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FARM BUSINESS ANALYSIS AND SUMMARY

12 Chautauqua County Grape Farms

1967

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FARM BUSINESS ANALYSIS AND SUMMARY
12 Chautauqua County Grape Farms
1967

This report is a summary and analysis of the farm business records kept by 12 Chautauqua County grape growers for the 1967 calendar year.

The records were kept under the Electronic Accounting Program with the assistance and supervision of T. D. Jordan, Associate County Agricultural Agent in Chautauqua County. Information recorded included expenses and receipts and beginning and ending inventories on each entire farm business.

Except for one farm, grape growing was the most important single enterprise on each of the 12 farms and 70 per cent or more of the total work units were used on this fruit.

The last grape record keeping project in this County covered the years 1956-1958. As was true in the earlier projects, growers included in this report were not selected at random. They were ones interested in a financial record of their businesses and a comparison with averages of other farms. This should be kept in mind as one studies this report. However, this report is useful to any grape grower. It provides a simple framework for summarizing and analyzing the farm business. Also, it provides standards which any grower can use as a basis for comparison to determine how his operations measure up to these averages.

T. D. Jordan, Associate Cooperative Extension Agent, Chautauqua County, supervised the records kept by the cooperating growers. This summary was prepared by Professors B. A. Dominick, Jr., and C. W. Loomis, Department of Agricultural Economics, Cornell University.

Chautauqua County Grape Growers
Summary
1967

MEASURING THE PROFIT OR LOSS FROM THE FARM BUSINESS IN 1967

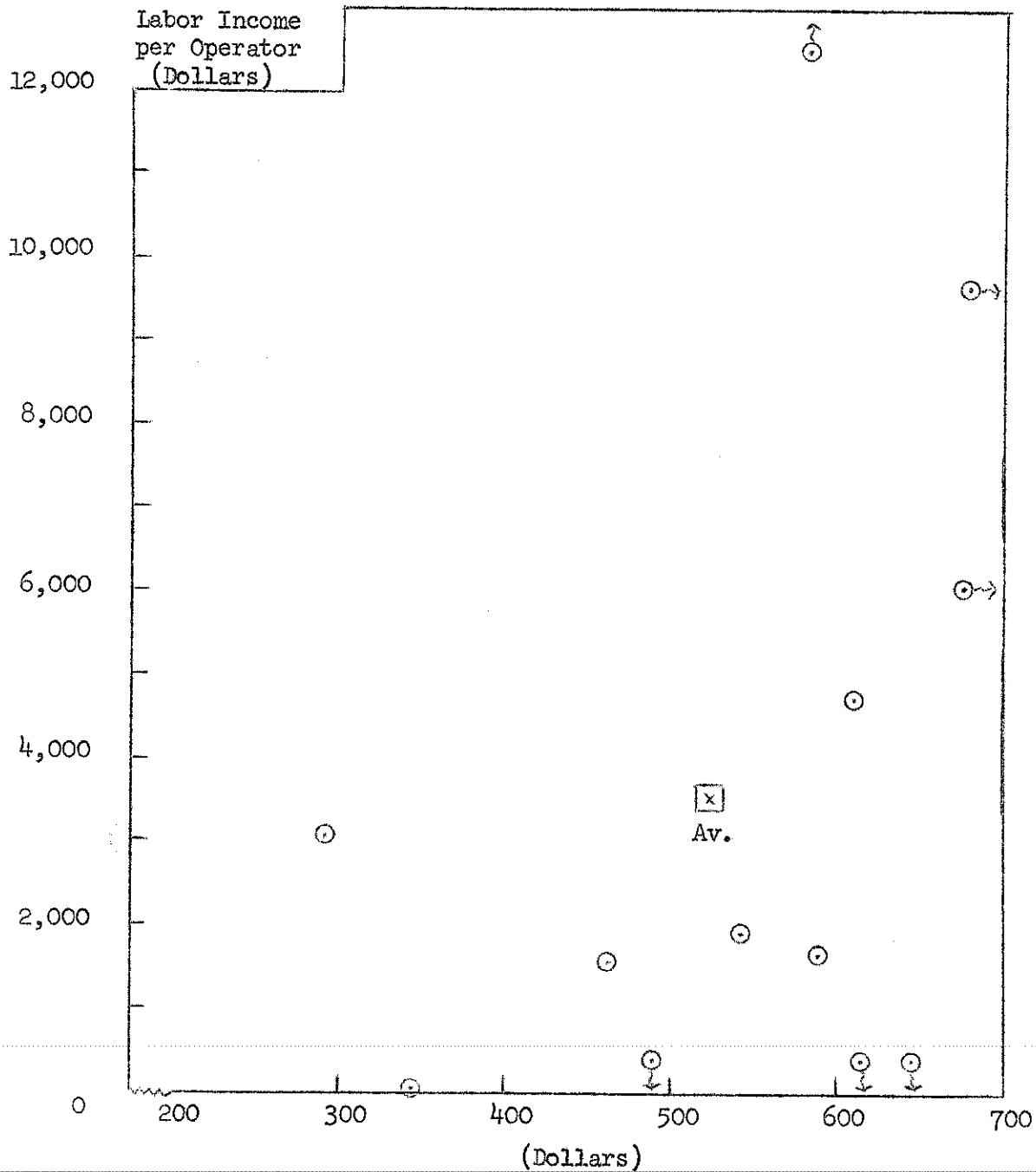
<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u> 1967 <u>12 Farms</u>
Average farm inventory	\$ _____	\$131,594.
Farm receipts, grapes (cash receipts, 1967*)	\$ _____	\$ 30,395.
Farm receipts, other	_____	<u>17,255.</u>
Total farm receipts	\$ _____	\$ 47,650.
Farm expenses	_____	<u>37,503.</u>
Farm income	\$ _____	\$ 10,147.
Interest on capital @ 5 per cent	_____	<u>6,580.</u>
Labor income per farm	\$ _____	\$ 3,567.
Total number of operators	_____	14
Labor income per farm operator	\$ _____	\$ 3,057.

Labor income is the return the farm operator receives for his labor and management, in addition to the use of a house and products from the farm. It is the amount left after paying all farm expenses, and deducting a charge for unpaid family labor, and for interest on all of the capital invested in the business.

Because receipts from the grape crop are spread over two or three years, labor income as measured here for one year is somewhat misleading.

* In calculating receipts, all cash income from grapes received in 1967 was included, regardless of what crop the payment was for. All grape certificates for the 1965-66 crops were valued at 55 per cent of the face value, and added to cash receipts.

DISTRIBUTION OF LABOR INCOMES



1967 Grape Receipts Per Acre Of Bearing Grapes

Chautauqua County Grape Growers
Summary
1967

CAPITAL INVESTMENT

Farm Inventories, End of Year

<u>Items</u>	<u>My Farm</u>	Average per <u>Farm</u>	Per Cent of <u>Total</u>
Livestock	\$ _____	\$ 2,492.	2
Crops, feed and supplies	_____	2,784.	2
Machinery and equipment	_____	17,684.	13
Land and buildings	_____	<u>111,273.</u>	<u>83</u>
Total farm inventories	\$ <u>_____</u>	<u>\$134,233.</u>	<u>100</u>
Man equivalent	_____	4.5	
Investment per man	\$ _____	\$ 29,830.	
Number of acres in grapes	_____	60	
Investment per acre in grapes	\$ _____	\$ 2,237.	
Number of acres in fruit	_____	63	
Investment per acre in fruit	\$ _____	\$ 2,131.	
Number of crop acres	_____	101	
Investment per acre in crops	\$ _____	\$ 1,329.	

Based on end of year inventory values, the total capital investment on these 12 grape farms averaged \$134,233.

Investment costs are an important part of your costs of operation. If yours are out of line in relation to your productive capacity, this means an added burden in overhead cost.

Chautauqua County Grape Growers
Summary
1967

SOURCES OF INCOME

Farm Receipts

<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u>	<u>Per Cent of Total</u>
Grape receipts			
1967 crop	\$ _____	\$ 17,000.	
1966 crop	_____	6,833.	
1965 crop	_____	2,060.	
1965-66 crop (certificate)	_____	<u>4,502.</u>	
Total grape receipts*	\$ _____	\$ 30,395.	64
Other crop receipts	_____	4,752.	10
Livestock products and livestock sales	_____	4,417.	9
Work off farm	_____	141	**
Miscellaneous receipts	_____	2,668.	6
Increase in inventory	_____	<u>5,277.</u>	<u>11</u>
Total farm receipts	\$ _____	\$ <u>47,650.</u>	<u>100</u>

Grape income comprised 64 per cent of total farm receipts. More than half of the grape income received in 1967 was for the current crop.

Increase in inventory is included as a farm receipt because it is assumed that the added inventory value could be turned into cash at the owner's discretion. The increase in inventory came about through additional investment in machinery and in land and buildings,

* Cash received during 1967, plus cash value of 1965-66 grape certificates calculated at 55 per cent of face value.

** Less than one-half of one percent.

Chautauqua County Grape Growers
Summary
1967

FARM EXPENSES

<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u>	<u>Per Cent of Total</u>
Livestock expense	\$ _____	\$ 453.	1
Lime and fertilizer	_____	2,149.	5
Seeds and plants	_____	443.	1
Storage and containers	_____	395.	1
Spray materials	_____	850.	2
Vineyard and other crop expense	_____	1,185.	3
Gas and oil	_____	1,108.	3
Auto and truck	_____	141.	-
Equipment repair	_____	2,167.	6
Machine hire	_____	382.	1
Real estate upkeep	_____	676.	2
Regular hired labor*	_____	3,561.	10
Other hired labor*	_____	11,217.	30
Telephone and electricity	_____	366.	1
Taxes	_____	1,777.	5
Insurance	_____	671.	2
Miscellaneous farm expense	_____	1,535.	4
New buildings	_____	2,217.	6
New machinery	_____	3,535.	9
Livestock bought	_____	1,675.	5
Unpaid family labor	_____	1,000.	3
Total farm expenses	\$ _____	\$37,503.	100

Farm expenses on these 12 Chautauqua County farms averaged \$37,503. Hired labor was the most important, accounting for 40 per cent of the total. Equipment costs were the next largest expense. The combined costs of gas, truck and auto, equipment repair, machine hire, and new machinery accounted for 19 per cent of all expenses.

* In some cases, the division of labor expense was estimated.

Chautauqua County Grape Growers
Summary
1967

POWER AND MACHINERY COSTS*

Successful farm managers have substituted power and machinery for labor to a large degree. As this process continues, it is vitally important to retain control of the costs associated with owning and operating farm equipment.

Item	My farm	Average per farm
Beginning inventory	\$ _____	\$16,545.
New machinery bought	_____	<u>3,534.</u>
Total	\$ _____	\$20,079.
End inventory	\$ _____	\$17,684.
Machinery sold	_____	364.
Total	\$ _____	<u>\$18,048.</u>
Depreciation	\$ _____	\$ 2,031.
Interest at 5% av. inventory	_____	856.
Gas and oil	_____	1,108.
Machinery repairs	_____	2,167.
Machine hire	_____	382.
Auto expenses (farm share)	_____	141.
Electricity (farm share)	_____	<u>197.</u>
TOTAL MACHINERY COSTS	\$ _____	\$ 6,882.
Gas tax refunds	\$ _____	\$ 105.
Income from machine work	_____	848.
NET MACHINERY COST	\$ _____	\$ 5,929.
Acres in crops	_____	101
Machinery cost per crop acre	\$ _____	\$ 59.
Man equivalent	_____	4.5
Machinery cost per man	\$ _____	\$ 1,318.

All net machinery costs including depreciation, totaled \$5,929. on the 12 grape farms, machinery costs on a crop acre basis averaged \$59.

Efficiency in the use of equipment is an important factor affecting profits in farming. These equipment costs varied from farm to farm.

* Does not include housing or repair labor costs.

Chautauqua County Grape Growers
Summary
1967

LABOR AND MACHINERY COSTS

Most farm operators justify major machinery purchases as a way to save labor and increase productivity. How well labor and machinery are combined has an important bearing on farm profits.

LABOR AND POWER AND MACHINERY COSTS

Item	My farm	Average per farm
Value of operator's labor*	\$ _____	\$ 5,213.
Hired labor	_____	14,778.
Unpaid family labor	_____	<u>1,000.</u>
TOTAL LABOR COSTS	\$ _____	\$20,991.
Net power and machinery cost	_____	<u>5,929.</u>
TOTAL LABOR & MACHINERY COST	\$ _____	\$26,920.

Total labor and machinery cost per crop acre	_____	\$ 267.
Total labor and machinery cost per man	_____	5,982.

* Valued at a rate of \$5,400. per operator per year. Some farms had more than one operator.

Chautauqua County Grape Growers
Summary
1967

	<u>My Farm</u>	<u>Average per farm</u>
<u>Measures of Size</u>		
1. Acres in bearing grapes	_____	58
2. Acres in non-bearing grapes	_____	2
3. Total acres in fruit	_____	63
4. Total crop acres	_____	101
5. Man equivalent	_____	4.5
6. Total work units	_____	931
7. Tons grapes sold	_____	322
<u>Labor Efficiency</u>		
1. Acres in grapes per man	_____	13
2. Tons grapes produced per man	_____	72
3. Crop acres per man	_____	22
4. Work units per man	_____	207
<u>Rates of Production</u>		
1. Grape yield per acre (tons)	_____	5.6
2. Grape receipts per acre of bearing grapes	\$ _____	\$524.
<u>Degree of Specialization</u>		
1. Per cent work units on grapes	_____	75
2. Per cent gross income from grapes	_____	64

These business analysis factors show the size of the grape enterprise and its relation to the whole farm business on the 12 farms. They also show measures of labor efficiency and rates of grape production.

A grape producer can gain valuable information about the strong and weak points of his grape enterprise by comparing data from his business with the average on the 12 farms.

Chautauqua County Grape Growers
Summary
1967

AN ARRAY OF BUSINESS FACTORS

Acres of bearing grapes	Total work units	Yield per acre of bearing grapes	Investment per acre of grapes (bearing and non-bearing)	Percent of total work units on grapes
		(tons)	(dollars)	
110	1912	7.4	1072	100
100	1720	7.0	1351	100
95	1419	6.8	1606	97
65	1182	6.3	1652	97
63	860	6.0	1994	96
55	756	5.8	2248	96
45	707	5.6	2627	95
41	680	5.6	2718	91
41	569	5.1	2801	90
40	555	4.9	3007	70
25	512	4.3	3097	70
14	300	4.2	*	*

* One farm with large enterprise other than grapes is omitted.

USE YOUR RECORDS

Good farm records are worth many dollars to the farm manager. Here are the most important uses:

A Diary -- In planning work this month and this year, it helps to "check the record" to find out what action was taken last month or last year.

To Analyze the Business -- The operator of a commercial farm business must move fast to keep up-to-date. Good records will show him the strong and weak points of his business. This information provides a foundation on which to make changes to build a more profitable business.

For Tax Purposes -- Tax obligations make it a must to have complete records. Tax dollars can be saved every year by using farm records. Equally important are good records at the time of a sale of part or all of the farm property.

For Family Partnerships -- When a farm is owned and operated by father and son or other family combination, records are necessary for fair treatment of all family members. Good records will settle many disagreements before they start.

For Credit -- Most commercial farm businesses use credit. A record of cash receipts and expenses, together with an annual inventory are required by most lenders. Such records provide for wiser use of farm credit, and better understanding between borrower and lender.

In Case of Family or Business Crises -- At the death of the farm operator, good records can save the heirs time, money, and heartache. Annual inventories are especially important for this purpose. Inventories are also worth a lot in case of a fire or other disaster.

Keeping farm records is only part of the job. Learning to use them is even more important. Don't be satisfied just to meet tax requirements. You owe it to yourself and your business to make greater use of your farm records. They can be your most valuable farm equipment.