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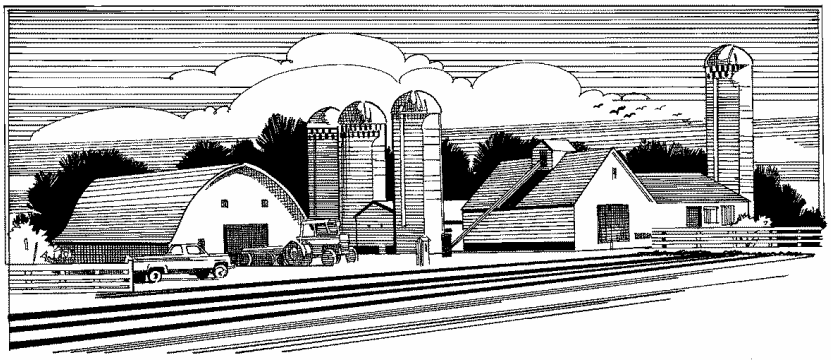
DAIRY FARM BUSINESS SUMMARY

OCTOBER 2006 *E.B. 2006-18*

NEW YORK DAIRY FARM RENTERS 2005



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2005 DAIRY FARM BUSINESS SUMMARY
NEW YORK DAIRY FARM RENTERS
Table of Contents

Page

INTRODUCTION 1

Use Comparative Profitability Data
With Caution 1

SUMMARY AND ANALYSIS OF THE FARM BUSINESS 3

Business Characteristics and
Resources Used 3

Income Statement 4

Profitability Analysis 7

Farm and Family Financial Status 9

Statement of Owner Equity 12

Cash Flow Statement 13

Repayment Analysis 15

Cropping Program Analysis 17

Dairy Program Analysis 18

Capital and Labor Efficiency Analysis 21

COMPARATIVE ANALYSIS OF THE FARM BUSINESS 22

Progress of the Farm Business 22

Condensed Summary and Selected Business Factors for Two Herd Size Groups 24

Regional Farm Business Chart 26

Regional Financial Analysis Chart 27

IDENTIFY AND SET GOALS 28

GLOSSARY AND LOCATION OF COMMON TERMS 30

INDEX 33

2005 NEW YORK DAIRY FARM RENTER BUSINESS SUMMARY

INTRODUCTION

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

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

This New York Dairy Farm Renter Business Summary is an average of 20 businesses that are renting substantially all of the farm real estate. The farm income, financial summary, and business analysis sections of this report include comparisons with average data on 38 owned dairy farms in New York that are similar in size and location to the farms that rent. This report is prepared in workbook form for farm renters to use in the systematic study of their farm business operations.

Business records for 20 farms in Chautauqua, Chenango, Delaware, Erie, Essex, Genesee, Lewis, Orange, Schenectady, Sullivan, Ulster and Wayne Counties are summarized in this publication (see Figure 1 on page 2). The 38 owned dairy farms summarized in this publication include farms from these counties that are similar in size to the renters.

Use Comparative Profitability Data With Caution

The profitability analysis on page 8 implies that renting a dairy farm provides a greater return to the operator's labor and management than does owning the farm. Concessionary rental rates set by some land owners is a factor. The farm owners are often father and mother and other landlords who are willing to accept a very low return for their investment. Total real estate costs including land, building and fence repair; taxes; real estate rent and lease; depreciation; and interest on real estate investment averaged $155 per tillable acre on the owned dairy farms compared to $96 per tillable acre on the rented farms. On a per cow basis, these real estate costs averaged $462 per cow on the owned dairy farms compared to $239 on the rented farms. This accounts for a $19,744 difference in costs between owned and rented farms. With this difference in cost structure, the renters averaged higher labor and management incomes per operator. A major factor is the lower interest on equity capital for renters versus farm owners. Opportunity cost of equity for renters was about half that for the owners.

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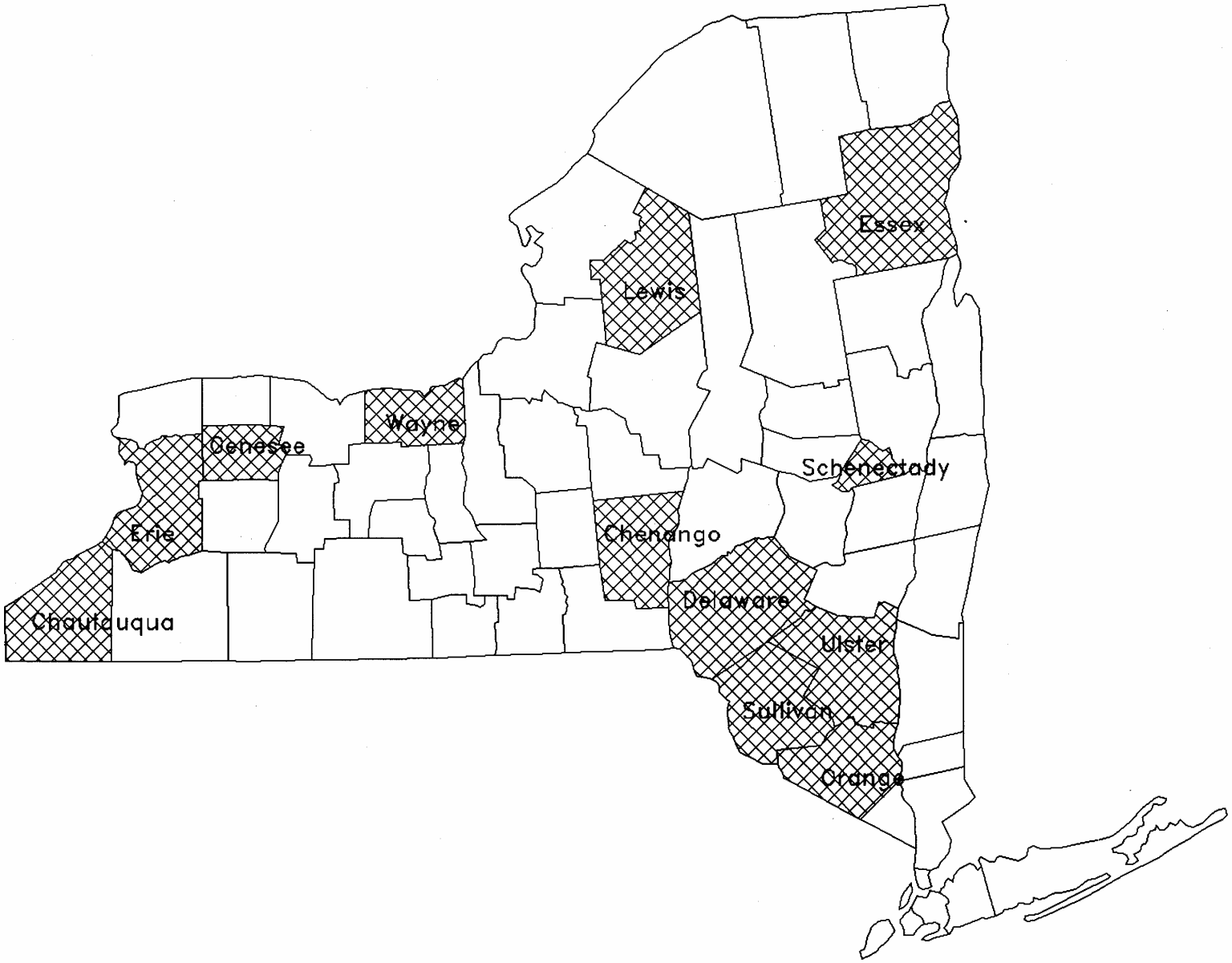
[1]Wayne A. Knoblauch, Linda D. Putnam and Jason Karszes, Dairy Farm Management Business Summary, New York, 2005, R.B. 2006-06, October 2006.

Figure 1. Location of 20 New York Dairy Farm Renters, 2005.



SUMMARY AND ANALYSIS OF THE FARM BUSINESS

Business Characteristics and Resources Used

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

BUSINESS CHARACTERISTICS AND RESOURCES USED
20 New York Dairy Farm Renters, 2005

Type of Business	Number	bST Usage		Number
Single proprietorship	10	Used consistently		2
Partnership	9	Used inconsistently		0
Limited liability corporation	0	Started usage in 2005		1
Subchapter S or C corporation	1	Stopped usage in 2005		0
		Not used in 2005		17
		Average percent usage, if used		72%
Milking System	**Number**			
Dumping station	0	**Labor Force***	**My Farm**	**Average**
Pipeline	11	Operator 1	____mo.	13.4
Herringbone parlor	5	Operator 2	____mo.	5.6
Other parlor	4	Family paid	____mo.	1.4
		Family unpaid	____mo.	4.4
Type of Barn	**Number**	Hired	____mo.	7.9
Stanchion	11	Total	____mo.	32.7
Freestall	6	Worker equivalent		
Combination	3	(total ÷ 12)	_____	2.72
Dairy Records Service	**Number**	Operator/Manager Equivalent	_____	1.42
Testing service	17			
On-farm system	0	**Land Use**	**My Farm**	**Average**
Other	0	Total acres rented	_____	331
None	3	Tillable acres rented	_____	232
Business Record System	**Number**	**Number of Cows**	**My Farm**	**Average**
Account book	6	Beg. year (owned)	_____	92
Accounting service	4	End year (owned & leased)	_____	95
On-farm computer	7	Average for year (owned & leased)	_____	93
Other	3			
		Breed of Herd	**My Farm**	**Percent**
Milking Frequency	**Number**	Holstein	_____	86
2 times a day	18	Jersey	_____	6
3 times a day	1	Other	_____	8
Other	1			

*Based on hours actually worked by owner/operator, instead of standard 12 months per full-time owner/operator. The standard 12 months is used for operator/manager equivalent when calculating labor and management income per operator.

Predominate business characteristics of the 20 rented farms include the single proprietorship, pipeline milking system, stanchion or conventional stall barn, two time a day milking, herd records with a testing service, and an on-farm computer record system. Thirty-five percent of the renters were using on-farm computers compared to 58 percent of the owners.

The average size of the labor force on the rented farms was similar to the 2.70 worker equivalent on owned farms. The rented farms averaged 232 tillable acres compared to 271 tillable acres on the 38 owned dairy farms. The owned farms averaged 34 cows per worker, as did the rented farms. In 2005, the rented farms used labor resources more efficiently than the owned farms when comparing pounds of milk sold per worker.

Income Statement

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

CASH AND ACCRUAL FARM EXPENSES
20 New York Dairy Farm Renters, 2005

Expense Item	Cash Paid	-	Change in Inventory or Prepaid Exp.	+	Change in Accounts Payable	=	Accrual Expenses	Percent of Total
Hired Labor	$ 16,218		$ 0	<<*	$ -700		$ 15,518	6
Feed								
Dairy grain & concentrate	82,341		136		668		82,873	33
Dairy roughage	13,965		702		-316		12,947	5
Nondairy	0		0		0		0	0
Professional nutritional services	230		0	<<	0		230	<1
Machinery								
Machinery, hire, rent & lease	6,085		0	<<	0		6,085	2
Machinery repair & farm veh. exp.	15,559		10		16		15,565	6
Fuel, oil & grease	10,439		444		28		10,023	4
Livestock								
Replacement livestock	4,053		0	<<	0		4,053	2
Breeding	5,162		111		69		5,120	2
Vet & medicine	8,562		10		113		8,665	3
Milk marketing	16,878		0	<<	60		16,938	7
Bedding	2,384		-10		0		2,394	1
Milking supplies	6,633		58		36		6,611	3
Cattle lease & rent	0		0	<<	0		0	0
Custom boarding	3,487		0	<<	-680		2,807	1
bST expense	2,330		-9		0		2,339	1
Livestock professional fees	1,229		-130	<<	24		1,383	<1
Other livestock expense	4,412		10		8		4,410	2
Crops								
Fertilizer & lime	8,298		-728		51		9,077	4
Seeds & plants	3,688		714		25		2,999	1
Spray, other crop expense	3,516		-30		-29		3,517	1
Crop professional fees	12		0	<<	0		12	<1
Real Estate								
Land, building & fence repair	3,279		20		-355		2,904	1
Taxes	2,920		0	<<	0		2,920	1
Rent & lease	13,786		0	<<	-738		13,048	5
Other								
Insurance	3,862		0	<<	0		3,862	2
Utilities (farm share)	10,284		0	<<	50		10,334	4
Interest paid	5,993		0	<<	0		5,993	2
Other professional fees	852		0	<<	0		852	<1
Miscellaneous	1,259		0		0		1,259	<1
Total Operating	$ 257,715		$ 1,308		$ -1,671		$ 254,736	100
Expansion livestock	$ 6,204		$ 0	<<	$ 0		$ 6,204	
Extraordinary expense	0		0	<<	0		0	
Machinery depreciation							16,604	
Building depreciation							1,013	
TOTAL ACCRUAL EXPENSES							$ 278,557	

*A change in prepaid expense is noted by <<.

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

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

Changes in prepaid expenses apply to non-inventory categories (noted by << in the tables). Include any expenses that have been paid for in advance of their use, for example, 2006 rent paid in 2005. A positive change is the amount the prepayment account increased from beginning to end year, a negative change indicates a decline in the account.

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

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

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

CASH AND ACCRUAL FARM EXPENSES WORKSHEET

Expense Item	Cash Paid	-	Change in Inventory or Prepaid Exp.	+	Change in Accounts Payable	=	Accrual Expenses
Hired Labor	$ _____		$ _____	<<*	$ _____		$ _____
Feed							
Dairy grain & concentrate	_____		_____		_____		_____
Dairy roughage	_____		_____		_____		_____
Nondairy	_____		_____		_____		_____
Professional nutritional services	_____		_____	<<	_____		_____
Machinery							
Machinery, hire, rent & lease	_____		_____	<<	_____		_____
Machinery repair & farm veh. exp.	_____		_____		_____		_____
Fuel, oil & grease	_____		_____		_____		_____
Livestock							
Replacement livestock	_____		_____	<<	_____		_____
Breeding	_____		_____		_____		_____
Vet & medicine	_____		_____		_____		_____
Milk marketing	_____		_____	<<	_____		_____
Bedding	_____		_____		_____		_____
Milking supplies	_____		_____		_____		_____
Cattle lease & rent	_____		_____	<<	_____		_____
Custom boarding	_____		_____	<<	_____		_____
bST expense	_____		_____		_____		_____
Livestock professional fees	_____		_____	<<	_____		_____
Other livestock expense	_____		_____		_____		_____
Crops							
Fertilizer & lime	_____		_____		_____		_____
Seeds & plants	_____		_____		_____		_____
Spray, other crop expense	_____		_____		_____		_____
Crop professional fees	_____		_____	<<	_____		_____
Real Estate							
Land, building & fence repair	_____		_____		_____		_____
Taxes	_____		_____	<<	_____		_____
Rent & lease	_____		_____	<<	_____		_____
Other							
Insurance	_____		_____	<<	_____		_____
Utilities (farm share)	_____		_____	<<	_____		_____
Interest paid	_____		_____	<<	_____		_____
Other professional fees	_____		_____	<<	_____		_____
Miscellaneous	_____		_____		_____		_____
Total Operating	$ _____		$ _____		$ _____		$ _____
Expansion livestock	$ _____		$ _____	<<	$ _____		$ _____
Extraordinary expense	$ _____		$ _____	<<	$ _____		$ _____
Machinery depreciation							_____
Building depreciation							_____
TOTAL ACCRUAL EXPENSES							$ _____

*A change in prepaid expense is noted by <<.

CASH AND ACCRUAL FARM RECEIPTS
20 New York Dairy Farm Renters, 2005

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk Sales	$ 288,680				$ 895		$ 289,575
Dairy cattle	19,350		$ 1,818		0		21,168
Dairy calves	5,561		750		0		6,311
Other livestock	200		-145		0		55
Crops	671		-3,697		212		-2,814
Government receipts	10,317		0*		0		10,317
Custom machine work	2,476				-50		2,426
Gas tax refund	256				0		256
Other	3,155				0		3,155
- Nonfarm noncash capital**	_____		(-) 0		_____		(-) 0
Total Accrual Receipts	$ 330,667		$ -1,274		$ 1,057		$ 330,450

*Change in advanced government receipts.
**Gifts or inheritances of cattle or crops included in inventory.

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

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

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

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

CASH AND ACCRUAL FARM RECEIPT WORKSHEET

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk Sales	$ _____				$ _____		$ _____
Dairy cattle	_____		$ _____		_____		_____
Dairy calves	_____		_____		_____		_____
Other livestock	_____		_____		_____		_____
Crops	_____		_____		_____		_____
Government receipts	_____		_____		_____		_____
Custom machine work	_____				_____		_____
Gas tax refund	_____				_____		_____
Other	_____				_____		_____
- Nonfarm noncash capital**			(-) _____				(-)_____
Total Accrual Receipts	$ _____		$ _____		$ _____		$ _____

Profitability Analysis

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

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

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

NET FARM INCOME
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Total accrual receipts	$ 330,450	$ 327,378	$ _____
+ Appreciation: Livestock	4,690	7,631	_____
Machinery	5,535	3,485	_____
Real Estate	403	6,560	_____
Other Stock & Certificates	-746	-188	_____
= Total Including Appreciation	$ 340,332	$ 344,866	$ _____
- Total accrual expenses	278,557	271,829	_____
= Net Farm Income (with appreciation)	$ 61,775	$ 73,038	$ _____
Per cow	$ 663	$ 800	$ _____
Net Farm Income (without appreciation)	$ 51,893	$ 55,549	$ _____
Per cow	$ 557	$ 608	$ _____

Labor and management income is the return which farm operators receive for their labor and management used in operating the farm business. Appreciation is not included as part of the return to labor and management because it results from ownership of assets rather than management of the farm business. Labor and management income is calculated by deducting from net farm income excluding appreciation a charge for unpaid family labor and the opportunity cost of using equity capital at a 5 percent interest rate. The interest charge of 5 percent reflects the long-term average rate of return that a farmer might expect to earn in comparable risk investments in a low inflation economy.

LABOR AND MANAGEMENT INCOME
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Net farm income without appreciation	$ 51,893	$ 55,549	$ _____
- Family labor unpaid @ $2,200 per month	- 9,724	- 4,886	- _____
- Interest on average equity capital @ 5% real rate	- 17,988	- 32,717	- _____
= Labor & Management Income	$ 24,182	$ 17,946	$ _____
Labor & Management Income per Operator/Manager	$ 17,029	$ 12,292	$ _____

Return to equity capital measures the net return remaining for the farmer's equity or owned capital after a charge has been made for unpaid family labor and 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 to equity capital is calculated with and without appreciation. The rate of return on equity capital is determined by dividing the amount returned by the average farm net worth or equity capital. Return to all capital is calculated by adding interest paid to the return to equity capital and then dividing by average farm assets to calculate the rate of return on average total capital. Net farm income from operations ratio is net farm income (without appreciation) divided by total accrual receipts.

RETURN TO EQUITY CAPITAL AND RETURN TO ALL CAPITAL
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Net farm income with appreciation	$ 61,775	$ 73,038	$ _____
- Family labor unpaid @ $2,200 per month	$ 9,724	$ 4,886	$ _____
- Value of operators' labor & management	43,532	44,061	_____
= Return to equity capital with appreciation	$ 8,520	$ 24,091	$ _____
+ Interest paid	5,993	10,919	_____
= Return to all capital with appreciation	$ 14,512	$ 35,010	$ _____
Return to equity capital without appreciation	$ -1,362	$ 6,603	$ _____
Return to all capital without appreciation	$ 4,630	$ 17,522	$ _____
Rate of return on average equity capital:			
with appreciation	2.4%	3.7%	_____ %
without appreciation	-0.4%	1.0%	_____ %
Rate of return on all capital:			
with appreciation	3.1%	4.0%	_____ %
without appreciation	1.0%	2.0%	_____ %
Net farm income from operations ratio	0.16	0.17	_____

Farm and Family Financial Status

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

2005 FARM BUSINESS & NONFARM BALANCE SHEET
20 New York Dairy Farm Renters

Farm Assets	Jan. 1	Dec. 31
Current		
Farm cash, checking & savings	$ 4,509	$ 3,479
Accounts receivable	20,258	21,315
Prepaid expenses	130	0
Feed & supplies	53,174	50,916
Total Current	$ 78,071	$ 75,710
Intermediate		
Dairy Cows:		
owned	$ 120,617	$ 126,430
leased	0	0
Heifers	66,853	68,227
Bulls & other livestock	892	818
Mach. & equip. owned	123,698	134,070
Mach. & equip. leased	500	16
Farm Credit stock	291	142
Other stock & cert.	26,969	27,762
Total Intermediate	$ 339,820	$ 357,465
Long Term		
Land & buildings:		
owned	$ 44,935	$ 48,795
leased	811	414
Total Long Term	$ 45,746	$ 49,209
Total Farm Assets	$ 463,637	$ 482,384

Farm Liabilities & Net Worth	Jan. 1	Dec. 31
Current		
Accounts payable	$ 5,459	$ 3,788
Operating debt	6,001	7,991
Short term	0	0
Advanced gov't. receipt	0	0
Current portion:		
Intermediate	15,421	17,562
Long term	4,375	4,672
Total Current	$ 31,257	$ 34,014
Intermediate		
Structured debt		
1-10 years	$ 56,085	$ 49,359
Financial lease (cattle & machinery)	500	16
Farm Credit stock	290	142
Total Intermediate	$ 56,875	$ 49,517
Long Term		
Structured debt		
≥ 10 years	$ 32,357	$ 27,626
Financial lease (structures)	811	414
Total Long Term	$ 33,168	$ 28,040
Total Farm Liabilities	$ 121,300	$ 111,571
FARM NET WORTH	$ 342,337	$ 370,813

(Average for 5 farms reporting)

Nonfarm Assets*	Jan.1	Dec. 31
Personal cash, checking & savings	$ 9,169	$ 10,740
Cash value life ins.	5,000	7,000
Nonfarm real estate	0	0
Auto (personal share)	4,200	2,600
Stocks & bonds	14,600	16,546
Household furn.	6,000	5,600
All other	6,400	7,200
Total Nonfarm	$ 45,369	$ 49,685

Nonfarm Liabilities* & Net Worth	Jan. 1	Dec. 31
Nonfarm Liabilities	$ 0	$ 0
NONFARM NET WORTH	$ 45,369	$ 49,685

FARM & NONFARM**	Jan. 1	Dec. 21
Total Assets	$ 509,006	$ 532,069
Total Liabilities	121,300	111,571
TOTAL FARM & NON-FARM NET WORTH	$ 387,706	$ 420,498

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

Financial lease obligations are included in the balance sheet. The present value of all future payments is listed as a liability since the farmer is committed to make the payments by signing the lease. The present value is also listed as an asset, representing the future value the item has to the business.

Advance 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.

Date _____

2005 FARM BUSINESS & NONFARM BALANCE SHEET

Farm Assets	Jan. 1	Dec. 31	Farm Liabilities & Net Worth	Jan. 1	Dec. 31
Current			Current		
Farm cash, checking			Accounts payable	_____	_____
& savings	_____	_____	Operating debt	_____	_____
			_____	_____	_____
Accounts receivable	_____	_____	Short term		
			_____	_____	_____
Prepaid expenses	_____	_____	Advanced gov't. receipt	_____	_____
Feed & supplies	_____	_____	Current portion:		
Total Current	_____	_____	Intermediate	_____	_____
			Long term	_____	_____
			Total Current	_____	_____
Intermediate			Intermediate		
Dairy Cows:			_____	_____	_____
owned	_____	_____	_____	_____	_____
leased	_____	_____	Financial lease		
Heifers	_____	_____	(cattle & machinery)	_____	_____
Bulls & other livestock	_____	_____	Farm Credit stock	_____	_____
Mach. & equip. owned	_____	_____	Total Intermediate	_____	_____
Mach. & equip. leased	_____	_____			
Farm Credit stock	_____	_____	Long Term		
Other stock & cert.	_____	_____	_____	_____	_____
Total Intermediate	_____	_____	_____	_____	_____
Long Term			Financial lease		
Land & buildings:			(structures)	_____	_____
owned	_____	_____	Total Long Term	_____	_____
leased	_____	_____			
Total Long Term	_____	_____	Total Farm Liabilities	_____	_____
Total Farm Assets	_____	_____	FARM NET WORTH	_____	_____

Nonfarm Assets	Jan.1	Dec. 31	Nonfarm Liabilities & Net Worth	Jan. 1	Dec. 31
Personal cash, checking			Nonfarm Liabilities	_____	_____
& savings	_____	_____	_____	_____	_____
Cash value life ins.	_____	_____	_____	_____	_____
Nonfarm real estate	_____	_____	_____	_____	_____
Auto (personal share)	_____	_____			
Stocks & bonds	_____	_____	Total Nonfarm Liabilities	_____	_____
Household furn.	_____	_____			
All other	_____	_____	Nonfarm Net Worth	_____	_____
Total Nonfarm	_____	_____			

TOTAL FARM & NONFARM	Jan. 1	Dec. 31
Total Farm and Nonfarm Assets	_____	_____
Less Total Farm & Nonfarm Liabilities	_____	_____
Farm & Nonfarm Net Worth	_____	_____

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. 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
New York Dairy Farm Renters and Owners, 2005

Item			20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Financial Ratios - Farm:					
Percent equity			77%	76%	_____ %
Debt/asset ratio:	total		0.23	0.24	_____
	long term		0.57	0.20	_____
	intermediate & current		0.19	0.28	_____
Leverage ratio			0.30	0.32	_____
Current ratio			2.23	2.83	_____
Working capital	$41,696	as % of total expenses	15%	($57,343) 21%	_____ ___%
Farm Debt Analysis:					
Accounts payable as % of total debt			3%	1%	_____ %
Long term liabilities as a % of total debt			25%	36%	_____ %
Current & intermediate liabilities as a % of total debt			75%	64%	_____ %
Cost of term debt (weighted average)			4.6%	5.0%	_____ %
Farm Debt Levels Per Cow:					
Total farm debt			$ 1,173	$ 2,310	$ _____
Long term debt			$ 295	$ 821	$ _____
Intermediate & long term debt			$ 815	$ 1,974	$ _____
Intermediate & current debt			$ 878	$ 1,489	$ _____

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

FARM MACHINERY AND EQUIPMENT INVENTORY BALANCE
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters		38 Dairy Farm Owners		My Farm	
Value beginning of year		$ 123,698		$ 184,688		$ _____
Purchases	$ 22,576		$ 31,416		$ _____	
+ Nonfarm noncash transfer	0		433		_____	
- Net Sales	1,135		793		_____	
- Depreciation	16,604		19,162		_____	
= Net investment		4,837		11,895		_____
+ Appreciation		5,535		3,485		_____
= Value end of year		$ 134,070		$ 200,067		$ _____

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

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

STATEMENT OF OWNER EQUITY (RECONCILIATION)
20 New York Dairy Farm Renters, 2005

Item	Average		My Farm	
Beginning of year farm net worth		$ 342,337		$ _____
Net farm income without appreciation	$ 51,893		$_____	
+ Nonfarm cash income	+ 524		+ _____	
- Personal withdrawals & family expenditures excluding nonfarm borrowings	- 38,946		- _____	
RETAINED EARNINGS		+ $ 13,472		+ $ _____
Nonfarm noncash transfers to farm	$ 3,600		$_____	
+ Cash used in business from nonfarm capital	+ 1,609		+ _____	
- Note/mortgage from farm real estate sold (nonfarm)	- 0		- _____	
CONTRIBUTED/WITHDRAWN CAPITAL		+ $ 5,209		+ $ _____
Appreciation	$ 9,882		$_____	
- Lost capital	- 810		- _____	
CHANGE IN VALUATION EQUITY		+ $ 9,072		+ $ _____
IMBALANCE/ERROR		- $ -723		- $ _____
End of year farm net worth*		= $ 370,813		= $ _____
Change in net worth with appreciation.		$ 28,476		$ _____

Change in Net Worth		
Without appreciation	$ 18,594	$ _____
With appreciation	$ 28,476	$ _____

*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
20 New York Dairy Farm Renters, 2005

Item		Average	
Cash Flow from Operating Activities			
Cash farm receipts	$ 330,667		
- Cash farm expenses	257,715		
- Extraordinary expense	0		
= Net cash farm income		$ 72,952	
Personal withdrawals & family expenses including nonfarm debt payments	$ 38,945		
- Nonfarm income	524		
- Net cash withdrawals from the farm		$ 38,421	
= Net Provided by Operating Activities			$ 34,531
Cash Flow From Investing Activities			
Sale of assets: Machinery	$ 1,135		
+ real estate	0		
+ other stock & certificates	0		
= Total asset sales		$ 1,135	
Capital purchases: expansion livestock	$ 6,204		
+ machinery	22,576		
+ real estate	1,680		
+ other stock & certificates	1,539		
- Total invested in farm assets		$ 31,999	
= Net Provided by Investment Activities			$ -30,864
Cash Flow From Financing Activities			
Money borrowed (intermediate & long term)	$ 13,788		
+ Money borrowed (short term)	0		
+ Increase in operating debt	1,990		
+ Cash from nonfarm capital used in business	1,609		
+ Money borrowed - nonfarm	0		
= Cash inflow from financing		$ 17,388	
Principal payments (intermediate & long term)	$ 22,807		
+ Principal payments (short term)	0		
+ Decrease in operating debt	0		
- Cash outflow for financing		$ 22,807	
= Net Provided by Financing Activities			$ -5,419
Cash Flow From Reserves			
Beginning farm cash, checking & savings		$ 4,509	
- Ending farm cash, checking & savings		3,479	
= Net Provided from Reserves			$ 1,030
Imbalance (error)			$ -722

ANNUAL CASH FLOW STATEMENT

Item		My Farm	
Cash Flow from Operating Activities			
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			$ _____
Cash Flow From Investing Activities			
Sale of assets: Machinery	$ _____		
+ real estate	_____		
+ other stock & certificates	_____		
= Total asset sales		$ _____	
Capital purchases: expansion livestock	$ _____		
+ machinery	_____		
+ real estate	_____		
+ other stock & certificates	_____		
- Total invested in farm assets		$ _____	
= Net Provided by Investment Activities			$ _____
Cash Flow From Financing Activities			
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			$ _____
Cash Flow From Reserves			
Beginning farm cash, checking & savings		$ _____	
- Ending farm cash, checking & savings		_____	
= Net Provided from Reserves			$ _____
Imbalance (error)			$ _____

Repayment Analysis

The second step in cash flow analysis is to compare the debt payments planned for the last year with the amount actually paid. The measures listed below provide a number of different perspectives on the repayment performance of the business. However, the critical question to many farmers and lenders is whether planned payments can be made in 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 12 New York Dairy Farm Renters, 2004 & 2005*

	Average			My Farm		
	2005 Payments		Planned	2005 Payments		Planned
Debt Payments	Planned	Made	2006	Planned	Made	2006
Long-term	$ 8,126	$ 7,852	$ 8,201	$ _____	$ _____	$ _____
Intermediate-term	22,230	25,538	25,935	_____	_____	_____
Short-term	0	0	0	_____	_____	_____
Operating (net red.)	5,403	1,111	0	_____	_____	_____
Accounts payable (net reduction)	0	3,490	333	_____	_____	_____
Total	$ 35,758	$ 37,992	$ 34,469	$ _____	$ _____	$ _____
Per cow	$ 380	$ 403		$ _____	$ _____	
Per cwt. 2005 milk	$ 1.84	$ 1.96		$ _____	$ _____	
Percent of total 2005 receipts	10%	11%		_____	_____	
Percent of 2005 milk receipts	12%	13%		_____	_____	

*Farms that completed Dairy Farm Business Summaries for both 2004 and 2005.

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 planned payments (as of December 31, 2004) that could have been made with the amount available for debt service in 2005. Farmers that did not participate in DFBS last year will find in their report coverage ratios based on planned debt payments for 2006.

COVERAGE RATIOS
Same 12 New York Dairy Farm Renters, 2004 & 2005

Item	Average	Item	My Farm
Cash Flow Coverage Ratio		Debt Coverage Ratio	
Cash farm receipts	$ 354,211	Net farm income (w/o appreciation)	$ 44,189
- Cash farm expenses	279,064	+ Depreciation	15,546
+ Interest paid (cash)	7,158	+ Interest paid (accrual)	7,158
- Net personal withdrawals from farm*	33,739	- Net personal withdrawals from farm*	33,739
(A) = Amount Available for Debt Service	$ 48,566	(A') = Repayment Capacity	$ 33,153
(B) = Debt Payments Planned for 2005 (as of December 31, 2004)	$ 35,758	(B) = Debt Payments Planned for 2005 (as of December 31, 2004)	$ 35,758
(A/B)=Cash Flow Coverage Ratio for 2005	1.36	(A'/B)=Debt Coverage Ratio for 2005	0.93
Same 27 New York Dairy Farm Owners, 2004 & 2005			
(A) = Amount Available for Debt Service	$ 46,725	(A') = Repayment Capacity	$ 41,199
(B) = Debt Payments Planned for 2005	32,752	(B) = Debt Payments Planned for 2005	32,752
(A/B)=Cash Flow Coverage Ratio for 2005	1.43	(A'/B)=Debt Coverage Ratio for 2005	1.26

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

ANNUAL CASH FLOW WORKSHEET

Item	20 Dairy Farm Renters	My Farm Total	My Farm Per Cow	Expected Change	2006 Projection
Average number of cows	93	_____	_____		_____
Accrual Operating Receipts	(per cow)				
Milk	$3,107	$ _____	$ _____	_____	$ _____
Dairy cattle	227	_____	_____	_____	_____
Dairy calves	68	_____	_____	_____	_____
Other livestock	1	_____	_____	_____	_____
Crops	-30	_____	_____	_____	_____
Miscellaneous receipts	173	_____	_____	_____	_____
Total	$3,546	$ _____	$ _____	_____	$ _____
Accrual Operating Expenses					
Hired labor	$ 166	$ _____	$ _____	_____	$ _____
Dairy grain & concentrate	889	_____	_____	_____	_____
Dairy roughage	139	_____	_____	_____	_____
Nondairy feed	0	_____	_____	_____	_____
Professional nutritional services	2	_____	_____	_____	_____
Machinery hire, rent & lease	65	_____	_____	_____	_____
Machinery repair & vehicle exp.	167	_____	_____	_____	_____
Fuel, oil & grease	108	_____	_____	_____	_____
Replacement livestock	43	_____	_____	_____	_____
Breeding	55	_____	_____	_____	_____
Vet & medicine	93	_____	_____	_____	_____
Milk marketing	182	_____	_____	_____	_____
Bedding	26	_____	_____	_____	_____
Milking supplies	71	_____	_____	_____	_____
Cattle lease	0	_____	_____	_____	_____
Custom boarding	30	_____	_____	_____	_____
bST expense	25	_____	_____	_____	_____
Livestock professional fees	15	_____	_____	_____	_____
Other livestock expense	47	_____	_____	_____	_____
Fertilizer & lime	97	_____	_____	_____	_____
Seeds & plants	32	_____	_____	_____	_____
Spray & other crop expense	38	_____	_____	_____	_____
Crop professional fees	0	_____	_____	_____	_____
Land, building & fence repair	31	_____	_____	_____	_____
Taxes	31	_____	_____	_____	_____
Real estate rent & lease	140	_____	_____	_____	_____
Insurance	41	_____	_____	_____	_____
Utilities	111	_____	_____	_____	_____
Misc. & other professional fees	23	_____	_____	_____	_____
Total Less Interest Paid	$2,669	$ _____	$ _____	$ _____	$ _____
Net Accrual Operating Income	(Total)				
(without interest paid)	$ 81,707	$ _____			$ _____
- Change in livestock & crop inv.	-1,274	_____		_____	_____
- Change in accounts receivable	1,057	_____		_____	_____
- Change in feed & supply inv.*	1,308	_____		_____	_____
+ Change in accounts payable**	-1,671	_____		_____	_____
NET CASH FLOW	$ 78,945	$ _____			$ _____
- Net family withdrawals	38,374	_____		_____	_____
Available for Farm Debt Payments & Investments	$ 40,571	$ _____			$ _____
- Farm debt payments	31,903	_____		_____	_____
Available for Farm Investments	$ 8,668	$ _____			$ _____
- Capital purchases: cattle, machinery & improvements	$ 31,999	$ _____		$ _____	$ _____
Additional Capital Needed	$ 23,331	$ _____			$ _____

*Includes change in prepaid expenses. **Excludes change in interest account payable.

Cropping Program Analysis

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

LAND RESOURCES AND CROP PRODUCTION
New York Dairy Farm Renters Reporting, 2005

Item	Average of Farms Reporting			My Farm	
Crop Yields	Farms	Acres	Prod/Acre*	Acres	Prod/Acre
Hay crop	15	210	1.84 tons DM	_____	_____ tons DM
Corn silage	13	81	15.40 tons	_____	_____ tons
			4.98 tons DM	_____	_____ tons DM
Other forage	3	15	1.07 tons DM	_____	_____ tons DM
Total forage	15	283	2.61 tons DM	_____	_____ tons DM
Corn grain	0	0	0 bushels	_____	_____ bushels
Oats	0	0	0 bushels	_____	_____ bushels
Wheat	0	0	0 bushels	_____	_____ bushels
Other crops	2	40		_____	
Tillable pasture	2	20		_____	
Idle	0	0		_____	
Total Tillable Acres	20	232		_____	

*2005 average yields for 38 dairy farm owners in New York included: all hay crops, 2.5 tons dry matter per acre; corn silage, 18.7 tons per acre.

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

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

CROP MANAGEMENT FACTORS FOR FARMS GROWING FORAGES
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Total tillable acres per cow	3.08	2.97	_____
Total forage acres per cow	2.85	2.63	_____
Harvested forage dry matter, tons per cow	7.43	8.93	_____

Average fertilizer and lime, seeds and plants, and spray and other crop expenses have been computed per tillable acre in the first column of the table below for all farms that grew forages. Additional expense items such as fuels, labor, and machinery repairs are not included. There was not a sufficient number of farms providing a breakdown in expenses for hay crop and corn. Rotational grazing was used on 4 rented farms and 14 owned farms.

CROP RELATED ACCRUAL EXPENSES
New York Dairy Farm Renters and Owners, 2005

Expense	Total Per Tillable Acre	Hay Crop Per Acre	Hay Crop Per Ton DM	All Corn Per Acre	Corn Silage Per Ton DM	Corn Grain Per Dry Shell Bu.
Dairy Farm Renters:		----------Average of 3 Farms Reporting Individual Crop Costs----------				
Fertilizer & lime	$31.72	$ 24.06	$ 14.40	$ 74.45	$ 15.46	$ 0.00
Seeds & plants	8.56	3.33	3.35	23.11	5.12	0.00
Spray & other crop expense	12.60	0.00	0.00	42.51	7.30	0.00
Total	$52.88	$ 27.39	$ 17.75	$140.07	$ 27.88	$ 0.00
Dairy Farm Owners:		----------Average of 6 Farms Reporting Individual Crop Costs----------				
Fertilizer & lime	$31.00	$ 34.21	$ 18.74	$ 57.17	$ 10.29	$ 0.00
Seeds & plants	11.57	8.17	3.38	35.35	7.36	0.00
Spray & other crop expense	11.31	1.19	0.28	35.38	7.32	0.00
Total	$53.88	$ 43.57	$ 22.40	$127.90	$ 24.97	$ 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 FOR FARMS GROWING FORAGES
New York Dairy Farm Renters and Owners, 2005

Item	Average Per Tillable Acre: 15 Dairy Farm Renters	Average Per Tillable Acre: 38 Dairy Farm Owners	My Farm: Total Expenses	My Farm: Per Tillable Acre
Fuel, oil & grease	$ 38.89	$ 42.61	$ _____	$ _____
Machine repair & farm vehicle expense	59.87	74.96	_____	_____
Machine hire, rent & lease	26.29	21.41	_____	_____
Interest (5%)	26.12	35.72	_____	_____
Depreciation	63.85	70.60	_____	_____
Total	$215.02	$245.30	$ _____	$ _____

Dairy Program Analysis

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

DAIRY HERD INVENTORY
New York Dairy Farm Renters and Owners, 2005

	Dairy Cows		Heifers					
			Bred		Open		Calves	
Item	No.	Value	No.	Value	No.	Value	No.	Value
20 Dairy Farm Renters:								
Beginning year (owned)	92	$ 120,618	24	$ 31,185	31	$ 26,618	18	$ 9,050
+ Change w/o apprec.		3,238		-2,290		870		750
+ Appreciation		2,575		795		1,048		203
End year (owned)	95	$ 126,430	22	$ 29,690	33	$ 28,535	20	$ 10,003
End including leased	95							
Average number	93		74	(all age groups)				
38 Dairy Farm Owners:								
Beginning year (owned)	93	$ 125,129	25	$ 33,499	30	$ 27,241	19	$ 9,134
+ Change w/o apprec.		317		-505		-781		1,637
+ Appreciation		5,138		1,087		838		555
End year (owned)	93	$ 130,584	24	$ 34,080	30	$ 27,298	20	$ 11,327
End including leased	93							
Average number	91		72	(all age groups)				
My Farm:								
Beginning 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 productivity on the dairy farm. These measures of milk output are based on pounds of milk marketed during the year.

MILK PRODUCTION
New York Dairy Farm Renters and Owners, 2005

Item	20 Dairy Farm Renters	38 Dairy Farm Owners	My Farm
Total milk sold, pounds	1,856,355	1,756,878	_____
Milk sold per cow, pounds	19,918	19,245	_____
Average milk plant test, % butterfat	3.64%	3.46%	_____

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
New York Dairy Farm Renters and Owners, 2005

	20 Dairy Farm Renters		38 Dairy Farm Owners		My Farm	
Item	Number	Percent*	Number	Percent*	Number	Percent*
Cows sold for beef	26	27.4	19	20.8	_____	_____
Cows sold for dairy	1	1.2	5	5.3	_____	_____
Cows died	5	5.8	5	6.0	_____	_____
Culling rate**		33.2		26.8		_____

*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 are compared with the accrual costs of producing milk per hundredweight of milk. Using the whole farm method, operating cost of producing milk is estimated by deducting nonmilk accrual receipts from total accrual operating expenses plus expansion livestock purchased. Purchased input cost of producing milk is the operating cost plus depreciation. Total cost of producing milk includes the operating cost plus depreciation on machinery and buildings, the value of unpaid family labor, the value of operator(s') labor and management, and an interest charge for using equity capital.

COST OF PRODUCING MILK AND ACCRUAL RECEIPTS FROM MILK
New York Dairy Farm Renters and Owners, 2005

	20 Dairy Farm Renters		38 Dairy Farm Owners		My Farm	
Item	Total	Per Cwt.	Total	Per Cwt.	Total	Per Cwt.
Accrual Cost of Producing Milk						
Operating cost	$220,065	$11.85	$198,702	$11.31	$ _____	$ _____
Purchased input cost	$237,682	$12.80	$225,116	$12.81	$ _____	$ _____
Total cost	$308,925	$16.64	$306,780	$17.46	$ _____	$ _____
Accrual Receipts from Milk	$289,575	$15.60	$280,666	$15.98	$ _____	$ _____
Net Milk Receipts	$272,637	$14.69	$265,621	$15.12	$ _____	$ _____

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

DAIRY RELATED ACCRUAL EXPENSES
New York Dairy Farm Renters and Owners, 2005

	Average Per Cwt. Milk		My Farm
Item	20 Dairy Farm Renters	38 Dairy Farm Owners	Per Cwt.
Purchased dairy grain & concentrate	$4.46	$4.22	$ _____
Purchased dairy roughage	0.70	0.09	_____
Total Purchased Dairy Feed	$5.16	$4.31	$ _____
Purchased grain & concentrate as % of milk receipts	27%	27%	_____ %
Purchased feed & crop expense	$6.00	$5.15	$ _____
Purchased feed & crop expense as % of milk receipts	37%	33%	_____ %
Breeding	$0.28	$0.24	$ _____
Veterinary & medicine	0.47	0.50	_____
Milk marketing	0.91	0.86	_____
Bedding	0.13	0.12	_____
Milking supplies	0.36	0.35	_____
Cattle lease	0.00	0.00	_____
Custom boarding	0.15	0.10	_____
bST expense	0.13	0.09	_____
Livestock professional fees	0.07	0.08	_____
Other livestock expense	0.24	0.24	_____

Capital and Labor Efficiency Analysis

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

CAPITAL EFFICIENCY
New York Dairy Farm Renters and Owners, 2005

Item	Per Worker	Per Cow	Per Tillable Acre
20 Dairy Farm Renters:			
Farm capital	$ 173,901	$ 5,075	$ 2,041
Machinery & equipment	47,479	1,386	557
Ratios			
Asset turnover	Operating expense	Interest expense	Depreciation expense
0.72	0.77	0.02	0.05
38 Dairy Farm Owners:			
Farm capital	$ 320,607	$ 9,482	$ 3,189
Machinery & equipment	71,817	2,124	714
Ratios			
Asset turnover	Operating expense	Interest expense	Depreciation expense
0.40	0.72	0.03	0.08
My Farm:			
Farm capital	$_____	$ _____	$ _____
Machinery & equipment	_____	_____	_____
Ratios			
Asset turnover	Operating expense	Interest expense	Depreciation expense
____	____	____	____

LABOR FORCE ANALYSIS
New York Dairy Farm Renters and Owners, 2005

	20 Dairy Farm Renters		38 Dairy Farm Owners		My Farm	
Efficiency	Total	Per Worker	Total	Per Worker	Total	Per Worker
Cows, average number	93	34	91	34	_____	_____
Milk sold, pounds	1,856,355	681,857	1,756,878	649,693	_____	_____
Tillable acres	232	85	271	100	_____	_____

	20 Dairy Farm Renters		38 Dairy Farm Owners		My Farm	
Labor Costs	Total	Per Cow	Total	Per Cow	Total	Per Cow
Value of operator(s) labor*	$ 41,800	$ 449	$ 41,118	$ 450	$ _____	$ _____
Family unpaid*	9,724	104	4,884	54	_____	_____
Hired	15,518	166	24,625	270	_____	_____
Total Labor	$ 67,042	$ 719	$ 70,627	$ 774	$ _____	$ _____
Machinery Cost	$ 54,734	$ 587	$ 66,576	$ 729	$ _____	$ _____
Total Labor & Machinery	$ 121,775	$ 1,307	$ 137,203	$ 1,503	$ _____	$ _____
Hired labor expense per hired worker equivalent	$ 20,131		$ 25,607		$ _____	
Hired labor expense as % of milk sales	5.4%		8.8%		_____%	

*$2,200 per month.

COMPARATIVE ANALYSIS OF THE FARM BUSINESS

Progress of the Farm Business

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

PROGRESS OF THE FARM BUSINESS
Same 12 New York Dairy Farm Renters, 2004 & 2005

	Average		My Farm		
Selected Factors	2004	2005	2004	2005	Goal
Size of Business					
Average number of cows	97	94	_____	_____	_____
Average number of heifers	74	74	_____	_____	_____
Milk sold, lbs.	1,874,075	1,939,386	_____	_____	_____
Worker equivalent	2.93	2.90	_____	_____	_____
Total tillable acres	236	245	_____	_____	_____
Rates of Production					
Milk sold per cow, lbs.	19,387	20,595	_____	_____	_____
Hay DM per acre, tons	2.5	2.1	_____	_____	_____
Corn silage per acre, tons	15.4	13.6	_____	_____	_____
Labor Efficiency					
Cows per worker	33	32	_____	_____	_____
Milk sold per worker, lbs.	639,616	668,754	_____	_____	_____
Cost Control					
Grain & concentrate purchased as % of milk sales	31%	30%	_____ %	____ %	_____ %
Dairy feed & crop expense per cwt. milk	$6.46	$5.76	$_____	$ _____	$_____
Labor & machinery costs/cow	$1,249	$1,323	$_____	$ _____	$_____
Operating cost of producing cwt. milk	$11.95	$12.59	$_____	$ _____	$_____
Capital Efficiency*					
Farm capital per cow	$5,032	$5,345	$_____	$ _____	$_____
Machinery & equipment per cow	$1,553	$1,662	$_____	$ _____	$_____
Asset turnover ratio	0.77	0.68	_____	_____	_____
Profitability					
Net farm income without appreciation	$74,200	$44,189	$_____	$ _____	$_____
Net farm income with appreciation	$84,635	$51,255	$_____	$ _____	$_____
Labor & management income per operator/manager	$36,849	$12,879	$_____	$ _____	$_____
Rate of return on equity capital with appreciation	9.0%	0.1%	_____ %	____ %	_____ %
Rate of return on all capital with appreciation	7.4%	1.5%	_____ %	____ %	_____ %
Financial Summary					
Farm net worth, end year	$355,123	$369,543	$_____	$ _____	$_____
Debt to asset ratio	0.30	0.27	_____	_____	_____
Farm debt per cow	$1,546	$1,434	$_____	$ _____	$_____

*Average for the year.

RECEIPTS AND EXPENSES PER COW AND PER HUNDREDWEIGHT
Same 12 New York Dairy Farm Renters, 2004 & 2005

	2004		2005	
Item	Per Cow	Per Cwt.	Per Cow	Per Cwt.
Average Number of Cows	97		94	
Cwt. of Milk Sold		18,741		19,394
ACCRUAL OPERATING RECEIPTS				
Milk	$3,232	$16.67	$3,228	$15.67
Dairy cattle	276	1.42	177	0.86
Dairy calves	60	0.31	72	0.35
Other livestock	5	0.02	2	0.01
Crops	90	0.46	-94	-0.46
Miscellaneous receipts	113	0.58	189	0.92
Total Receipts	$3,776	$19.48	$3,574	$17.36
ACCRUAL OPERATING EXPENSES				
Hired labor	$ 227	$ 1.17	$ 256	$ 1.24
Dairy grain & concentrate	994	5.13	953	4.63
Dairy roughage	97	0.50	52	0.25
Nondairy feed	0	0.00	0	0.00
Professional nutritional services	8	0.04	4	0.02
Machine hire/rent/lease	15	0.08	28	0.14
Machinery repair & vehicle expense	160	0.83	168	0.82
Fuel, oil & grease	99	0.51	124	0.60
Replacement livestock	86	0.44	55	0.27
Breeding	63	0.32	68	0.33
Veterinary & medicine	89	0.46	102	0.49
Milk marketing	168	0.87	183	0.89
Bedding	32	0.16	34	0.17
Milking supplies	49	0.25	55	0.27
Cattle lease	0	0.00	0	0.00
Custom boarding	39	0.20	50	0.24
bST expense	30	0.15	40	0.19
Livestock professional fees	12	0.06	16	0.08
Other livestock expense	63	0.32	55	0.26
Fertilizer & lime	87	0.45	102	0.49
Seeds & plants	35	0.18	36	0.17
Spray/other crop expense	39	0.20	44	0.22
Crop professional fees	1	0.01	0	0.00
Land, building, fence repair	27	0.14	38	0.18
Taxes	38	0.20	42	0.20
Real estate rent/lease	149	0.77	147	0.72
Insurance	53	0.27	48	0.23
Utilities	116	0.60	138	0.67
Interest paid	58	0.30	76	0.37
Other professional fees	17	0.09	14	0.07
Miscellaneous	10	0.05	12	0.06
Total Operating Expenses	$2,860	$14.75	$2,940	$14.28
Expansion Livestock	0	0.00	0	0.00
Extraordinary Expense	1	0.01	0	0.00
Machinery Depreciation	139	0.72	155	0.75
Real Estate Depreciation	8	0.04	10	0.05
Total Expenses	$3,008	$15.52	$3,105	$15.08
Net Farm Income Without Appreciation	$ 768	$ 3.96	$ 469	$ 2.28

Condensed Summary and Selected Business Factors for Two Herd Size Groups

CONDENSED FARM BUSINESS SUMMARY FOR TWO RENTER GROUPS BY HERD SIZE
20 New York Dairy Farm Renters, 2005

	10 Dairy Farm Renters with < 68 Cows		10 Dairy Farm Renters with > 68 Cows	
Item	Per Cow	Per Cwt.	Per Cow	Per Cwt.
ACCRUAL EXPENSES				
Hired labor	$ 27	$ 0.15	$ 213	$ 1.03
Dairy grain & concentrate	702	3.96	951	4.61
Dairy roughage	173	0.98	128	0.62
Nondairy feed	0	0.00	0	0.00
Professional nutritional services	0	0.00	3	0.02
Machine hire, rent & lease	52	0.29	70	0.34
Machine repairs & farm vehicle expense	147	0.83	174	0.84
Fuel, oil & grease	94	0.53	112	0.54
Replacement livestock	31	0.18	47	0.23
Breeding	48	0.27	57	0.28
Veterinary & medicine	73	0.41	100	0.48
Milk marketing	194	1.09	178	0.86
Bedding	27	0.15	25	0.12
Milking supplies	86	0.48	66	0.32
Cattle lease & rent	0	0.00	0	0.00
Custom boarding	12	0.07	36	0.18
bST expense	4	0.02	32	0.16
Livestock professional fees	28	0.16	10	0.05
Other livestock expense	42	0.24	49	0.24
Fertilizer & lime	66	0.37	108	0.52
Seeds & plants	14	0.08	38	0.18
Spray & other crop expense	14	0.08	46	0.22
Crop professional fees	0	0.00	0	0.00
Land, building & fence repair	57	0.32	23	0.11
Taxes & rent	156	0.88	176	0.85
Utilities	108	0.61	112	0.54
Interest paid	63	0.36	65	0.31
Other professional fees	9	0.05	9	0.04
Misc. (including insurance)	47	0.28	57	0.28
Total Operating Expenses	$2,275	$12.83	$2,888	$13.98
Expansion livestock	52	0.29	71	0.35
Extraordinary expense	0	0.00	0	0.00
Machinery depreciation	149	0.84	188	0.91
Building depreciation	17	0.09	9	0.04
Total Accrual Expenses	$2,493	$14.05	$3,156	$15.28
ACCRUAL RECEIPTS				
Milk sales	$2,822	$15.91	$3,201	$15.51
Dairy cattle	155	0.88	251	1.22
Dairy calves	120	0.68	51	0.24
Other livestock	-3	-0.02	2	0.01
Crops	17	0.09	-46	-0.22
Miscellaneous receipts	105	0.59	196	0.95
Total Accrual Receipts	$3,215	$18.13	$3,654	$17.71
PROFITABILITY ANALYSIS (Total)				
Net farm income (without appreciation)	$33,353		$70,434	
Net farm income (with appreciation)	$33,939		$89,611	
Labor & management income/operator	$16,451		$17,465	
Rates of return on: Equity capital without appreciation	-4.9%		0.7%	
Equity capital with appreciation	-4.5%		4.1%	
All capital without appreciation	-1.9%		1.8%	
All capital with appreciation	-1.6%		4.4%	

SELECTED BUSINESS FACTORS FOR TWO RENTER GROUPS BY HERD SIZE
20 New York Dairy Farm Renters, 2005

Item	10 Dairy Farm Renters with < 68 Cows	10 Dairy Farm Renters with > 68 Cows
Cropping Program Analysis		
Total acres rented	191	470
Tillable acres rented	111	352
Hay crop acres*	130	279
Corn silage acres*	23	131
Hay crop, tons DM/acre*	1.3	2.0
Corn silage, tons/acre*	14.3	15.6
Forage DM per cow, tons*	6.2	7.8
Tillable acres/cow*	3.5	3.0
Fertilizer & lime expense/tillable acre*	$25.70	$36.99
Machinery cost/tillable acre*	$165	$231
Dairy Analysis		
Number of cows	46	140
Number of heifers	31	117
Milk sold, pounds	819,276	2,893,434
Milk sold/cow, pounds	17,733	20,638
Operating cost of producing milk/cwt.	$10.91	$12.12
Total cost of producing milk/cwt.	$17.65	$16.36
Price/cwt. milk sold	$15.91	$15.51
Purchased dairy feed/cow	$875	$1,079
Purchased dairy feed/cwt. milk	$4.94	$5.23
Purchased grain & concentrate as % of milk receipts	24%	30%
Purchased feed & crop expense/cwt. milk	$5.47	$6.15
Capital Efficiency		
Farm capital/worker	$117,266	$201,908
Farm capital/cow	$4,569	$5,242
Real estate/cow	$435	$534
Machinery investment/cow	$1,359	$1,394
Asset turnover ratio	0.71	0.72
Labor Efficiency		
Worker equivalent	1.80	3.64
Operator/manager equivalent	1.22	1.62
Milk sold/worker, lbs.	454,522	794,172
Cows/worker	26	38
Labor cost/cow	$952	$643
Financial Measures		
Percent equity	69%	79%
Debt/asset ratio - long term	1.07	0.42
Debt/asset ratio - intermediate & current	0.22	0.18
Change in net worth with appreciation	$22,594	$34,357
Total farm debt per cow	$1,401	$1,095
Debt payments made per cow	$438	$389
Debt payments as % of milk sales	16%	11%
Amount available for debt service	$32,037	$71,707
Debt coverage ratio for 2005	1.68	0.62

*Average of farms growing forages.

Regional Farm Business Chart

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

FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS
20 New York Dairy Farm Renters, 2005

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)
6.1	225	4,891,437	23,322	3.1	21	58	1,127,431
2.6	91	1,734,236	20,811	2.4	19	41	784,944
2.1	67	1,156,530	18,972	2.0	16	33	625,674
1.6	50	928,263	16,594	1.2	14	25	471,362
1.2	34	571,309	14,292	0.8	11	19	307,182

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)
$445	19%	$219	$988	$649	$4.11
651	22	455	1,244	999	5.17
851	27	594	1,362	1,135	5.73
923	30	709	1,537	1,222	6.46
1,240	36	859	1,830	1,534	8.06

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 Without Appreciation	Labor & Man-agement Income Per Operator
(12)	(12)	(12)	(4)	(4)	(4)
$3,690	$8.99	$14.09	$163,720	$127,374	$46,040
3,269	9.70	15.60	62,355	58,205	28,304
2,970	10.47	17.04	41,741	43,665	15,544
2,707	13.03	18.95	32,566	24,972	6,741
2,198	15.27	22.57	8,494	5,251	-21,754

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

Regional Financial Analysis Chart

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

FINANCIAL ANALYSIS CHART
20 New York Dairy Farm Renters, 2005

Liquidity (repayment)				
Planned Debt Payments Per Cow	Available for Debt Service Per Cow	Cash Flow Coverage Ratio	Debt Payments as Percent of Milk Sales	Debt Per Cow
(10)*	(16)	(10)	(10)	(7)
$ 80	$955	26.18	1%	$49
273	668	2.49	4	324
460	479	1.20	11	960
619	329	0.86	18	1,864
839	-43	-0.49	28	3,861

Solvency			Profitability	
		Debt/Asset Ratio	Percent Rate of Return with appreciation on:	
Leverage Ratio**	Percent Equity	Current & Intermediate	Equity	Investment***
(7)	(7)	(7)	(4)	(4)
-0.60	99%	0.01	38%	18%
0.06	95	0.06	8	8
0.15	82	0.16	0	0
0.69	55	0.33	-4	-4
1.79	8	0.55	-36	-20

Efficiency (Capital)			
Asset Turnover Ratio	Machinery Investment Per Cow	Total Farm Assets Per Cow	Change in Net Worth With Appreciation
(14)	(14)	(14)	(8)
1.58	$305	$8,090	$101,174
0.72	876	6,348	39,187
0.66	1,335	4,924	18,468
0.55	1,942	3,778	2,239
0.48	3,015	2,566	-18,691

*Page number of the participant's DFBS where the factor is located.
**Dollars of debt per dollar of equity, computed by dividing total liabilities by total equity.
***Return on all farm capital (no deduction for interest paid) divided by total farm assets.

IDENTIFY AND SET GOALS

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

1. Goals should be **S**pecific.

2. Goals should be **M**easurable.

3. Goals should be **A**chievable but challenging.

4. Goals should be **R**ewarding.

5. You should designate a **T**ime when each goal will be achieved.

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

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

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

a. Begin with a mission statement which describes why the business exists based on the preferences and values of the owners.

b. Identify 4-6 objectives.

c. Identify SMART goals.

Worksheet for Setting Goals

I. Mission and Objectives

_____

_____

_____

_____

_____

_____

_____

Worksheet for Setting Goals (continued)

II. Goals

What	How	When	Who is Responsible

Summarize Your Business Performance

The Farm Business and Financial Analysis Charts on pages 26 and 27 can be used to help identify strengths and weaknesses of your farm business. Identify three major strengths and three areas of your farm business that need improvement.

Strengths:_____

_____

_____

_____

_____

_____

_____

Need Improvements: _____

_____

_____

_____

_____

_____

_____

GLOSSARY AND LOCATION OF COMMON TERMS

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

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

Accrual Expenses - (defined on page 5)

Accrual Receipts - (defined on page 6)

Annual Cash Flow Statement - (defined on page 13)

Appreciation - (defined on page 7)

Asset Turnover Ratio - (defined on page 21)

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

bST Usage - An estimate of percentage of herd that was injected 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 15)

Cash Paid - (defined on page 4)

Cash Receipts - (defined on page 6)

Change in Accounts Payable - (defined on page 5)

Change in Accounts Receivable - (defined on page 6)

Change in Inventory - (defined on page 4)

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 10 and 11 of the data entry form.

Culling Rate - (defined on page 19)

Current Portion - Principal due in the next year for intermediate and long term debt.

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

Debt to Asset Ratios - (defined on page 11)

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 15.

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

Financial Lease - A long-term non-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 equivalent.

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 8)

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

Labor Efficiency - Production capacity and output per worker.

Leverage Ratio - (defined on page 11)

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

Net Farm Income - (defined on page 7)

Net Farm Income from Operations Ratio - (defined on page 8)

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

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

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

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

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

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

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

Personal Withdrawals and Family Expenditures Including Nonfarm Debt Payments - All the money removed from the farm business for personal or nonfarm use including family living expenses, health and life insurance, income taxes, nonfarm debt payments, and investments.

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

Purchased Inputs Cost of Producing Milk - (defined on page 20)

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

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

Return on Equity Capital - (defined on page 8)

Return on Total Capital - (defined on page 8)

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

Rotational Grazing - The dairy herd is on pasture at least three months of the year, changing paddock at least every three days.

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

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

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

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. Calculate as current farm assets at end year less current farm liabilities at end year.

INDEX

Page(s)

Accounts Payable 4,9
Accounts Receivable 6,9
Accrual Expenses 4,7
Accrual Receipts 6,7
Acreage 3,17
Advanced Government Receipts 9,10
Amount Available for Debt Service 15
Annual Cash Flow Statement 13
Appreciation 7,8,11,12,19
Asset Turnover Ratio 21
Balance Sheet 9
Barn Type 3
bST Usage 3
Business Type 3
Capital Efficiency 21
Cash From Nonfarm Capital Used in the Business 13
Cash Flow Coverage Ratio 15
Cash Paid 4
Cash Receipts 6,13
Change in Accounts Payable 4
Change in Accounts Receivable 6
Change in Inventory 4,6
Change in Net Worth 12
Cost of Term Debt 11
Crop Expenses 4,18
Crop/Dairy Ratios 17
Culling Rate 19
Current Portion 9
Current Ratio 11
Dairy (farm) 1
Debt Coverage Ratio 15
Debt Per Cow 11
Debt to Asset Ratios 11
Depreciation 4,11
Depreciation Expense Ratio 21
Dry Matter 17
Equity Capital 9
Expansion Livestock 4,13
Expenses 4
Farm Business Chart 26
Farm Debt Payments as Percent of Milk Sales 15
Farm Debt Payments Per Cow 15
Financial Analysis Chart 26
Financial Lease 9
Hired Labor Expense per Hired Worker Equivalent 21
Hired Labor Expense as % of Milk Sales 21
Income Statement 4
Inflows 13

Page(s)

Interest Expense Ratio 21
Labor and Management Income 8
Labor and Management Income per Operator 8
Labor Efficiency 21
Land Resources 17
Leverage Ratio 11
Liquidity 11
Machinery Expenses 4,18
Milk Production 19
Milking System 3
Money Borrowed 13
Net Farm Income 7
Net Farm Income from Operations Ratio 8
Net Investment 11
Net Worth 9
Number of Cows 19
Operating Cost of Producing Milk 20
Operating Expense Ratio 21
Opportunity Cost 8
Other Livestock Expenses 4
Outflows 13
Personal Withdrawals and Family Expenditures Including Nonfarm Debt Payments 13
Principal Payments 13
Profitability 7
Purchased Inputs Cost of Producing Milk 20
Receipts 6
Record System 3
Repayment Analysis 15
Replacement Livestock 4
Retained Earnings 12
Return on Equity Capital 8
Return on Total Capital 8
Rotational Grazing 18
Solvency 11
Total Costs of Producing Milk 20
Whole Farm Method 20
Worker Equivalent 3
Working Capital 11
Yields Per Acre 17

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