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GRAPE FARM BUSINESS SUMMARY

GREAT LAKES REGION 1980

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GREAT LAKES REGION GRAPE FARM BUSINESS

SUMMARY AND ANALYSIS, 1980

This is a summary and analysis of the 1980 farm business records from 10 commercial grape farms in the Great Lakes Region of New York. The summary was prepared by Gerald B. White, Department of Agricultural Economics, Cornell University; and Trenholm D. Jordan, Regional Extension Grape Specialist.

The main purpose of this study is to help the cooperators in this project and other grape growers to improve their skills as farm managers. The objective is to demonstrate the importance of good business records and to show how they can be used as a base for sound management decisions.

The summary and analysis presented in this publication should also be useful to agribusinessmen and agricultural teachers. However, caution should be exercised in using data from this book. These data were not obtained by using a random or representative sample of all grape farms in Western New York. This publication, therefore, should not be used as an exact representation of the entire Great Lakes Region grape farm industry.

This report has been prepared for use in a systematic study of individual farm business operations.

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The 1980 Crop Year

Grape production in New York State was 166 thousand tons in 1980, five percent above 1979 and well above the disastrous crop yields in 1977. The four counties which comprise the Great Lakes Grape Region (Chautauqua, Cattaraugus, Erie, and Niagara) had a 9 percent increase in total production. Prices were, however, down from 1979. The average price paid to New York growers decreased from \$232 to \$209 per ton for all varieties, and from \$210 to \$185 for Concords.

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Tons of grapes produced, all varieties					
Great Lakes Region	113,495	62,086	114,350	104,036	110,405
State of New York	164,492	97,209	181,911	158,966	166,205
Tons Concord grapes produced					
Great Lakes Region	100,089	53,417	98,657	94,959	98,997
State of New York	123,277	67,407	125,243	119,875	118,696
Average price paid by wineries and processors					
Concords, NYS (\$/ton)	163	224	217	210	185
All varieties, NYS (\$/ton)	178	240	241	232	209

Source: New York Crop Reporting Service, Fruit, selected reports from 1978, 1979, 1980, and 1981.

A comparison of selected measures from the grape farm business summaries is shown below. Labor and management income per year was \$-20,292 compared with \$413 in 1979. Labor and management income decreased in part due to a change in the method of handling depreciation of machinery and real estate which began this year. However, the average yields per acre and grape prices also decreased for participating growers in 1980. Investment per acre and cash expense per acre continue to increase due to inflation.

COMPARISONS OF SELECTED MEASURES, 1976-1979

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
No. of farms	16	14	13	12	10
Acres of bearing grapes	80.0	87.2	87.2	85.8	84.6
Worker equivalents	3.6	3.8	3.9	3.5	3.6
Total farm investment	246,421	268,811	278,396	290,728	328,696
Inv. per bearing acre (4)	3,080	3,083	3,193	3,388	3,884
Tons grapes harvested/worker	130	75	121	120	110
Grape yield/bearing acre (tons)	5.8	3.2	5.5	4.9	4.7
Grape receipts/bearing acre (\$)	923	712	1,323	1,138	1,057
Average price/ton of grapes (\$)	158	219	245	232	225
Cash expense/grape acre (\$)	708	623	856	881	983
Net cash farm income (\$)	34,243	-5,274	34,170	34,317	16,841
Labor & mgt. income/farm (\$)	7,738	-8,188	28,262	413	-20,292
Rate of ret. on equity cap. including apprec. (%)	5.9	3.0	16.7	6.4	1.1

Summary of the Farm Business

The first part of this publication summarizes the fruit business in a systematic, orderly manner. It provides an opportunity to study physical resources, capital investment, receipts, and expenses.

Physical Resources

Knowledge of what resources are employed and how they are combined is fundamental to sound business planning. This includes both the physical and financial resources of the business. Below are listed the physical resources for this group of grape farms.

FARM ORGANIZATION
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average	Range
<u>Labor:</u>			
Number of operators	_____	1.0	1.0 - 1.0
Months of:			
Operator's	_____	8.3	1.0 - 12.0
Family paid	_____	3.1	0.0 - 14.0
Family unpaid	_____	1.9	0.0 - 5.0
Regular hired	_____	8.1	0.0 - 36.0
Seasonal hired	_____	20.2	0.0 - 99.0
Other	_____	1.7	0.0 - 15.4
Total	_____	43.3	11.0 - 115.0
Worker equivalent (total months ÷ 12)	_____	3.6	0.9 - 9.6
<u>Land and Crops (acres)</u>			
Bearing grapes:			
Harvested	_____	84.1	19.9 - 230.0
Not harvested	_____	0.5	0.0 - 5.2
Nonbearing grapes	_____	0.6	0.0 - 3.6
Total Acres in Grapes	_____	85.2	20.0 - 230.0
Total Crop Acres	_____	140.0	50.0 - 330.0
Crop Acres Rented	_____	14.5	0.0 - 80.0
Total Acres Owned	_____	139.8	50.0 - 320.0

Capital Investment

Management of the capital resources of a farm business is becoming increasingly important. To measure the complete financial progress of a farm, year to year changes in the capital structure must be considered. In this report, borrowed as well as owned capital is included, and the end-of-year farm inventory is used as the measure of capital investment.

FARM INVENTORY VALUES 10 Great Lakes Region Grape Farms

Item	My Farm		Average per Farm	
	1/80	1/81	1/80	1/81
Land & buildings	\$ _____	\$ _____	\$255,341	\$261,875
Livestock	_____	_____	620	1,357
Machinery & equipment	_____	_____	57,192	61,453
Supplies & crops	_____	_____	2,918	4,011
TOTAL FARM INVENTORIES	\$ _____	\$ _____	\$316,070	\$328,696

In many farm businesses, poor capital efficiency is a major cause of low profits. The following measures of capital efficiency will help evaluate overall capital management.

INVESTMENT ANALYSIS 10 Great Lakes Region Grape Farms, January 1990

Item	My Farm	Average per Farm
Total invest./worker equivalent	\$ _____	\$91,045
Total investment/acre of bearing grapes	\$ _____	\$ 3,884
Land & buildings/total acres owned	\$ _____	\$ 1,873
Capital Turnover*	_____ yrs.	3.27 yrs.

* Calculated by dividing the total year-end investment by the total cash receipts for the year. Rapid capital turnover is more desirable than a slow rate of turnover when similar farm businesses are compared.

Sources of Income

A successful farm business requires a level of gross earnings great enough to pay all costs, both operating and overhead, and leave a margin for the operator's labor and management. Here we examine the sources of receipts for this group of grape farms.

FARM RECEIPTS
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm	Percent of Total
Grapes:			
Primary market	\$ _____	\$ 81,312	80.8
Distress market	_____	914	0.9
Total 1980 Payments Received	\$ _____	\$ 82,226	81.7
Previous year's payments, certificates	_____	\$ 10,899	10.8
Machine work and trucking	_____	481	0.5
Other crop receipts	_____	2,869	2.9
Work off farm	_____	328	0.3
Livestock and livestock product sales	_____	1,182	1.2
Rent	_____	1,072	1.1
Other	_____	1,542	1.5
Total Cash Receipts	\$ _____	\$100,600	100
Total Cash Receipts	\$ _____	\$100,600	
Less previous year's payments	- _____	- 10,899	
Plus anticipated 1979 payments	+ _____	+ 7,257	
Increase in crop and supply inventory	_____	1,093	
Total Farm Receipts	\$ _____	\$ 98,051	

Grape income accounted for 93 percent of cash receipts. An average of 397 tons of grapes per farm were harvested and sold. Cash grape receipts for the 1979 crop totaled \$207 per ton.

Where the Money Went

With the large amount of cash flowing through a farm business today, it is important that the farm operator study expenses closely.

FARM EXPENSES
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm	Expense per acre of grapes (total)
Hired labor	\$ _____	\$ 36,960	\$ 434
Machine hire	_____	5,535	65
Machine repair & farm share of auto expense	_____	4,912	58
Gasoline & oil	_____	3,414	40
Spray	_____	2,635	31
Fertilizer	_____	3,679	43
Seeds & grape roots (replacements)	_____	232	3
Posts and wire	_____	756	9
Other crop expense	_____	2,506	29
Real estate upkeep	_____	858	10
Taxes	_____	4,443	52
Insurance	_____	2,319	27
Rent	_____	727	9
Utilities	_____	913	11
Interest paid	_____	12,145	143
Miscellaneous	_____	1,726	20
TOTAL CASH & OPERATING EXPENSES	\$ _____	\$ 83,759	\$ 983
Machinery depreciation	_____	6,539	77
Real estate depreciation	_____	5,590	66
Decrease in supply inventory	_____	0	0
Unpaid family labor	_____	837	10
Interest on equity capital @ 9%	_____	21,617	254
TOTAL FARM EXPENSES	\$ _____	\$118,343	\$1,389

Machinery and Real Estate Inventory Calculations

Capital outlays for machinery, buildings and land improvements (including drainage and vineyard establishment) usually occur in large, uneven amounts, but depreciate gradually over a period of time. Depreciation is the annual charge for the use of the machinery complement and real estate improvements in production. Depreciation was taken from the farm depreciation schedule. Appreciation, which results from inflation, is calculated as a residual.

MACHINERY AND EQUIPMENT INVENTORY 10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average
End of year market value	(A)\$ _____	\$61,453
Beginning market value	\$ _____	\$ 57,192
Plus machinery purchases	+ _____	+ 9,583
Less machinery sales	- _____	- 20
Less depreciation*	- _____	- 6,539
Net end investment	(B)\$ _____	<u>\$60,216</u>
APPRECIATION [(A)-(B)]	\$ _____	\$ 1,237

The average machinery depreciation of \$6,539 is 9.8 percent of the beginning inventory plus machinery purchases.

REAL ESTATE INVENTORY 10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average
End of year market value	(A)\$ _____	\$261,875
Beginning market value	\$ _____	\$255,341
Plus cost of new real estate	+ _____	+ 1,796
Less real estate sold	- _____	- 216
Less depreciation*	- _____	- 5,590
Net end investment	(B) _____	<u>251,331</u>
Appreciation [(A)-(B)]	\$ _____	\$ 10,544

*Depreciation (excluding additional first year depreciation) from tax records.

Financial Summary

The net returns for any business can be measured in several different ways. Each measure calculates the net return to a selected resource or group of resources such as labor or capital. Some of the common farm business measures are given below.

Net cash farm income reflects the cash available from the year's operation of the farm business for family living, payments on debt principal, and new purchases or investments. A family may have had additional cash available if members had nonfarm income.

NET CASH FARM INCOME 10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm
Total Cash Receipts	\$ _____	\$100,600
Total Cash Operating Expenses	_____	83,759
NET CASH FARM INCOME	\$ _____	\$ 16,841
Family Living Expenses	_____	
CASH FOR INVESTMENT AND PRINCIPAL PAYMENTS ON DEBTS	\$ _____	

Labor and management income is the return to the farm operator for labor and management. It is the measure most commonly used when comparing the profitability of farm businesses. Labor and management income is the amount left after paying all cash operating expenses and deducting charges for depreciation, unpaid labor, interest on equity capital and losses in fruit and supply inventories. The business is charged a 9 percent interest rate or opportunity cost for the use of equity capital, assuming an alternative investment would return as much.

Labor and management income; labor, management and ownership income; and return on equity capital are computed in the following three tables. The computations are done by two different methods. These methods are as follows:

- Method (1) Total receipts is the sum of total cash receipts minus grape payments from previous years plus anticipated 1980 payments plus or minus the increase or decrease in the crop and supply inventory. This method is the one which has been used in the most recent years in Cornell grape farm business summaries.
- Method (2) Total receipts is the sum of total cash receipts in the calendar year (including grape payments from previous years) plus or minus the increase or decrease in crop and supply inventory. Using this method, net income did not depend on growers estimates of future receipts for the current crop.

LABOR AND MANAGEMENT INCOME
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm	
		[Method 1]	[Method 2]
Total Farm Receipts	\$ _____	\$ 98,051	\$101,693
Total Farm Expenses	_____	118,343	118,343
LABOR & MANAGEMENT INCOME PER FARM	\$ _____	(-) \$ 20,292	(-) \$ 16,650

It is common to compute labor and management return per operator as well as per farm because most studies include some farms with more than one operator. The average number of operators was 1; therefore labor and management income per farm was -\$20,292 and -\$16,650 for Method 1 and Method 2 respectively.

In addition to labor and management income, the owner-operator of a farm business should receive income for his capital investment in the business. He receives this income in the form of interest on equity in the business and real estate and machinery appreciation. These three "ownership income" items are added to labor and management income to determine labor, management and ownership income. This indicates the total return the owner-operator receives for owning and operating the business.

The growers who participated in this summary submitted balance sheets and net worth or equity capital was easily computed. Average equity capital was estimated as \$240,190 per farm.

LABOR, MANAGEMENT AND OWNERSHIP INCOME
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm	
		[Method 1]	[Method 2]
Labor & Management Income Per Farm	\$ _____	(-) \$20,292	(-) \$16,650
Add: Real Estate Appreciation	_____	10,544	10,544
Add: Machinery Appreciation	_____	1,237	1,237
Add: Interest on Equity Capital @ 9%	_____	21,617	21,617
LABOR, MANAGEMENT & OWNERSHIP INCOME			
PER FARM	\$ _____	\$13,107	\$16,749
PER OPERATOR	\$ _____	\$13,107	\$16,749

Return on equity capital can be computed with or without real estate appreciation. To calculate return on equity capital (including real estate appreciation) the value of operator's labor and management is deducted from labor, management and ownership income. This return to equity capital is divided by the owner's equity investment in the business to compute the rate of return on equity capital. Owner's equity investment used here is total end of year farm inventories less total farm liabilities.

RETURN ON EQUITY CAPITAL
10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm	
		[Method 1]	[Method 2]
Labor & Management & Ownership Income	\$ _____	\$13,107	\$16,749
Less: Value of Operator's Labor & Management*	_____	10,425	10,425
Return on Equity Capital	_____	\$ 2,682	\$ 6,324
Rate of Return on Equity Capital (equity capital = \$240,190)	_____ %	1.1%	2.6%

* Values estimated at \$650 per month for labor and 5 percent of cash receipts for management.

Farm Family Financial Situation

The financial situation is an important part of the grape farm business summary. It has a direct affect on current cash outflow and future capital investment decisions. A grower may have a good labor income, but a high debt load may seriously restrict his management flexibility.

The balance sheet of the financial situation is provided below.

FARM FAMILY FINANCIAL SITUATION 10 Great Lakes Region Grape Farms, 1980

Item	My Farm	Average per Farm
<u>Assets</u>		
Total farm inventory	\$ _____	\$328,696
Accounts receivable	_____	17,104
Co-op investment	_____	9,481
Cash and checking account	_____	20,530
TOTAL FARM ASSETS	\$ _____	\$375,812
<u>Liabilities</u>		
Real estate mortgage	\$ _____	\$ 97,656
Liens and secured loans	_____	12,922
Installment contracts	_____	0
Accounts payable	_____	6,388
Other farm debt	_____	18,656
TOTAL FARM LIABILITIES	\$ _____	\$135,622
FARM NET WORTH (Farm assets less liabilities)	\$ _____	\$240,190
Percent Equity (Farm net worth + total farm assets)	_____ %	63.9%
Farm Debt Per Worker Equivalent	\$ _____	\$ 37,565
Farm Debt per Bearing Acre of Grapes	\$ _____	\$ 1,603

Payment ability is the most important consideration in determining if and how proposed investments should be financed. The farm business must produce enough cash income to meet operating expenses, to cover family living expenses and to make debt payments. The average farm in this study had a net cash flow, excluding interest paid, of \$28,986. This amount was available for family living expenses, debt payments, and cash for capital investments during the year.

Analysis of the Farm Business

Some of the business factors which affect profits and which a farmer can control to some degree are: (1) size of enterprise, (2) labor efficiency, (3) yields, and (4) price.

A comparison of your farm with the averages of these factors for these farms can provide valuable clues to the strong and weak points of an individual grape farm business.

SELECTED FARM BUSINESS MEASURES
10 Great Lakes Region Grape Farms, 1980

Item	Average per Farm	My Farm
<u>Measures of Size</u>		
1. Acres in bearing grapes	84.6	_____
2. Acres of grapes harvested	84.1	_____
3. Acres in nonbearing grapes	0.6	_____
4. Man equivalent	3.6	_____
5. Tons of grapes harvested	396.9	_____
6. Tons of grapes grown	399.8	_____
<u>Labor Efficiency</u>		
1. Acres in grapes harvested per man	23.3	_____
2. Tons of grapes harvested per man	109.9	_____
<u>Production Factors</u>		
1. Grape yield per acre (tons) of bearing grapes	4.7	_____
2. Grape receipts* per acre of bearing grapes	\$1,057	\$ _____
<u>Price</u>		
1. Average price per ton of grapes sold**	\$ 225	\$ _____

* Cash receipts from sale of grapes plus anticipated payments from current grape crop.

**Grape receipts ÷ tons of grapes harvested.

Cost Control

Power and machinery costs were major expenses on these grape farms. Net operating and investment costs averaged \$26,132.

POWER AND MACHINERY COSTS
10 Great Lakes Region Grape Farms, 1980

Item	Average per Farm	My Farm
Machinery depreciation	\$ 6,539	\$ _____
Interest at 9% ave. inventory	5,339	_____
Gas and oil	3,414	_____
Auto	315	_____
Truck, tractor & equip. repair	4,597	_____
Machine hire	5,535	_____
Utilities	913	_____
Total Machinery Costs	\$26,653	\$ _____
Income from machine work	- 481	_____
Gasoline tax refund	- 40	_____
NET MACHINERY COSTS	\$26,132	\$ _____
Net Machinery Costs:		
Per acre of bearing grapes	\$ 309	\$ _____
Per worker equivalent	\$ 7,238	\$ _____
Per ton of grapes harvested	\$ 66	\$ _____

Since power and machinery costs represent a substantial portion of total costs, efficiency in use is an important factor affecting profitability of the business. Net machinery costs per acre of bearing grapes averaged \$309.

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 MACHINERY COSTS
10 Great Lakes Region Grape Farms, 1980

Item	Average per Farm	My Farm
Value of operator's labor*	\$ 5,395	\$ _____
Hired labor	36,960	_____
Unpaid family labor	837	_____
TOTAL LABOR COSTS	\$43,192	\$ _____
Total net machinery cost	26,132	_____
TOTAL LABOR AND MACHINERY COSTS	\$69,324	\$ _____

Labor cost:		
Per worker equivalent	\$11,964	\$ _____
Per acre of bearing grapes	\$ 510	\$ _____
Per ton of grapes harvested	\$ 109	\$ _____
Labor and machinery cost:		
Per worker equivalent	\$19,202	\$ _____
Per acre of bearing grapes	\$ 819	\$ _____
Per ton of grapes harvested	\$ 175	\$ _____

* Valued at \$650 per month for operator's labor (value of management and owned capital excluded).

MISCELLANEOUS COST MEASURES
10 Great Lakes Region Grape Farms, 1980

Item	Average per Farm	My Farm
Crop expense per acre of bearing grapes**	\$116	\$ _____
Spray expense per acre of bearing grapes	\$ 31	\$ _____
Taxes per crop acre owned	\$ 32	\$ _____
Taxes per \$1,000 of end real estate inventory	\$ 17	\$ _____
Taxes and insurance per \$1,000 real estate inventory	\$ 26	\$ _____

**Includes spray, fertilizer, replacement vines, posts and wire, and other crop expenses.

Capital and Capital Efficiency Factors

The average investment in the farm business was \$328,696. About eighty percent of this total is represented by vineyards, land and buildings.

CAPITAL INVESTMENT AND CAPITAL EFFICIENCY FACTORS 10 Great Lakes Region Grape Farms, 1980

Item	Average per Farm	Percent of Total	My Farm
Land and buildings	\$261,875	79.7	\$ _____
Livestock	1,357	0.4	_____
Machinery and equipment	61,543	18.7	_____
Supplies	<u>4,011</u>	<u>1.2</u>	_____
Total Farm Inventories	\$328,696	100.0	\$ _____

Worker equivalent	3.6		\$ _____
Investment per worker equiv.	\$ 91,044		\$ _____
Acres of bearing grapes	84.6		\$ _____
Machinery and equipment investment per acre of bearing grapes	\$ 726		\$ _____
Land and building investment per acre owned	\$ 1,873		\$ _____
Total farm investment per acre of bearing grapes	\$ 3,884		
Total farm investment per ton of grapes sold	\$ 828		
Capital turnover (years for cash receipts to equal capital)	3.27		\$ _____

Investment costs such as depreciation and interest are part of the total cost of operating a farm business. Obtaining efficiency in the use of capital, as measured by investment relative to productive capacity and income, is an important part of managing a farm. The factors calculated in the table above can help a farmer gauge the soundness of his capital investment. On these farms, investment per acre of bearing grapes ranged from \$2,866 to \$10,658.

1980 Production and MarketingsACRES IN VINES AND MARKETINGS
10 Great Lakes Region Grape Farms, 1980

Item	Number of Growers Reporting	Average of All Growers
Bearing vines:		
Harvested, sold in primary market	10	83.4
Harvested, sold in distress market	3	0.7
Not harvested	<u>1</u>	<u>0.5</u>
Total Bearing	10	84.6
Nonbearing Vines		
Total Acres in Vines	2	<u>0.6</u>
		85.2

Total acres in vines averaged 84.6 acres per farm. Ninety-eight percent of this total acreage produced a crop which was harvested and sold in the growers' primary or usual markets. The growers reported about one percent of the acreage in vines was harvested and sold in the open market. Only three growers had sales in the open market.

GRAPES HARVESTED & SOLD IN ALL MARKETS
10 Great Lakes Region Grape Farms, 1980

Variety	Acres	Tons	Average Yield/Acre
Concord	58.8	303.4	5.1 Tn.
All other varieties	<u>24.6</u>	<u>89.7</u>	<u>3.7 Tn.</u>
Total	83.4	393.1	4.7 Tn.

Concords were the most important variety on all farms. This variety accounted for 71 percent of the acreage harvested and 77 percent of the tonnage. The average yield of Concords was 5.1 tons per acre, compared with 3.7 tons per acre for all other varieties.

Array of Business Factors

Vineyardists in the management program can determine how their business stands relative to the others in the summary by encircling the factor measurement for their farm in each column of the table below.

AN ARRAY OF SELECTED BUSINESS FACTORS
10 Great Lakes Region Grape Farms, 1980

Note: each column is independent of the others. Do not read across.

Acres	Tons of Grapes Harv.	Worker Equiv.	Tons Per Worker Equiv.	Tons Per Acre	Invest. Per Acre	Grape Rec./ Acre	Op. Exp. Per Acre
230	1,243	9.6	175	6.0	\$10,658	\$1,244	\$1,573
135	615	4.7	132	5.7	6,368	1 181	1,271
125	615	3.8	130	5.4	5,453	1,155	1,226
106	437	3.7	130	5.0	5,010	1,141	1,131
76	383	3.5	116	4.9	4,905	1,061	954
51	255	3.3	109	4.6	3,679	1,001	844
45	119	3.0	103	4.1	3,222	960	760
36	116	2.3	63	3.6	3,170	906	745
22	107	1.3	38	3.0	2,927	719	736
20	79	0.9	32	2.3	2,866	672	595

Custom Harvesting Enterprise

Three of the farms in this summary had custom harvesting operations. The receipts, expenses, and machinery used were allocated to this enterprise, and are not included in the computations in the preceding pages.

CUSTOM HARVESTING ENTERPRISE
Three Chautauqua County Grape Farms, 1980

		Average per Farm	Range
Receipts		\$ 9,473	3,023 - 16,997
Expenses			
Hired labor	1,105		
Machine hire	1,456		
Machine repair & farm share of auto expense	693		
Gasoline and oil	438		
Real estate upkeep	0		
Insurance	53		
Utilities	8		
Interest paid	0		
Miscellaneous	0		
TOTAL CASH EXPENSES	3,752		
Machinery depreciation	<u>1,461</u>		
TOTAL EXPENSES		\$ 5,213	
Net Income for Enterprise		\$ 4,260	\$1,526 - 12,128

The average net income was \$4,260. These growers had investments in machinery of \$24,610 allocated to custom harvesting. This is not the full value of all machinery used in custom harvesting, but rather it reflects these growers' estimation of what percentage of their machinery should be allocated to the enterprise. The same principle is used for the allocation of other expenses.