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April 1983

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# DAIRY FARM BUSINESS SUMMARY

A large, stylized graphic of the number '82' in a dotted, halftone font. The '8' is composed of two stacked loops, and the '2' is a single vertical stroke with a curved top. The text 'NORTHERN NEW YORK' and '1982' is overlaid on the upper portion of the '8', and the author's name 'William F. Lazarus' is overlaid on the lower portion of the '8'.

NORTHERN NEW YORK  
1982

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# DAIRY FARM BUSINESS SUMMARY

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## DAIRY FARM BUSINESS SUMMARY

### INTRODUCTION

Dairyfarmers throughout New York State submit business records for summarization and analysis through Cooperative Extension's Farm Business Management Program. Each participating farmer receives an individual farm report containing all the management information found in this publication. Averages from a compilation of the individual farm reports are published in several regional summaries and in one statewide summary.

#### Program Objectives

Primary objectives of the dairy farm business management program are to (1) assist farmers in developing and maintaining more complete farm business data for use in management decisions and (2) help farmers improve their management skills through appropriate use of farm record data and application of modern decision-making techniques. This report is prepared in workbook form for use in the systematic study of individual farm business operations.

The year ahead will bring increased economic pressures on the dairy farming industry. Milk prices are expected to be down three to five percent while feed and other production costs will increase. Dairyfarmers must continue to place emphasis on operating efficiency and cost control in order to maintain adequate farm incomes.

#### Changes in Computation

The interest charge made for using equity capital in the farm business has been reduced to five percent. This real rate of interest is intended to reflect the long time average rate of return that a farmer might expect to earn in investments with comparable risk to farm businesses in an economy with little or no inflation. Labor and management income does not include appreciation of farm assets, therefore, appreciation has been excluded in determining the use charge for equity capital.

Renting and leasing farm assets is becoming more common on New York dairy farms. Rental and lease payments are included as cash farm expenses. The discounted values of future financial lease payments have been added to the farm balance sheet to reflect the farmer's committed liability as well as the eventual value of the asset.

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## SUMMARY OF THE FARM BUSINESS

Business Characteristics

The combination of resources and management techniques used to put resources to work is an important part of planning. The tables below show important farm business characteristics, the number of farms reporting these characteristics, and the average level of resources used in production.

MANAGEMENT SYSTEMS, PRODUCTION TECHNOLOGY AND FARM SIZE  
123 Northern New York Dairy Farms, 1982

Type of Business	Number	Business Records	Number	Dairy Records	Number
Proprietorship	100	CAMIS	5	D.H.I.C.	79
Partnership	21	Account Book	76	Owner Sampler	20
Corporation	2	Agrifax	13	Other	14
		Agway	9	None	10
Owner	123	Farm Bureau	2		
		Other	18		
Barn Type	Number	Milking System	Number		Number
Stanchion	77	Bucket & Carry	2	Herringbone	26
Freestall	30	Dumping Station	43	Other Parlor	6
Other	16	Pipeline	46		
Labor Force	My Farm	Average	Land Use	My Farm	Average
Operator 1.	_____	mo. 12	Total acres owned	_____	322
2.	_____	mo. 2	Total acres rented	_____	102
3.	_____	mo. 1	Total tillable acres	_____	224
Family paid	_____	mo. 4	Tillable acres rented	_____	86
Family unpaid	_____	mo. 4			
Hired	_____	mo. 8	Number of Cows	_____	_____
Total	_____	mo. 31			
Age of operator(s) 1.	_____	yrs. 42	Beginning of year	_____	66
2.	_____	yrs. 35	End of year	_____	67
3.	_____	yrs. 25	Average for year	_____	66

Capital Investment-(Farm Inventory) represents the market value of resources committed to the farm business at the beginning and end of the year. Increases in inventory occur with herd expansion, new machinery, and building additions and appreciation of land, buildings and livestock.

CAPITAL INVESTMENT - FARM INVENTORY  
123 Northern New York Dairy Farms, 1982

Item	My Farm		Average	
	1/1/82	1/1/83	1/1/82	1/1/83
Livestock	\$ _____	\$ _____	\$103,657	\$102,485
Feed & supplies	_____	_____	21,702	22,998
Machinery & equipment	_____	_____	75,092	77,973
Land & buildings	_____	_____	165,240	168,847
TOTAL	\$ _____	\$ _____	\$365,691	\$372,303

Inventory Accounting

The value of the dairy herd is influenced by market prices, herd quality and quantity. Here the changes in market value caused by inflationary or deflationary price changes, are separated from changes in inventory caused by changes in herd quality and quantity. Changes in machinery and real estate inventories that are not accounted for by purchases, sales or depreciation reflect price changes that are called appreciation. The change in real estate value is also affected by lost capital which is the amount of a new building investment that does not increase the value of the farm.

CHANGE IN LIVESTOCK INVENTORY  
123 Northern New York Dairy Farms, 1982

Item	My Farm	Average
End of year market value	\$ _____	\$102,485
less end at beginning prices	- _____	<u>-108,280</u>
Change due to price	\$ _____	\$-5,795
End inventory at beginning prices	\$ _____	\$108,280
less beginning of year inventory	- _____	<u>-103,657</u>
Change due to quality & quantity	\$ _____	\$ 4,623

MACHINERY AND EQUIPMENT INVENTORY  
123 Northern New York Dairy Farms, 1982

Item	My Farm	Average
End of year market value	(1)\$ _____	\$77,973
Beginning market value	\$ _____	\$ 75,092
Plus machinery purchased	+ _____	+ 10,748
Less machinery sold	- _____	- 212
Less depreciation	- _____	<u>- 10,894</u>
Net end investment	(2)\$ _____	<u>\$74,734</u>
APPRECIATION (1 minus 2)	\$ _____	\$ 3,239

REAL ESTATE INVENTORY CALCULATIONS  
123 Northern New York Dairy Farms, 1982

Item	My Farm	Average
End of year market value	(1)\$ _____	\$168,847
Beginning market value	\$ _____	\$165,240
Cost of new real estate	\$ _____	\$ 4,827
Less lost capital	- _____	<u>- 1,351</u>
Value of new added	+ _____	+ 3,476
Less building depreciation	- _____	- 4,448
Less real estate sold	- _____	<u>- 57</u>
Net end investment	(2)\$ _____	\$164,211
APPRECIATION (1 minus 2)	\$ _____	\$ 4,636

Receipts

Receipts from the business should be large enough to cover all expenses and leave a reasonable return for the operator's labor and management. Cash receipts occur when farm products and livestock are sold or services are performed and payment is received during the year. Noncash receipts do not result from sales, but are due to appreciation in value or increases in physical quantities of inventories that could be readily transformed into a cash receipt.

FARM RECEIPTS  
123 Northern New York Dairy Farms, 1982

Item	My Farm	Average Per Farm	Average Per Cow
<b>CASH RECEIPTS</b>			
Milk sales	\$ _____	\$125,054	\$1,895
Crop sales	_____	1,140	17
Dairy cattle sold	_____	6,972	106
Calves & other livestock sales	_____	2,002	30
Gas tax refunds	_____	143	2
Government payments	_____	434	7
Custom machine work	_____	152	2
Other	_____	914	14
<b>Total Cash Receipts</b>	<b>\$ _____</b>	<b>\$136,811</b>	<b>\$2,073</b>
<b>NONCASH RECEIPTS</b>			
Increase in livestock inventory <sup>1</sup>	_____	4,623	70
Increase in feed & supplies	_____	1,296	20
<b>TOTAL FARM RECEIPTS EXCLUDING APPRECIATION</b>	<b>\$ _____</b>	<b>\$142,370</b>	<b>\$2,163</b>
Livestock appreciation <sup>2</sup>	_____	- 5,795	- 88
Machinery appreciation <sup>3</sup>	_____	3,239	49
Real estate appreciation <sup>3</sup>	_____	4,636	70
<b>TOTAL FARM RECEIPTS</b>	<b>\$ _____</b>	<b>\$144,810</b>	<b>\$2,194</b>

<sup>1</sup>The increase in herd market value attributed to a change in numbers and/or a definite change in herd quality.

<sup>2</sup>The increase in herd market value, caused by inflationary price increase.

<sup>3</sup>Defined on page 3.

Income Analysis provides a means of examining the income producing capability of the farm business.

INCOME ANALYSIS  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Average price/cwt. milk sold	\$ _____	\$13.27	\$13.50
Milk and cattle sales per cow	_____	\$2,031	\$2,011
Total cash receipts/worker	_____	\$53,028	\$55,385



Expenses

All farm expenses, cash operating and overhead, are summarized below.

FARM EXPENSES  
123 Northern New York Dairy Farms, 1982

Item	My Farm	Average Per Farm	Average Per Cow
<u>Hired Labor</u>	\$ _____	\$ 10,424	\$ 158
<u>Feed</u>			
Dairy concentrate	_____	33,919	514
Hay and other	_____	2,106	32
<u>Machinery</u>			
Machine hire, rent and lease	_____	814	12
Machinery repairs	_____	6,051	92
Auto expense (farm share)	_____	439	7
Gas and oil	_____	5,131	78
<u>Livestock</u>			
Replacement livestock	_____	1,864	28
Breeding fees	_____	1,704	26
Veterinary and medicine	_____	2,674	40
Milk marketing	_____	2,742	42
Cattle lease	_____	17	0
Other livestock expense	_____	4,553	69
<u>Crops</u>			
Fertilizer & lime	_____	4,850	73
Seeds and plants	_____	1,862	28
Spray, other crop expense	_____	1,164	18
<u>Real Estate</u>			
Land, building, fence repair	_____	2,199	33
Taxes	_____	2,909	44
Insurance	_____	2,146	33
Rent and lease	_____	1,681	25
<u>Other</u>			
Telephone (farm share)	_____	506	8
Electricity (farm share)	_____	2,782	42
Interest paid	_____	14,933	226
Miscellaneous	_____	1,639	25
Total Cash Expenses	\$ _____	\$109,109	\$1,653
Expansion livestock	_____	378	6
Machinery depreciation	_____	10,894	165
Building depreciation	_____	4,448	68
Unpaid family labor @ \$500/month	_____	2,004	30
TOTAL FARM EXPENSES EXCLUDING INTEREST ON EQUITY CAPITAL	\$ _____	\$126,833	\$1,922
Interest on equity capital @ 5%	_____	12,065	183
TOTAL FARM EXPENSES	\$ _____	\$138,898	\$2,105

### Farm Business Profitability

The results of management are reflected in the net return from the business. Four common ways to measure the returns from a farm business are reported here.

Net cash farm income reflects the cash available from the year's operation of the business. Family living has first claim on cash income followed by fixed payments on debts. A family may have additional cash available if they have nonfarm income. Cash flow is not a good measure of farm business profits, but it is useful when planning debt repayment programs. Guidelines for annual cash flow planning are presented on page 9. Monthly cash flow planning is also recommended and may be required in order to identify cash flow problems in the year ahead. This is particularly true when major changes in the business are planned or when the price of important factors such as milk or purchased grain are expected to change significantly.

#### NET CASH FARM INCOME Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Cash Farm Receipts	\$ _____	\$136,811	\$129,048
Cash Farm Expenses	_____	109,109	100,396
NET CASH FARM INCOME	\$ _____	\$ 27,702	\$ 28,652

Labor and management income is the return to the operator for his or her labor and management input into the business. A five percent charge for the use of the operator's equity capital in the business has been included as a farm expense. This interest charge reflects the real rate of return the operator could have earned from this capital had it been invested elsewhere. Labor and management income is the measure used most commonly when comparing farm businesses. The effect of inflation on interest rates as well as livestock, machinery and real estate inventories are excluded from this measure.

#### LABOR AND MANAGEMENT INCOME Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Total farm receipts excluding appreciation	\$ _____	\$142,730	\$132,399
Total farm expenses	_____	138,898	127,984
LABOR & MANAGEMENT INCOME	\$ _____	\$ 3,832	\$ 4,415
Full-time operator-manager equivalents	s _____	1.26	1.16
LABOR & MANAGEMENT INCOME PER OPERATOR-MANAGER	\$ _____	\$ 3,041	\$ 3,806

Labor, management and ownership income per operator reflects the combined return to the farmer for his/her triple role of worker-manager, financier and owner. Again, this is not a measure of the cash flow situation of the farm business. A satisfactory labor, management and ownership income does not eliminate cash flow problems if liabilities are large and repayment is rapid.

LABOR, MANAGEMENT AND OWNERSHIP INCOME  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Total farm receipts	\$ _____	\$144,810	\$139,081
Total farm expenses excluding interest on equity capital	_____	<u>126,833</u>	<u>116,285</u>
LABOR, MANAGEMENT AND OWNERSHIP INCOME PER FARM	\$ _____	\$ 17,977	\$ 22,796
Full-time operator-manager equiv.	_____	1.26	1.16
LABOR, MANAGEMENT AND OWNERSHIP INCOME PER OPERATOR-MANAGER	\$ _____	\$ 14,267	\$ 19,652

Return on equity capital measures the net profit remaining to the farmer's owned or equity capital after earnings have been allocated to the owner-operator's labor and management. The earnings or amount of gross profit allocated to labor and management is the opportunity cost or value of operator's labor and management estimated by the cooperators. Return on equity capital is computed including appreciation in the table below.

RETURN ON EQUITY CAPITAL  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Labor, management & ownership income per farm	\$ _____	\$17,977	\$22,796
Less value of operator's labor & management	_____	<u>19,203</u>	<u>17,986</u>
Return on equity capital	\$ _____	\$-1,226	\$ 4,810
RATE OF RETURN INCLUDING APPRECIATION	_____ %	-0.5%	2.1%
RATE OF RETURN EXCLUDING APPRECIATION	_____ %	-1.4%	-0.8%

The rate of return on equity capital is computed by dividing the amount returned by farm net worth or equity capital. It is shown with and without appreciation included.

### Farm Family Financial Situation

The financial situation is an important part of the farm business summary. It has a direct affect on current cash outflow and future capital investment decisions. 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. The payments are also listed as assets, representing the future value the item has to the farmer.

FARM FAMILY FINANCIAL SITUATION  
123 Northern New York Dairy Farms, January 1, 1983

Item	My Farm	Average Per Farm
<u>Assets</u>		
Livestock	\$ _____	\$102,485
(includes discounted lease pymts)		(0)
Feed and supplies	_____	22,998
Machinery and equipment	_____	78,073
(includes discounted lease pymts)		(100)
Land and buildings	_____	171,143
(includes discounted lease pymts)		(2,296)
Co-op investments	_____	2,474
Accounts receivable	_____	10,666
Cash and checking accounts	_____	1,495
Total Farm Assets	\$ _____	\$389,334
Savings accounts	\$ _____	\$ 3,196
Cash value life insurance	_____	2,336
Stocks and bonds	_____	3,112
Nonfarm real estate	_____	8,732
Auto (personal share)	_____	1,899
All Other	_____	7,217
TOTAL FARM & NONFARM ASSETS	\$ _____	\$415,826
<u>Liabilities</u>		
Long term	\$ _____	\$ 88,689
Intermediate	_____	51,369
Financial lease	_____	2,396
Short term	_____	2,667
Other farm accounts	_____	2,917
Total Farm Liabilities	\$ _____	\$148,038
Nonfarm Liabilities	_____	1,217
TOTAL LIABILITIES	\$ _____	\$149,255
FARM NET WORTH (EQUITY CAPITAL)	\$ _____	\$241,296
FAMILY NET WORTH	\$ _____	\$266,571

Payment ability is the most important consideration in determining if and how proposed investments should be financed. The farm business must produce sufficient cash income to meet operating expenses, to cover family or personal living expenses, to make payments on debts and to cover cash purchases of capital items that occur during the year. Interest paid and income from off-farm work are added to net cash farm income in the following table because planned or budgeted debt payments will include interest as well as principal. Estimate family living expenses for your farm to calculate cash available for debt payment and capital purchases made in cash.

Several farms in the group have scheduled debt payments exceeding 35 percent of the milk receipts. Committing this much cash inflow to debt payments creates a serious cash flow problem.

FINANCIAL MEASURES AND DEBT COMMITMENT  
123 Northern New York Dairy Farms, January 1, 1983

Item	My Farm	Average Per Farm
<u>Payment Ability</u>		
Net cash farm income	\$ _____	\$27,702
Plus interest paid	_____	14,933
Plus off-farm income	_____	1,749
<b>CASH AVAILABLE FOR DEBT SERVICE AND LIVING</b>		
	\$ _____	\$44,384
Less family living expenses*	_____	18,324
<b>CASH AVAIL. FOR DEBT PAYMENT &amp; CAPITAL PURCHASES</b>		
	\$ _____	\$26,060
<u>Scheduled Annual Debt Payments</u>		
Long term	\$ _____	\$13,021
Intermediate	_____	13,956
Short term	_____	2,481
Other farm accounts	_____	1,422
<b>TOTAL FARM DEBT PAYMENTS</b>		
	\$ _____	\$30,880
Nonfarm debt payments	_____	841
<b>TOTAL PAYMENTS PLANNED 1983</b>		
	\$ _____	\$31,721
<u>Commitment &amp; Measures of Debt Equity Position</u>		
Farm debt pymts. planned/cow	\$ _____	\$461
Farm debt pymts. as % milk sales	_____ %	25%
Farm debt/asset ratio-long term	_____	.52
Farm debt/asset ratio-intermediate & short term	_____	.26
Farm debt per cow	\$ _____	\$2,207
Percent equity (total)	_____ %	64%

\*Estimated as \$10,200 per family plus four percent of cash farm receipts.

## ANALYSIS OF THE FARM BUSINESS

When analyzing a farm business, a manager must consider measures or factors that reflect the performance of specified parts of the farm business. To do this one must look at factors of size, rates of production, labor efficiency, capital efficiency and cost control. These measures and factors are detailed on the following pages.

Size of Business

Studies have shown that, in general, larger farms are more profitable than smaller farms. Larger businesses make possible more efficient use of overhead inputs such as labor and machinery and there are more units of production on which to earn a profit. Profitable farm businesses with good management have the ability and incentive to become larger. Large farms are not necessarily more profitable however, and size increases are only profitable with good management.

MEASURES OF SIZE OF BUSINESS  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1982
Number of cows	_____	66	63
Number of heifers	_____	54	46
Pounds of milk sold	_____	942,700	871,100
Worker equivalent	_____	2.6	2.3
Total work units	_____	743	691
Total tillable acres	_____	224	217

In the table below, the 553 New York farms for 1981 are sorted by number of cows and the labor and management income is shown for each size group. In general, the large farms paid better, but, variability of income was significant.

COWS PER FARM AND LABOR AND MANAGEMENT INCOME  
553 New York Dairy Farms, 1981

Number of Cows	Ave. Number of Cows	Number of Farms	Percent of Farms	Labor & Mgmt. Income Per Operator
Under 40	34	82	16	-\$ 4,300
40 to 54	47	130	25	- 6,077
55 to 69	61	110	21	- 1,204
70 to 84	77	74	13	- 5,284
85 to 99	90	38	6	- 3,648
100 to 114	106	26	4	- 5,677
115 to 129	121	25	4	- 15,635
130 to 149	139	16	3	- 11,780
150 to 179	163	23	4	- 4,577
180 to 199	187	8	2	3,497
200 & over	267	21	2	11,178

### Rates of Production

Crop yields and rates of animal production are factors that have a significant impact on farm incomes. Here is a description of crops grown and yields along with the pounds of milk sold per cow.

#### CROP YIELDS & MILK SOLD PER COW 123 Northern New York Dairy Farms, 1982

Crop	My Farm		Average of Farms Reporting		
	Acres	Yield	Farms	Acres	Yield/Acre
Dry hay	_____	_____	117	(combined below)	
Hay crop silage	_____	_____	89	(combined below)	
Total hay crops	_____	_____	123	138	2.3 tons D.M.
Corn silage	_____	_____	99	54	13.9 tons
Other forage	_____	_____	20	22	1.3 tons D.M.
Total forage crops	_____	_____	123	184	2.9 tons D.M.
Grain corn	_____	_____	30	51	98 bushels
Oats	_____	_____	19	21	42 bushels
Other crops	_____	_____	11	27	
Tillable pasture	_____	_____	50	36	
Idle tillable land	_____	_____	31	30	
-----					
Milk sold per cow	_____	_____	14,283 pounds		

Tons of dry matter per acre from all hay and silage is a good measure of the overall rate of forage production.

The importance of strong milk output per cow is shown in the table below.

#### MILK SOLD PER COW AND LABOR AND MANAGEMENT INCOME 553 New York Dairy Farms, 1981

Pounds of Milk Sold Per Cow	Number of Farms	Number of Cows	Labor & Mgmt. Income/Oper.	Labor, Mgmt., & Ownership Income/Operator
Under 11,000	50	50	-\$ 8,642	\$ 5,165
11,000 to 11,999	30	67	- 5,687	13,593
12,000 to 12,999	48	76	- 17,052	9,159
13,000 to 13,999	96	78	- 5,925	20,818
14,000 to 14,999	117	83	- 6,178	26,893
15,000 to 15,999	109	89	302	32,468
16,000 to 16,999	52	82	2,142	30,451
17,000 to 17,999	28	78	1,716	27,606
18,000 & over	23	89	1,861	45,290

Labor Efficiency

Labor input is an important factor in farm production. Several measures of accomplishment per worker (labor efficiency) are shown below.

MEASURES OF LABOR EFFICIENCY  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Worker equivalent	_____	2.6	2.3
Cows per worker	_____	26	27
Lbs. milk sold per worker	_____	365,388	373,863
Work units per worker	_____	288	297

Number of cows per worker is calculated by dividing the average number of cows by the worker equivalent which represents the total farm labor force. Pounds of milk sold per worker is an important measure of labor efficiency on the dairy farm. It measures the ability of the labor force to handle a large number of cows without sacrificing milk output per cow.

It is important to look at other measures of labor efficiency, such as work units per worker because all dairy farms do not have the same relationship between cows, heifers, and crops grown.

Labor efficiency depends on a number of things. Among these are the amount of mechanization, the field and building layout, the work methods, and the abilities of the workers. All of these are management items under the control of the operator.

Another factor which may influence the productivity of labor is the wage paid to employees. A productive employee will require a reasonable and competitive wage.

MILK SOLD PER WORKER AND LABOR AND MANAGEMENT INCOME  
553 New York Dairy Farms, 1981

Pounds of Milk Sold Per Worker	No. of Farms	No. of Cows	Lbs. Milk Per Cow	Labor & Mgmt. Income Per Operator	Labor, Mgmt., & Ownership Income Per Operator
Under 250,000	68	44	11,609	-\$9,348	\$ 5,325
250,000 to 299,999	58	53	13,185	- 7,361	12,436
300,000 to 349,999	77	62	14,060	- 6,337	19,102
350,000 to 399,999	91	67	14,178	- 3,738	19,365
400,000 to 449,000	81	77	14,849	- 1,350	24,137
450,000 to 499,999	60	93	14,799	- 5,635	30,006
500,000 to 599,999	79	108	15,500	1,741	39,315
600,000 & over	39	158	15,461	- 3,751	54,391



Capital Efficiency

Capital is a key resource in dairy farm businesses and a manager must continually analyze its use in the business. The measures of capital efficiency shown in the following table include owned as well as borrowed capital. It is possible for the business to be undercapitalized, but investing too much capital per productive unit is a more common problem.

MEASURES OF CAPITAL EFFICIENCY  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Farm capital per worker	\$ _____	\$144,303	\$152,719
Farm capital per cow	\$ _____	5,557	5,560
Machinery investment per cow	\$ _____	1,164	1,190
Machinery per tillable acre	\$ _____	348	351
Land & buildings per cow	\$ _____	2,520	2,508
Land & buildings/tillable acre owned	\$ _____	976	928
Capital turnover	_____ yrs.	2.6 yrs.	2.6 yrs.

Land and building investment per crop acre owned shows the relationship between investments in land and buildings. The farmer who owns little crop-land but builds many farm buildings will have a relatively large land and building investment per crop acre owned. This could be an indication that capital use is out of balance.

Capital turnover is calculated by dividing the total farm capital (total year end farm inventory) by the total farm receipts for the year. The factor is called capital turnover because it measures the number of years of receipts needed to equal or "turnover" farm capital. A fast rate of turnover is more desirable than a slow rate because it means capital purchases can be paid off at a faster rate. This figure also depends upon the enterprise selection of the business.

CAPITAL TURNOVER AND LABOR AND MANAGEMENT INCOME  
553 New York Dairy Farms, 1981

Capital Turnover Rate - Years	Number of Farms	Number of Cows	Capital Investment		Labor & Mgmt. Income Per Operator
			Per Cow	Per Worker	
less than 1.5	9	111	\$3,369	\$104,662	\$ 22,725
1.5 to 1.99	87	114	4,565	151,288	8,817
2.0 to 2.49	183	82	5,406	167,094	-2,990
2.5 to 2.99	143	67	6,262	172,843	-6,860
3.0 to 3.49	73	69	7,014	190,300	-11,341
3.5 & over	58	52	7,344	182,757	-18,611

Cost Control

The control of costs is a big factor in the success of modern commercial dairy operations. Feed, machinery and labor costs are major items and should be examined in detail. It is important to check all cost items both large and small. Expenses should be incurred only when the returns from the expense are expected to be greater than the cost incurred.

Feed Costs

Purchased feed is the largest single expenditure on most dairy farms. Two considerations are important in keeping the feed bill down: (1) Be careful that only nutrients required by the cow are being fed. A dairy farmer cannot afford to buy a feed mix that overfeeds energy or protein. (2) Be certain that the required nutrients are being obtained from their least expensive source. For example, is the lowest cost source of protein, urea, soybean meal or a commercial protein? Help in answering these questions can come from budgeting, from agribusiness people selling feeds, and from dairy and management extension agents. Extension is supporting computerized decision aids to assist in answering these questions including the NEWPLAN program, Least-Cost Balanced Dairy Rations, and the dairy ration analyzers.

The size and productivity of the cropping program has an important influence on the amount of the purchased feed bill. Increased production of either roughages or grains should reduce the purchased feed expense unless cow numbers are increased. Also, heifer raising practices affect feed costs. The overall feed situation must be examined and evaluated as a "system".

FEED COSTS AND RELATED MEASURES  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Dairy concentrate purchased per cow	\$ _____	\$514	\$542
Dairy concentrate purchased per cwt. of milk sold	\$ _____	\$3.60	\$3.92
Percent dairy concentrate is of milk receipts	_____ %	27%	29%
Crop expense per cow	\$ _____	\$119	\$117
Feed & crop expense/cwt. milk	\$ _____	\$4.66	\$4.77
Forage dry matter harv./cow (tons)	_____	8.0	7.5
Acres of forage per cow	_____	2.8	2.7
Total tillable acres per cow	_____	3.4	3.4
Fertilizer and lime/tillable acre	\$ _____	\$22	\$21
Heifers as % of cow numbers	_____ %	82%	73%

Machinery, Labor and Miscellaneous Costs

Labor and machinery operate as a team on a dairy farm. The challenge is to obtain an efficient combination of these two inputs that will result in a low cost per unit of output.

MACHINERY AND LABOR COSTS  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
<u>Machinery:</u> Depreciation <sup>1</sup>	\$ _____	\$10,894	\$ 9,564
Interest <sup>2</sup>	_____	3,827	3,605
Operating expense <sup>3</sup>	_____	12,435	11,066
Total machinery	\$ _____	\$27,156	\$24,235
Per cow	_____	\$411	\$385
<u>Labor:</u> Value of operators <sup>4</sup>	\$ _____	\$11,134	\$10,500
Unpaid family <sup>5</sup>	_____	2,004	2,059
Hired	_____	10,424	8,687
Total labor	\$ _____	\$23,562	\$21,246
Per cow	_____	\$357	\$337
Per cwt. milk	_____	\$2.50	\$2.44
Labor & machinery costs per cow	_____	\$768	\$722
Labor & machinery costs/cwt. milk	\$ _____	\$5.38	\$5.41

<sup>1</sup>Regular depreciation from last year's tax plus 10 percent of new purchases.

<sup>2</sup>Five percent of average machinery investment.

<sup>3</sup>Machine hire, repairs, farm share auto expense, and gas and oil.

<sup>4</sup>\$750 per month.

<sup>5</sup>\$500 per month.

MISCELLANEOUS COST CONTROL MEASURES  
Northern New York Dairy Farms, 1982 and 1981

Item	My Farm	123 Farms 1982	111 Farms 1981
Livestock expense per cow	\$ _____	\$177	\$166
Real estate expense per cow	\$ _____	\$135	\$130
Total farm expense per cow	\$ _____	\$2,105	\$2,031

Livestock expense per cow includes breeding fees, veterinary and medicine, milk marketing, dairy supplies, bedding and DHIC fees. Real estate expenses include repairs, taxes, insurance and rent.

## YEARLY CASH FLOW PLANNING &amp; ANALYSIS

This worksheet is a valuable tool in financial planning, expansions and for setting goals for improving the farm business. The average is from 123 Northern New York owner-operated dairy farms.

Item	Average	My Farm,		Cows
	Per Cow	Per Cow	Total	Goal
<b>CASH RECEIPTS</b>				
Milk sales	\$1,895	\$ _____	\$ _____	\$ _____
Crop sales	17	_____	_____	_____
Dairy cattle	106	_____	_____	_____
Calves & other livestock	30	_____	_____	_____
Other	25	_____	_____	_____
Total Cash Receipts	\$2,073	\$ _____	\$ _____	\$ _____
<b>CASH EXPENSES</b>				
Hired labor	\$ 158	\$ _____	\$ _____	\$ _____
Dairy concentrate	514	_____	_____	_____
Hay and other	32	_____	_____	_____
Machine hire	12	_____	_____	_____
Machine repair & auto expense	98	_____	_____	_____
Gas & oil	78	_____	_____	_____
Replacement livestock	28	_____	_____	_____
Breeding fees	26	_____	_____	_____
Vet & medicine	41	_____	_____	_____
Milk marketing (ADA, Dues)	42	_____	_____	_____
Other livestock exp.	69	_____	_____	_____
Fertilizer & lime	73	_____	_____	_____
Seeds & plants	28	_____	_____	_____
Spray & other	18	_____	_____	_____
Land, bldg. fence repair (owner)	33	_____	_____	_____
Taxes (owner)	44	_____	_____	_____
Insurance (owner)	33	_____	_____	_____
Rent (owner)	25	_____	_____	_____
Telephone & elec. (farm share)	50	_____	_____	_____
Miscellaneous	25	_____	_____	_____
Total Cash Expenses <sup>1</sup>	\$1,427	\$ _____	\$ _____	\$ _____
Total Cash Receipts	\$2,073	_____	_____	_____
Total Cash Expenses <sup>1</sup>	-1,427	-	-	-
Net Cash Flow	\$ 646	\$ _____	\$ _____	\$ _____
Cash Family Living Expense <sup>2</sup>	- 278	-	-	-
Amount Left for Debt Service, Capital Investment & Retained Earnings	\$ 368	\$ _____	\$ _____	\$ _____
Scheduled Debt Service	- 461	-	-	-
Available for Capital Investment	\$ -93	\$ _____	\$ _____	\$ _____
Planned Expansion Livestock Purch.		_____	_____	_____
Planned Equipment Purchase		_____	_____	_____
Borrowed or Equity Funds Needed		\$ _____	\$ _____	\$ _____

<sup>1</sup>Interest paid excluded for it is contained in Scheduled Debt Service.

<sup>2</sup>Estimated: \$10,200 per family and four percent of cash farm receipts.

## PROGRESS OF THE FARM BUSINESS

Comparing your business with that of other farmers is one part of a business checkup. It is equally important to compare your current year's business with that of earlier years to show the progress you are making, and to plan ahead, by setting business targets or goals.

Item	1980	1981	1982	1983 Goal
<u>Size of Business</u>				
Number of cows	_____	_____	_____	_____
Number of heifers	_____	_____	_____	_____
Pounds of milk sold	_____	_____	_____	_____
Worker equivalent	_____	_____	_____	_____
Total tillable acres	_____	_____	_____	_____
<u>Rates of Production</u>				
Lbs. milk sold per cow	_____	_____	_____	_____
Tons hay D.M. per acre	_____	_____	_____	_____
Tons corn silage per acre	_____	_____	_____	_____
<u>Labor Efficiency</u>				
Cows per worker	_____	_____	_____	_____
Lbs. milk sold per worker	_____	_____	_____	_____
<u>Cost Control</u>				
Purch. feed as % milk sold	\$ _____	\$ _____	\$ _____	\$ _____
Feed & crop exp./cwt. milk	\$ _____	\$ _____	\$ _____	\$ _____
Labor & mach. cost per cow	\$ _____	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency</u>				
Farm capital per cow	\$ _____	\$ _____	\$ _____	\$ _____
Capital turnover	\$ _____	\$ _____	\$ _____	\$ _____
<u>Price</u>				
Price per cwt. milk	\$ _____	\$ _____	\$ _____	\$ _____
<u>Financial Summary</u>				
Net cash farm income	\$ _____	\$ _____	\$ _____	\$ _____
Labor & mgmt. inc./oper.	\$ _____	\$ _____	\$ _____	\$ _____
Farm net worth	\$ _____	\$ _____	\$ _____	\$ _____
Rate of return on equity	_____ %	_____ %	_____ %	_____ %
Percent equity	_____ %	_____ %	_____ %	_____ %
Farm debt per cow	\$ _____	\$ _____	\$ _____	\$ _____

## MANAGEMENT PERFORMANCE OF STATEWIDE COOPERATORS

The Farm Business Chart is a tool which can be used in analyzing a business by drawing a line through the figure in each column which represents the current level of management performance. The figure at the top of each column is the average of the top 10 percent of the 553 farms for that factor. The other figures in each column are the average for the second 10 percent, third 10 percent, etc. Each column of the chart is independent of the others. The farms which are in the top 10 percent for one factor would not necessarily be the same farms which make up the top 10 percent for any other factor.

FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS  
553 New York Dairy Farms, 1981

Size of Business			Rates of Production			Labor Efficiency	
Worker Equiv- alent	No. of Cows	Pounds Milk Sold	Pounds Milk Sold Per Cow	Tons D.M./ Acre	Tons Corn Silage Per Acre	Cows Per Worker	Pounds Milk Sold Per Worker
5.8	204	3,081,100	18,100	4.6	21	45	662,000
3.9	121	1,795,500	16,400	3.6	19	36	538,000
3.3	91	1,364,500	15,700	3.1	17	33	482,000
3.0	77	1,111,800	15,200	2.8	16	30	442,000
2.6	67	960,800	14,600	2.6	15	28	408,000
2.3	58	850,000	14,200	2.3	15	26	377,000
2.0	52	747,000	13,700	2.1	13	24	346,000
1.9	47	641,000	13,100	1.9	12	22	310,000
1.6	40	530,000	12,100	1.7	11	20	267,000
1.3	32	381,000	9,800	1.2	7	16	194,000

  

Feed Bought Per Cow	% Feed is of Milk Receipts	Machinery Cost Per Cow	Labor & Machinery Cost Per Cow	Feed and Crop Expense Per Cwt. Milk
\$197	11%	\$251	\$ 520	\$2.66
313	17	334	632	3.54
387	20	373	688	3.94
440	23	408	739	4.24
485	25	437	775	4.50
533	28	469	815	4.79
583	30	513	859	5.06
635	33	552	924	5.35
699	35	611	1,002	5.75
834	40	762	1,199	6.59

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

FINANCIAL ANALYSIS CHART  
553 New York Dairy Farms, 1981

Liquidity (Repayment)				
Debt Payments Per Cow	Available For Debt Service Per Cow	Cash Flow Coverage Ratio <sup>1</sup>	Debt Payments as Percent of Milk Sales <sup>2</sup>	Debt Per Cow
\$ 36	\$859	11.81	02	\$ 109
191	680	2.56	10	736
279	594	1.60	14	1,167
352	526	1.21	19	1,572
416	458	.98	23	1,989
447	388	.82	26	2,344
542	327	.66	30	2,724
627	273	.53	35	3,190
757	185	.36	42	3,763
1,039	- 34	- .10	59	4,876

Solvency				Profitability	
Leverage Ratio <sup>3</sup>	Percent Equity	Debt/Asset Ratio		Percentage Rate of Return on	
		Current & Intermediate <sup>4</sup>	Long Term <sup>5</sup>	Equity <sup>6</sup>	Investment <sup>7</sup>
.02	98	.00	.00	35	22
.14	88	.04	.07	21	16
.26	79	.09	.18	17	14
.38	72	.16	.33	14	12
.54	65	.22	.43	12	11
.70	59	.29	.51	09	09
.87	53	.35	.60	07	08
1.10	47	.43	.70	04	06
1.57	39	.53	.83	01	04
3.67	24	.78	1.15	-14	-03

<sup>1</sup>Amount available for debt service per dollar of annual scheduled debt payment, computed by dividing the available dollars by the annual payments planned. A high positive ratio indicates a strong capacity to repay debt.

<sup>2</sup>Amount of milk income committed to debt repayment, calculated by dividing scheduled debt payments by total milk sales (\$).

<sup>3</sup>Dollars of debt per dollar of equity, computed by dividing total liabilities by total equity.

<sup>4</sup>All farm liabilities on less than 10 year repayment divided by all farm assets excluding real estate and other long term assets.

<sup>5</sup>Farm liabilities on 10 years or more repayment, including all real estate mortgages, divided by the value of farm real estate and other long term assets.

<sup>6</sup>Return on equity capital, including appreciation, divided by farm net worth.

<sup>7</sup>Return on all farm capital (no deduction for interest paid) divided by total farm assets.

FARM BUSINESS SUMMARY BY HERD SIZE  
553 New York Dairy Farms, 1981

Item	Farms with:			
	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows
<u>Capital Investment (end of year)</u>				
Livestock	\$ 52,371	\$ 75,220	\$ 95,724	\$118,244
Feed & supplies	9,261	16,472	24,160	32,895
Machinery & equipment	42,623	59,911	76,336	90,171
Land & buildings	114,121	151,096	170,733	226,394
TOTAL INVESTMENT	\$218,376	\$302,799	\$366,953	\$467,704
<u>Receipts</u>				
Milk sales	\$ 62,378	\$ 88,345	\$121,644	\$151,338
Dairy cattle sold	4,310	6,317	7,904	10,766
Other livestock sales	1,413	1,735	1,970	1,958
Crop sales	340	738	1,105	1,451
Miscellaneous receipts	791	1,312	2,248	2,041
Total Cash Receipts	\$ 69,232	\$ 98,447	\$134,871	\$167,554
Increase in livestock	2,226	2,540	4,226	4,527
Increase in feed & supplies	(35)	155	1,079	33
Appreciation	1,240	5,927	7,093	7,477
TOTAL FARM RECEIPTS	\$ 72,663	\$107,069	\$147,309	\$179,591
TOTAL FARM REC. EXCL. APPREC.	\$ 71,423	\$101,142	\$140,216	\$172,114
<u>Expenses</u>				
Hired labor	\$ 2,262	\$ 4,242	\$ 7,009	\$ 11,709
Dairy feed	18,560	24,419	30,201	37,227
Other feed	742	647	774	1,009
Machine hire	468	827	1,359	1,310
Machinery repair	2,459	4,013	5,913	8,180
Auto expense (farm share)	442	355	478	432
Gas & oil	2,660	4,045	5,453	6,706
Replacement animals	1,397	1,793	2,859	1,722
Breeding fees	918	1,108	1,740	1,919
Veterinary & medicine	1,194	1,797	2,421	2,821
Milk marketing	1,753	2,628	3,329	4,858
Other livestock expense	2,167	3,242	4,780	5,356
Fertilizer & lime	2,273	3,916	6,286	8,475
Seeds & plants	721	1,330	2,023	2,449
Spray & other crop expense	550	1,000	1,607	2,079
Land, bldg., fence repair	964	1,425	1,996	2,576
Taxes & insurance	3,005	4,165	4,847	7,004
Electricity & phone (farm share)	2,171	2,367	2,946	3,874
Interest paid	6,728	9,740	12,460	15,991
Miscellaneous expenses	1,465	3,096	3,728	4,920
Total Cash Expenses	\$ 52,899	\$ 76,160	\$102,209	\$130,617
Expansion livestock	891	713	1,723	1,234
Machinery depreciation	5,965	8,147	10,268	12,494
Building depreciation	1,534	2,861	4,048	5,375
Unpaid family labor	1,610	2,115	2,073	1,264
Interest on equity @ 9%	13,125	18,195	21,364	27,841
TOTAL FARM EXPENSES	\$ 76,024	\$108,191	\$141,685	\$178,825
<u>Financial Summary</u>				
NET CASH FARM INCOME	\$ 16,333	\$ 22,287	\$ 32,662	\$ 36,937
LABOR & MGT. INCOME/OPER.	\$ -4,300	\$ -6,077	\$ -1,204	\$ -5,284
LABOR, MGT. & OWNSHP. INC./OPER.	\$ 9,125	\$ 14,718	\$ 22,121	\$ 22,525



FARM BUSINESS SUMMARY BY HERD SIZE  
553 New York Dairy Farms, 1981

Item	Farms with:				
	85 to 99 cows	100 to 114 cows	115 to 129 cows	130 to 149 cows	150 or more cows
<b>Capital Investment (end of year)</b>					
Livestock	\$146,783	\$165,777	\$170,424	\$215,066	\$ 312,810
Feed & supplies	38,786	41,971	55,663	66,107	98,764
Machinery & equipment	105,131	112,620	121,925	150,640	183,404
Land & buildings	257,713	269,882	302,713	341,352	504,471
TOTAL INVESTMENT	\$548,413	\$590,250	\$650,725	\$773,565	\$1,099,449
<b>Receipts</b>					
Milk sales	\$182,249	\$217,517	\$232,247	\$284,274	\$426,469
Dairy cattle sold	14,671	14,782	14,947	18,841	31,336
Other livestock sales	3,944	5,842	4,900	3,864	6,455
Crop sales	2,858	3,640	3,612	3,319	5,938
Miscellaneous receipts	3,262	2,897	5,757	4,253	6,259
Total Cash Receipts	\$206,984	\$244,678	\$261,463	\$314,551	\$476,457
Increase in livestock	3,455	3,600	7,395	(4,378)	20,746
Increase in feed & supplies	2,936	(2,978)	(1,166)	(450)	11,319
Appreciation	11,775	8,938	13,937	22,536	20,869
TOTAL FARM RECEIPTS	\$225,150	\$254,238	\$281,629	\$332,259	\$529,391
TOT. FARM REC. EXCL. APPREC.	\$213,375	\$245,300	\$267,692	\$337,087	\$508,522
<b>Expenses</b>					
Hired labor	\$ 15,450	\$ 18,923	\$ 29,576	\$ 34,543	\$ 53,791
Dairy feed	46,227	57,012	60,101	74,456	105,499
Other feed	1,155	2,820	2,410	1,207	3,079
Machine hire	1,324	1,690	1,649	1,710	4,031
Machinery repair	9,950	9,545	13,826	16,272	21,866
Auto expense (farm share)	715	371	472	339	482
Gas & oil	9,187	10,169	12,324	12,216	18,436
Replacement animals	1,455	7,070	3,599	1,931	5,739
Breeding fees	2,406	3,006	2,882	3,323	5,592
Veterinary & medicine	3,576	4,223	4,965	5,563	10,124
Milk marketing	5,024	6,339	8,431	7,124	12,178
Other livestock expense	6,777	6,293	8,996	7,977	14,833
Fertilizer & lime	11,110	11,761	13,292	15,077	23,925
Seeds & plants	3,384	3,163	4,370	6,633	7,407
Spray & other crop expense	2,639	4,030	4,534	6,450	7,053
Land, bldg., fence repair	3,136	2,714	3,790	4,007	6,515
Taxes & insurance	8,248	8,630	10,222	9,794	15,986
Elec. & phone (farm share)	4,604	4,553	5,528	5,426	8,048
Interest paid	17,768	23,224	25,594	30,506	43,001
Miscellaneous expenses	5,553	9,472	6,595	5,178	14,860
Total Cash Expenses	\$159,688	\$195,008	\$223,157	\$249,732	\$382,445
Expansion livestock	2,232	1,056	1,673	1,666	10,357
Machinery depreciation	14,583	15,239	17,254	19,083	31,290
Building depreciation	6,779	6,442	9,105	10,893	14,892
Unpaid family labor	1,934	962	660	313	760
Interest on equity @ 9%	33,521	34,788	34,761	44,763	65,653
TOTAL FARM EXPENSES	\$218,737	\$253,475	\$286,610	\$326,450	\$505,397
<b>Financial Summary</b>					
NET CASH FARM INCOME	\$ 47,296	\$ 49,670	\$ 38,306	\$ 64,819	\$ 94,012
LABOR & MGT. INCOME/OPER.					
LABOR, MGT. & OWNSHP. INC./OP.	\$ 27,166	\$ 24,688	\$ 24,612	\$ 35,614	\$ 58,212

SELECTED BUSINESS FACTORS BY HERD SIZE  
553 New York Dairy Farms, 1981

Item	Farms with:			
	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows
Number of farms	82	130	110	74
<u>Size of Business</u>				
Number of cows	34	47	61	77
Number of heifers	26	35	43	59
Pounds of milk sold	459,600	654,500	890,800	1,107,800
Worker equivalent	1.58	2.08	2.33	2.75
Total work units	375	528	669	858
Total tillable acres	121	177	206	264
(Tillable acres rented)	(31)	(46)	(66)	(86)
<u>Rates of Production</u>				
Milk sold per cow	13,518	13,926	14,603	14,387
Tons hay crop per acre	1.8	2.2	2.5	2.7
Tons corn silage per acre	13.2	13.6	14.3	14.1
Bushels of oats per acre	33.8	51.9	48.5	48.9
<u>Labor Efficiency</u>				
Cows per worker	22	23	26	28
Pounds milk sold per worker	290,886	314,663	382,318	402,836
Work units per worker	237	254	287	312
<u>Feed Costs</u>				
Feed purchased per cow	\$546	\$520	\$495	\$483
Crop expense per cow	\$104	\$133	\$163	\$169
Feed cost per cwt. milk	\$4.04	\$3.73	\$3.39	\$3.36
Feed & crop exp. per cwt. milk	\$4.81	\$4.69	\$4.50	\$4.53
% feed is of milk receipts	30%	28%	25%	25%
Hay equivalent per cow	6.7	7.9	7.7	8.0
Tillable acres per cow	3.6	3.8	3.4	3.4
Fertilizer & lime per crop acre	\$19	\$22	\$31	\$32
<u>Machinery &amp; Labor Costs</u>				
Total machinery costs	\$15,686	\$22,504	\$29,974	\$36,870
Machinery cost per cow	\$461	\$479	\$491	\$479
Machinery cost per cwt. milk	\$3.41	\$3.44	\$3.36	\$3.33
Labor cost per cow	\$397	\$357	\$328	\$317
Labor cost per cwt. milk	\$2.94	\$2.56	\$2.25	\$2.20
<u>Capital Efficiency</u>				
Investment per worker	\$138,213	\$145,576	\$157,491	\$170,074
Investment per cow	\$6,066	\$6,443	\$5,825	\$5,920
Investment per cwt. milk	\$48	\$46	\$41	\$42
Land & buildings per cow	\$3,170	\$3,084	\$2,710	\$2,866
Machinery investment per cow	\$1,254	\$1,223	\$1,212	\$1,141
Capital turnover	3.0	2.8	2.5	2.6
<u>Other</u>				
Price per cwt. milk sold	\$13.57	\$13.50	\$13.66	\$13.66
Acres hay crops	80	107	108	137
Acres corn silage	17	28	40	51

SELECTED BUSINESS FACTORS BY HERD SIZE  
553 New York Dairy Farms, 1981

Item	Farms with:				
	85 to 99 cows	100 to 114 cows	115 to 129 cows	130 to 149 cows	150 or more cows
Number of farms	38	26	25	16	52
<u>Size of Business</u>					
Number of cows	90	106	121	139	208
Number of heifers	70	78	94	105	158
Pounds of milk sold	1,313,900	1,580,200	1,688,400	2,106,600	3,113,000
Worker equivalent	3.25	3.42	3.92	4.17	5.58
Total work units	1,013	1,150	1,358	1,524	2,256
Total tillable acres	309	312	384	440	585
(Tillable acres rented)	(85)	(125)	(147)	(146)	(210)
<u>Rates of Production</u>					
Milk sold per cow	14,599	14,908	13,954	15,155	14,966
Tons hay crop per acre	2.7	2.7	2.7	2.9	2.9
Tons corn silage per acre	15.3	15.0	14.9	16.1	16.1
Bushels of oats per acre	52.1	69.0	50.1	62.1	58.7
<u>Labor Efficiency</u>					
Cows per worker	28	31	31	33	37
Pounds milk sold per worker	404,277	462,047	430,714	505,180	557,885
Work units per worker	312	336	346	365	404
<u>Feed Costs</u>					
Feed purchased per cow	\$514	\$538	\$497	\$536	\$507
Crop expense per cow	\$190	\$179	\$183	\$203	\$185
Feed cost per cwt. milk	\$3.52	\$3.61	\$3.56	\$3.53	\$3.39
Feed & crop exp. per cwt. milk	\$4.82	\$4.81	\$4.87	\$4.87	\$4.62
% feed is of milk receipts	25%	26%	26%	26%	25%
Tons forage dry matter per cow	8.4	7.5	8.3	7.9	7.8
Tillable acres per cow	3.4	2.9	3.2	3.2	2.8
Fertilizer & lime per crop acre	\$36	\$38	\$35	\$34	\$41
<u>Machinery &amp; Labor Costs</u>					
Total machinery costs	\$44,644	\$46,714	\$55,791	\$62,594	\$91,622
Machinery cost per cow	\$496	\$441	\$461	\$450	\$440
Machinery cost per cwt. milk	\$3.40	\$2.96	\$3.30	\$2.97	\$2.94
Labor cost per cow	\$340	\$310	\$340	\$343	\$329
Labor cost per cwt. milk	\$2.33	\$2.08	\$2.44	\$2.26	\$2.20
<u>Capital Efficiency</u>					
Investment per worker	\$168,742	\$172,588	\$166,001	\$185,507	\$197,034
Investment per cow	\$5,961	\$5,366	\$5,164	\$5,298	\$5,211
Investment per cwt. milk	\$42	\$35	\$39	\$37	\$35
Land & buildings per cow	\$2,801	\$2,453	\$2,402	\$2,341	\$2,391
Machinery investment per cow	\$1,143	\$1,024	\$968	\$1,032	\$869
Capital turnover	2.4	2.3	2.3	2.3	2.1
<u>Other</u>					
Price per cwt. milk sold	\$13.87	\$13.77	\$13.76	\$13.49	\$13.70
Acres hay crops	157	153	173	195	248
Acres corn silage	58	69	103	97	164

FARM FAMILY FINANCIAL SITUATION BY HERD SIZE  
553 New York Dairy Farms, January 1, 1982

Item	Farms with:				
	Less than 40 cows	40 to 54 cows	55 to 69 cows	70 to 84 cows	85 to 99 cows
Number of farms	82	130	110	74	38
<b>Assets</b>					
Livestock	\$ 52,371	\$ 75,220	\$ 95,724	\$118,244	\$146,783
Feed & supplies	9,261	16,572	24,160	32,895	38,786
Machinery & equipment	42,623	59,911	76,336	90,171	105,131
Land & buildings	114,121	151,096	170,733	226,394	257,713
Co-op investment	1,321	3,838	3,375	6,380	5,264
Accounts receivable	4,876	6,810	11,045	12,316	15,753
Cash & checking accounts	1,164	2,046	2,220	3,132	2,890
Total Farm Assets	<u>\$225,737</u>	<u>\$315,493</u>	<u>\$383,593</u>	<u>\$489,532</u>	<u>\$572,320</u>
Savings accounts	3,255	2,374	2,578	4,223	3,567
Cash value life insurance	1,894	2,306	2,464	2,326	2,243
Stocks & bonds	1,440	1,377	1,755	3,655	1,121
Nonfarm real state	2,177	2,444	8,011	3,670	5,592
Auto (personal share)	1,221	1,282	1,641	1,654	2,157
All other	6,178	5,068	4,604	5,745	7,290
Total Nonfarm Assets	<u>\$ 16,165</u>	<u>\$ 14,851</u>	<u>\$ 21,053</u>	<u>\$ 21,273</u>	<u>\$ 21,970</u>
TOTAL ASSETS	\$241,902	\$330,344	\$404,646	\$510,805	\$594,290
<b>Liabilities</b>					
Real estate mortgage	\$ 45,107	\$ 60,018	\$ 80,703	\$105,055	\$113,429
Liens on cattle & equipment	23,393	32,022	47,212	49,371	64,972
Installment contracts	2,432	3,779	5,395	8,459	4,979
Other loans over 10 years	2,518	10,297	2,425	4,160	2,605
Other loans 1 to 10 years	2,158	2,366	4,477	6,319	6,611
Other loans less than 1 year	1,680	1,423	2,228	1,464	2,074
Feed store & other accounts	2,614	3,423	3,776	5,358	5,190
Total Farm Liabilities	<u>\$ 79,902</u>	<u>\$113,328</u>	<u>\$146,219</u>	<u>\$180,186</u>	<u>\$199,860</u>
Total Nonfarm Liabilities	676	365	390	264	1,342
TOTAL LIABILITIES	\$ 80,578	\$113,693	\$146,219	\$180,450	\$201,202
Farm Net Worth (Eq. Cap.)	\$145,835	\$202,165	\$237,374	\$309,346	\$372,460
FAMILY NET WORTH	\$161,324	\$216,651	\$258,037	\$330,355	\$393,088
<b>Financial Measures</b>					
Percent equity	67%	66%	64%	65%	66%
Farm debt per cow	\$2,220	\$2,313	\$2,321	\$2,281	\$2,172
Available for debt service & living	\$24,730	\$33,275	\$46,030	\$54,038	\$65,197
Scheduled annual debt payment	\$16,167	\$23,951	\$31,547	\$37,419	\$40,826
Scheduled debt payments/cow	\$434	\$479	\$496	\$472	\$434
Payment as % of milk check	25%	27%	26%	25%	22%
Debt/Asset ratio - long term	0.42	0.47	0.49	0.48	0.45
Debt/Asset ratio - intermediate	0.28	0.25	0.29	0.26	0.25
Cash flow coverage ratio	0.72	0.76	0.92	0.94	1.05

FARM FAMILY FINANCIAL SITUATION BY HERD SIZE  
553 New York Dairy Farms, January 1, 1982

Item	Farms with:			
	100 to 114 cows	115 to 129 cows	130 to 149 cows	150 or more cows
Number of farms	26	25	16	52
<b>Assets</b>				
Livestock	\$165,777	\$170,424	\$215,066	\$ 312,810
Feed & supplies	41,971	55,663	66,107	98,764
Machinery & equipment	112,620	121,925	150,640	183,404
Land & buildings	269,882	302,713	341,752	504,471
Co-op investment	7,353	10,893	12,207	17,021
Accounts receivable	19,073	19,110	25,115	37,577
Cash & checking accounts	2,190	1,833	2,474	3,803
Total Farm Assets	\$618,866	\$682,561	\$813,361	\$1,157,850
Savings accounts	6,020	5,710	7,242	2,550
Cash value life insurance	3,117	6,255	6,592	4,923
Stocks & bonds	4,241	6,827	3,388	6,634
Nonfarm real state	2,692	9,866	19,813	8,184
Auto (personal share)	656	1,638	2,181	1,987
All other	3,439	7,350	8,000	5,709
Total Nonfarm Assets	\$ 20,165	\$ 37,546	\$ 47,216	\$ 29,987
<b>TOTAL ASSETS</b>	<b>\$639,031</b>	<b>\$720,107</b>	<b>\$860,577</b>	<b>\$1,187,837</b>
<b>Liabilities</b>				
Real estate mortgage	\$119,203	\$169,160	\$159,605	\$200,187
Liens on cattle & equipment	77,937	92,350	80,407	161,000
Installment contracts	20,229	15,710	15,709	8,454
Other loans over 10 years	642	4,635	34,847	26,495
Other loans 1 to 10 years	5,429	5,268	11,044	7,683
Other loans less than 1 year	4,212	3,610	3,241	15,727
Feed store & other accounts	4,682	7,591	11,145	8,827
Total Farm Liabilities	\$232,334	\$296,324	\$315,998	\$428,373
Total Nonfarm Liabilities	44	42	5,438	3,445
<b>TOTAL LIABILITIES</b>	<b>\$232,378</b>	<b>\$296,366</b>	<b>\$321,436</b>	<b>\$431,818</b>
Farm Net Worth (Equity Cap.)	\$386,532	\$386,237	\$497,363	\$729,477
<b>FAMILY NET WORTH</b>	<b>\$406,653</b>	<b>\$423,741</b>	<b>\$539,141</b>	<b>\$756,019</b>
<b>Financial Measures</b>				
Percent equity	64%	59%	63%	64%
Farm debt per cow	\$2,112	\$2,352	\$2,164	\$2,030
Available for debt service & living	\$73,017	\$65,960	\$96,750	\$139,223
Scheduled annual debt payment	\$54,285	\$61,515	\$65,379	\$98,993
Scheduled debt payments/cow	\$493	\$488	\$445	\$466
Payment as % of milk check	25%	26%	23%	23%
Debt/Asset ratio - long term	0.44	0.57	0.57	0.45
Debt/Asset ratio - intermediate	0.31	0.31	0.25	0.30
Cash flow coverage ratio	0.91	0.71	1.08	1.06

MEASURE YOUR PERFORMANCE

After you have entered your farm business data on the pages of this workbook, categorize your farm business performance into three groups. List the strong points, those which indicate average performance and those areas which need improvement. Your business factors that exceed the regional average should be listed as strong points, factors that are close to the regional average should be identified as average, and factors that are below average should be listed under need improvement.

The Farm Business Chart on the page 18 and the Financial Analysis Chart on page 19 can be used to identify strengths and weaknesses by comparing your business with a large number of New York dairy farms summarized for the previous year. It is recommended that you use more than one standard for comparison when analyzing the farm business.

STRONG POINTS:

AVERAGE:

_____	_____
_____	_____
_____	_____
_____	_____

NEED IMPROVEMENT:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

After identifying opportunities for improvement, consider alternative ways of solving each problem. List each alternative and analyze the consequences in detail. Extension conducts many schools, meetings, and provides many printed materials that should be of assistance. Local agribusinesses often provide helpful information and assistance. Seek out information related to the problem under consideration.

Another way to measure your management performance is to compare your current business factors with those from previous years. Page 17 is provided for this purpose. Answering the following questions may also help evaluate your farm business progress.

- 1) Do livestock numbers, labor force, and crop acres make up a well balanced unit of resources?
- 2) Have rates of production shown a steady increase?
- 3) When will milk output per worker reach 600,000 pounds?
- 4) Have increases in costs been limited to the effects of inflation?
- 5) Is growth in net worth keeping up with increased capital investment?
- 6) Is net cash farm income increasing fast enough to meet your needs?
- 7) Have you reached the business goals set for 1982 and have you set new goals for 1983?