs of Producing Milk - (defined on page 20)

Opportunity Cost - The cost or charge made for using a resource based on its value in its most likely alternative use. The opportunity cost of a farmer's labor and management is the value he/she would receive if employed in his/her most qualified alternative position.

Other Livestock Expenses - All other dairy herd and livestock expenses not included in more specific categories. Other livestock expenses include; bedding, DHIC, milk house and parlor supplies, livestock board, registration fees and transfers.

Part-Time Cash-Crop Dairy (farm) - Operating and managing this farm is not a full-time occupation, crop sales exceed 10 percent of accrual milk receipts and cropland is owned.

Part-Time Dairy (farm) - Dairy farming is the primary enterprise, cropland is owned but operating and managing this farm is not a full-time occupation for one or more people.

Personal Withdrawals and Family Expenditures Including Nonfarm Debt Payments -

All the money removed from the farm business for personal or nonfarm use including family living expenses, health and life insurance, income taxes, nonfarm debt payments, and investments.

Profitability - The return or net income the owner/manager receives for using one or more of his or her resources in the farm business. True "economic profit" is what remains after deducting all costs including the opportunity costs of the owner/manager's labor, management, and equity capital.

Repayment Analysis - An evaluation of the business' ability to make planned debt payments.

Replacement Livestock - Dairy cattle and other livestock purchased to replace those that were culled or sold from the herd during the year.

Return on Equity Capital - (defined on page 8)

Return on Total Capital - (defined on page 8)

Return to Operators' Labor, Management, and Equity Capital - (defined on page 7)

Solvency - The extent or ability of assets to cover or pay liabilities.
Debt/asset and leverage ratios are common measures of solvency.

Total Costs of Producing Milk - (defined on page 20)

Whole Farm Method - A procedure used to calculate costs of producing milk on dairy farms without using enterprise cost accounts. All non-milk receipts are assigned a cost equal to their sale value and deducted from total farm expenses to determine the costs of producing milk.

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