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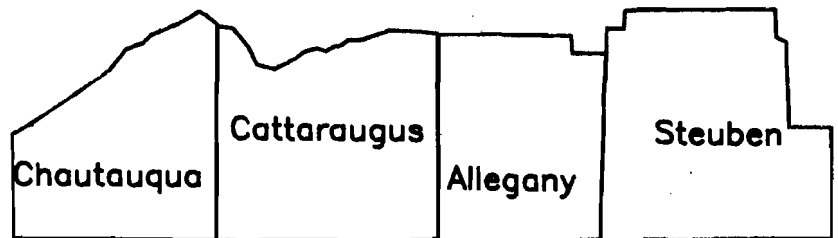
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DAIRY FARM BUSINESS SUMMARY

WESTERN PLATEAU REGION 1993



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1993 DAIRY FARM BUSINESS SUMMARY

WESTERN PLATEAU REGION

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1993 DAIRY FARM BUSINESS SUMMARY WESTERN PLATEAU REGION*

INTRODUCTION

Dairy farmers throughout New York State have been participating in Cornell Cooperative Extension's farm business summary and analysis program since the early 1950's. Managers of each participating farm business receive a comprehensive summary and analysis of the farm business. The information in this report represents an average of the data submitted from dairy farms in the Western Plateau Region for 1993.

Program Objective

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

Format Features

This regional report follows the same general format as in the 1993 DFBS printout received by all participating dairy farmers. The analysis tables have an open column or section labeled My Farm. It may be used by any dairy farm manager who wants to compare his or her business with the average data of this region. A DFBS Data Check-in Form can be used by non-DFBS participants to summarize their businesses.

This report features:

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

*This summary was prepared by George L. Casler, Department of Agricultural, Resource, and Managerial Economics, College of Agriculture and Life Science, Cornell University, in cooperation with Cooperative Extension Agents Andrew Dufresne, Joan Petzen, and Carl Albers. Stuart Smith was in charge of data collection in Steuben County. The Western Plateau region is comprised of Allegany, Cattaraugus, Chautauqua, and Steuben Counties. Linda Putnam was in charge of the data handling at Cornell.

SUMMARY AND ANALYSIS OF THE FARM BUSINESS

Business Characteristics

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

BUSINESS CHARACTERISTICS
37 Western Plateau Region Dairy Farms, 1993

<u>Type of Farm</u>	<u>Number</u>	<u>Type of Barn</u>	<u>Number</u>
Dairy	37	Stanchion/Tie-Stall	19
Part-time dairy	0	Freestall	13
Dairy cash-crop	0	Combination	5
Part-time cash-crop dairy	0		
		<u>Milking System</u>	<u>Number</u>
<u>Type of Ownership</u>	<u>Number</u>	Bucket & carry	0
Owner	36	Dumping station	0
Renter	1	Pipeline	21
		Herringbone parlor	14
<u>Type of Business</u>	<u>Number</u>	Other parlor	2
Single proprietorship	24	<u>Milking Frequency</u>	<u>Number</u>
Partnership	11	2x/day	32
Corporation	2	3x/day	3
		Other	2
<u>Business Record System</u>	<u>Number</u>	<u>Production Records</u>	<u>Number</u>
ELFAC II	2	DHIC	24
Account Book	16	Owner-Sampler	4
Agrifax (mail-in only)	6	Other	5
On-Farm Computer	9	None	4
Other	4		

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

Income Statement

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

Cash paid is the actual cash outlay during the year and does not necessarily represent the cost of goods and services actually used in 1993.

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

CASH AND ACCRUAL FARM EXPENSES
37 Western Plateau Region Dairy Farms, 1993

<u>Expense Item</u>	Cash Paid +	Change in Inventory or Prepaid Expense +	Change in Accounts Payable =	Accrual Expenses
<u>Hired Labor</u>	\$24,087	\$0 <<	\$92	\$24,179
<u>Feed</u>				
Dairy grain & conc.	63,510	1,101	411	65,022
Dairy roughage	2,659	-18	0	2,641
Nondairy	0	0	0	0
<u>Machinery</u>				
Mach. hire, rent/lease	2,587	0 <<	0	2,587
Machinery repairs/parts	14,212	5	-162	14,055
Auto exp. (farm share)	1,501	0 <<	0	1,501
Fuel, oil & grease	5,826	-10	45	5,861
<u>Livestock</u>				
Replacement livestock	2,627	0 <<	0	2,627
Breeding	3,554	-84	19	3,489
Vet & medicine	5,326	-11	-55	5,260
Milk marketing	11,996	0 <<	0	11,996
Cattle lease/rent	132	0 <<	0	132
Other livestock expense	10,383	31	-93	10,321
<u>Crops</u>				
Fertilizer & lime	5,052	261	302	5,615
Seeds & plants	3,211	58	32	3,301
Spray, other crop exp.	2,505	27	-67	2,465
<u>Real Estate</u>				
Land/bldg./fence repair	3,152	105	122	3,379
Taxes	6,249	0 <<	-228	6,021
Rent & lease	4,288	0 <<	143	4,431
<u>Other</u>				
Insurance	3,951	0 <<	141	4,092
Telephone (farm share)	355	0 <<	0	355
Electricity (farm share)	5,774	0 <<	0	5,774
Interest paid	10,961	0 <<	0	10,961
Miscellaneous	3,004	91	78	3,173
Total Operating	\$196,902	\$1,556	\$780	\$199,238
Expansion livestock	2,507	0 <<	0	2,507
Machinery depreciation				13,257
Building depreciation				6,443
TOTAL ACCRUAL EXPENSES				\$221,445

Change in prepaid expenses (noted above by <<) is a net change in non-inventory expenses that have been paid in advance of their use. If 1993 funds used to prepay 1994 leases exceed the amount of 1993 leases prepaid in 1992, the amount of this excess is entered as a negative number to exclude it from 1993 accrual lease expenses. The excess prepaid lease is charged against the future year's business operation. A decrease in prepaid lease is added to accrual expenses because it represents use of resources during this year that were paid for in past years.

Change in accounts payable: An increase in accounts payable from beginning to end of year is added when calculating accrual expenses because these expenses were incurred (resources used) in 1993 but not paid for. A decrease is subtracted because the resource was used before 1993.

Accrual expenses are the costs of inputs actually used in this year's production. They are the total of cash paid, as well as changes in inventory, prepaid expenses, and accounts payable.

CASH AND ACCRUAL FARM RECEIPTS
37 Western Plateau Region Dairy Farms, 1993

<u>Receipt Item</u>	Cash Receipts	+ Change in Inventory	+ Change in Accounts Receivable	= Accrual Receipts
Milk sales	\$206,596		\$1,725	\$208,321
Dairy cattle	16,140	\$4,988	0	21,128
Dairy calves	4,302		0	4,302
Other livestock	208	-231	0	-23
Crops	786	3,975	0	4,761
Government receipts	5,411	0*	0	5,411
Custom machine work	579		5	584
Gas tax refund	583		0	583
Other	<u>3,825</u>		<u>54</u>	<u>3,879</u>
Less nonfarm noncash cap.**		(-) <u>16</u>		(-) <u>16</u>
Total Receipts	\$238,430	\$8,716	\$1,784	\$248,930

*Change in advanced government receipts.

**Gifts or inheritances of cattle or crops included in inventory.

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

Changes in inventory of assets produced by the business are calculated by subtracting beginning of year values from end of year values excluding appreciation. Increases in livestock inventory caused by herd growth and/or quality are added, and decreases caused by herd reduction and/or quality are subtracted. Changes in inventories of crops grown are also included. An annual increase in advanced government receipts is subtracted from cash income because it represents income received in 1993 for the 1994 crop year in excess of funds earned for 1993. Likewise, a decrease is added to cash government receipts because it represents funds earned for 1993 but received in 1992.

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 farm business during the year.

Profitability Analysis

Farm operators* contribute labor, management, and equity capital to their businesses and the combination of these resources, and the other resources used in the business, determines profitability. Farm profitability can be measured as the return to all family resources or as the return to one or more individual resources such as labor and management.

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

Net farm income is the return to the farm operators and other unpaid family members for their labor, management, and equity capital. It is the farm family's net annual return from working, managing, 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 both with and without appreciation. Appreciation represents the change in values caused by annual changes in prices of livestock, machinery, real estate inventory, and stocks and certificates (other than Farm Credit). Appreciation is a major factor contributing to changes in farm net worth and must be included for a complete profitability analysis.

NET FARM INCOME

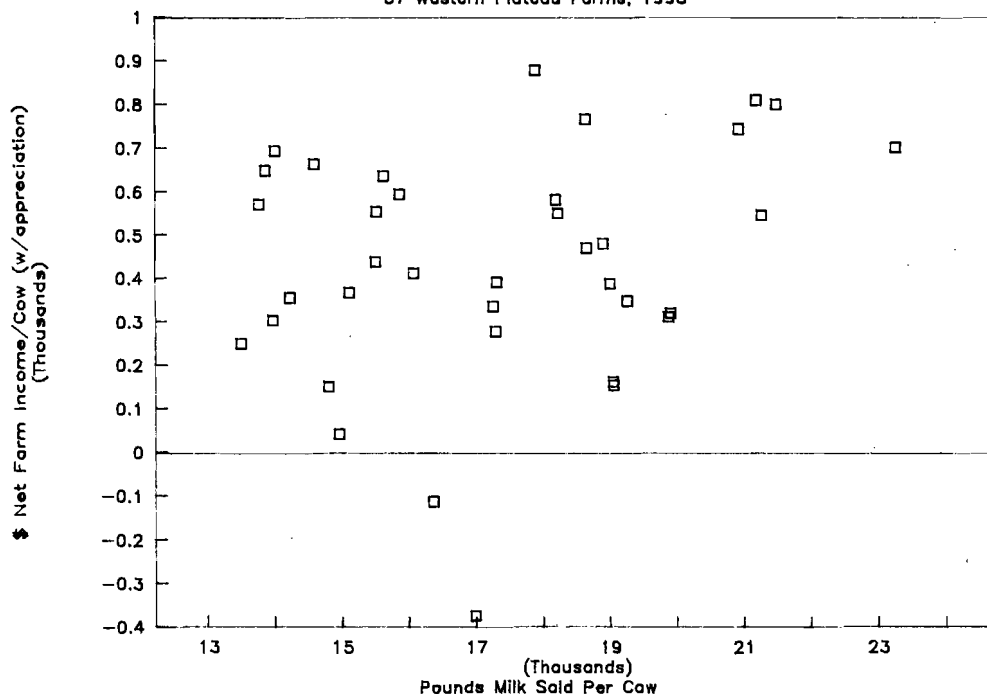
37 Western Plateau Region Dairy Farms, 1993

Item	Average	My Farm
Total accrual receipts	\$248,930	\$ _____
Appreciation: Livestock	865	_____
Machinery	1,246	_____
Real Estate	5,940	_____
Other Stock/Certificates	1,097	_____
Total Including Appreciation	\$258,078	\$ _____
Total accrual expenses	- 221,445	- _____
Net Farm Income (with appreciation)	\$36,633	\$ _____
Net Farm Income (without appreciation)	\$27,485	\$ _____

The chart below shows the relationship between net farm income per cow (with appreciation) and pounds of milk sold per cow. Generally, farms with a higher production per cow have higher profitability per cow.

Net Farm Income/Cow and Milk/Cow

37 Western Plateau Farms, 1993



Return to operators' labor, management, and equity capital measures the total net farm income for the farm operator(s). It is calculated by deducting a charge for unpaid family labor from net farm income. Operators' labor is not included in unpaid family labor. Return to operators' labor, management, and equity capital has been calculated both with and without appreciation. Appreciation is an important part of the return to ownership of farm assets.

RETURN TO OPERATORS' LABOR, MANAGEMENT, AND EQUITY

37 Western Plateau Region Dairy Farms, 1993

Item	Average		My Farm	
	With Apprec.	Without Apprec.	With Apprec.	Without Apprec.
Net farm income	\$36,633	\$27,485	\$_____	\$_____
Family labor unpaid @ \$1,400 per month	- 3,444	- 3,444	-_____	-_____
Return to operators' labor, management, & equity	\$33,189	\$24,041	\$_____	\$_____

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 the opportunity cost of using equity capital, at a real interest rate of five percent, from the return to operators' labor, management, and equity capital excluding appreciation. The interest charge of five percent reflects the long-term average rate of return above inflation that a farmer might expect to earn in comparable risk investments.

LABOR AND MANAGEMENT INCOME

37 Western Plateau Region Farms, 1993

Item	Average	My Farm
Return to operators' labor, management, & equity without appreciation	\$24,041	\$_____
Real interest @ 5% on \$368,353 average equity capital	- 18,418	-_____
Labor & Management Income	\$5,623	\$_____
Labor & Management Income per 1.62 Operator/Manager	\$3,471	\$_____

Return on equity capital measures the net return remaining for the farmer's equity or owned capital after a charge has been made for the owner-operator's labor and management. The earnings or amount of net farm income allocated to labor and management is the opportunity cost of operators' labor and management estimated by the cooperators. Return on equity capital is calculated with and without appreciation. The rate of return on equity capital is determined by dividing the amount returned by the average farm net worth or equity capital. Return on total capital is calculated by adding interest paid to the return on equity capital and then dividing by average farm assets to calculate the rate of return on total capital.

RETURN ON EQUITY CAPITAL AND RETURN ON TOTAL CAPITAL
37 Western Plateau Region Dairy Farms, 1993

<u>Item</u>	<u>Average</u>	<u>My Farm</u>
Return to operators' labor, management, & equity capital with appreciation	\$33,189	\$ _____
Value of operators' labor & management	- 33,284	- _____
Return on equity capital with appreciation	\$-95	\$ _____
Interest paid	+10,961	+ _____
Return on total capital with appreciation	\$10,866	\$ _____
Return on equity capital without appreciation	\$-9,243	\$ _____
Return on total capital without appreciation	\$1,718	\$ _____
Rate of return on average equity capital:		
with appreciation	-.03%	_____ %
without appreciation	-2.51%	_____ %
Rate of return on average total capital:		
with appreciation	1.97%	_____ %
without appreciation	.31%	_____ %

Farm and Family Financial Status

The first step in evaluating the financial position 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.

Financial lease obligations are included in the balance sheet. The present value of all future payments is listed as a liability since the farmer is committed to make the payments by signing the lease. The present value is also listed as an asset, representing the future value the item has to the business. For 1993, leases were discounted by 7.75 percent.

Advanced government receipts are included as current liabilities. Government payments received in 1993 that are for participation in the 1994 program are the end year balance and payments received in 1992 for participation in the 1993 program are the beginning year balance

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

1993 FARM BUSINESS & NONFARM BALANCE SHEET
 37 Western Plateau Region Dairy Farms, 1993

<u>Farm Assets</u>			<u>Farm Liabilities & Net Worth</u>		
	<u>Jan. 1</u>	<u>Dec. 31</u>		<u>Jan. 1</u>	<u>Dec. 31</u>
<u>Current</u>			<u>Current</u>		
Farm cash, checking & savings	\$4,327	\$3,638	Accounts payable	\$9,346	\$10,125
Accounts rec.	14,213	15,998	Operating debt	2,303	2,447
Prepaid exp.	0	0	Short-term	1,561	1,719
Feed & supplies	36,708	39,126	Advanced govt. rec.	0	0
			Current Portion:		
			Intermediate	0	19,526
			Long Term	0	5,438
Total	\$55,248	\$58,762	Total	\$13,210	\$39,255
<u>Intermediate</u>			<u>Intermediate</u>		
Dairy cows:			Structured debt		
owned	\$96,137	\$100,367	1-10 years	\$91,987	\$69,247
leased	190	46	Financial lease		
Heifers	48,297	49,899	(cattle/mach.)	3,748	3,707
Bulls/other lvstk.	1,291	1,082	Farm Credit stock	2,426	2,287
Mach./eq. owned	117,695	119,013			
Mach./eq. leased	3,558	3,661	Total	\$98,161	\$75,241
Farm Credit stock	2,426	2,287			
Other stock/cert.	5,367	6,419			
Total	\$274,961	\$282,774			
<u>Long-Term</u>			<u>Long Term</u>		
Land/buildings:			Structured debt		
owned	\$210,931	\$218,792	>10 yrs	\$68,786	\$70,109
leased	65	0	Financial lease		
			(structures)	65	0
Total	\$210,996	\$218,792	Total	\$68,851	\$70,109
Total Farm Assets	\$541,205	\$560,328	Total Farm Liab.	\$180,222	\$184,605
			FARM NET WORTH	\$360,983	\$375,723

<u>Nonfarm Assets, Liabilities & Net Worth (Average of 24 farms reporting)</u>					
<u>Assets</u>			<u>Liabilities & Net Worth</u>		
	<u>Jan. 1</u>	<u>Dec. 31</u>		<u>Jan. 1</u>	<u>Dec. 31</u>
Personal cash, chkg. & savings	\$5,986	\$2,482	Nonfarm Liab.	\$1,988	\$2,468
Cash value life ins.	7,400	8,327			
Nonfarm real estate	7,917	8,125			
Auto (personal sh.)	2,867	3,237			
Stocks & bonds	4,713	8,285			
Household furn.	9,470	9,804			
All other	3,820	3,375			
Total Nonfarm	\$42,172	\$43,634	NONFARM NET WORTH	\$40,184	\$41,166

<u>Farm & Nonfarm Assets, Liabilities, & Net Worth*</u>		
	<u>Jan. 1</u>	<u>Dec. 31</u>
Total Assets	\$583,377	\$603,962
Total Liabilities	182,210	187,073
TOTAL FARM & NONFARM NET WORTH	\$401,167	\$416,889

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

The following condensed balance sheet, including deferred taxes, contains average data from only those farmers who elected to provide the additional information required to compute deferred taxes.

Deferred taxes represent an estimate of the taxes that would be paid if the farm were sold at year end fair market values and date on the balance sheet. Accuracy is dependent on the accuracy of the market values and the tax basis data provided. Any tax liability for assets other than livestock, machinery, land, buildings and nonfarm assets is excluded. It is assumed that all gain on purchased livestock and machinery is ordinary gain and that listed market values are net of selling costs. The effects of investment tax credit carryover and recapture, carryover of operating losses, alternative minimum taxes and other than average exemptions and deductions are excluded because they have only minor influence on the taxes of most farms. However, they could be important.

CONDENSED BALANCE SHEET INCLUDING DEFERRED TAXES

December 31, 1993

11 New York Dairy Farms, 1993

<u>ASSETS</u>		<u>LIABILITIES & NET WORTH</u>	
		Current debts & payables	\$ 29,319
		Current deferred taxes	13,689
Total Current Assets	\$ 48,897	Total Current Liabilities	\$ 43,008
		Intermediate debts & leases	\$ 71,566
		Intermediate deferred taxes	51,440
Total Inter. Assets	\$ 191,334	Total Inter. Liabilities	\$ 123,006
		Long term debts & leases	\$ 55,484
		Long term deferred taxes	18,836
Total Long Term Assets	\$ 178,091	Total Long Term Liab.	\$74,321
TOTAL FARM ASSETS	\$ 418,322	TOTAL FARM LIABILITIES	\$240,335
		Farm Net Worth	\$177,987
		<u>Percent Equity (Farm)</u>	<u>43%</u>
		Nonfarm debts	\$4,767
		Nonfarm deferred taxes	6,087
Total Nonfarm Assets	\$ 37,756	Total Nonfarm Liabilities	\$10,854
TOTAL ASSETS	\$456,078	TOTAL LIABILITIES	\$251,189
		Total Net Worth	\$204,889
		<u>Percent Equity (Total)</u>	<u>45%</u>

Balance sheet analysis involves examination of relative asset and debt levels for the business. Percent equity is calculated by dividing end of year net worth by end of year assets and multiplying by 100. The debt to asset ratio is compiled by dividing liabilities by assets. Low debt to asset ratios reflect business solvency and the potential capacity to borrow. Debt levels per productive unit represent old standards that are still useful if used with measures of cash flow and repayment ability.

BALANCE SHEET ANALYSIS

37 Western Plateau Region Farms, 1993

Item	Average	My Farm		
Financial Ratios - Farm:				
Percent equity	67%	_____ %		
Debt/asset ratio: total	.33	_____		
long-term	.32	_____		
intermediate/current	.34	_____		
Farm Debt Analysis:				
Accounts payable as % of total debt	5%	_____ %		
Long-term liabilities as a % of total debt	38%	_____ %		
Current & inter. liab. as a % of total debt	62%	_____ %		
Farm Debt Levels:				
	Per Cow	Per Tillable Acre Owned	Per Cow	Per Tillable Acre Owned
Total farm debt	\$1,964	\$1,067	\$_____	\$_____
Long-term debt	746	405	_____	_____
Intermediate & current debt	1,218	662	_____	_____

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

FARM INVENTORY BALANCE

37 Western Plateau Region Dairy Farms, 1993

Item	Average of Region's Farms	
	Real Estate	Machinery & Equipment
Value beg. of year	\$210,931	\$117,695
Purchases	\$11,422	\$13,636
Gift/inheritance	+ 1,081	+ 259
Lost capital	- 1,988	- --
Sales	- 2,150	- 566
Depreciation	- 6,443	- 13,257
Net investment	= 1,922	= 72
Appreciation	+ 5,940	+ 1,246
Value end of year	\$218,792	\$119,013

*\$3,073 land and \$8,349 buildings and/or depreciable improvements.

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

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

STATEMENT OF OWNER EQUITY (RECONCILIATION)
37 Western Plateau Region Dairy Farms, 1993

Item	Average	My Farm
Beginning of year farm net worth	\$360,983	\$ _____
Net farm income w/o apprec.	\$ 27,485	\$ _____
+Nonfarm cash income	+ 5,099	+ _____
-Personal withdrawals & family expenditures excluding nonfarm borrowings	<u>- 28,584</u>	- _____
RETAINED EARNINGS	+\$ 4,000	\$ _____
Nonfarm noncash transfers to farm	\$ 1,357	\$ _____
+Cash used in business from nonfarm capital	+ 1,767	+ _____
-Note/mortgage from farm real estate sold (nonfarm)	<u>- 0</u>	- _____
CONTRIBUTED/WITHDRAWN CAPITAL	+\$ 3,123	+\$ _____
Appreciation	\$ 9,148	\$ _____
-Lost capital	<u>- 1,988</u>	- _____
CHANGE IN VALUATION EQUITY	+\$ 7,160	+\$ _____
IMBALANCE/ERROR	<u>- -456</u>	-\$ _____
End of year farm net worth*	=\$375,723	=\$ _____
Change in net worth w/apprec.	\$ 14,740	\$ _____
<hr/>		
<u>Change in Net Worth</u>		
Without appreciation	\$ 5,592	\$ _____
With appreciation	\$14,740	\$ _____

*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

37 Western Plateau Region Dairy Farms, 1993

<u>Item</u>	<u>Average</u>	
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$238,430	
- Cash farm expenses	<u>196,902</u>	
= Net cash farm income		\$ 41,528
Nonfarm income	\$ 5,099	
- Personal withdrawals/family expenses including nonfarm debt payments	<u>29,355</u>	
+ Net cash nonfarm income		<u>\$-24,256</u>
= Net Provided by Operating Activities		\$ 17,272
<u>Cash Flow From Investing Activities</u>		
Sale of Assets: Machinery	\$ 566	
+ real estate	2,150	
+ other stock/cert.	<u>45</u>	
= Total asset sales		\$ 2,761
Capital purchases: expansion livestock	\$ 2,507	
+ machinery	13,636	
+ real estate	11,422	
+ other stock/cert.	<u>0</u>	
- Total invested in farm assets		<u>\$ 27,565</u>
= Net Provided by Investment Activities		\$-24,804
<u>Cash Flow From Financing Activities</u>		
Money borrowed (inter. & long term)	\$ 28,704	
+ Money borrowed (short-term)	943	
+ Increase in operating debt	144	
+ Cash from nonfarm cap. used in business	1,767	
+ Money borrowed - nonfarm	<u>771</u>	
= Cash inflow from financing		\$ 32,329
Principal payments (inter. & long-term)	\$ 25,157	
+ Principal payments (short-term)	785	
+ Decrease in operating debt	<u>0</u>	
- Cash outflow for financing		<u>\$ 25,942</u>
= Net Provided by Financing Activities		\$ 6,387
<u>Cash Flow From Reserves</u>		
Beginning farm cash, checking & savings	\$ 4,327	
- Ending farm cash, checking & savings	<u>3,638</u>	
= Net Provided from Reserves		\$ 689
<u>Imbalance (error)</u>		\$ -456

ANNUAL CASH FLOW STATEMENT

Item	My Farm	
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$ _____	
- Cash farm expenses	_____	
= Net cash farm income		\$ _____
Nonfarm income	\$ _____	
- Personal withdrawals/family expenses including nonfarm debt payments	_____	
+ Net cash nonfarm income		\$ _____
= Net Provided by Operating Activities		\$ _____
<u>Cash Flow From Investing Activities</u>		
Sale of Assets: Machinery	\$ _____	
+ real estate	_____	
+ other stock/cert.	_____	
= Total asset sales		\$ _____
Capital purchases: expansion livestock	\$ _____	
+ machinery	_____	
+ real estate	_____	
+ other stock/cert.	_____	
- Total invested in farm assets		\$ _____
= Net Provided by Investment Activities		\$ _____
<u>Cash Flow From Financing Activities</u>		
Money borrowed (inter. & long term)	\$ _____	
+ Money borrowed (short-term)	_____	
+ Increase in operating debt	_____	
+ Cash from nonfarm cap. used in business	_____	
+ Money borrowed - nonfarm	_____	
= Cash inflow from financing		\$ _____
Principal payments (inter. & long-term)	\$ _____	
+ Principal payments (short-term)	_____	
+ Decrease in operating debt	_____	
- Cash outflow for financing		\$ _____
= Net Provided by Financing Activities		\$ _____
<u>Cash Flow From Reserves</u>		
Beginning farm cash, checking & savings	\$ _____	
- Ending farm cash, checking & savings	_____	
= Net Provided from Reserves		\$ _____
<u>Imbalance (error)</u>		\$ _____

Repayment Analysis

A valuable use of cash flow analysis is to compare the debt payments planned for the last year with the amount actually paid. The measures listed below provide a number of different perspectives on the repayment performance of the business. However, the critical question to many farmers and lenders is whether planned payments can be made in 1994. The cash flow projection worksheet on the next page can be used to estimate repayment ability, which can then be compared to planned 1994 debt payments shown below.

FARM DEBT PAYMENTS PLANNED

Same 19 Western Plateau Region Dairy Farms, 1992 & 1993

Debt Payments	Average			My Farm		
	1993 Payments		Planned 1994	1993 Payments		Planned 1994
	Planned	Made		Planned	Made	
Long-term	\$ 6,602	\$ 8,649	\$10,266	\$ _____	\$ _____	\$ _____
Intermediate-term	25,785	29,557	24,761	_____	_____	_____
Short-term	2,023	1,553	1,225	_____	_____	_____
Operating (net reduction)	1,768	150	693	_____	_____	_____
Accounts payable (net reduction)	1,783	0	1,799	_____	_____	_____
Total	\$37,962	\$39,909	\$38,744	\$ _____	\$ _____	\$ _____
Per cow	\$ 404	\$ 425		\$ _____	\$ _____	
Per cwt. 1993 milk	\$ 2.19	\$ 2.30		\$ _____	\$ _____	
Percent of total 1993 receipts	14%	15%		_____	_____	
Percent of 1993 milk receipts	17%	18%		_____	_____	

The cash flow coverage ratio measures the ability of the farm business to meet its planned debt payment schedule. The ratio shows the percentage of payments planned for 1993 (as of December 31, 1992) that could have been made with the amount available for debt service in 1993. Farmers who did not participate in DFBS in 1992 have their 1993 cash flow coverage ratio based on planned debt payments for 1994.

CASH FLOW COVERAGE RATIO

Same 19 Western Plateau Region Dairy Farms, 1992 & 1993

Item	Average	My Farm
Cash farm receipts	\$254,445	\$ _____
- Cash farm expenses	200,474	_____
+ Interest paid	11,010	_____
- Net personal withdrawals from farm*	31,676	_____
(A) = Amount Available for Debt Service	\$ 33,305	\$ _____
(B) = Debt Payments Planned for 1993 (as of December 31, 1992)	\$ 37,962	\$ _____
(A/B) = Cash Flow Coverage Ratio for 1993	.88	_____

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

ANNUAL CASH FLOW WORKSHEET

Item	Regional Average		My Farm	Expected Change	1994 Projection
	Per Cow	Per Cwt.	Per Cow/ Per Cwt.		
No. cows and cwt. milk	92.1	15,966			
<u>Accrual Oper. Receipts</u>					
Milk	\$2,261.90	\$13.05	\$		\$
Dairy cattle	229.40	1.32			
Dairy calves	46.71	.27			
Other livestock	-.25	.00			
Crops	51.69	.30			
Misc. receipts	113.56	.65			
Total	\$2,703.02	\$15.59	\$		\$
<u>Accrual Oper. Expenses</u>					
Hired labor	\$262.53	\$1.51	\$		\$
Dairy grain & conc.	705.99	4.07			
Dairy roughage	28.68	.17			
Nondairy feed	0.00	.00			
Mach. hire/rent/lease	28.09	.16			
Mach. rpr./parts & auto	168.90	.97			
Fuel, oil & grease	63.64	.37			
Replacement lvstk.	28.52	.16			
Breeding	37.88	.22			
Vet & medicine	57.11	.33			
Milk marketing	130.25	.75			
Cattle lease	1.43	.01			
Other livestock exp.	112.06	.65			
Fertilizer & lime	60.97	.35			
Seeds & plants	35.84	.21			
Spray/other crop exp.	26.75	.15			
Land, bldg., fence repair	36.68	.21			
Taxes	65.37	.38			
Real estate rent/lease	48.11	.28			
Insurance	44.43	.26			
Utilities	66.55	.38			
Miscellaneous	34.45	.20			
Total Less Int. Paid	\$2,044.23	\$11.79	\$		\$
<u>Net Accrual Operating Income (Total)</u>					
(without interest paid)	\$60,673		\$		\$
- Change in lvstk./crop inv.*	8,716				
- Change in accts. rec.	1,784				
+ Change in feed/supply inv.**	1,556				
+ Change in accts. payable***	780				
NET CASH FLOW	\$52,509		\$		\$
- Net personal w/drawals from farm (see footnote on pg. 14)	\$23,485				
Available for Farm Debt					
Payments & Investments	\$29,024		\$		\$
- Farm debt payments	36,055				
Available for Farm Investment	\$-7,031		\$		\$
- Capital purchases: cattle, machinery & improvements	\$27,565				
Additional Capital Needed			\$		\$

*Includes change in advance government receipts.

**Includes change in prepaid expenses.

***Excludes change in interest account payable.

Cropping Analysis

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

LAND RESOURCES AND CROP PRODUCTION
37 Western Plateau Region Dairy Farms, 1993

<u>Item</u>	<u>Average</u>			<u>My Farm</u>		
	<u>Owned</u>	<u>Rented</u>	<u>Total</u>	<u>Owned</u>	<u>Rented</u>	<u>Total</u>
Land						
Tillable	173	104	277	_____	_____	_____
Nontillable	62	12	74	_____	_____	_____
Other nontillable	<u>113</u>	<u>9</u>	<u>122</u>	_____	_____	_____
Total	348	125	473	_____	_____	_____
Crop Yields	<u>Farms</u>	<u>Acres*</u>	<u>Prod/Acre</u>	<u>Acres</u>	<u>Prod/Acre</u>	
Hay crop	37	171	2.52 tn DM	_____	_____	tn DM
Corn silage	34	70	13.34 tn 4.60 tn DM	_____	_____	tn tn DM
Other forage	8	22	.98 tn DM	_____	_____	tn DM
Total forage	37	240	3.04 tn DM	_____	_____	tn DM
Corn grain	10	60	96.28 bu	_____	_____	bu
Oats	3	46	67.63 bu	_____	_____	bu
Wheat	1	6	50.00 bu	_____	_____	bu
Other crops	2	32		_____		
Tillable pasture	11	32		_____		
Idle	12	17		_____		
Total Tillable Acres	37	277		_____		

*This column represents the average acreage for the farms producing that crop. Average acreages including those farms not producing were hay crop 171, corn silage 64, corn grain 16, oats 4, tillable pasture 10, and idle 5.

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

The following crop/dairy ratios indicate the relationship between forage production, forage production resources, and the dairy herd.

CROP/DAIRY RATIOS
37 Western Plateau Region Farms, 1993

<u>Item</u>	<u>Average</u>	<u>My Farm</u>
Total tillable acres per cow	3.01	_____
Total forage acres per cow	2.61	_____
Harvested forage dry matter, tons per cow	7.93	_____

Cropping Analysis (continued)

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

CROP RELATED ACCRUAL EXPENSES

37 Western Plateau Region Farms Reporting, 1993

Item	Total Per Till. Acre	All Corn Per Acre	Corn Silage Per Ton DM	Corn Grain Per Dry Sh.Bu.	Hay Crop		Pasture	
					Per Acre	Per Ton DM	Per Till. Acre	Per Total Acre
No. of farms reporting	37	10			11		0	
Ave. number of acres	277	83			204		0	0
Fert./lime	\$20.27	\$35.29	\$8.72	\$.36	\$15.62	\$5.98	\$.00	\$.00
Seeds/plants	11.92	24.69	6.10	.25	6.43	2.46	.00	.00
Spray/other crop exp.	<u>8.90</u>	<u>23.01</u>	<u>5.69</u>	<u>.23</u>	<u>.36</u>	<u>.14</u>	<u>.00</u>	<u>.00</u>
TOTAL	\$41.09	\$82.99	\$20.51	\$.84	\$22.41	\$8.58	\$.00	\$.00

My Farm:

Fert./lime	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Seeds/plants	_____	_____	_____	_____	_____	_____	_____	_____
Spray/other crop exp.	_____	_____	_____	_____	_____	_____	_____	_____
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

37 Western Plateau Region Farms, 1993

Machinery Expense Item	Average		My Farm	
	Total Expenses	Per Till. Acre	Total Expenses	Per Till. Acre
Fuel, oil & grease	\$5,861	\$21.16	\$ _____	\$ _____
Machinery repairs & parts	14,055	50.74	_____	_____
Machine hire, rent & lease	2,587	9.34	_____	_____
Auto expense (farm share)	1,501	5.42	_____	_____
Interest (5%)	5,918	21.36	_____	_____
Depreciation	<u>13,257</u>	<u>47.86</u>	_____	_____
Total	\$43,179	\$155.88	\$ _____	\$ _____

Dairy Analysis

Analysis of the dairy enterprise can reveal a great deal about the strengths and weaknesses of the dairy farm business. Information on this page should be used in conjunction with DHI and other dairy production information. Changes in dairy herd size and market values that occur during the year are identified in the table below. The change in inventory value without appreciation is attributed to physical changes in herd size and quality. Any change in inventory is included as an accrual farm receipt when calculating all of the profitability measures on pages 6 and 7.

DAIRY HERD INVENTORY

37 Western Plateau Region Dairy Farms, 1993

Item	Dairy Cows		Heifers					
	No.	Value	Bred		Open	Calves		
	No.	Value	No.	Value	No.	Value	No.	Value
Beg. year (owned)	91	\$96,137	32	\$26,062	26	\$14,343	26	\$7,892
+ Change w/o apprec.		4,109		1,272		-287		-107
+ Appreciation		<u>121</u>		<u>580</u>		<u>-39</u>		<u>184</u>
End year (owned)	94	\$100,367	34	\$27,914	25	\$14,017	26	\$7,969
End incl. leased	94							
Average number	92		85 (all age groups)					

My Farm:

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

Total milk sold and milk sold per cow are extremely valuable measures of size and productivity, respectively, on the dairy farm. These measures of milk output are based on pounds of milk marketed during the year. Farm managers on DHI should compare milk sold per cow with their rolling herd average on the test date nearest December 31 to see how close the DHI estimate of milk produced is to actual milk sales.

MILK PRODUCTION

37 Western Plateau Region Dairy Farms, 1993

Item	Average	My Farm
Total milk sold, lbs.	1,596,599	_____
Milk sold per cow, lbs.	17,334	_____
Average milk plant test, percent butterfat	3.67	_____

The cost of producing milk has been compiled using the whole farm method and is featured in the following table. Accrual receipts from milk sales can be compared with the accrual costs of producing milk per cow and per hundredweight of milk. Using the whole farm method, operating costs of producing milk are estimated by deducting nonmilk accrual receipts from total accrual operating expenses including expansion livestock purchased. Purchased inputs cost of producing milk are the operating costs plus depreciation. Total costs of producing milk include the operating costs of producing milk plus depreciation on machinery and buildings, the value of unpaid family labor, the value of operators' labor and management, and the interest charge for using equity capital.

ACCRUAL RECEIPTS FROM DAIRY AND COST OF PRODUCING MILK
37 Western Plateau Region Dairy Farms, 1993

Item	Average			My Farm		
	Total	Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
<u>Accrual Costs of Producing Milk</u>						
Operating costs	\$161,136	\$1,750	\$10.09	\$_____	\$_____	\$_____
Purchased inputs costs	\$180,836	\$1,966	\$11.33	\$_____	\$_____	\$_____
Total Costs	\$235,982	\$2,562	\$14.78	\$_____	\$_____	\$_____
<u>Accrual Receipts From Milk</u>						
	\$208,321	\$2,262	\$13.05	\$_____	\$_____	\$_____

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 an evaluation of the dairy enterprise.

DAIRY RELATED ACCRUAL EXPENSES
37 Western Plateau Region Farms, 1993

Item	Average		My Farm	
	Per Cow	Per Cwt.	Per Cow	Per Cwt.
Purchased dairy grain & concentrates	\$706	\$4.07	\$_____	\$_____
Purchased dairy roughage	29	.17	_____	_____
Total Purchased Dairy Feed	\$735	\$4.24	\$_____	\$_____
Purchased grain & conc. as % of milk receipts		31%		_____%
Purchased feed & crop exp.	\$858	\$4.95	\$_____	\$_____
Purchased feed & crop exp. as % of milk receipts		38%		_____%
Breeding	\$38	\$.22	\$_____	\$_____
Veterinary & medicine	57	.33	_____	_____
Milk marketing	130	.75	_____	_____
Cattle lease	1	.01	_____	_____
Other livestock expense	112	.65	_____	_____

Capital and Labor Efficiency Analysis

Capital efficiency factors measure how intensively the capital is being used in the farm business. Measures of labor efficiency are key indicators of management's success in generating products per unit of labor input.

CAPITAL EFFICIENCY

37 Western Plateau Region Farms, 1993

Item	Per Worker	Per Cow	Per Tillable Acre	Per Tillable Acre Owned
Farm capital	\$184,718	\$5,980	\$1,988	\$3,184
Real estate		2,333		1,242
Machinery & equipment	40,904	1,324	440	
Asset turnover ratio		.47		
My Farm:				
Farm capital	\$ _____	\$ _____	\$ _____	\$ _____
Real estate	_____	_____	_____	_____
Machinery & equipment	_____	_____	_____	_____
Asset turnover ratio	_____	_____	_____	_____

LABOR FORCE INVENTORY AND ANALYSIS

37 Western Plateau Region Farms, 1993

Labor Force	Months	Age	Years of Educ.	Value of Labor & Mgmt.
Operator number 1	11.89	46	13	\$20,838
Operator number 2	5.68	44	13	9,243
Operator number 3	1.84	53	13	3,203
Family paid	4.00			
Family unpaid	2.46			
Hired	<u>9.92</u>			
Total	35.78	/ 12 = 2.98 Worker Equivalent 1.62 Operator/Manager Equiv.		
My Farm: Total	_____	/ 12 = _____ Worker Equivalent		
Operator's	_____	/ 12 = _____ Operator/Manager Equiv.		

Labor Efficiency	Average		My Farm	
	Total	Per Worker	Total	Per Worker
Cows, average number	92	31	_____	_____
Milk sold, pounds	1,596,599	535,472	_____	_____
Tillable acres	277	93	_____	_____
Work units	989	332	_____	_____

Labor Costs	Total	Average		My Farm		
		Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
Value of operator(s) labor (\$1,400/mo.)	\$27,160	\$295	\$1.70	\$ _____	\$ _____	\$ _____
Family unpaid (\$1,400/mo.)	3,444	37	.22	_____	_____	_____
Hired	<u>24,179</u>	<u>263</u>	<u>1.51</u>	_____	_____	_____
Total Labor	\$54,783	\$595	\$3.43	\$ _____	\$ _____	\$ _____
Machinery Cost	\$43,179	\$469	\$2.70	\$ _____	\$ _____	\$ _____
Total Labor & Mach.	\$97,962	\$1,064	\$6.13	\$ _____	\$ _____	\$ _____

COMPARATIVE ANALYSIS OF THE FARM BUSINESS

Progress of the Farm Business

Comparing your business with average data from regional DFBS cooperators that participated in both of the last two years can be helpful to establishing your goals for these parameters. It is equally important for you to determine the progress your business has made over the past two or three years, to compare this progress to your goals, and to set goals for the future.

PROGRESS OF THE FARM BUSINESS

Same 19 Western Plateau Region Dairy Farms, 1992 & 1993

Selected Factors	Average of 19 Farms*		My Farm		Goal
	1992	1993	1992	1993	
<u>Size of Business</u>					
Average number of cows	95	94	_____	_____	_____
Average number of heifers	83	88	_____	_____	_____
Milk sold, lbs.	1,700,514	1,734,425	_____	_____	_____
Worker equivalent	3.22	3.07	_____	_____	_____
Total tillable acres	246	247	_____	_____	_____
<u>Rates of Production</u>					
Milk sold per cow, lbs.	17,950	18,400	_____	_____	_____
Hay DM per acre, tons	2.70	2.67	_____	_____	_____
Corn silage per acre, tons	13	14	_____	_____	_____
<u>Labor Efficiency</u>					
Cows per worker	29	31	_____	_____	_____
Milk sold/worker, lbs.	528,241	564,224	_____	_____	_____
<u>Cost Control</u>					
Grain & conc. purchased as % of milk sales	30%	30%	_____ %	_____ %	_____ %
Dairy feed & crop exp. per cwt. milk	\$5.13	\$4.83	\$ _____	\$ _____	\$ _____
Labor & mach. costs/cow	\$1,040	\$1,041	\$ _____	\$ _____	\$ _____
Operating cost of producing cwt. of milk	\$10.66	\$9.82	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency**</u>					
Farm capital per cow	\$5,631	\$5,893	\$ _____	\$ _____	\$ _____
Mach. & equip. per cow	\$1,141	\$1,203	\$ _____	\$ _____	\$ _____
Asset turnover ratio	.51	.49	_____	_____	_____
<u>Profitability</u>					
Net farm inc. w/o apprec.	\$28,332	\$35,764	\$ _____	\$ _____	\$ _____
Net farm inc. w/apprec.	\$41,894	\$45,993	\$ _____	\$ _____	\$ _____
Labor & mgt. income per oper./manager	\$4,660	\$7,369	\$ _____	\$ _____	\$ _____
Rate of return on eq. capital w/apprec.	1%	1%	_____ %	_____ %	_____ %
Rate of return on all capital w/apprec.	3%	3%	_____ %	_____ %	_____ %
<u>Financial Summary</u>					
Farm net worth, end year	\$384,398	\$398,479	\$ _____	\$ _____	\$ _____
Debt to asset ratio	.29	.30	_____	_____	_____
Farm debt per cow	\$1,675	\$1,732	\$ _____	\$ _____	\$ _____

*Farms participating both years.**Average for the year.

Regional Farm Business Chart

The Farm Business Chart is a tool which can be used in analyzing your business. Compare your business by drawing a line through or near the figure in each column which represents your current level of performance. The five figures in each column represent the average of each 20 percent or quintile of farms included in the regional summary. Use this information to identify business areas where more challenging goals are needed.

FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS

37 Western Plateau Region Dairy Farms, 1993

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
(11)*	(11)	(11)	(10)	(9)	(9)	(11)	(11)
5.0	162	2,808,464	20,901	3.8	18	40	730,870
3.4	109	1,935,573	18,720	3.2	16	35	606,038
2.7	80	1,365,036	17,027	2.5	14	30	524,280
2.0	59	1,033,476	15,344	1.9	12	27	439,974
1.4	39	618,898	13,989	1.3	7	21	344,986

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
(10)	(10)	(11)	(11)	(10)	(10)
\$497	22%	\$320	\$ 830	\$ 618	\$3.80
644	29	414	963	759	4.55
721	31	441	1,085	874	4.96
767	35	520	1,153	950	5.44
868	39	647	1,306	1,073	6.05

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income w/Apprec.	Net Farm Inc. w/o Apprec.	Labor & Mgt. Inc. Per Oper.	Change in Net Worth w/Apprec.
(10)	(10)	(10)	(3)	(3)	(3)	(6)
\$2,712	\$ 8.08	\$12.95	\$70,473	\$61,448	\$18,849	\$44,325
2,451	9.08	13.98	48,068	33,460	9,330	22,081
2,207	9.59	14.73	34,805	22,093	1,588	11,385
1,972	10.49	15.53	24,828	16,920	-4,651	4,068
1,809	11.72	17.15	-1,471	-2,196	-19,887	-13,440

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

New York State Farm Business Charts

The Farm Business Chart is a tool which can be used in analyzing a business by drawing a line through the figure in each column which represents the current level of management performance. The figure at the top of each column is the average of the top 10 percent of the 357 farms for that factor. The other figures in each column are the average for the second 10 percent, third 10 percent, etc. Each column of the chart is independent of the others. The farms which are in the top 10 percent for one factor would not necessarily be the same farms which make up the top 10 percent for any other factor.

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

FARM BUSINESS CHART FOR FARM MANAGEMENT COOPERATORS

357 New York Dairy Farms, 1992

<u>Size of Business</u>			<u>Rates of Production</u>			<u>Labor Efficiency</u>	
Worker	No.	Pounds	Pounds	Tons	Tons	Cows	Pounds
Equiv-	of	Milk	Milk Sold	Hay Crop	Silage	Per	Milk Sold
alent	Cows	Sold	Per Cow	DM/Acre	Per Acre	Worker	Per Worker
(11)*	(11)	(11)	(10)	(9)	(9)	(11)	(11)
10.0	428	8,455,437	22,613	4.8	22	52	959,379
5.4	184	3,511,396	21,180	3.7	18	43	797,982
4.1	136	2,551,838	20,249	3.2	17	38	715,818
3.4	107	1,971,002	19,582	3.0	16	34	640,614
3.0	89	1,660,762	18,753	2.7	15	32	587,553
2.6	76	1,366,246	18,065	2.5	15	29	534,745
2.4	64	1,149,820	17,445	2.3	13	27	477,585
2.1	57	964,766	16,486	2.1	12	25	432,399
1.8	48	792,337	15,085	1.8	10	23	389,221
1.2	37	578,602	12,400	1.4	6	18	296,180
<u>Cost Control</u>							
Grain	% Grain is	Machinery	Labor &	Feed & Crop	Feed & Crop		
Bought	of Milk	Costs	Machinery	Expenses	Expenses Per		
Per Cow	Receipts	Per Cow	Costs Per Cow	Per Cow	Cwt. Milk		
(10)	(10)	(11)	(11)	(10)	(10)		
\$348	16%	\$250	\$675	\$497	\$3.23		
484	21	325	803	649	3.77		
556	24	379	867	716	4.09		
618	26	414	926	783	4.36		
665	27	442	993	832	4.55		
712	29	478	1,058	892	4.76		
763	31	512	1,114	943	4.99		
826	32	548	1,180	1,004	5.27		
896	35	608	1,274	1,071	5.70		
1,030	42	796	1,563	1,232	6.76		

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

**FARM BUSINESS CHART FOR FARM
MANAGEMENT COOPERATORS**

357 New York Dairy Farms, 1992

Milk Receipts Per Cow (10)	Milk Receipts Per Cwt. (10)	Oper. Cost Milk Per Cow (10)	Oper. Cost Milk Per Cwt. (10)	Total Cost Production Per Cow (10)	Total Cost Production Per Cwt. (10)
\$3,086	\$14.64	\$1,068	\$ 6.84	\$1,952	\$11.79
2,861	14.02	1,419	8.27	2,312	13.00
2,732	13.77	1,575	8.96	2,452	13.60
2,638	13.60	1,706	9.62	2,567	14.12
2,527	13.46	1,845	10.15	2,691	14.75

2,434	13.38	1,954	10.67	2,792	15.44
2,340	13.27	2,051	11.07	2,934	16.01
2,199	13.15	2,163	11.51	3,091	16.59
2,023	13.02	2,357	12.18	3,241	17.54
1,684	12.56	2,636	14.08	3,666	21.09

Profitability

<u>Net Farm Income</u>		<u>Return to Operator's Labor, Management, & Equity Capital</u>		<u>Labor & Management Income</u>	
With Appreciation (3)	Without Appreciation (3)	With Appreciation (3)	Without Appreciation (3)	Per Farm (3)	Per Operator (3)
\$275,597	\$218,659	\$272,714	\$216,089	\$152,525	\$111,774
99,964	79,562	97,288	77,148	46,635	33,282
71,930	55,878	68,243	53,019	28,823	20,747
55,060	42,428	52,537	38,519	18,603	12,977
44,009	32,527	39,218	27,999	9,260	6,723

33,724	23,687	29,676	19,523	1,980	1,639
26,725	16,924	22,688	12,394	-4,505	-3,779
18,592	9,627	14,777	5,882	-13,845	-11,067
8,916	353	5,299	-4,196	-23,769	-21,005
-16,432	-31,254	-20,794	-34,417	-61,040	-53,650

Farm Business Charts for farms with freestall barns and 120 cows or less and more than 120 cows, and farms with conventional barns with 60 cows or less and more than 60 cows are shown on pages 28-31.

Financial Analysis Chart

The farm financial analysis chart on page 25 is designed just like the Farm Business Chart and may be used to assess the financial health of the farm business. Most of the financial measures used in the chart are defined on pages 6, 10, 14 and 20 of this publication. References to DFBS output page numbers for participating dairy farmers are provided in the table headings.

FINANCIAL ANALYSIS CHART
357 New York Dairy Farms, 1992

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
(8)*	(12)	(8)	(8)	(5)
\$ 46	\$840	4.11	5%	\$ 116
191	663	1.75	9	754
276	579	1.37	13	1,302
362	494	1.14	15	1,781
411	440	0.98	17	2,160
458	401	0.86	19	2,521
501	339	0.73	22	2,882
584	274	0.60	25	3,243
677	181	0.29	30	3,735
885	-22	-0.14	38	5,214

Solvency			Profitability		
Leverage Ratio**	Percent Equity	Debt/Asset Ratio		Percent Rate of Return with appreciation on:	
		Current & Intermediate	Long Term	Equity	Investment***
	(5)	(5)	(5)	(3)	(3)
0.02	98%	0.01	0.00	22%	16%
0.11	90	0.08	0.00	11	10
0.24	81	0.14	0.04	8	8
0.35	73	0.21	0.18	5	6
0.48	68	0.29	0.28	3	4
0.58	63	0.35	0.38	1	3
0.74	57	0.39	0.48	-1	1
0.95	52	0.46	0.57	-4	-1
1.29	44	0.55	0.70	-8	-2
3.20	29	0.77	1.04	-26	-7

Efficiency (Capital)				
Asset Turnover (ratio)	Real Estate Investment Per Cow	Machinery Investment Per Cow	Total Farm Assets Per Cow	Change in Net Worth w/Appreciation
(11)	(11)	(11)	(11)	(11)
.71	\$1,327	\$ 545	\$ 4,339	\$185,910
.57	2,044	792	5,156	59,227
.52	2,372	942	5,727	40,515
.48	2,667	1,054	6,243	28,384
.45	2,967	1,194	6,680	19,748
.42	3,279	1,358	7,120	13,025
.39	3,663	1,520	7,621	5,269
.35	4,188	1,753	8,236	-2,230
.31	4,861	2,008	9,100	-10,422
.24	7,201	2,722	12,014	-50,747

*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.

Comparison by Type of Barn and Herd Size

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

The table on page 27 includes the average values for the resulting four groups of dairy farms. The average size of farms in the four groups ranges from 47 cows on the small conventional farms to 250 cows on the large freestall farms. The large conventional farms and small freestall farms averaged approximately the same herd size and rates of milk output per cow.

The large freestall farms averaged the highest milk output per cow and per worker, the lowest total costs of production and investment per cow, and the greatest returns to labor, management and capital. The large conventional farms showed average profits somewhat higher than the small freestall operations. Total costs of production averaged substantially less on the large conventional farms.

Farm business charts have been computed for each of the four housing and herd size categories and are on pages 28-31. By comparing the farm's performance on the most appropriate business chart, a farm manager will be better able to evaluate his or her business performance.

Herd Size Comparisons

A detailed comparison of profitability, financial situation and business analysis factors across herd sizes is contained on pages 40-49 of the 1992 State Summary*. As herd size increases, the average profitability generally increases (pages 42-43). Net farm income without appreciation was \$252,256 per farm for the 300 or more herd size group and \$4,790 per farm for those with less than 40 cows. This relationship generally holds for all measures of profitability including rate of return on capital. However, the 200 to 299 herd size group showed a lower level of profitability in 1992 than the farms with 150-199 cows.

Farm net worth increases rapidly as herd size increases (pages 44-47), even though percent equity was higher on the smaller farms. The 85 to 99 cow group and the group with more than 300 cows demonstrated the strongest ability to make debt payments.

Crop yields showed little relationship to herd size, but fertilizer and lime expenses, and machinery cost per tillable acre generally increased as herd size increased (pages 48-49)*. Milk sold per cow increased as herd size increased, ranging from 17,208 pounds on the farms with less than 40 cows to 19,795 pounds on farms with 300 or more cows. Farm capital per worker increased, and farm capital per cow decreased as herd size increased. Milk sold per worker increased dramatically as herd size increased, ranging from 369,797 pounds at the lowest herd size category up to 923,495 pounds at the largest size category.

*Smith, Stuart F., Wayne A. Knoblauch, and Linda D. Putnam, Dairy Farm Management Business Summary, New York, 1992, Department of Agricultural, Resource, and Managerial Economics, Cornell University, A.E. Res. 93-11, August 1993.

SELECTED BUSINESS FACTORS BY TYPE OF BARN AND HERD SIZE
328 New York Dairy Farms, 1992

Item	Farms with:		Freestall	
	Conventional			
	<= 60 Cows	>60 Cows	<= 120 Cows	>120 Cows
Number of farms	99	86	59	84
<u>Cropping Program Analysis</u>				
Total Tillable acres	156	276	301	675
Tillable acres rented*	53	90	126	280
Hay crop acres*	100	165	154	268
Corn silage acres*	29	52	75	248
Hay crop, tons DM/acre	2.3	2.6	2.8	3.1
Corn silage, tons/acre	13.4	15.1	13.3	14.9
Oats, bushels/acre	57.0	68.8	60.3	67.6
Forage DM per cow, tons	7.6	7.9	8.7	7.2
Tillable acres/cow	3.3	3.1	3.5	2.4
Fert. & lime exp./til. acre	\$17.79	\$ 21.31	\$ 24.95	\$ 28.81
Total machinery costs	\$22,434	\$39,496	\$46,959	\$114,680
Machinery cost/tillable acre	\$144	\$ 143	\$ 156	\$ 170
<u>Dairy Analysis</u>				
Number of cows	48	89	87	279
Number of heifers	37	70	73	213
Milk sold, lbs.	828,310	1,617,663	1,566,899	5,421,782
Milk sold/cow, lbs.	17,337	18,131	18,042	19,469
Operating cost of prod. milk/cwt.	\$10.09	\$10.12	\$10.54	\$10.61
Total cost of prod. milk/cwt.	\$16.41	\$14.54	\$15.70	\$13.59
Price/cwt. milk sold	\$13.35	\$13.41	\$13.67	\$13.68
Purchased dairy feed/cow	\$713	\$727	\$714	\$750
Purchased dairy feed/cwt. milk	\$4.11	\$4.01	\$3.95	\$3.85
Purc. grain & conc. as % milk rec.	29%	29%	28%	27%
Purc. feed & crop exp./cwt. milk	\$4.81	\$4.73	\$4.98	\$4.62
<u>Capital Efficiency</u>				
Farm capital/worker	\$193,685	\$212,649	\$225,584	\$245,237
Farm capital/cow	\$7,641	\$7,032	\$7,534	\$6,012
Farm capital/til. acre owned	\$3,546	\$3,373	\$3,758	\$4,249
Real estate/cow	\$3,991	\$3,269	\$3,458	\$2,654
Machinery investment/cow	\$1,420	\$1,401	\$1,589	\$997
Asset turnover ratio	0.37	0.41	0.42	0.54
<u>Labor Efficiency</u>				
Worker equivalent	1.89	2.95	2.90	6.83
Operator/manager equivalent	1.15	1.41	1.38	1.71
Milk sold/worker, lbs.	439,237	548,374	540,489	794,151
Cows/worker	25	30	30	41
Labor cost/cow	\$610	\$526	\$563	\$546
Labor cost/tillable acre	\$187	\$170	\$162	\$225
<u>Profitability & Balance Sheet Analysis</u>				
Net farm income (w/o apprec.)	\$15,377	\$35,087	\$26,671	\$105,301
Labor & mgmt. income/operator	\$-1,752	\$7,912	\$-70	\$31,312
Return on all capital w/apprec.	1.1%	4.2%	4.3%	7.9%
Farm debt/cow	\$2,353	\$2,174	\$2,482	\$2,462
Percent equity	70%	69%	67%	58%

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

FARM BUSINESS CHART FOR SMALL CONVENTIONAL STALL DAIRY FARMS
99 Conventional Stall Dairy Farms with 60 or Less Cows, New York, 1992

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
(11)*	(11)	(11)	(10)	(9)	(9)	(11)	(11)
2.9	60	1,216,307	21,382	3.1	22	46	760,933
2.5	59	1,056,041	19,969	3.1	18	36	627,590
2.3	56	971,222	19,389	2.9	16	30	540,690
2.1	52	904,369	18,540	2.6	15	27	492,638
2.0	50	833,676	18,160	2.4	15	26	454,994

1.8	47	784,602	17,523	2.2	13	24	427,601
1.6	44	741,239	16,512	2.1	12	23	400,809
1.4	42	663,822	15,520	1.9	12	22	369,048
1.2	38	614,828	14,121	1.6	10	20	323,957
1.0	29	460,178	11,563	1.2	4	16	241,563

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
(10)	(10)	(11)	(11)	(10)	(10)
\$324	17%	\$251	\$666	\$451	\$3.20
454	23	304	810	582	3.78
531	25	352	917	671	4.12
602	26	396	977	724	4.34
650	28	437	1,049	783	4.52

690	29	470	1,108	849	4.73
729	31	506	1,159	913	4.95
796	33	545	1,212	967	5.33
874	35	599	1,316	1,054	5.90
1,068	43	867	1,680	1,302	6.88

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income w/Apprec.	Net Farm Inc. w/o Apprec.	Labor & Mgt. Inc. Per Oper.	Change in Net Worth w/Apprec.
(10)	(10)	(10)	(3)	(3)	(3)	(6)
\$2,911	\$6.56	\$12.90	\$63,046	\$44,806	\$23,678	\$59,924
2,698	8.05	14.03	45,628	34,597	14,168	35,056
2,574	8.52	14.70	36,269	27,896	9,493	22,019
2,497	9.30	15.40	28,971	22,714	4,888	16,391
2,422	9.88	16.05	24,643	17,420	1,521	12,621

2,322	10.38	16.43	18,479	12,690	-2,983	6,278
2,178	10.84	16.83	14,042	8,549	-7,798	119
2,049	11.31	17.59	8,645	2,239	-13,240	-4,219
1,882	12.23	19.38	3,338	-3,095	-19,918	-9,925
1,468	13.66	23.90	-9,920	-17,335	-38,585	-20,443

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

FARM BUSINESS CHART FOR LARGE CONVENTIONAL STALL DAIRY FARMS
86 Conventional Stall Dairy Farms with More Than 60 Cows, New York, 1992

Size of Business			Rates of Production			Labor Efficiency	
Worker Equiv- alent (11)*	No. of Cows (11)	Pounds Milk Sold (11)	Pounds Milk Sold Per Cow (10)	Tons Hay Crop DM/Acre (9)	Tons Corn Silage Per Acre (9)	Cows Per Worker (11)	Pounds Milk Sold Per Worker (11)
4.9	153	2,798,611	22,871	5.0	23	48	876,546
3.7	115	2,136,428	20,905	3.6	19	37	724,109
3.3	101	1,839,098	20,106	3.2	17	34	641,723
3.1	90	1,662,293	19,342	2.9	17	32	592,104
2.9	83	1,550,272	18,385	2.7	16	31	563,811

2.6	77	1,423,737	17,845	2.5	15	29	512,314
2.5	70	1,333,387	17,054	2.2	13	27	467,326
2.3	67	1,236,304	16,373	2.0	12	25	430,539
2.1	65	1,104,978	15,006	1.8	10	24	397,414
1.8	62	878,461	12,535	1.4	7	21	352,630

Cost Control

Grain Bought Per Cow (10)	% Grain is of Milk Receipts (10)	Machinery Costs Per Cow (11)	Labor & Machinery Costs Per Cow (11)	Feed & Crop Expenses Per Cow (10)	Feed & Crop Expenses Per Cwt. Milk (10)
\$ 311	14%	\$223	\$ 620	\$ 442	\$3.02
411	20	316	747	580	3.60
506	22	369	824	656	3.79
568	24	412	887	707	4.04
636	26	426	945	811	4.41

710	28	447	1,014	875	4.64
807	31	489	1,075	953	4.93
870	34	523	1,122	1,004	5.19
925	37	563	1,197	1,058	5.60
1,054	42	718	1,372	1,245	6.51

Value and Cost of Production

Profitability

Milk Receipts Per Cow (10)	Oper. Cost Milk Per Cwt. (10)	Total Cost Production Per Cwt. (10)	Net Farm Income With Apprec. (3)	Without Apprec. (3)	Labor & Mgmt. Inc. Per Oper. (3)	Change in Net Worth w/Apprec. (6)
\$3,093	\$ 6.72	\$11.87	\$108,267	\$91,353	\$43,558	\$82,187
2,821	7.90	12.73	74,747	65,766	28,599	41,744
2,690	8.52	13.29	62,248	55,029	23,048	32,305
2,590	9.10	13.68	53,294	43,685	18,555	25,438
2,465	9.66	14.21	45,675	37,569	9,783	15,961

2,394	10.37	14.75	34,976	28,776	4,808	8,831
2,265	10.88	15.42	27,816	19,963	-1,813	4,654
2,159	11.34	15.91	19,825	12,165	-7,608	-157
2,013	11.76	16.56	11,517	2,831	-17,446	-6,447
1,699	12.91	18.29	-9,556	-20,251	-43,084	-39,646

FARM BUSINESS CHART FOR SMALL FREESTALL DAIRY FARMS
59 Freestall Barn Dairy Farms with 120 or Less Cows, New York, 1992

<u>Size of Business</u>			<u>Rates of Production</u>			<u>Labor Efficiency</u>	
Worker	No.	Pounds	Pounds	Tons	Tons	Cows	Pounds
Equiv-	of	Milk	Milk Sold	Hay Crop	Silage	Per	Milk Sold
alent	Cows	Sold	Per Cow	DM/Acre	Per Acre	Worker	Per Worker
(11) *	(11)	(11)	(10)	(9)	(9)	(11)	(11)
4.5	118	2,318,393	23,226	5.7	21	53	872,689
3.7	108	2,025,486	20,742	3.9	19	42	770,827
3.4	104	1,905,776	20,075	3.4	18	37	688,683
3.3	97	1,812,755	19,485	3.2	16	34	603,386
3.1	91	1,697,486	18,584	2.9	15	32	571,158

2.7	86	1,557,311	18,036	2.6	14	29	538,989
2.5	80	1,351,124	17,504	2.3	12	27	488,313
2.2	72	1,173,922	16,043	2.0	10	25	433,176
2.0	62	1,022,537	13,200	1.8	8	23	360,361
1.4	45	651,669	11,685	1.3	3	15	270,409

Cost Control

Grain	% Grain is	Machinery	Labor &	Feed & Crop	Feed & Crop
Bought	of Milk	Costs	Machinery	Expenses	Expenses Per
Per Cow	Receipts	Per Cow	Costs Per Cow	Per Cow	Cwt. Milk
(10)	(10)	(11)	(11)	(10)	(10)
\$ 374	16%	\$264	\$ 679	\$ 529	\$3.36
488	20	376	810	653	3.83
551	23	406	872	708	4.24
605	26	448	933	803	4.50
658	28	490	1,011	864	4.83

705	30	538	1,097	924	5.10
749	31	592	1,183	998	5.26
827	33	644	1,290	1,066	5.56
900	35	692	1,449	1,109	6.29
974	39	875	1,741	1,186	6.91

<u>Value and Cost of Production</u>			<u>Profitability</u>			
Milk	Oper. Cost	Total Cost	<u>Net Farm Income</u>		Labor &	Change in
Receipts	Milk	Production	With	Without	Mgmt. Inc.	Net Worth
Per Cow	Per Cwt.	Per Cwt.	Apprec.	Apprec.	Per Oper.	w/Apprec.
(10)	(10)	(10)	(3)	(3)	(3)	(6)
\$3,115	\$ 6.33	\$11.89	\$179,031	\$86,712	\$51,557	\$133,449
2,801	8.39	13.23	79,233	61,053	22,625	55,877
2,718	9.37	14.13	63,081	48,995	10,907	38,686
2,626	9.78	14.97	51,912	36,234	6,110	27,392
2,534	10.13	15.66	41,056	25,578	1,978	19,985

2,451	10.57	16.07	34,711	18,848	- 689	13,594
2,353	11.17	16.67	28,891	15,569	- 4,932	5,705
2,186	11.72	17.68	22,662	9,092	-15,149	-4,431
1,895	12.99	18.98	7,870	- 9,009	-26,857	-13,164
1,694	14.79	20.47	-22,606	-36,917	-65,994	-46,141

FARM BUSINESS CHART FOR LARGE FREESTALL DAIRY FARMS
84 Freestall Barn Dairy Farms with More Than 120 Cows, New York, 1992

<u>Size of Business</u>			<u>Rates of Production</u>			<u>Labor Efficiency</u>	
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
(11)*	(11)	(11)	(10)	(9)	(9)	(11)	(11)
17.8	827	16,288,987	22,717	5.0	21	60	1,138,851
8.4	370	7,526,000	21,818	4.1	18	47	899,158
7.3	280	5,563,510	21,355	3.6	17	44	845,337
6.2	234	4,442,314	20,495	3.3	16	42	805,033
5.8	205	3,922,439	19,777	3.0	16	40	760,845

5.2	190	3,626,910	19,160	2.8	15	37	731,079
4.8	173	3,324,340	18,228	2.6	14	35	690,044
4.3	158	3,036,766	17,535	2.4	13	33	647,088
3.8	145	2,675,565	16,783	2.2	11	31	598,697
3.2	128	2,294,285	14,619	1.8	7	27	492,796

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
(10)	(10)	(11)	(11)	(10)	(10)
\$ 411	15%	\$259	\$ 713	\$ 644	\$3.19
556	21	320	810	765	3.86
618	24	366	850	803	4.17
667	25	397	879	819	4.41
701	27	421	924	873	4.55

728	28	441	1,001	910	4.70
768	30	479	1,037	937	4.90
804	31	513	1,099	982	5.12
861	33	553	1,185	1,038	5.44
960	38	691	1,339	1,141	6.23

Value and Cost of Production

Profitability

Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	<u>Net Farm Income</u>		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.
(10)	(10)	(10)	With Apprec.	Without Apprec.	(3)	(6)
\$3,137	\$ 7.56	\$11.30	\$556,579	\$437,174	\$266,126	\$368,663
2,978	8.92	12.22	219,914	202,962	78,676	133,568
2,893	9.56	12.99	152,924	127,718	43,360	85,566
2,792	10.27	13.36	117,022	95,001	33,386	57,664
2,701	10.82	13.66	100,788	79,566	21,848	41,655

2,597	11.10	13.92	85,282	55,575	10,659	25,685
2,486	11.30	14.55	53,580	37,649	-1,813	16,246
2,365	11.65	15.37	35,584	19,581	-12,922	-1,307
2,297	12.24	16.26	22,661	-954	-34,149	-34,827
2,024	13.58	17.28	-29,806	-56,453	-79,753	-96,233

GLOSSARY AND LOCATION OF COMMON TERMS

- Accounts Payable** - Open accounts or bills owed to feed and supply firms, cattle dealers, veterinarians and other providers of farm services and supplies.
- Accounts Receivable** - Outstanding receipts from items sold or sales proceeds not yet received, such as the payment for December milk sales received in January.
- Accrual Expenses** - (defined on page 3)
- Accrual Receipts** - (defined on page 4)
- Annual Cash Flow Statement** - (defined on page 12)
- Appreciation** - (defined on page 5)
- Asset Turnover Ratio** - The ratio of total farm income to total farm assets, calculated by dividing total accrual operating receipts plus appreciation by average total farm assets.
- Balance Sheet** - A "snapshot" of the business financial position at a given point in time, usually December 31. The balance sheet equates the value of assets to liabilities plus net worth.
- 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 14)
- Cash Paid** - (defined on page 2)
- Cash Receipts** - (defined on page 4)
- Change in Accounts Payable** - (defined on page 3)
- Change in Accounts Receivable** - (defined on page 4)
- Change in Inventory** - (defined on page 2)
- Current Portion** - (defined on page 7)
- 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 10)
- Deferred Taxes** - (defined on page 9)
- Dry Matter** - The amount or proportion of dry material that remains after all water is removed. Commonly used to measure dry matter percent and tons of dry matter in feed.
- Equity Capital** - The farm operator/manager's owned capital or farm net worth.

Expansion Livestock - Purchased dairy cattle and other livestock that cause an increase in herd size from the beginning to the end of the year.

Farm Debt Payments as Percent of Milk Sales - Amount of milk income committed to debt repayment, calculated by dividing planned debt payments by total milk receipts. A reliable measure of repayment ability, see page 14.

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

Financial Lease - A long-term non-cancellable 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.

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.

Labor and Management Income - (defined on page 6)

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

Labor Efficiency - Production capacity and output per worker.

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

Net Farm Income - (defined on page 5)

Net 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 19)

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

Other Livestock Expenses - All other dairy herd and livestock expenses not included in more specific categories. Other livestock expenses include; 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 the costs including the opportunity costs of the owner/manager's labor, management, and equity capital.

Purchased Inputs Cost of Producing Milk - (defined on page 19)

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

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

Return on Equity Capital - (defined on page 7)

Return on Total Capital - (defined on page 7)

Return to Operators' Labor, Management, and Equity Capital - (defined on page 6)

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 19)

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.

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