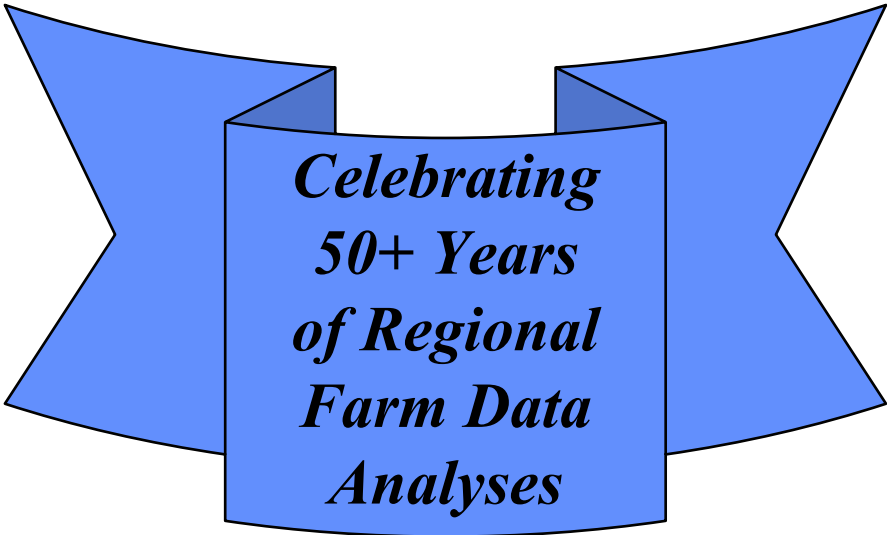


MAY 2006

E.B. 2006-05

**DAIRY FARM  
BUSINESS SUMMARY**

**WESTERN AND  
CENTRAL PLAIN  
REGION  
2005**



*Celebrating  
50+ Years  
of Regional  
Farm Data  
Analyses*

**Wayne A. Knoblauch  
Linda D. Putnam  
Jason Karszes  
John Hanchar  
Griffin Moag  
Josh Sauter**

**Department of Applied Economics and Management  
College of Agriculture and Life Sciences  
Cornell University, Ithaca, New York 14853-7801**

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For information on how to obtain additional copies, please contact:

Linda Putnam  
Cornell University  
Department of Applied Economics and Management  
305 Warren Hall  
Ithaca, NY 14853-7801

E-mail: [ldp2@cornell.edu](mailto:ldp2@cornell.edu)  
Fax: 607-255-1589  
Voice: 607-255-8429

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**2005 DAIRY FARM BUSINESS SUMMARY  
WESTERN AND CENTRAL PLAIN REGION  
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## 2005 DAIRY FARM BUSINESS SUMMARY WESTERN AND CENTRAL PLAIN REGION\*

### INTRODUCTION

Dairy farm managers throughout New York State have been participating in Cornell Cooperative Extension's farm business summary and analysis program since the early 1950's. Managers of each participating farm business receive a comprehensive summary and analysis of their farm business. The information in this report represents averages of the data submitted from dairy farms in the Western and Central Plain Region for 2005.

#### **Program Objective**

The primary objective of the dairy farm business summary, DFBS, is to help farm managers improve the business and financial management of their business through appropriate use of historical data and the application of modern farm business analysis techniques. This information can also be used to establish goals that enable the business to better fulfill its mission. In short, DFBS provides business and financial information needed in identifying and evaluating strengths and weaknesses of the farm business.

#### **Format Features**

This regional report follows the same general format as the 2005 DFBS individual farm report received by participating dairy farmers. The analysis tables have an open column or section labeled My Farm. It may be used by any dairy farm manager who wants to compare his or her business with the average data of this region. The individual farm data, the regional averages and other data can then be used to establish goals for the business. Non-DFBS participants can download a DFBS Data Check-In Form at <http://dfbs.cornell.edu>. After collecting the data on the form, it can be entered in the U. S. Top Dairies business summary program at the same web site to obtain a summary of their business.

This report features:

- (1) an income statement including accrual adjustments for farm business expenses and receipts, as well as measures of profitability with and without appreciation,
- (2) a complete balance sheet with analytical ratios;
- (3) a statement of owner equity which shows the sources of the change in owner equity during the year;
- (4) a cash flow statement and debt repayment ability analysis;
- (5) an analysis of crop acreage, yields, and expenses;
- (6) an analysis of dairy livestock numbers, production, and expenses;
- (7) a capital and labor efficiency analysis; and
- (8) progress of the farm business over the past two years.

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\*The Western and Central Plain Region of New York State, with the number of participating farms in parentheses, is comprised of Cayuga (6), Erie (5), Genesee (6), Livingston (6), Monroe (1), Niagara (1), Ontario (4), Orleans (2), Wayne (3), Wyoming (26), and Yates (2) counties in New York. This report was written by Wayne A. Knoblauch, Professor, Farm Business Management. Linda Putnam was in charge of data preparation. Farm business data were collected by Cooperative Extension Regional Specialist John Hanchar; Senior Extension Associate in PRO-DAIRY Jason Karszes; and Cornell Students Griffin Moag and Josh Sauter. We also acknowledge the cooperation of Dave Stafford and Gary Snider with Farm Credit of Western New York, and Bruce Dehm and Dehm Associates for their assistance in data collection.

## SUMMARY AND ANALYSIS OF THE FARM BUSINESS

### Business Characteristics

Planning optimal management strategies is a crucial component of operating a successful farm. Various combinations of farm resources, enterprises, business arrangements, and management techniques are used by the dairy farmers in this region. The following table shows important farm business characteristics and the number of farms with each characteristic.

**BUSINESS CHARACTERISTICS**  
62 Western and Central Plain Region Dairy Farms, 2005

Type of Farm	Number	Milking System	Number
Dairy	59	Bucket & carry	0
Part-time dairy	0	Dumping station	0
Dairy cash-crop	3	Pipeline	3
Certified organic milk producer	0	Herringbone conventional exit	17
Rotational grazing farm	4	Herringbone rapid exit	11
		Parallel	22
		Parabone	3
		Rotary	0
		Other	6
Type of Ownership	Number	Production Records	Number
Owner	59	Testing Service	49
Renter	3	On Farm System	8
		Other	1
		None	4
Type of Business	Number	bST Usage	Number
Sole Proprietorship	26	Used consistently	36
Partnership	13	Used inconsistently	8
Limited Liability Corporation	11	Started using in 2005	0
Subchapter S Corporation	10	Stopped using in 2005	1
Subchapter C Corporation	2	Not used in 2005	17
		Average percent usage, if used	56%
Type of Barn	Number	Business Record System	Number
Stanchion or Tie-Stall	3	Account Book	4
Freestall	56	Accounting Service	3
Combination	3	On-farm computer	54
		Other	1
Milking Frequency	Number		
2 times per day	27		
3 times per day	32		
Other	3		
Breed of Herd	Percent		
Holstein	93		
Jersey	3		
Other	4		

The averages used in this report were compiled using data from all the participating dairy farms in this region unless noted otherwise. There are full-time dairy farms, part-time farms, dairy cash-crop farms, farms with confined herds, farms with grazing herds, farm renters, partnerships, and corporations included in the average. Average data for these specific types of farms are presented in the State Business Summary.

### Income Statement

In order for an income statement to accurately measure farm income, it must include cash transactions and accrual adjustments (changes in accounts payable, accounts receivable, inventories, and prepaid expenses).

Cash paid is the actual cash outlay during the year and does not necessarily represent the cost of goods and services actually used in 2005.

Change in inventory: Increases in inventories of supplies and other purchased inputs are subtracted in computing accrual expenses because they represent purchased inputs not actually used during the year. Decreases in purchased inventories are added to expenses because they represent inputs purchased in a prior year and used this year.

**CASH AND ACCRUAL FARM EXPENSES**  
62 Western and Central Plain Region Dairy Farms, 2005

Expense Item	Cash Paid	-	Change in Inven- tory or Prepaid Expense	+	Change in Accounts Payable	=	Accrual Expenses
<u>Hired Labor</u>	\$376,935		\$ 1,761	<<	\$ -548		\$ 374,626
<u>Feed</u>							
Dairy grain & concentrate	569,523		24,115		-15,887		529,521
Dairy roughage	45,056		-320		183		45,559
Nondairy	54		3		0		51
Professional nutritional services	601		2		0		599
<u>Machinery</u>							
Machinery hire, rent & lease	34,301		-99	<<	-1,821		32,579
Machinery repairs & farm vehicle exp.	99,444		2,506		-1,422		95,516
Fuel, oil & grease	67,057		1,484		349		65,922
<u>Livestock</u>							
Replacement livestock	15,482		0	<<	0		15,482
Breeding	26,222		617		-24		25,581
Veterinary & medicine	81,250		1,328		130		80,052
Milk marketing	88,540		0	<<	662		89,202
Bedding	41,808		264		709		42,253
Milking supplies	44,175		1,537		-216		42,422
Cattle lease & rent	3,407		0	<<	73		3,480
Custom boarding	51,778		127	<<	-275		51,376
bST	30,579		674		933		30,838
Livestock professional fees	6,380		406		86		6,060
Other livestock expense	11,738		27		-325		11,386
<u>Crops</u>							
Fertilizer & lime	48,221		3,219		-1,067		43,935
Seeds & plants	34,110		4,309		676		30,477
Spray, other crop expense	23,721		1,189		-12		22,520
Crop professional fees	3,627		218		199		3,608
<u>Real Estate</u>							
Land, building & fence repair	29,711		-96		-34		29,773
Taxes	27,709		-1,148	<<	313		29,170
Rent & lease	40,868		582	<<	-245		40,041
<u>Other</u>							
Insurance	21,153		-347	<<	10		21,510
Utilities (farm share)	51,392		60	<<	91		51,423
Interest paid	92,712		1	<<	1,431		94,142
Other professional fees	12,347		40		-30		12,277
Miscellaneous	12,114		5		-791		11,318
Total Operating	\$1,992,020		\$ 42,467		\$-16,851		\$ 1,932,703
Expansion livestock	16,102		0	<<	-48		16,054
Extraordinary expense	653		0	<<	0		653
Machinery depreciation							104,837
Building depreciation							67,352
<b>TOTAL ACCRUAL EXPENSES</b>							<b>\$ 2,121,599</b>

Change in prepaid expenses (noted above by <<) is a net change in non-inventory expenses that have been paid in advance of their use. For example, prepaid lease expense on the beginning of year balance sheet represents last year's payment for use of the asset during this year. End of year prepaid expense represents payments made this year for next year's use of the asset. Adding payments made last year for this year's use of the asset, and subtracting payments made this year for next year's use of the asset is accomplished by subtracting the difference.

Change in accounts payable: An increase in accounts payable from beginning to end of year is added when calculating accrual expenses because these expenses were incurred (resources used) in 2005 but not paid for. A decrease is subtracted because it represents payment for resources used before 2005.

Accrual expenses are an estimate of the costs of inputs, except operator/family labor and equity capital, actually used in this year's production. They are the cash paid, less changes in inventory and prepaid expenses, plus accounts payable.

**CASH AND ACCRUAL FARM RECEIPTS**  
62 Western and Central Plain Region Dairy Farms, 2005

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk sales	\$ 2,089,510				\$ -2,148		\$ 2,087,362
Dairy cattle	101,712		\$ 29,247		-85		130,874
Dairy calves	35,252		8,711		-61		43,902
Other livestock	4,295		-654		4		3,645
Crops	28,170		14,646		1,846		44,662
Government receipts	62,208		0 *		1,338		63,546
Custom machine work	4,500				-6		4,494
Gas tax refund	229				0		229
Other	<u>26,537</u>				<u>247</u>		26,784
Less nonfarm noncash capital**		(-)	<u>0</u> **			(-)	<u>0</u>
Total Receipts	\$ 2,352,413		\$ 51,950		\$ 1,135		\$ 2,405,498

\*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 of assets produced by the business 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/or quality are subtracted. Changes in inventories of crops grown are also included. An increase in advanced government receipts is subtracted from cash income because it represents income received in 2005 for the 2006 crop year in excess of funds earned for 2005. Likewise, a decrease is added to cash government receipts because it represents funds earned for 2005 but received in 2004.

Changes in accounts receivable are calculated by subtracting beginning year balances from end year balances. Payments in January 2006 for milk produced in December 2005 compared to January 2005 payments for milk produced in 2004 are included as a change in accounts receivable in determining accrual milk sales.

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

### **Profitability Analysis**

Farm operators\* contribute labor, management, and equity capital to their businesses and the combination of these resources, and the other resources used in the business, determines profitability. 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.

The return to any individual resource must be viewed as an estimate because the cost of other family resources must be approximated to calculate returns to the selected resource. For example, the costs of operator and family labor and management must be approximated to calculate the returns to equity capital.

---

\* Operators are the individuals who are integrally involved in the operation and management of the farm business. They are not limited to those who are the owner of a sole proprietorship or are formally a member of the partnership or corporation.

Net farm income is the return to the farm operators and other unpaid family members for their labor, management, and equity capital. It is the farm family's net annual return from working, managing, and financing 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.

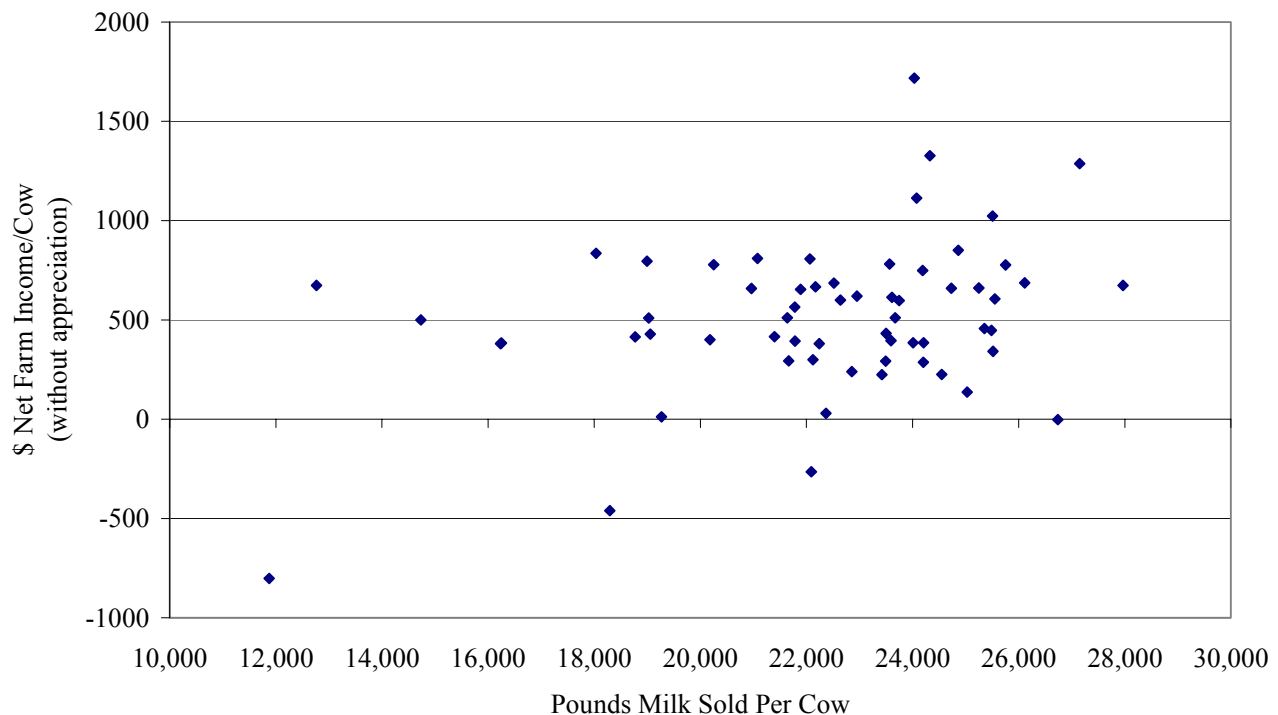
Net farm income is computed both with and without appreciation. Appreciation represents the change in values caused by annual changes in prices of livestock, machinery, real estate inventory, and stocks and certificates (other than Farm Credit stock required for loan borrowings). Appreciation is a major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

**NET FARM INCOME**  
62 Western and Central Plain Region Dairy Farms, 2005

Item	Average		My Farm	
	Total	Per Cow	Total	Per Cow
Total accrual receipts	\$2,405,498		\$ _____	
Appreciation: Livestock	79,668		_____	
Machinery	22,452		_____	
Real Estate	64,488		_____	
Other Stock & Certificates	<u>3,262</u>		_____	
Total Including Appreciation	\$2,575,368		\$ _____	
Total accrual expenses	<u>- 2,121,599</u>		- _____	
Net Farm Income (with appreciation)	\$ 453,770	\$ 803	\$ _____	\$ _____
Net Farm Income (without appreciation)	\$ 283,900	\$ 502	\$ _____	\$ _____

The chart below shows the relationship between net farm income per cow (without appreciation) and pounds of milk sold per cow. Higher net farm incomes can be achieved across a range of production levels as a result of different management systems, such as grazing, being utilized by the participating dairies.

**NET FARM INCOME PER COW AND MILK PER COW**  
62 Western and Central Plain Region Dairy Farms, 2005





Labor and management income is the return which farm operators receive for their labor and management used in 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 a charge for unpaid family labor and the opportunity cost of equity capital, at a real interest rate of five percent, from net farm income excluding appreciation. The interest charge of five percent reflects the long-term average rate of return above inflation that a farmer might expect to earn in comparable risk investments.

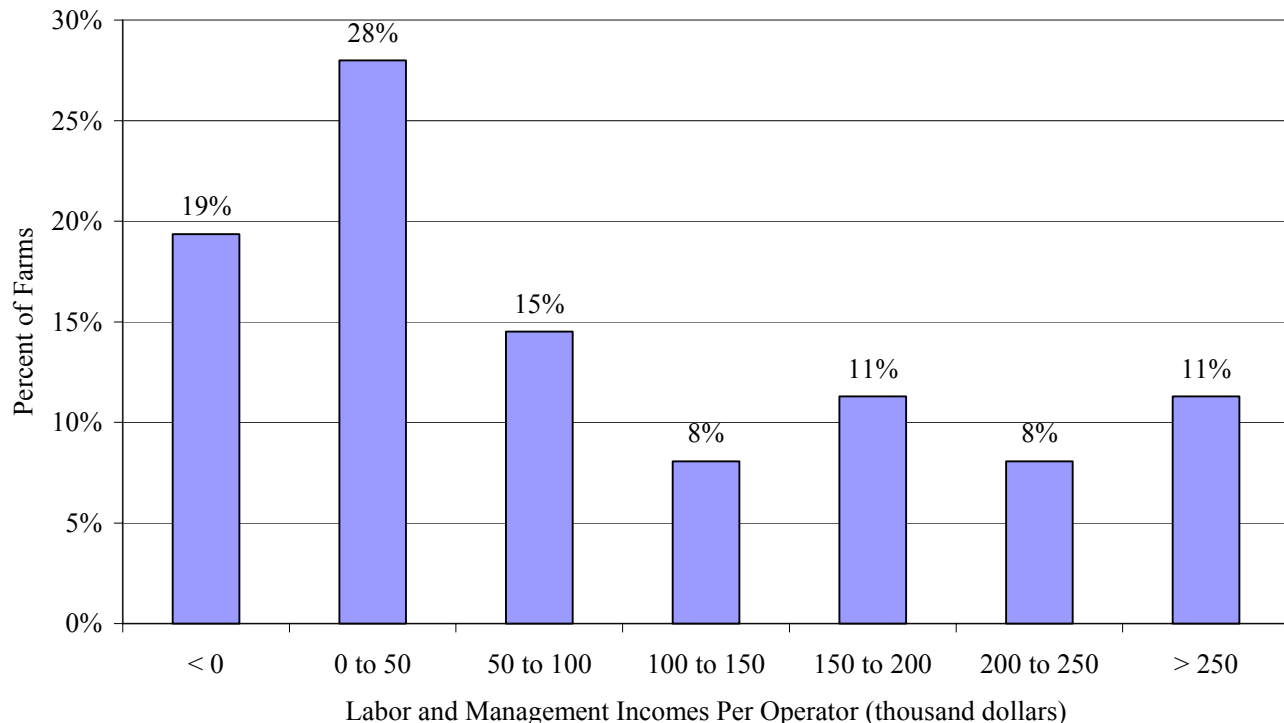
**LABOR AND MANAGEMENT INCOME**  
62 Western and Central Plain Region Dairy Farms, 2005

Item	Average	My Farm
Net farm income without appreciation	\$ 283,900	\$ _____
Family labor unpaid @ \$2,200 per month	- 5,301	- _____
Interest on \$2,238,601 average equity capital @ 5% real rate	<u>- 111,930</u>	- _____
Labor & Management Income per farm (1.69 Operators/farm)	\$ 166,668	\$ _____
Labor & Management Income per Operator/Manager	\$ 98,620	\$ _____

Labor and management income per operator averaged \$98,620 on these 62 farms in 2005. The range in labor and management income per operator was from about \$-172,000 to more than \$694,000. Returns to labor and management were negative on 19 percent of the farms. Labor and management incomes per operator were between \$0 and \$100,000 on 43 percent of the farms while 38 percent showed labor and management incomes of \$100,000 or more per operator.

**DISTRIBUTION OF LABOR AND MANAGEMENT INCOMES PER OPERATOR**

62 Western and Central Plain Region Dairy Farms, 2005



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 (market value) or equity capital. Rate of return on total capital is calculated by adding interest paid to the return on equity capital and then dividing by average farm assets (market value). Net farm income from operations ratio is net farm income (without appreciation) divided by total accrual receipts.

**RETURN ON EQUITY CAPITAL AND RETURN ON TOTAL CAPITAL**  
62 Western and Central Plain Region Dairy Farms, 2005

Item	Average	My Farm
Net farm income with appreciation	\$ 453,770	\$ _____
Family labor unpaid @\$2,200 per month	- 5,301	- _____
Value of operators' labor & management	<u>- 82,800</u>	- _____
Return on equity capital with appreciation	\$ 365,669	\$ _____
Interest paid	<u>+ 94,142</u>	+ _____
Return on total capital with appreciation	\$ 459,811	\$ _____
Return on equity capital without appreciation	\$ 195,799	\$ _____
Return on total capital without appreciation	\$ 289,941	\$ _____
Rate of return on average equity capital:		
with appreciation	16.3%	_____ %
without appreciation	8.8%	_____ %
Rate of return on average total capital:		
with appreciation	11.5%	_____ %
without appreciation	7.3%	_____ %
Net Farm Income from Operations Ratio	0.12	_____

**Farm and Family Financial Status**

The first step in evaluating the financial position of the farm is to construct a balance sheet which identifies and values 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.

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. For 2005, lease payments were discounted by 7.25 percent to obtain their present value.

Advanced government receipts are included as current liabilities. Government payments received in 2005 that are for participation in the 2006 program are the end year balance and payments received in 2004 for participation in the 2005 program are the beginning year balance.

Current Portion or principal due in the next year for intermediate and long term debt is included as a current liability.

**2005 FARM BUSINESS & NONFARM MARKET VALUE BALANCE SHEET**  
62 Western and Central Plain Region Dairy Farms, 2005

Farm Assets	Jan. 1	Dec. 31	Farm Liabilities & Net Worth	Jan. 1	Dec. 31
<u>Current</u>			<u>Current</u>		
Farm cash, checking & savings	\$ 21,834	\$ 29,890	Accounts payable	\$ 87,609	\$ 70,710
Accounts receivable	152,826	153,961	Operating debt	124,501	107,434
Prepaid expenses	5,829	7,433	Short Term	8,477	3,551
Feed & supplies	357,934	413,443	Advanced govt. receipts	0	0
			Current Portion:		
			Intermediate	118,927	133,146
			Long Term	38,961	50,348
Total Current	\$ 538,423	\$ 604,727	Total Current	\$ 378,474	\$ 365,189
<u>Intermediate</u>			<u>Intermediate</u>		
Dairy cows:			Structured debt		
owned	\$ 676,427	\$ 721,251	1-10 years	\$ 703,931	\$ 718,859
leased	2,529	1,275	Financial lease		
Heifers	373,082	445,422	(cattle/machinery)	11,350	8,663
Bulls & other livestock	4,726	4,535	Farm Credit stock	10,949	16,345
Mach. & equip. owned	637,442	693,530	Total Intermediate	\$ 726,230	\$ 743,866
Mach. & equip. leased	8,821	7,388			
Farm Credit stock	10,949	16,345			
Other stock/certificate	123,913	131,537			
Total Intermediate	\$ 1,837,890	\$2,021,283			
<u>Long Term</u>			<u>Long Term</u>		
Land & buildings:			Structured debt		
owned	\$ 1,435,479	\$1,526,605	>10 years	\$ 627,677	\$ 645,771
leased	16,516	14,245	Financial lease		
Total Long Term	\$ 1,451,995	\$1,540,850	(structures)	16,516	14,245
			Total Long Term	\$ 644,193	\$ 660,016
Total Farm Assets	\$3,828,309	\$4,166,861	Total Farm Liabilities	\$1,748,897	\$1,769,071
			FARM NET WORTH	\$2,079,412	\$2,397,790

Nonfarm Assets, Liabilities & Net Worth (Average of 26 farms reporting)

Assets	Jan. 1	Dec. 31	Liabilities & Net Worth	Jan. 1	Dec. 31
Personal cash, checking & savings	\$ 3,286	\$ 4,784	Nonfarm Liabilities	\$ 629	\$ 2,039
Cash value life insurance	22,699	22,099			
Nonfarm real estate	8,654	10,308			
Auto (personal share)	14,087	12,596			
Stocks & bonds	26,499	28,422			
Household furnishings	9,154	9,038			
All other nonfarm assets	13,128	15,662			
Total Nonfarm Assets	\$ 97,507	\$ 102,909	NONFARM NET WORTH	\$ 96,878	\$ 100,870

Farm & Nonfarm Assets, Liabilities, and Net Worth*	Jan. 1	Dec. 31
Total Assets	\$3,925,816	\$4,269,770
Total Liabilities	1,749,526	1,771,110
TOTAL FARM & NONFARM NET WORTH	\$2,176,290	\$2,498,660

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

Balance sheet analysis involves examination of relative asset and debt levels for the business. Percent equity is calculated by dividing end of year net worth by end of year assets and multiplying by 100. The debt to asset ratio is compiled by dividing liabilities by assets. Low debt to asset ratios reflect business solvency and the potential capacity to borrow. The leverage ratio is the dollars of debt per dollar of equity, computed by dividing total farm liabilities by farm net worth. Debt levels per productive unit represent old standards that are still useful if used with measures of cash flow and repayment ability. A current ratio of less than 1.5 or that has been falling warrants additional evaluation. The amount of working capital that is adequate must be related to the size of the farm business.

### BALANCE SHEET ANALYSIS

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average		My Farm	
<u>Financial Ratios - Farm:</u>				
Percent equity		58%	_____	%
Debt/asset ratio: total		.42	_____	
long-term		.43	_____	
intermediate/current		.42	_____	
Leverage Ratio:		.74	_____	
Current Ratio:		1.66	_____	
Working capital	\$239,538	As % of total expenses:	11%	
<u>Farm Debt Analysis:</u>				
Accounts payable as % of total debt		4%	_____	%
Long-term liabilities as a % of total debt		37%	_____	%
Current & inter. liabilities as a % of total debt		63%	_____	%
Cost of term debt (weighted average)		6.42%	_____	%
<u>Farm Debt Levels:</u>				
	<u>Per Cow</u>	<u>Per Tillable Acre Owned</u>	<u>Per Cow</u>	<u>Per Tillable Acre Owned</u>
Total farm debt	\$ 3,098	\$ 3,213	\$ _____	\$ _____
Long-term debt	1,156	1,199	_____	_____
Intermediate & long term	2,458	2,550	_____	_____
Intermediate & current debt	1,942	2,015	_____	_____

Farm inventory balance is an accounting of the value of assets 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 INVENTORY BALANCE

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average of Region's Farms	
	Real Estate	Machinery & Equipment
Value beginning of year	\$ 1,435,479	\$ 637,442
Purchases	\$ 149,460*	\$ 143,637
Gift & inheritance	+ 0	+ 75
Lost capital	- 50,612	
Sales	- 4,858	- 5,239
Depreciation	- 67,352	- 104,837
Net investment	= 26,638	= 33,636
Appreciation	+ 64,488	+ 22,452
Value end of year	\$ 1,526,605	\$ 693,530

\*\$26,460 land and \$123,000 buildings and/or depreciable improvements.

The Statement of Owner Equity has two purposes. It allows (1) verification that the accrual income statement and market value balance sheet are 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 you 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) , (3) increases or decreases in the value (price) of assets owned by the business (called change in valuation equity), and (4) the error in the business cash flow accounting.

Retained earnings is an excellent indicator of farm generated financial progress.

### STATEMENT OF OWNER EQUITY (RECONCILIATION)

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average	My Farm
Beginning of year farm net worth	\$2,079,412	\$ _____
Net farm income without appreciation	\$ 283,900	\$ _____
+Nonfarm cash income	+ 4,707	+ _____
-Personal withdrawals & family expenditures excluding nonfarm borrowings	<u>- 133,339</u>	- _____
RETAINED EARNINGS	+ \$ 155,268	+\$ _____
Nonfarm noncash transfers to farm	\$ 75	\$ _____
+Cash used in business from nonfarm capital	+ 43,810	+ _____
-Note or mortgage from farm real estate sold (nonfarm)	<u>- 0</u>	- _____
CONTRIBUTED/WITHDRAWN CAPITAL	+ \$ 43,885	+\$ _____
Appreciation	\$ 169,870	\$ _____
-Lost capital	<u>- 50,612</u>	- _____
CHANGE IN VALUATION EQUITY	+ \$ 119,258	+\$ _____
IMBALANCE/ERROR	<u>- 33</u>	- \$ _____
End of year net worth*	=\$2,397,790	=\$ _____
<hr/>		
<u>Change in Net Worth</u>		
Without appreciation	\$ 148,507	\$ _____
With appreciation	\$ 318,378	\$ _____

\*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**  
62 Western and Central Plain Region Dairy Farms, 2005

Item	Average	
<b><u>Cash Flow from Operating Activities</u></b>		
Cash farm receipts	\$ 2,352,413	
- Cash farm expenses	1,992,020	
- Extraordinary expense	<u>653</u>	
= Net cash farm income		\$ 359,740
Personal withdrawals & family expenses including nonfarm debt payments	\$ 134,079	
- Nonfarm income	<u>4,707</u>	
- Net cash withdrawals from the farm		<u>\$ 129,372</u>
= Net Provided by Operating Activities		\$ 230,368
<b><u>Cash Flow From Investing Activities</u></b>		
Sale of assets: machinery	\$ 5,239	
+ real estate	4,858	
+ other stock & cert.	<u>12,027</u>	
= Total asset sales		\$ 22,124
Capital purchases: expansion livestock	\$ 16,102	
+ machinery	143,637	
+ real estate	149,460	
+ other stock & cert.	<u>16,389</u>	
- Total invested in farm assets		<u>\$ 325,588</u>
= Net Provided by Investment Activities		\$ -303,465
<b><u>Cash Flow From Financing Activities</u></b>		
Money borrowed (intermediate & long term)	\$ 226,612	
+ Money borrowed (short term)	1,416	
+ Increase in operating debt	0	
+ Cash from nonfarm capital used in business	43,810	
+ Money borrowed - nonfarm	<u>740</u>	
= Cash inflow from financing		\$ 272,579
Principal payments (intermediate & long term)	\$ 167,984	
+ Principal payments (short term)	6,343	
+ Decrease in operating debt	<u>17,067</u>	
- Cash outflow for financing		<u>\$ 191,394</u>
= Net Provided by Financing Activities		\$ 81,185
<b><u>Cash Flow From Reserves</u></b>		
Beginning farm cash, checking & savings	\$ 21,834	
- Ending farm cash, checking & savings	<u>29,890</u>	
= Net Provided from Reserves		\$ -8,056
Imbalance (error)		<u>\$ 32</u>

## ANNUAL CASH FLOW STATEMENT

Item	My Farm	
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$ _____	
- Cash farm expenses	_____	
- Extraordinary expense	_____	
= Net cash farm income		\$ _____
Personal withdrawals & family expenses including nonfarm debt payments	\$ _____	
- Nonfarm income	_____	
- Net cash withdrawals from the farm		\$ _____
= 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 (intermediate & long term)	\$ _____	
+ Money borrowed (short term)	_____	
+ Increase in operating debt	_____	
+ Cash from nonfarm capital used in business	_____	
+ Money borrowed - nonfarm	_____	
= Cash inflow from financing		\$ _____
Principal payments (intermediate & 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		\$ _____
Imbalance (error)		\$ _____

## Repayment Analysis

A valuable use of 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 2006. The cash flow projection worksheet on the next page can be used to estimate repayment ability, which can then be compared to planned 2006 debt payments shown below.

### FARM DEBT PAYMENTS PLANNED

Same 58 Western and Central Plain Region Dairy Farms, 2004 & 2005

Debt Payments	Average			My Farm		
	2005 Payments		Planned 2006	2005 Payments		Planned 2006
	Planned	Made		Planned	Made	
Long term	\$ 80,202	\$ 98,305	\$ 93,682	\$ _____	\$ _____	\$ _____
Intermediate term	178,938	161,789	185,419	_____	_____	_____
Short term	1,752	6,876	3,770	_____	_____	_____
Operating (net reduction)	10,861	51,448	12,760	_____	_____	_____
Accounts payable (net reduction)	<u>2,466</u>	<u>22,014</u>	<u>0</u>	_____	_____	_____
Total	\$ 274,219	\$ 340,433	\$ 295,631	\$ _____	\$ _____	\$ _____
Per cow	\$ 484	\$ 600		\$ _____	\$ _____	
Per cwt. 2005 milk	\$ 2.06	\$ 2.56		\$ _____	\$ _____	
Percent of total 2005 farm receipts	12%	14%		_____	_____	
Percent of 2005 milk receipts	13%	16%		_____	_____	

The cash flow coverage ratio and debt coverage ratio measure the ability of the farm business to meet its planned debt payment schedule. The ratios show the percentage of payments planned for 2005 (as of December 31, 2004) that could have been made with the amount available for debt service in 2005. Farmers who did not participate in DFBS in 2004 have their 2005 ratios based on planned debt payments for 2006.

### COVERAGE RATIOS

Same 58 Western and Central Plain Region Dairy Farms, 2004 & 2005

Item	Average	Item	Average
<u>Cash Flow Coverage Ratio</u>		<u>Debt Coverage Ratio</u>	
Cash farm receipts	\$2,362,470	Net farm income (w/o appreciation)	\$284,622
- Cash farm expenses	1,998,316	+ Depreciation	172,129
+ Interest paid (cash)	91,475	+ Interest paid (accrual)	93,004
- Net personal withdrawals from farm*	<u>120,860</u>	- Net personal withdrawals from farm*	<u>120,860</u>
(A) = Amount Available for Debt Service	\$334,769	(A') = Repayment Capacity	\$428,895
(B) = Debt Payments Planned for 2005 (as of December 31, 2004)	\$274,219	(B) = Debt Payments Planned for 2005 (as of December 31, 2004)	\$274,219
(A/B) = Cash Flow Coverage Ratio for 2005	1.22	(A'/B) = Debt Coverage Ratio for 2005	1.56

\*Personal withdrawals and family expenditures less nonfarm income and nonfarm money borrowed. If family withdrawals are excluded, or inaccurately included, the ratios will be incorrect.



## ANNUAL CASH FLOW WORKSHEET

Item	62 Western and Central Plain Region Dairy Farms		My Farm	Expected Change	2006 Projection
	Per Cow	Per Cwt.	Per Cow/ Per Cwt.		
Average number of cows	565				
Total cwt. of milk sold		132,771			
<u>Accrual Operating Receipts</u>					
Milk	\$ 3,694	\$ 15.72	\$ _____	_____	\$ _____
Dairy cattle	232	.99	_____	_____	_____
Dairy calves	78	.33	_____	_____	_____
Other livestock	6	.03	_____	_____	_____
Crops	79	.34	_____	_____	_____
Miscellaneous Receipts	168	.72	_____	_____	_____
Total	\$ 4,257	\$ 18.12	\$ _____	_____	\$ _____
<u>Accrual Operating Expenses</u>					
Hired labor	\$ 663	\$ 2.82	\$ _____	_____	\$ _____
Dairy grain & concentrate	937	3.99	_____	_____	_____
Dairy roughage	81	.34	_____	_____	_____
Nondairy feed	0	.00	_____	_____	_____
Professional nutritional services	1	.00	_____	_____	_____
Machinery hire, rent & lease	58	.25	_____	_____	_____
Machinery repair & vehicle expense	169	.72	_____	_____	_____
Fuel, oil & grease	117	.50	_____	_____	_____
Replacement livestock	27	.12	_____	_____	_____
Breeding	45	.19	_____	_____	_____
Veterinary & medicine	142	.60	_____	_____	_____
Milk marketing	158	.67	_____	_____	_____
Bedding	75	.32	_____	_____	_____
Milking supplies	75	.32	_____	_____	_____
Cattle lease	6	.03	_____	_____	_____
Custom boarding	91	.39	_____	_____	_____
bST	55	.23	_____	_____	_____
Livestock professional fees	11	.05	_____	_____	_____
Other livestock expense	20	.09	_____	_____	_____
Fertilizer & lime	78	.33	_____	_____	_____
Seeds & plants	54	.23	_____	_____	_____
Spray & other crop expense	40	.17	_____	_____	_____
Crop professional fees	6	.03	_____	_____	_____
Land, building & fence repair	53	.22	_____	_____	_____
Taxes	52	.22	_____	_____	_____
Real estate rent & lease	71	.30	_____	_____	_____
Insurance	38	.16	_____	_____	_____
Utilities	91	.39	_____	_____	_____
Miscellaneous	42	.18	_____	_____	_____
Total Less Interest Paid	\$ 3,254	\$ 13.85	\$ _____	_____	\$ _____
<u>Net Accrual Operating Income</u>					
		<u>Total</u>			
(without interest paid)	\$ 566,938		\$ _____	_____	\$ _____
- Change in livestock /crop inventory*	51,950		_____	_____	_____
- Change in accounts receivable	1,135		_____	_____	_____
- Change in feed & supply inventory**	42,467		_____	_____	_____
+ Change in accounts payable***	<u>-18,282</u>		_____	_____	_____
NET CASH FLOW	\$ 453,104		\$ _____	_____	\$ _____
- Net family withdrawals	<u>\$ 128,066</u>		_____	_____	_____
Available for Farm	\$ 325,039		\$ _____	_____	_____
- Farm debt payments	<u>337,912</u>		_____	_____	_____
Available for Farm Investment	\$ -12,874		\$ _____	_____	\$ _____
- Capital purchases	<u>325,588</u>		_____	_____	_____
Additional Capital Needed	\$ 338,462		\$ _____	_____	\$ _____

\*Includes change in advance government receipts. \*\*Includes change in prepaid expenses. \*\*\*Excludes change in interest account payable.

### Cropping Analysis

The cropping program is an important part of the dairy farm business and often represents opportunities for improved productivity and profitability. A complete evaluation of what the available land resources are, how they are being used, the level of crop yields, and what it costs to produce crops is important in evaluating alternative cropping and feed purchasing alternatives.

#### LAND RESOURCES AND CROP PRODUCTION 62 Western and Central Plain Region Dairy Farms, 2005

Item	Average			My Farm		
<u>Land</u>	<u>Owned</u>	<u>Rented</u>	<u>Total</u>	<u>Owned</u>	<u>Rented</u>	<u>Total</u>
Tillable	551	539	1,090	_____	_____	_____
Nontillable	26	11	37	_____	_____	_____
Other nontillable	125	8	133	_____	_____	_____
Total	702	558	1,260	_____	_____	_____
<u>Crop Yields</u>	<u>Farms</u>	<u>Acres*</u>	<u>Production/Acre</u>	<u>Acres</u>	<u>Production/Acre</u>	
Hay crop	56	508	3.93 tons DM	_____	_____	tons DM
Corn silage	50	471	19.20 ton	_____	_____	tons
			6.59 tons DM	_____	_____	tons DM
Other forage	4	115	2.11 tons DM	_____	_____	tons DM
Total forage	56	937	5.11 tons DM	_____	_____	tons DM
Corn grain	31	225	137 bushels	_____	_____	bushels
Oats	8	75	55 bushels	_____	_____	bushels
Wheat	19	103	56 bushels	_____	_____	bushels
Other crops	29	124		_____	_____	
Tillable pasture	13	113		_____	_____	
Idle	15	40		_____	_____	
Total Tillable Acres	62	1,090		_____	_____	

\*This column represents the average acreage for the farms producing that crop. Average acreages including those farms not producing were hay crop 459, corn silage 380, corn grain 113, oats 10, tillable pasture 24, and idle 10.

Average crop acres and yields compiled for the region are for the 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 crop/dairy ratios indicate the relationship between forage production, forage production resources, and the dairy herd.

#### CROP/DAIRY RATIOS 56 Western and Central Plain Region Dairy Farms, 2005

Item	Average*	My Farm
Total tillable acres per cow	1.98	_____
Total forage acres per cow	1.55	_____
Harvested forage dry matter, tons per cow	7.91	_____

\*Excludes farms that do not harvest forages.

**Cropping Analysis** (continued)

A number of cooperators have allocated crop expenses among the hay crop, corn, and other crops produced. Fertilizer and lime, seeds and plants, and spray and other crop expenses have been computed per acre and per production unit for hay and corn. Additional expense items such as fuels, labor, and machinery repairs are not included. Rotational grazing was used on four farms in the region.

**CROP RELATED ACCRUAL EXPENSES**  
Western and Central Plain Region Dairy Farms Reporting, 2005

Item	Total Per Till. Acre	All Corn Per Acre	Corn Silage Per Ton DM	Corn Grain Per Dry Sh. Bu.	Hay Crop		Pasture	
					Per Acre	Per Ton DM	Per Till Acre	Per Total Acre
No. of farms reporting	62	6			6		0	
Ave. number of acres	1,090	447			484		0	0
Fert. & lime	\$ 39.76	\$ 48.95	\$ 7.73	\$ 0.16	\$ 36.90	\$ 13.20	\$ 0.00	\$ 0.00
Seeds & plants	25.93	31.27	5.09	0.10	11.00	3.71	0.00	0.00
Spray & other crop expense	<u>18.59</u>	<u>37.54</u>	<u>6.13</u>	<u>0.12</u>	<u>5.71</u>	<u>1.96</u>	<u>0.00</u>	<u>0.00</u>
TOTAL	\$ 84.28	\$ 117.76	\$ 18.95	\$ 0.38	\$ 53.61	\$ 18.87	\$ 0.00	\$ 0.00

**My Farm**

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**  
56 Western and Central Plain Region Dairy Farms, 2005\*

Machinery Expense	Average		My Farm	
	Total Expenses	Per Tillable Acre	Total Expenses	Per Tillable Acre
Fuel, oil & grease	\$ 71,145	\$ 59.32	\$ _____	\$ _____
Mach. repair & vehicle expense	103,769	86.52	_____	_____
Machine hire, rent & lease	34,641	28.88	_____	_____
Interest (5%)	36,389	30.34	_____	_____
Depreciation	<u>112,771</u>	<u>94.02</u>	_____	_____
Total	\$ 358,715	\$ 299.08	\$ _____	\$ _____

\*Excludes farms that do not harvest forages.

**Dairy Analysis**

Analysis of the dairy enterprise can reveal 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. Any change in inventory is included as an accrual farm receipt when calculating all of the profitability measures on pages 6 and 7.

**DAIRY HERD INVENTORY**

62 Western and Central Plain Region Dairy Farms, 2005

Item	Dairy Cows		Bred		Heifer Open		Calves	
	No.	Value	No.	Value	No.	Value	No.	Value
Beg. year (owned)	552	\$ 676,427	166	\$ 194,438	154	\$ 121,650	121	\$ 56,994
+ Change w/o apprec.		12,956		16,038		253		8,711
+ Appreciation		<u>31,867</u>		<u>26,554</u>		<u>10,561</u>		<u>10,222</u>
End year (owned)	562	\$ 721,251	179	\$ 237,030	154	\$ 132,464	138	\$ 75,927
End including leased	571							
Average number	565		457	(all age groups)				

**My Farm:**

Beg. year (owned)	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
+ Change w/o apprec.		_____		_____		_____		_____
+ Appreciation		_____		_____		_____		_____
End year (owned)	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____
End including leased	_____							
Average number	_____		_____	(all age groups)				

Total milk sold and milk sold per cow are extremely valuable measures of size and productivity, respectively, on the dairy farm. These measures of milk output are based on pounds of milk marketed during the year.

**MILK PRODUCTION**

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average	My Farm
Total milk sold, lbs.	13,277,074	_____
Milk sold per cow, lbs.	23,498	_____
Average milk plant test, percent butterfat	3.16%	_____

Monitoring and evaluating culling practices and experiences on an annual basis are important herd management tools. Culling rate can have an affect on both milk per cow and profitability.

**ANIMALS LEAVING THE HERD**

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average		My Farm	
	Number	Percent*	Number	Percent*
Cows sold for beef	159	28.2	_____	_____
Cows sold for dairy	8	1.4	_____	_____
Cows died	37	6.5	_____	_____
Culling rate**		34.7	_____	_____

\*Percent of average number of cows in the herd. \*\*Cows sold for beef plus cows died.

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 can be compared with the accrual costs of producing milk per cow and 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 including expansion livestock purchased. Purchased inputs cost of producing milk are the operating costs plus depreciation. Total costs of producing milk include the operating costs of producing milk plus depreciation on machinery and buildings, the value of unpaid family labor, the value of operators' labor and management, and the interest charge for using equity capital.

**ACCRUAL RECEIPTS FROM DAIRY, COSTS OF PRODUCING MILK,  
AND PROFITABILITY**

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average			My Farm		
	Total	Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
<u>Accrual Cost of Producing Milk</u>						
Operating costs	\$1,630,620	\$ 2,886	\$ 12.28	\$ _____	\$ _____	\$ _____
Purchased inputs costs	\$1,803,462	\$ 3,192	\$ 13.58	\$ _____	\$ _____	\$ _____
Total Costs	\$2,003,493	\$ 3,546	\$ 15.09	\$ _____	\$ _____	\$ _____
<u>Accrual Receipts</u>						
<u>From Milk</u>	\$2,087,362	\$ 3,694	\$ 15.72	\$ _____	\$ _____	\$ _____
Net Milk Receipts	\$1,998,159	\$ 3,366	\$ 15.05	\$ _____	\$ _____	\$ _____
Net Farm Income without Apprec.	\$ 283,900	\$ 502	\$ 2.14	\$ _____	\$ _____	\$ _____
Net Farm Income with Appreciation	\$ 453,770	\$ 803	\$ 3.42	\$ _____	\$ _____	\$ _____

The accrual operating expenses most commonly associated with the dairy enterprise are listed in the table below. Feed and crop expenses include total purchased dairy feed plus fertilizer, seeds, spray and other crop expenses.

**DAIRY RELATED ACCRUAL EXPENSES**

62 Western and Central Plain Region Dairy Farms, 2005

Item	Average		My Farm	
	Per Cow	Per Cwt.	Per Cow	Per Cwt.
Purchased dairy grain & concentrate	\$ 937	\$ 3.99	\$ _____	\$ _____
Purchased dairy roughage	81	.34	_____	_____
Total Purchased Dairy Feed	\$ 1,018	\$ 4.33	\$ _____	\$ _____
Purchased grain & concentrate as % of milk receipts		25%	_____	_____ %
Purchased feed & crop expense	\$ 1,196	\$ 5.09	\$ _____	\$ _____
Purchased feed & crop expense as % of milk receipts		33%	_____	_____ %
Breeding	\$ 45	\$ .19	\$ _____	\$ _____
Veterinary & medicine	142	.60	_____	_____
Milk marketing	158	.67	_____	_____
Bedding	75	.32	_____	_____
Milking supplies	75	.32	_____	_____
Cattle lease	6	.03	_____	_____
Custom boarding	91	.39	_____	_____
bST	55	.23	_____	_____
Livestock professional fees	11	.05	_____	_____
Other livestock expense	20	.09	_____	_____

**Capital and Labor Efficiency Analysis**

Capital efficiency factors measure how effectively the capital is being used in the farm business. Measures of labor efficiency are key indicators of management's success in generating products per unit of labor input. When evaluating a business, the relationship between capital efficiency and labor efficiency should be explored. For example, if capital efficiency shows high capital investment per worker or per cow, labor efficiency should be high reflecting use of capital to make labor more effective. However, if capital investment is high per worker or per cow, and labor efficiency is low, a problem may exist on that farm.

**CAPITAL EFFICIENCY**  
62 Western and Central Plain Region Dairy Farms, 2005

Item	Per Worker	Per Cow	Per Tillable Acre	Per Tillable Acre Owned
Farm capital	\$323,429	\$7,075	\$3,668	\$7,261
Real estate		2,648		2,718
Machinery & equipment	54,498	1,192	618	

Ratios

Asset turnover	Operating Expense	Interest Expense	Depreciation Expense
.64	.77	.04	.07

My Farm

Farm capital	\$ _____	\$ _____	\$ _____	\$ _____
Real estate	_____	_____	_____	_____
Machinery & equipment	_____	_____	_____	_____

Ratios

Asset turnover	Operating Expense	Interest Expense	Depreciation Expense
_____	_____	_____	_____

**LABOR FORCE INVENTORY**

62 Western and Central Plain Region Dairy Farms, 2005

Labor Force	Months	Age	Years of Education	Value of Labor & Management
Operator number 1	13.9	48	13	\$50,106
Operator number 2	6.5	41	13	23,052
Operator number 3	2.5	41	12	8,110
Operator number 4	0.6	53	15	1,532
Family paid	8.2			
Family unpaid	2.4			
Hired	<u>114.2</u>			
Total	148.3	/ 12 = 12.36 Worker Equivalent 1.69 Operator/Manager Equivalent		
<u>My Farm:</u> Total	_____	/ 12 = _____ Worker Equivalent		
Operator's	_____	/ 12 = _____ Operator/Manager Equivalent		

Small conventional stall operations of 60 or less cows should strive for labor efficiency of 600,000 or more pounds of milk sold per worker. Large conventional stall operations should strive for 850,000 or more pounds of milk sold per worker. Small free stall operations of less than 300 cows should strive for 1,000,000 pounds of milk sold per worker and large free stall operations with more than 300 cows should strive for over 1,200,000 pounds of milk sold per worker.

Labor costs and machinery costs should also be evaluated both individually and jointly. The more machinery or technology at a worker's disposal, the less time, and therefore cost, that should be required to get work accomplished. Striving for labor and machinery costs per cow of less than \$1,000 on small conventional stall barns, less than \$900 on large conventional stall barns, less than \$850 on small free stall barns and below \$750 on large free stall barns should be a goal.

### LABOR EFFICIENCY

62 Western and Central Plain Region Dairy Farms, 2005

Labor Efficiency	Average		My Farm	
	Total	Per Worker	Total	Per Worker
Cows, average number	565	46	_____	_____
Milk sold, pounds	13,277,074	1,074,269	_____	_____
Tillable acres	1,090	88	_____	_____

### LABOR AND MACHINERY COSTS

62 Western and Central Plain Region Dairy Farms, 2005

Labor Costs	Average			My Farm		
	Total	Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
Value of operator(s) labor (\$2,200/month)	\$ 51,700	\$ 92	\$ .39	\$ _____	\$ _____	\$ _____
Family unpaid (\$2,200/month)	5,302	9	.04	_____	_____	_____
Hired	<u>374,626</u>	<u>663</u>	<u>2.82</u>	_____	_____	_____
Total Labor	\$ 431,628	\$ 764	\$ 3.25	\$ _____	\$ _____	\$ _____
Machinery Cost	\$ <u>332,535</u>	\$ <u>589</u>	\$ <u>2.50</u>	\$ _____	\$ _____	\$ _____
Total Labor & Mach.	\$ 764,163	\$ 1,352	\$ 5.76	\$ _____	\$ _____	\$ _____
Hired labor expense per hired worker equivalent			\$36,728	\$ _____		
Hired labor expense as % of milk sales			18.0%	_____%		

## 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 can be helpful to establishing your goals for these parameters. It is equally important for you to determine the progress your business has made over the past two or three years, to compare this progress to your goals, and to set goals for the future.

### PROGRESS OF THE FARM BUSINESS

Same 58 Western and Central Plain Region Dairy Farms, 2004 & 2005

Selected Factors	Average of 58 Farms*		My Farm		Goal
	2004	2005	2004	2005	
<u>Size of Business</u>					
Average number of cows	558	567	_____	_____	_____
Average number of heifers	432	458	_____	_____	_____
Milk sold, pounds	12,639,646	13,319,539	_____	_____	_____
Worker equivalent	12.39	12.47	_____	_____	_____
Total tillable acres	1,062	1,089	_____	_____	_____
<u>Rates of Production</u>					
Milk sold per cow, pounds	22,668	23,489	_____	_____	_____
Hay DM per acre, tons	4.2	4.1	_____	_____	_____
Corn silage per acre, tons	17.5	19.3	_____	_____	_____
<u>Labor Efficiency</u>					
Cows per worker	45	45	_____	_____	_____
Milk sold/worker, pounds	1,020,149	1,068,127	_____	_____	_____
<u>Cost Control</u>					
Grain & conc. purchased as % of milk sales	28%	25%	_____ %	_____ %	_____ %
Dairy feed & crop expense per cwt. milk	\$ 5.65	\$ 5.11	\$ _____	\$ _____	\$ _____
Labor & mach. costs/cow	\$ 1,284	\$ 1,355	\$ _____	\$ _____	\$ _____
Operating cost of producing cwt. of milk	\$ 12.67	\$ 12.35	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency**</u>					
Farm capital per cow	\$ 6,490	\$ 7,027	\$ _____	\$ _____	\$ _____
Mach. & equipment per cow	\$ 1,106	\$ 1,192	\$ _____	\$ _____	\$ _____
Asset turnover ratio	.69	.65	_____	_____	_____
<u>Profitability</u>					
Net farm income w/o apprec.	\$ 307,393	\$ 284,622	\$ _____	\$ _____	\$ _____
Net farm income w/apprec.	\$ 439,635	\$ 463,218	\$ _____	\$ _____	\$ _____
Labor & mgmt. income per operator/manager	\$ 118,709	\$ 98,360	\$ _____	\$ _____	\$ _____
Rate of return on equity capital w/appreciation	18.9%	16.8%	_____ %	_____ %	_____ %
Rate of return on all capital w/appreciation	11.8%	11.7%	_____ %	_____ %	_____ %
<u>Financial Summary</u>					
Farm net worth, end year	\$2,040,149	\$ 2,392,444	\$ _____	\$ _____	\$ _____
Debt to asset ratio	.46	.42	_____	_____	_____
Farm debt per cow	\$ 3,085	\$ 3,085	\$ _____	\$ _____	\$ _____

\*Farms participating both years.

\*\*Average for the year.



**RECEIPTS AND EXPENSES PER COW AND PER CWT.**  
Same 58 Western and Central Plain Region Dairy Farms, 2004 & 2005

Item	2004		2005	
	Per Cow	Per Cwt.	Per Cow	Per Cwt.
Average Number of Cows	558		567	
Cwt. of Milk Sold		126,396		133,195
<b><u>ACCRUAL OPERATING RECEIPTS</u></b>				
Milk	\$3,710	\$16.37	\$3,708	\$15.79
Dairy cattle	277	1.22	231	0.98
Dairy calves	49	0.21	78	0.33
Other livestock	8	0.03	7	0.03
Crops	64	0.28	71	0.30
Miscellaneous receipts	<u>121</u>	<u>0.53</u>	<u>167</u>	<u>.71</u>
Total Receipts	\$4,229	\$18.64	\$4,262	\$18.14
<b><u>ACCRUAL OPERATING EXPENSES</u></b>				
Hired labor	\$657	\$2.90	\$673	\$2.87
Dairy grain & concentrate	1,034	4.56	939	4.00
Dairy roughage	80	0.36	84	0.36
Nondairy feed	1	0.00	0	0.00
Professional nutritional services	2	0.01	1	0.00
Machine hire, rent & lease	55	0.24	51	0.22
Machinery repair & vehicle expense	160	0.71	169	0.72
Fuel, oil & grease	85	0.37	117	0.50
Replacement livestock	42	0.19	29	0.12
Breeding	42	0.19	44	0.19
Veterinary & medicine	136	0.60	142	0.60
Milk marketing	147	0.65	159	0.68
Bedding	69	0.31	76	0.32
Milking supplies	66	0.29	76	0.32
Cattle lease	4	0.02	7	0.03
Custom boarding	94	0.42	96	0.41
bST expense	42	0.19	56	0.24
Livestock professional fees	12	0.05	11	0.05
Other livestock expense	18	0.08	20	0.08
Fertilizer & lime	64	0.28	79	0.34
Seeds & plants	56	0.25	53	0.22
Spray & other crop expense	38	0.17	40	0.17
Crop professional fees	8	0.04	7	0.03
Land, building & fence repair	40	0.17	47	0.20
Taxes	43	0.19	51	0.22
Real estate rent & lease	65	0.29	71	0.30
Insurance	36	0.16	37	0.16
Utilities	78	0.34	90	0.38
Interest paid	133	0.59	164	0.70
Other professional fees	23	0.10	23	0.10
Miscellaneous	<u>23</u>	<u>0.10</u>	<u>20</u>	<u>0.08</u>
Total Operating Expenses	\$3,354	\$14.80	\$3,430	\$14.60
Expansion Livestock	36	0.16	26	0.11
Extraordinary Expense	1	0.00	1	0.01
Machinery Depreciation	169	0.75	186	0.79
Real Estate Depreciation	<u>117</u>	<u>0.51</u>	<u>117</u>	<u>0.50</u>
Total Expenses	\$3,677	\$16.22	\$3,760	\$16.01
Net Farm Income Without Appreciation	\$552	\$2.42	\$502	\$2.13

### 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. Use this information to identify business areas where more challenging goals are needed.

#### **FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS**

62 Western and Central Plain Region Dairy Farms, 2005

Size of Business			Rate of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
28.58	1,410	34,784,659	25,952	5.4	24	56	1,301,878
15.16	691	16,337,423	24,218	4.5	21	49	1,117,598
10.03	434	9,155,391	23,064	3.7	19	43	1,022,701
6.10	252	5,624,545	21,609	2.8	17	38	808,553
3.21	104	2,056,144	17,192	2.0	15	28	560,290

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	
(12)	(12)	(14)	(14)	(12)	(12)	
\$554	17%	\$382	\$1,042	\$899	\$4.16	
820	23	534	1,244	1,074	4.73	
931	26	616	1,378	1,188	5.22	
993	28	715	1,560	1,269	5.74	
1,110	31	977	1,935	1,425	6.83	

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Producing Milk Per Cwt.	Net Farm Income with Appreciation	Net Farm Income w/o Appreciation	Labor & Mgt. Income Per Operator	Change in Net Worth with Appreciation
(12)	(12)	(12)	(4)	(4)	(4)	(8)
\$4,117	\$9.89	\$13.64	\$1,264,341	\$794,190	\$289,388	\$1,014,610
3,750	11.37	14.65	542,327	341,929	148,425	414,701
3,571	12.05	15.48	319,085	208,696	60,687	209,756
3,431	12.78	16.44	170,158	103,620	25,035	95,223
2,819	14.80	21.22	31,743	8,996	-69,589	-89,791

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

### **Supplementary Information**

Each year DFBS cooperators volunteer to complete supplementary data collection forms looking at selected management aspects of the business or specific research areas being studied. This is in addition to the normal DFBS data collection form. An area that was examined this year was the source of dairy replacements. Following is a summary of this information.

#### **SOURCE OF DAIRY REPLACEMENTS** 50 New York Dairy Farms, 2005

<u>Animals Entering Herd</u>	Average
Number calving in 2005 for first time	143
Animals purchased, % <sup>1</sup>	10%
Animals raised by farm, % <sup>2</sup>	90%
 <u>Current Heifer Inventory</u>	
Raised on dairy, %	87%
Raised by a custom grower, %	13%

<sup>1</sup> Animals purchased are animals purchased from a different farm and were not the farm's genetics.

<sup>2</sup> Animals raised by farm are animals that were born on the farm and entered the herd, which includes animals raised by the farm or custom grower.

On the average farm, 143 animals calved for the first time in 2005. The breakdown on these animals for source was 10 percent purchased and 90 percent raised by the farm. Of the current heifer inventory, 87 percent were raised on the dairy and 13 percent were being raised by a custom grower. There is increased interest in evaluating the dairy replacement enterprise.

### **Milk Income and Marketing Expense Breakdown**

Starting January 1<sup>st</sup>, 2000, the northeast switched to multiple components pricing, which changed the format of the milk check and how farmers received payment for their milk. To examine the breakdown of the gross milk income and the marketing expenses, 45 Western and Central Plain farms provided data for all the different sources of income for milk sales and the milk marketing expenses on an accrual basis. This information is reported in the following two tables. The tables are divided into six different areas, each representing a different area of income or expenses.

The first section looks at the value of the milk components on a per cwt. basis. The second area looks at the Producer Price Differential. The third area looks at the premiums a farm receives. Any premiums not specifically noted as quality or volume related are included in market premiums. The fourth area looks at the expenses associated with marketing milk. A new line item in this section is the expenses associated with utilizing forward contracting or hedging programs to market milk, such as commission or broker fees. The fifth area is income from the compact program or from forward contracting or hedging programs. The sixth area is the patronage dividends or refunds from the milk cooperatives. Equity purchased in the milk cooperative utilizing a monthly deduction from the milk check or a percent of the patronage dividend is treated as a capital purchase and is not a milk marketing expense. The cumulative total for these six areas is the net price received on farms. Your net farm price can be found on page 12 of your farm's DFBS report.

The table on page 25 reports the averages for these different areas. The table on page 26 contains the range for each of the individual lines of the report. This table is in farm business chart format with each item sorted independently and ranked by fifths. Numbers for the different areas will not add to the totals for that quintile or to the net price received because the highest farms for each item were averaged, not the same farms throughout the six areas. This table shows the range of income and expenses received by farms for all the different areas.

For your individual farm, compare your accrual numbers following this same format to look at how you compare to other farms in your region and to identify possible areas to generate additional revenue.

**AVERAGE MILK INCOME AND MARKETING REPORT**  
45 Western and Central Plain Region Dairy Farms, 2005

	Pounds	Percent	Price/Pound	Total	\$/Cwt of Milk
<b>BASE FARM PRICE</b>					
Butterfat	457,124.80	3.62%	\$1.71	\$783,521.89	\$6.20
Protein	380,146.80	3.01%	\$2.46	\$935,992.18	\$7.40
Solids	723,382.36	5.72%	\$0.12	\$87,171.58	\$0.69
<b>Total Component Contribution</b>					\$14.29
<b>PPD</b>	12,643,741.76			\$81,173.80	\$0.64
<b>Base Farm Price</b>					\$14.93
<b>Premiums</b>					
Quality				\$21,101.18	\$0.17
Volume				\$34,403.04	\$0.27
Market Premiums				\$45,295.00	\$0.36
<b>Total Premiums</b>					\$0.80
<b>BASE FARM PRICE + PREMIUM</b>					\$15.73
<hr style="border-top: 1px dashed black;"/>					
<b>Deductions</b>					
Promotion				\$21,286.89	\$0.17
Hauling + Stop Charges.				\$55,034.13	\$0.44
Market Fees & Coop Dues				\$9,817.56	\$0.08
<b>Total Deductions</b>					\$0.68
<b>BASE FARM PRICE + PREMIUMS - DEDUCTIONS</b>					\$15.05
<b>Marketing Programs</b>					
Futures Contracts, Forward Contracting, Etc.				\$-9,534.40	\$-0.08
<b>Total Marketing Income</b>					\$-0.08
<b>Patronage Dividends</b>				\$22,079.80	\$0.17
<b>NET PRICE RECEIVED ON FARM, ALL SOURCES</b>					\$15.15
<b>PPD - Hauling, \$ per cwt.</b>					\$0.21
<b>PPD - Hauling + Market Premiums, \$ per cwt.</b>					\$0.56
<b>Net Marketing Value (PPD + Total Premiums - Total Deductions), \$ per cwt.</b>					\$0.76

**MILK PRICE INFORMATION BY QUINTILE**  
 (Each Category Sorted Independently)  
 45 Western and Central Plain Region Dairy Farms, 2005

	Lowest Quintile	←—————→			Highest Quintile
Butterfat, %	3.45	3.57	3.63	3.71	3.95
Protein, %	2.91	2.96	2.99	3.04	3.19
Other Solids, %	5.49	5.66	5.69	5.73	6.06
Butterfat, \$ per Cwt.	5.88	6.11	6.21	6.33	6.85
Protein, \$ per Cwt.	7.14	7.28	7.35	7.50	7.95
Other solids, \$ per Cwt.	0.66	0.68	0.69	0.70	0.72
<b>Total Component Value per Cwt.</b>	<b>\$13.76</b>	<b>\$14.06</b>	<b>\$14.27</b>	<b>\$14.49</b>	<b>\$15.46</b>
PPD, \$ per Cwt.	0.51	0.55	0.56	0.65	0.86
<b>Base Farm Price per Cwt.</b>	<b>\$14.30</b>	<b>\$14.68</b>	<b>\$14.90</b>	<b>\$15.17</b>	<b>\$16.11</b>
Quality, \$ per Cwt.	0.02	0.09	0.14	0.21	0.34
Volume, \$ per Cwt.	0.00	0.06	0.18	0.27	0.55
Market premium, \$ per Cwt.	0.02	0.08	0.12	0.25	0.74
<b>Total Premium, \$ per Cwt.</b>	<b>0.18</b>	<b>0.38</b>	<b>0.62</b>	<b>0.77</b>	<b>1.13</b>
<b>Base Farm Price + Premiums per Cwt.</b>	<b>\$14.80</b>	<b>\$15.25</b>	<b>\$15.45</b>	<b>\$15.87</b>	<b>\$16.89</b>
Promotion, \$ per Cwt.	0.15	0.15	0.15	0.15	0.23
Hauling, \$ per Cwt.	0.33	0.42	0.46	0.50	0.67
Market fees & coop dues per Cwt.	0.04	0.05	0.06	0.10	0.13
<b>Total Marketing Expenses per Cwt.</b>	<b>\$0.55</b>	<b>\$0.65</b>	<b>\$0.71</b>	<b>\$0.75</b>	<b>\$0.94</b>
<b>Base + Premiums – Deductions per Cwt.</b>	<b>\$14.13</b>	<b>\$14.53</b>	<b>\$14.79</b>	<b>\$15.17</b>	<b>\$16.03</b>
Futures contract, forward contracting, \$ per Cwt.	-0.22	0.00	0.00	0.00	0.22
<b>Total Marketing Income, \$ per Cwt.</b>	<b>\$-0.22</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.22</b>
<b>Patronage Dividends, \$ per Cwt.</b>	<b>\$-0.02</b>	<b>\$0.00</b>	<b>\$0.11</b>	<b>\$0.46</b>	<b>\$0.81</b>
<b>Net Price Received From All Sources, \$ per Cwt.</b>	<b>\$14.44</b>	<b>\$14.80</b>	<b>\$15.14</b>	<b>\$15.42</b>	<b>\$16.22</b>
<b>PPD - Hauling, \$ per cwt.</b>	<b>-0.07</b>	<b>0.06</b>	<b>0.13</b>	<b>0.23</b>	<b>0.39</b>
<b>PPD - Hauling + Market Premiums, \$ per cwt.</b>	<b>0.04</b>	<b>0.19</b>	<b>0.29</b>	<b>0.42</b>	<b>1.01</b>
<b>Net Marketing Value (PPD + Total Premiums - Total Deductions), \$ per cwt.</b>	<b>0.00</b>	<b>0.20</b>	<b>0.46</b>	<b>0.70</b>	<b>1.52</b>

### New York State Farm Business Charts

The Farm Business Chart is a tool which can be used in analyzing a business by drawing a line through the figure in each column which represents the current level of management performance. The figure at the top of each column is the average of the top 10 percent of the 200 farms for that factor. The other figures in each column are the average for the second 10 percent, third 10 percent, etc. Each column of the chart is independent of the others. The farms which are in the top 10 percent for one factor would not necessarily be the same farms which make up the top 10 percent for any other factor.

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

#### FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS

200 New York Dairy Farms, 2004

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
27.4	1,320	30,813,655	25,912	5.6	24	61	1,276,169
15.2	627	14,673,004	23,717	4.3	21	51	1,100,689
10.7	430	9,341,701	22,791	3.9	20	46	981,861
7.2	309	6,569,316	21,971	3.5	19	42	868,108
5.4	225	4,326,245	21,304	3.3	18	38	787,445
-----							
4.2	144	2,848,633	20,482	3.0	17	35	700,990
3.4	110	2,072,815	19,295	2.8	16	32	631,342
2.7	78	1,398,571	17,658	2.3	15	29	547,027
2.0	59	1,035,229	15,829	2.0	13	26	445,686
1.5	42	687,413	12,854	1.4	9	19	321,988

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	
(12)	(12)	(14)	(14)	(12)	(12)	
\$507	17%	\$323	\$903	\$660	\$3.87	
669	22	444	1,124	863	4.71	
780	24	499	1,221	994	5.10	
839	26	552	1,293	1,082	5.34	
900	27	592	1,370	1,133	5.54	
-----						
979	28	637	1,463	1,183	5.75	
1,031	29	683	1,541	1,242	6.05	
1,094	31	750	1,664	1,308	6.36	
1,166	33	835	1,796	1,394	6.82	
1,295	39	1,044	2,173	1,591	7.69	

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

**FARM BUSINESS CHART FOR  
FARM MANAGEMENT COOPERATORS**  
200 New York Dairy Farms, 2004

Milk Receipts Per Cow	Milk Receipts Per Cwt.	Oper. Cost Milk Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cow	Total Cost Production Per Cwt.
(12)	(12)	(12)	(12)	(12)	(12)
\$4,409	\$18.64	\$1,505	\$9.19	\$2,552	\$13.68
3,964	17.86	1,892	10.50	2,955	14.56
3,777	17.47	2,164	11.20	3,132	15.16
3,662	17.13	2,319	11.80	3,275	15.81
3,573	16.92	2,449	12.19	3,381	16.56
-----					
3,421	16.71	2,587	12.60	3,490	17.26
3,279	16.55	2,733	13.13	3,621	18.37
3,027	16.28	2,884	13.71	3,774	19.14
2,662	16.06	3,090	14.37	3,992	20.42
2,246	15.46	3,400	15.99	4,485	24.72

Profitability						
Net Farm Income Without Appreciation			Net Farm Income With Appreciation		Labor & Management Income	
Total	Per Cow	Operations Ratio	Total	Per Cow	Per Farm	Per Operator
(4)	(12)	(4)	(4)	(12)	(4)	(4)
\$838,746	\$1,306	0.30	\$1,189,067	\$1,919	\$657,429	\$357,551
413,151	1,025	0.25	570,269	1,344	293,399	181,620
286,223	860	0.22	384,433	1,155	200,179	107,460
171,989	773	0.20	263,743	1,033	105,888	66,066
120,112	667	0.17	187,418	908	57,054	35,606
-----						
78,969	561	0.14	116,687	805	31,211	21,959
53,830	449	0.12	79,113	688	17,970	12,836
36,206	347	0.09	57,505	579	5,373	4,198
21,262	216	0.06	35,671	419	-12,627	-9,507
-11,854	-70	-0.03	10,807	103	-75,681	-63,025

Farm Business Charts for farms with freestall barns and 150 cows or less, 151-300 cows, and more than 300 cows; and farms with conventional barns with 60 cows or less and more than 60 cows are shown on pages 32-36.

**Financial Analysis Chart**

The farm financial analysis chart on page 29 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 6, 9, 13 and 19 of this publication. References to DFBS output page numbers for participating dairy farmers are provided in the table headings.

**FINANCIAL ANALYSIS CHART**  
200 New York Dairy Farms, 2004

Liquidity (repayment)							
Planned Debt Payments Per Cow	Available for Debt Service Per Cow	Cash Flow Coverage Ratio	Debt Coverage Ratio	Debt Payments as Percent of Milk Sales	Debt Per Cow	Working Capital as % of Total Expenses	Current Ratio
(10)*	(16)	(10)	(10)	(10)	(7)	(7)	(7)
\$52	\$1,138	5.77	7.80	2%	\$231	42%	22.29
199	844	2.42	3.24	6	1,035	29	4.31
294	748	1.82	2.53	9	1,683	24	3.02
353	671	1.49	2.06	11	2,125	18	2.43
421	596	1.32	1.71	12	2,464	15	2.01
470	513	1.17	1.44	14	2,758	11	1.67
518	449	1.01	1.22	15	3,021	8	1.39
562	357	0.83	0.95	17	3,360	4	1.16
658	244	0.61	0.62	20	3,931	-2	0.89
815	-373	-1.30	-1.52	28	5,108	-17	0.52
Solvency				Operational Ratios			
Leverage Ratio**	Percent Equity	Debt/Asset Ratio		Operating Expense Ratio	Interest Expense Ratio	Depreciation Expense Ratio	
		Current & Intermediate	Long Term				
(7)	(7)	(7)	(7)	(14)	(14)	(14)	
0.02	98%	0.03	0.00	0.58	0.00	0.02	
0.14	88	0.11	0.00	0.64	0.01	0.04	
0.23	81	0.20	0.02	0.68	0.02	0.05	
0.35	74	0.25	0.14	0.71	0.02	0.06	
0.45	69	0.31	0.24	0.74	0.03	0.06	
0.56	64	0.37	0.34	0.76	0.03	0.07	
0.75	57	0.44	0.43	0.78	0.04	0.08	
0.95	51	0.50	0.56	0.80	0.04	0.09	
1.22	45	0.58	0.68	0.83	0.05	0.11	
2.76	30	0.79	0.89	0.91	0.08	0.15	
Efficiency (Capital)				Profitability			
Asset Turnover (ratio)	Real Estate Investment Per Cow	Machinery Investment Per Cow	Total Farm Assets Per Cow	Change in Net Worth With Appreciation	Percent Rate of Return with Appreciation on:		
(14)	(14)	(14)	(14)	(8)	Equity	Investment***	
.93	\$1,360	\$533	\$4,895	\$965,036	46%	23%	
.72	2,072	885	5,982	456,002	26	16	
.66	2,333	1,089	6,498	311,468	20	13	
.61	2,631	1,221	6,895	196,995	16	11	
.57	2,932	1,356	7,355	140,216	12	9	
.53	3,306	1,558	8,008	82,241	9	7	
.48	3,807	1,796	8,583	45,148	6	5	
.42	4,253	1,982	9,301	30,133	3	3	
.36	4,981	2,320	10,637	14,529	-1	1	
.27	7,946	3,464	13,990	-57,407	-11	-5	

\*Page number of the participant's DFBS report 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



### **Comparison by Type of Barn and Herd Size**

When analyzing a dairy farm business by comparing it to a group of farms, it is important that the group of farms have used as many of the same physical characteristics as possible as the farm being analyzed. To assist in this endeavor, dairy farms in the summary have been divided into those with freestall and those with conventional housing. Conventional housing includes stanchion and tiestall barns. Within each group, is a further classification by size of the dairy herd.

The table on page 31 includes the average values for the resulting five groups of dairy farms. The average size of farms in the five groups ranges from 46 cows on the small conventional farms to 721 cows on the largest freestall farms.

The largest freestall farms averaged the highest milk output per cow and per worker, the lowest total cost of production and investment per cow, and the greatest returns to labor, management and capital.

Farm business charts have been computed for each of the five housing and herd size categories and are on pages 32-36. By comparing the farm's performance on the most appropriate business chart, a farm manager will be better able to evaluate his or her business performance.

### **Herd Size Comparisons**

A detailed comparison of profitability, financial situation and business analysis factors across herd sizes is contained on pages 48-60 of the 2004 State Summary\*. As herd size increases, the net farm income profitability generally increases (page 48)\*. Net farm income without appreciation averaged \$23,339 per farm for the less than 50 cow farms and \$624,346 per farm for those with more than 600 cows. Return to all capital without appreciation and labor and management income per operator generally increased as herd size increased.

Assets, liabilities and financial measures are presented on pages 55-58\*. All herd size categories saw an increase in net worth during 2004. The largest herd size category experienced an increase in net worth of over \$729,000. However, percent equity went down as assets increased. The largest herds had the lowest percent equity; while the smaller herds averaged 78 percent.

Crop yields showed little relationship to herd size, but fertilizer and lime expenses, and machinery cost per tillable acre generally increased as herd size increased (pages 59-60)\*. The farms with 600 and more cows per farm averaged 29 percent more milk sold per cow than the smallest farms. All of the groups with 200 or more cows averaged above 20,000 pounds of milk sold per cow while the farms smaller than 200 cows averaged 18,483 pounds of milk sold per cow. Farm capital per worker increased, and farm capital per cow decreased as herd size increased. Milk sold per worker increased dramatically as herd size increased, ranging from 365,964 pounds at the lowest herd size category up to 1,112,493 pounds at the largest size category.

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\*Wayne A. Knoblauch, Linda D. Putnam, and Jason Karszes, Dairy Farm Management Business Summary, New York, 2004, Department of Applied Economics and Management, Cornell University, R.B. 2005-03, November 2005.

**SELECTED BUSINESS FACTORS BY TYPE OF BARN AND HERD SIZE**

191 New York Dairy Farms, 2004

Item	Farms with:	Conventional		Freestall		
		<= 60 Cows	>60 Cows	<=150 Cows	151-300 Cows	≥300 Cows
Number of farms		30	27	32	32	70
<u>Cropping Program Analysis</u>						
Total Tillable acres		156	315	283	568	1,349
Tillable acres rented*		68	115	126	288	684
Hay crop acres *		109	179	166	284	605
Corn silage acres *		18	57	73	167	540
Hay crop, tons DM/acre		2.4	2.5	2.9	2.9	3.9
Corn silage, tons/acre		14.7	17.4	16.0	16.4	18.0
Oats, bushels/acre		0	50	60	53	55
Forage DM per cow, tons		8.0	8.8	9.0	8.0	7.9
Tillable acres/cow		3.5	3.5	2.9	2.6	1.9
Fertilizer & lime expense/tillable acre		\$18.02	\$25.60	\$28.81	\$31.75	\$33.72
Total machinery costs		\$29,905	\$70,440	\$68,491	\$146,434	\$392,561
Machinery cost/tillable acre		\$187	\$223	\$221	\$253	\$279
<u>Dairy Analysis</u>						
Number of cows		46	89	103	227	721
Number of heifers		34	74	85	172	561
Milk sold, lbs.		811,167	1,666,824	1,901,213	4,775,050	16,492,528
Milk sold/cow, lbs.		17,634	18,688	18,437	21,038	22,887
Operating cost of producing milk/cwt.		\$11.70	\$12.25	\$12.77	\$12.76	\$12.58
Total cost of producing milk/cwt.		\$19.90	\$19.12	\$18.32	\$16.53	\$15.24
Price/cwt. milk sold		\$16.75	\$17.07	\$17.08	\$16.92	\$16.52
Purchased dairy feed/cow		\$879	\$904	\$953	\$1,031	\$1,110
Purchased dairy feed/cwt. milk		\$4.99	\$4.84	\$5.17	\$4.90	\$4.85
Purchased grain & concentrate as % of milk receipts		29%	28%	28%	27%	27%
Purchased feed & crop expense/cwt milk		\$5.67	\$5.76	\$6.04	\$5.72	\$5.56
<u>Capital Efficiency</u>						
Farm capital/worker		\$226,694	\$278,771	\$300,917	\$307,527	\$294,409
Farm capital/cow		\$9,659	\$10,221	\$8,696	\$7,547	\$6,586
Farm capital/tillable acre owned		\$5,026	\$4,563	\$5,724	\$6,121	\$7,138
Real estate/cow		\$4,797	\$4,523	\$3,768	\$3,095	\$2,551
Machinery investment/cow		\$1,949	\$2,341	\$1,855	\$1,444	\$1,073
Asset turnover ratio		0.38	0.40	0.43	0.59	0.69
<u>Labor Efficiency</u>						
Worker equivalent		1.95	3.27	2.98	5.57	16.12
Operator/manager equivalent		1.21	1.45	1.40	1.73	1.94
Milk sold/worker, lbs.		415,273	509,862	637,991	856,767	1,023,057
Cows/worker		24	27	35	41	45
Labor cost/cow		\$1,067	\$884	\$785	\$708	\$746
Labor cost/tillable acre		\$314	\$250	\$286	\$283	\$399
<u>Profitability &amp; Balance Sheet Analysis</u>						
Net farm income (without appreciation)		\$29,499	\$52,175	\$55,987	\$137,058	\$433,769
Labor & management income/operator		\$4,396	\$3,034	\$12,637	\$46,154	\$157,455
Rate return on all capital with appreciation		2.1%	4.4%	4.7%	11.3%	13.6%
Farm debt/cow		\$2,366	\$1,548	\$2,279	\$2,764	\$3,011
Percent equity		75%	85%	74%	64%	55%

\*Average of all farms, not only those reporting data.

### FARM BUSINESS CHART FOR SMALL CONVENTIONAL STALL DAIRY FARMS

30 Conventional Stall Dairy Farms with 60 or Less Cows, New York, 2004

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
3.22	57	1,133,707	24,089	4.2	23	42	703,501
2.67	54	1,045,992	21,880	3.3	19	35	597,059
2.20	53	955,714	20,457	2.9	18	30	539,444
1.99	51	898,535	18,678	2.7	16	28	463,053
1.95	50	831,754	17,910	2.4	15	25	438,231
-----							
1.83	45	794,187	17,233	2.3	13	23	407,325
1.63	43	757,164	15,949	2.1	11	20	375,185
1.54	41	717,533	14,769	1.8	11	19	327,774
1.36	37	651,795	13,648	1.7	10	17	268,092
1.17	30	325,286	10,933	1.3	9	15	240,908

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	
(12)	(12)	(14)	(14)	(12)	(12)	
\$439	16%	\$249	\$1,045	\$586	\$3.64	
552	22	401	1,248	681	4.44	
660	25	489	1,405	729	5.01	
743	27	543	1,482	803	5.16	
799	27	617	1,672	928	5.39	
-----						
857	28	650	1,765	1,092	5.75	
959	30	700	1,908	1,167	6.36	
1,027	33	805	2,056	1,217	6.50	
1,073	37	858	2,224	1,281	7.17	
1,241	45	1,070	2,508	1,534	7.96	

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Income Per Operator	Change in Net Worth w/Appreciation
			Total	Per Cow		
(12)	(12)	(12)	(4)	(12)	(4)	(8)
\$4,139	\$8.95	\$15.64	\$65,615	\$1,417	\$34,907	\$56,545
3,609	9.96	16.73	53,094	1,057	25,157	39,942
3,371	10.34	18.19	43,380	855	15,921	32,522
3,152	10.74	18.95	37,978	782	13,101	25,724
2,994	11.28	19.21	33,091	730	9,366	21,782
-----						
2,798	11.64	19.42	24,986	508	2,667	19,045
2,648	12.28	20.57	15,518	412	-772	13,697
2,562	13.40	22.06	13,372	306	-6,272	10,020
2,311	14.27	24.21	10,509	272	-11,253	5,776
1,802	15.81	29.77	-2,547	-92	-32,189	-17,925

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

### FARM BUSINESS CHART FOR LARGE CONVENTIONAL STALL DAIRY FARMS

27 Conventional Stall Dairy Farms with More Than 60 Cows, New York, 2004

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
7.23	163	3,202,431	25,150	4.7	25	42	814,565
4.44	122	2,352,081	22,786	4.0	24	36	764,671
4.13	112	2,129,506	21,627	3.7	22	36	705,555
3.69	97	1,903,718	20,728	3.2	19	34	672,474
3.18	91	1,684,049	20,172	3.1	17	32	579,958
2.84	83	1,488,916	19,014	2.5	17	30	512,690
2.67	72	1,369,555	17,369	2.2	16	27	479,264
2.50	70	1,256,258	16,255	2.0	14	23	422,381
2.18	65	1,184,462	14,824	1.6	12	21	375,024
1.83	62	991,768	13,589	1.2	7	19	315,051

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	Feed & Crop Expenses Per Cwt. Milk
(12)	(12)	(14)	(14)	(12)	(12)	(12)
\$437	14%	\$463	\$1,205	\$676	\$3.69	\$3.69
690	21	547	1,331	896	4.80	4.80
732	24	602	1,419	959	5.19	5.19
814	25	653	1,512	1,057	5.43	5.43
869	26	705	1,593	1,098	5.60	5.60
915	29	785	1,710	1,125	6.00	6.00
986	32	812	1,839	1,142	6.57	6.57
1,085	37	874	1,950	1,186	7.11	7.11
1,188	40	1,001	2,166	1,331	7.59	7.59
1,332	44	1,710	2,544	1,544	8.26	8.26

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Income Per Operator	Change in Net Worth w/Appreciation
(12)	(12)	(12)	Total	Per Cow	(4)	(8)
\$4,223	\$8.82	\$14.13	\$134,367	\$1,343	\$70,126	\$172,691
3,733	10.13	15.75	124,089	1,272	50,269	111,611
3,624	10.76	16.97	106,546	1,139	32,318	78,720
3,561	11.80	18.66	73,883	941	24,579	63,284
3,406	12.34	19.62	56,295	714	14,088	49,668
3,202	13.25	20.19	44,700	545	5,513	41,071
3,095	13.69	20.77	32,908	401	-2,950	23,803
2,685	14.07	21.79	23,788	372	-13,888	5,082
2,571	15.16	24.47	14,470	141	-28,902	-10,405
2,359	16.68	28.65	-19,802	-204	-115,200	-272,653

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

### FARM BUSINESS CHART FOR SMALL FREESTALL DAIRY FARMS

32 Freestall Barn Dairy Farms with 150 or Less Cows, New York, 2004

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
4.83	141	2,841,997	22,522	5.5	22	60	1,050,540
4.11	130	2,613,323	21,432	4.6	20	48	858,837
3.68	125	2,359,415	20,771	4.2	19	42	754,070
3.39	121	2,244,505	19,815	3.6	18	39	678,744
3.25	111	2,101,750	18,982	2.9	17	35	651,909
-----							
3.03	108	2,030,754	18,383	2.5	15	33	635,943
2.68	103	1,770,415	17,577	2.1	14	32	614,418
2.22	80	1,446,587	16,945	1.9	13	30	559,852
1.90	74	1,231,628	15,798	1.6	11	28	510,864
1.56	62	921,519	12,691	1.1	7	26	415,621

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	Feed & Crop Expenses Per Cwt. Milk
(12)	(12)	(14)	(14)	(12)	(12)	(12)
\$523	19%	\$338	\$944	\$650	\$4.18	\$4.18
645	23	454	1,126	889	5.02	5.02
756	26	500	1,226	977	5.65	5.65
828	27	533	1,303	1,040	5.85	5.85
863	28	594	1,366	1,103	6.06	6.06
-----						
915	29	678	1,441	1,171	6.36	6.36
997	30	714	1,541	1,235	6.80	6.80
1,088	33	742	1,659	1,327	7.02	7.02
1,136	33	844	1,785	1,384	7.26	7.26
1,249	37	962	1,976	1,509	7.44	7.44

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Income Per Operator	Change in Net Worth w/Appreciation
			Total	Per Cow		
(12)	(12)	(12)	(4)	(12)	(4)	(8)
\$3,782	\$8.83	\$14.88	\$147,360	\$1,290	\$82,291	\$277,345
3,661	10.67	16.84	99,576	858	30,316	132,961
3,512	11.97	17.42	80,680	710	24,754	99,601
3,383	12.26	17.82	72,142	664	20,332	71,653
3,278	12.62	18.40	64,239	632	17,565	49,907
-----						
3,175	13.05	18.58	46,650	574	13,351	43,007
2,974	13.67	19.26	41,725	524	7,985	36,388
2,819	14.03	20.00	35,016	428	2,028	28,159
2,611	15.28	21.03	22,125	241	-13,716	20,684
2,342	16.51	24.26	-14,771	-136	-54,626	-1,213

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

**FARM BUSINESS CHART FOR MEDIUM FREESTALL DAIRY FARMS**

32 Freestall Barn Dairy Farms with 151-300 Cows, New York, 2004

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
8.68	293	7,147,274	25,374	5.0	24	57	1,174,860
6.53	282	6,262,072	22,839	3.9	21	53	1,039,002
6.18	274	5,824,237	22,349	3.7	19	49	979,973
6.00	265	5,399,379	21,960	3.5	18	43	917,607
5.65	243	5,032,567	21,723	3.2	18	42	868,644
5.47	234	4,603,802	21,480	3.0	17	41	838,897
5.19	213	4,105,275	21,200	2.7	15	38	819,778
4.74	184	3,802,061	20,215	2.4	13	36	793,825
4.34	169	3,500,387	19,205	2.0	11	34	755,846
3.92	156	3,067,513	15,633	1.5	9	30	582,545

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	
(12)	(12)	(14)	(14)	(12)	(12)	
\$603	17%	\$426	\$1,023	\$869	\$4.18	
775	24	539	1,126	1,033	5.12	
851	25	576	1,209	1,112	5.38	
900	26	596	1,283	1,130	5.55	
965	26	625	1,328	1,162	5.63	
1,001	28	659	1,434	1,197	5.79	
1,018	28	689	1,504	1,252	6.05	
1,067	30	817	1,605	1,312	6.23	
1,169	33	877	1,700	1,366	6.45	
1,281	36	958	1,760	1,669	7.61	

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Income Per Operator	Change in Net Worth w/Appreciation
			Total	Per Cow		
(12)	(12)	(12)	(4)	(12)	(4)	(8)
\$4,359	\$10.58	\$13.81	\$324,384	\$1,184	\$158,209	\$384,827
3,901	11.23	14.92	244,650	1,046	105,475	272,525
3,812	11.66	15.79	195,548	904	84,728	224,633
3,700	12.09	16.42	154,177	805	66,855	160,063
3,638	12.60	16.76	140,894	689	46,755	152,308
3,606	12.97	16.97	132,538	583	36,333	143,827
3,542	13.54	17.50	106,024	492	26,726	126,677
3,458	14.05	18.29	92,124	417	16,453	89,041
3,260	14.44	18.78	51,266	226	3,267	55,236
2,648	16.68	20.53	2,445	-12	-46,021	-33,893

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

**FARM BUSINESS CHART FOR LARGE FREESTALL DAIRY FARMS**

70 Freestall Barn Dairy Farms with 300 or More Cows, New York, 2004

Size of Business			Rates of Production			Labor Efficiency	
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
(14)*	(12)	(12)	(12)	(11)	(11)	(14)	(14)
36.83	1,884	43,636,486	26,368	6.3	23	65	1,412,402
23.81	1,111	26,056,052	25,314	4.6	21	53	1,201,551
20.22	894	21,070,884	24,334	4.2	20	51	1,155,441
16.81	712	16,132,617	23,557	3.9	19	50	1,112,192
14.50	572	13,747,324	23,004	3.5	18	46	1,059,322
12.88	515	12,177,341	22,639	3.4	18	43	998,166
11.46	463	9,681,631	21,969	3.3	17	41	910,099
9.74	393	8,542,048	21,405	3.1	17	36	816,758
8.36	347	7,553,662	20,624	2.9	16	32	714,290
6.60	316	6,327,232	17,011	2.5	12	28	611,921

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	
(12)	(12)	(14)	(14)	(12)	(12)	
\$677	20%	\$310	\$827	\$897	\$4.36	
817	23	417	1,089	1,050	4.79	
866	24	464	1,160	1,115	5.07	
971	26	507	1,231	1,189	5.27	
1,026	27	560	1,278	1,237	5.40	
1,056	28	590	1,338	1,270	5.57	
1,117	29	618	1,422	1,319	5.78	
1,154	30	670	1,502	1,395	6.10	
1,206	31	720	1,571	1,514	6.35	
1,330	34	847	1,733	1,598	7.12	

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Operating Cost Producing Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Income Per Operator	Change in Net Worth w/Appreciation
(12)	(12)	(12)	Total	Per Cow	(4)	(8)
\$4,557	\$10.04	\$13.48	\$1,240,002	\$1,189	\$508,847	\$1,512,947
4,239	11.08	14.03	696,919	952	311,387	735,240
4,028	11.71	14.42	529,859	854	233,557	563,802
3,895	12.01	14.85	440,284	803	204,122	479,557
3,794	12.26	15.11	400,814	712	166,981	428,181
3,707	12.54	15.33	330,951	608	135,493	354,786
3,645	12.94	15.66	289,642	500	92,550	314,047
3,531	13.44	16.14	245,892	370	69,981	245,606
3,339	14.03	16.81	134,416	261	28,119	185,396
2,977	15.30	18.62	28,907	65	-39,314	53,781

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

### 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 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 desired 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. Goals should be Timed with a designated date by which the goal will be achieved.

Goal setting on a dairy farm should be 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

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Worksheet for Setting Goals (Continued)

II. Goals

What	How	When	Who is Responsible
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Summarize Your Business Performance

The Farm Business and Financial Analysis Charts on pages 23 and 27-29 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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

Needs improvement: \_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

**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 3)

**Accrual Receipts** - (defined on page 4)

**Annual Cash Flow Statement** - (defined on page 11)

**Appreciation** - (defined on page 5)

**Asset Turnover Ratio** - The ratio of total farm income to total farm assets, calculated by dividing total accrual operating receipts plus appreciation by average total farm assets.

**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.

**bST Usage** - An estimate of the percentage of herd, on average, that was supplemented with bovine somatotropin during the year.

**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 13)

**Cash Paid** - (defined on page 2)

**Cash Receipts** - (defined on page 4)

**Change in Accounts Payable** - (defined on page 3)

**Change in Accounts Receivable** - (defined on page 4)

**Change in Inventory** - (defined on page 2)

**Cost of Term Debt** - A weighted average of the cost of borrowed capital to the farm. Calculate by multiplying end of year principal of each loan that is borrowed by the interest rate for each loan at that time. Add up each amount that is calculated for each loan and then divide by total amount of borrowed funds. Do not include accounts payable, operating debt or advanced government receipts. This information is found on pages 8 & 9 of the data entry form.

**Culling Rate** - (defined on page 17)

**Current Portion** - (defined on page 7)

**Current Ratio** – Measures the extent to which current farm assets, if liquidated, would cover current farm liabilities. Calculated as current farm assets at end year divided by current farm liabilities at end year.

**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 Coverage Ratio** – (defined on page 13)

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

**Debt to Asset Ratios** - (defined on page 9)

**Depreciation Expense Ratio** – Machinery and building depreciation divided by total accrual receipts.

**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 14.

**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-cancelable 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.

**Hired Labor Expense per Hired Worker Equivalent** – The total cost to the farm per hired worker equivalent. Divide accrual hired labor expense by number of hired plus family paid worker equivalents.

**Hired Labor Expense as % of Milk Sales** – The percentage of the gross milk receipts that is used for labor expense. Divide accrual hired labor expense by accrual milk sales.

**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.

**Interest Expense Ratio** – Accrual interest expense divided by total accrual receipts.

**Labor and Management Income** - (defined on page 6)

**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.

**Leverage Ratio** - (defined on page 9)

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

**Net Farm Income** - (defined on page 5)

**Net Farm Income from Operations Ratio** - (defined on page 7)

**Net Milk Receipts** – Accrual milk receipts less milk marketing expense.

**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 18)

**Operating Expense Ratio** – Total accrual expenses less interest and machinery and building depreciation, divided by total accrual receipts.

**Opportunity Costs** - 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; bST, DHIC, registration fees and transfers.

**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 the costs including the opportunity costs of the owner/manager's labor, management, and equity capital.

**Purchased Inputs Cost of Producing Milk** - (defined on page 18)

**Renter** - Farm business owner/operator owns no tillable land and commonly rents all other farm real estate.

**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 7)

**Return on Total 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 18)

**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.

**Working Capital** – A theoretical measure of the amount of funds available to purchase inputs and inventory items after the sale of current farm assets and payment of all current farm liabilities. Calculated as current farm assets at end year less current farm liabilities at end year.

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## OTHER A.E.M. EXTENSION BULLETINS

EB No	Title	Fee (if applicable)	Author(s)
2006-04	Dairy Farm Business Summary, Northern Hudson Region, 2005	(\$12.00)	Conneman, G., Putnam, L., Wickswat, C., Buxton, S., Smith, R. and J. Karszes
2006-03	Dairy Farm Business Summary, New York Large Herd Farms, 300 Cows or Larger, 2005	(\$16.00)	Karszes, J., Knoblauch, W. and L. Putnam
2006-02	Moving Families Forward by New York FarmNet (video) 26:44	(\$9.99)	Staehr, A.
2006-01	A Value-Added Opportunity: Market Potential for Specialty Cheeses in Select New York Markets		Gloy, A. and M. Stephenson
2005-16	Dairy Farm Business Summary, New York Dairy Farm Renters, 2004	(\$16.00)	Knoblauch, W. and L. Putnam
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2005-13	Dairy Farm Business Summary, Central Valleys Region, 2004	(\$12.00)	Knoblauch, W., Karszes, J., Radick, C., Welch, D. and L. Putnam
2005-12	Income Tax Management and Reporting For Small Businesses and Farms: 2005 Reference Manual for Regional Schools	(\$20.00)	Cuykendall, C. and G. Bouchard
2005-11	Using Farm Assets for Retirement	(\$12.00)	Richard, S.
2005-10	Dairy Farm Business Summary, Southeastern New York Region, 2004	(\$12.00)	Knoblauch, W., Putnam, L., Kiraly, M., Walsh, J., Hadcock, S. and L. Hulle
2005-09	Dairy Farm Business Summary, Western and Central Plateau Region, 2004	(\$12.00)	Knoblauch, W., Putnam, L., Karszes, J., Grace, J., Munsee, D., Schuelke, J. and J. Petzen

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