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*NORTHERN  
HUDSON  
REGION  
1997*



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*DAIRY FARM  
BUSINESS SUMMARY*

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**1997 DAIRY FARM BUSINESS SUMMARY**  
**Northern Hudson Region**  
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# 1997 DAIRY FARM BUSINESS SUMMARY NORTHERN HUDSON REGION\*

## INTRODUCTION

Dairy farm managers 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 their farm business. The information in this report represents averages of the data submitted from dairy farms in the Northern Hudson Region for 1997.

### 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 farm through appropriate use of historical 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 provides 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 the 1997 DFBS individual farm report 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.

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\*The Northern Hudson Region of New York State, with the number of participating farms in parentheses, is comprised of Albany (5), Saratoga (9), Schenectady (4), Rensselaer (19), Washington (15), and Greene (1) counties. This report was written by George J. Conneman, Professor, Farm Management. Linda D. Putnam was in charge of data preparation. Melody Clark prepared the publication. Farm business data were collected by Cooperative Extension Agents Cathy Wickswat, Sandra Buxton, and David Wood.

## SUMMARY AND ANALYSIS OF THE FARM BUSINESS

### Business Characteristics

Planning 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**  
53 Northern Hudson Region Dairy Farms, 1997

Type of Farm	Number	Milking System	Number
Dairy	53	Bucket & carry	0
Part-time dairy	0	Dumping station	0
Dairy cash-crop	0	Pipeline	20
Certified organic milk producer	0	Herringbone parlor	27
Rotational grazing farm	2	Other parlor	6
Type of Ownership	Number	Production Records	Number
Owner	47	DHIC	40
Renter	6	Owner-Sampler	4
		Other	3
		None	6
Type of Business	Number	bST Usage	Number
Sole Proprietorship	33	Used on <25% of herd	6
Partnership	17	Used on 25-75% of herd	19
Corporation	3	Used on >75% of herd	0
		Stopped using in 1997	2
		Not used in 1997	26
Type of Barn	Number	Business Record System	Number
Stanchion or Tie-Stall	16	Account Book	10
Freestall	32	Agrifax (mail-in only)	12
Combination	5	On-farm computer	17
		Other	14
Milking Frequency	Number		
2 times per day	42		
3 times per day	8		
Other	3		

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 1997.

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**  
53 Northern Hudson Region Dairy Farms, 1997

Expense Item	Cash Paid	-	Change in Inventory or Prepaid Expense	+	Change in Accounts Payable	=	Accrual Expenses
<u>Hired Labor</u>	\$ 48,587		\$ 0	<<	\$ -46		\$ 48,541
<u>Feed</u>							
Dairy grain & concentrate	120,363		1,054		366		119,675
Dairy roughage	7,835		636		631		7,831
Nondairy	119		0		0		119
<u>Machinery</u>							
Machinery hire, rent & lease	4,108		0	<<	-7		4,100
Machinery repairs & farm vehicle exp.	25,329		-169		281		25,779
Fuel, oil & grease	10,856		24		-17		10,815
<u>Livestock</u>							
Replacement livestock	3,198		0	<<	491		3,689
Breeding	5,464		-10		-4		5,470
Veterinary & medicine	14,100		-479		51		14,631
Milk marketing	22,884		0	<<	9		22,892
Bedding	4,475		36		64		4,503
Milking supplies	9,011		21		180		9,170
Cattle lease & rent	48		0	<<	0		48
Custom boarding	620		0	<<	0		620
bST	5,254		3		-1		5,250
Other livestock expense	7,694		-16		-178		7,533
<u>Crops</u>							
Fertilizer & lime	12,204		-69		510		12,782
Seeds & plants	6,367		276		84		6,175
Spray, other crop expense	7,592		276		211		7,527
<u>Real Estate</u>							
Land, building & fence repair	5,254		36		2		5,220
Taxes	8,290		0	<<	-265		8,025
Rent & lease	7,654		28	<<	7		7,633
<u>Other</u>							
Insurance	4,272		-7	<<	0		4,279
Utilities (farm share)	11,397		11	<<	-14		11,372
Interest paid	18,990		0	<<	304		19,294
Miscellaneous	4,013		-12		-55		3,970
<b>Total Operating</b>	<b>\$ 375,977</b>		<b>\$ 1,640</b>		<b>\$ 2,602</b>		<b>\$ 376,940</b>
Expansion livestock	3,595		0	<<	0		3,595
Machinery depreciation							13,995
Building depreciation							8,715
<b>TOTAL ACCRUAL EXPENSES</b>							<b>\$ 403,245</b>

Change in prepaid expenses (noted above by <<) is a net change in non-inventory expenses that have been paid in advance of their use. For example, prepaid lease expense on the beginning of year balance sheet represents last year's payment for use of the asset during this year. End of year prepaid expense represents payments made this year for next year's use of the asset. Adding payments made last year for this year's use of the asset, and subtracting payments made this year for next year's use of the asset is accomplished by subtracting the difference.

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 1997 but not paid for. A decrease is subtracted because it represents payment for resources used before 1997.

Accrual expenses are an estimate of the costs of inputs actually used in this year's production. They are the cash paid, less changes in inventory and prepaid expenses, plus accounts payable.

**CASH AND ACCRUAL FARM RECEIPTS**  
53 Northern Hudson Region Dairy Farms, 1997

Receipt Item	Cash Receipts	+	Change in Inventory	+	Change in Accounts Receivable	=	Accrual Receipts
Milk sales	\$ 387,627				\$ 3,605		\$ 391,232
Dairy cattle	16,353		\$ 10,629		0		26,982
Dairy calves	2,337				0		2,337
Other livestock	1,449		1,169		0		2,619
Crops	3,521		771		1,048		5,340
Government receipts	7,767		-18 *		0		7,749
Custom machine work	484				0		484
Gas tax refund	108				0		108
Other	<u>2,450</u>				<u>75</u>		2,525
Less nonfarm noncash capital**		(-)	<u>125 **</u>			(-)	<u>125</u>
Total Receipts	\$ 422,098		\$ 12,426		\$ 4,728		\$ 439,251

\*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 increase in advanced government receipts is subtracted from cash income because it represents income received in 1997 for the 1998 crop year in excess of funds earned for 1997. Likewise, a decrease is added to cash government receipts because it represents funds earned for 1997 but received in 1996.

Changes in accounts receivable are calculated by subtracting beginning year balances from end year balances. Payments in January 1998 for milk produced in December 1997 compared to January 1997 payments for milk produced in 1996 are included as a change in accounts receivable in determining accrual milk sales.

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.

The return to any individual resource must be viewed as an estimate because the cost of other family resources must be approximated to calculate returns to the selected resource. For example, the costs of operator and family labor and management must be approximated to calculate the returns to equity capital.

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\* 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, and financing 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.

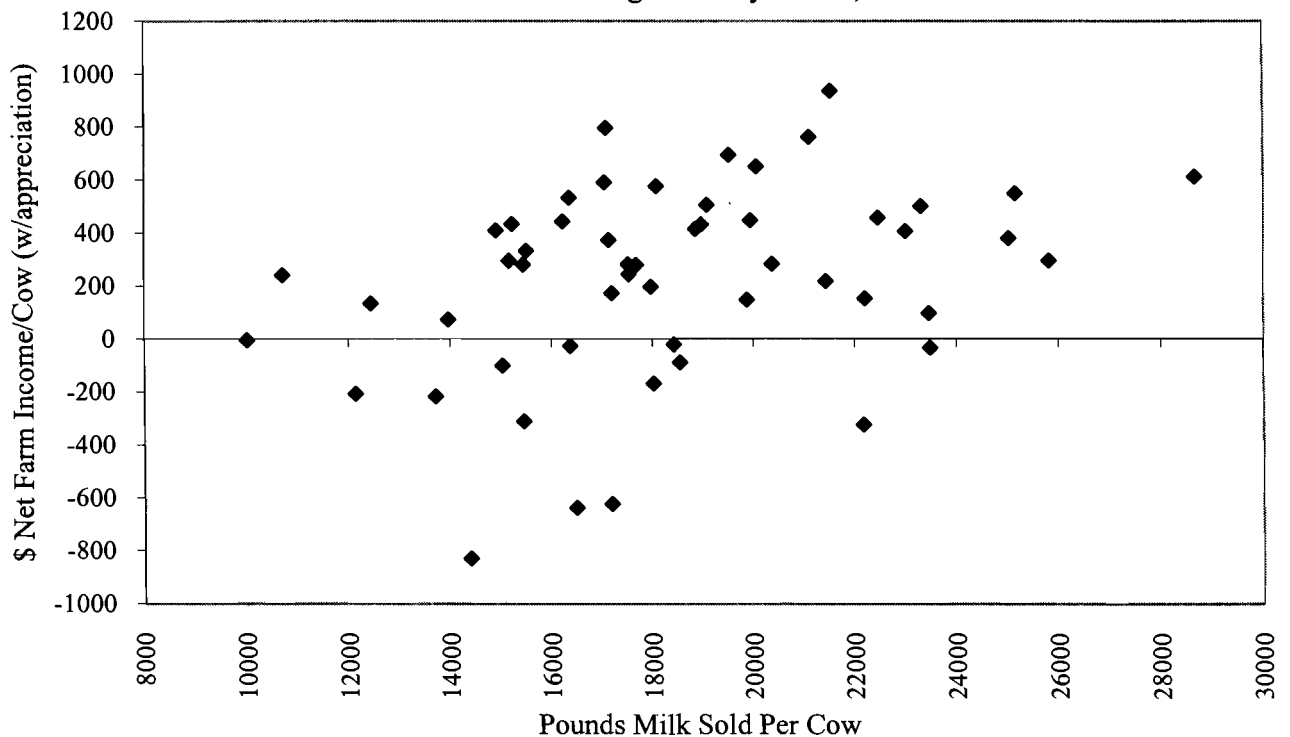
Net farm income is computed both with and without appreciation. Appreciation represents the change in values caused by annual changes in prices of livestock, machinery, real estate inventory, and stocks and certificates (other than Farm Credit). Appreciation is a major factor contributing to changes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

**NET FARM INCOME**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average		My Farm	
	Total	Per Cow	Total	Per Cow
Total accrual receipts	\$ 439,251		\$ _____	
Appreciation: Livestock	-1,063		_____	
Machinery	-821		_____	
Real Estate	3,616		_____	
Other Stock & Certificates	<u>2,752</u>		_____	
Total Including Appreciation	\$ 443,735		\$ _____	
Total accrual expenses	<u>- 403,245</u>		- _____	
Net Farm Income (with appreciation)	\$ 40,490	\$ 296	\$ _____	\$ _____
Net Farm Income (without appreciation)	\$ 36,006	\$ 263	\$ _____	\$ _____

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**  
53 Northern Hudson Region Dairy Farms, 1997



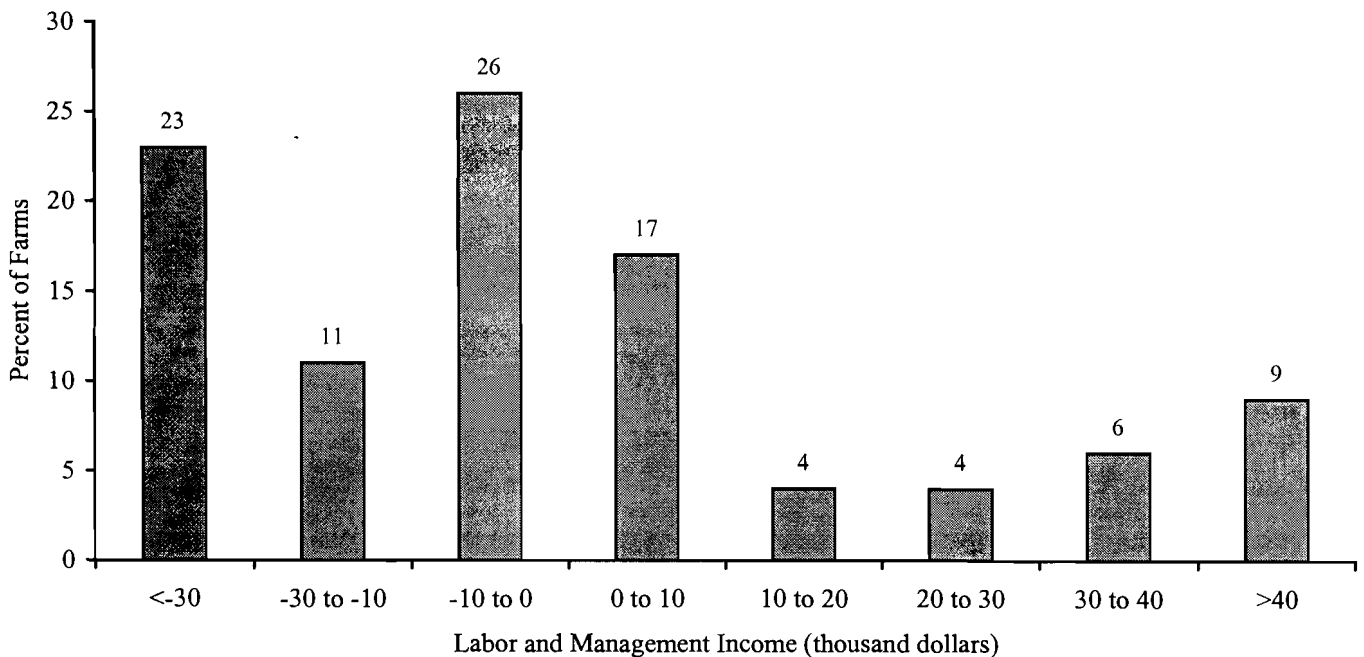
Labor and management income is the return which farm operators receive for their labor and management used in the farm business. Appreciation is not included as part of the return to labor and management because it results from ownership of assets rather than management of the farm business. Labor and management income is calculated by deducting a charge for family labor unpaid and the opportunity cost of using equity capital, at a real interest rate of five percent, from net farm income 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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm
Net farm income without appreciation	\$ 36,006	\$ _____
Family labor unpaid @ \$1,550 per month	- 5,425	- _____
Interest on \$658,656 average equity capital @ 5% real rate	- 32,933	- _____
Labor & Management Income per farm (1.61 Operators/farm)	\$ -2,352	\$ _____
Labor & Management Income per Operator/Manager	\$ -1,461	\$ _____

Labor and management income per operator averaged \$-1,461 on these 53 farms in 1997. The range in labor and management income per operator was from about \$-98,000 to more than \$69,000. Returns to labor and management were negative on 60% of the farms. Labor and management income per operator was between \$0 and \$20,000 on 21% of the farms while 19% showed labor and management incomes of \$20,000 or more per operator.

**DISTRIBUTION OF LABOR & MANAGEMENT INCOMES PER OPERATOR**  
53 Northern Hudson Region Dairy Farms, 1997



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. Rate of return on total capital is calculated by adding interest paid to the return on equity capital and then dividing by average farm assets.

**RETURN ON EQUITY CAPITAL AND RETURN ON TOTAL CAPITAL**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm
Net farm income with appreciation	\$ 40,490	\$ _____
Family labor unpaid @\$1,550 per month	- 5,425	- _____
Value of operators' labor & management	- <u>30,018</u>	- _____
Return on equity capital with appreciation	\$ 5,047	\$ _____
Interest paid	+ <u>19,294</u>	+ _____
Return on total capital with appreciation	\$ 24,341	\$ _____
Return on equity capital without appreciation	\$ 563	\$ _____
Return on total capital without appreciation	\$ 19,857	\$ _____
Rate of return on average equity capital:		
with appreciation	0.8%	_____ %
without appreciation	0.1%	_____ %
Rate of return on average total capital:		
with appreciation	2.6%	_____ %
without appreciation	2.1%	_____ %

**Farm and Family Financial Status**

The first step in evaluating the financial position of the farm is to construct a balance sheet which identifies and values 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 1997, lease payments were discounted by 9.25 percent to obtain their present value.

Advanced government receipts are included as current liabilities. Government payments received in 1997 that are for participation in the 1998 program are the end year balance and payments received in 1996 for participation in the 1997 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.

**1997 FARM BUSINESS & NONFARM BALANCE SHEET**  
53 Northern Hudson Region Dairy Farms, 1997

Farm Assets			Farm Liabilities & Net Worth		
	Jan. 1	Dec. 31		Jan. 1	Dec. 31
<u>Current</u>			<u>Current</u>		
Farm cash, checking & savings	\$ 7,769	\$ 7,091	Accounts payable	\$ 17,573	\$ 20,175
Accounts receivable	30,660	35,388	Operating debt	10,666	11,506
Prepaid expenses	114	146	Short Term	4,283	6,573
Feed & supplies	78,892	81,269	Advanced govt. receipts	87	105
			Current Portion:		
			Intermediate	22,535	25,816
			Long Term	<u>3,902</u>	<u>4,686</u>
<b>Total Current</b>	<b>\$ 117,435</b>	<b>\$ 123,894</b>	<b>Total Current</b>	<b>\$ 59,047</b>	<b>\$ 68,861</b>
<u>Intermediate</u>			<u>Intermediate</u>		
Dairy cows:			Structured debt		
owned	\$ 145,593	\$ 151,230	1-10 years	\$ 112,286	\$ 121,822
leased	117	81	Financial lease		
Heifers	60,758	64,686	(cattle/machinery)	1,740	2,362
Bulls & other livestock	2,544	3,713	Farm Credit stock	<u>6,743</u>	<u>3,852</u>
Mach. & equip. owned	149,933	158,472	<b>Total Intermediate</b>	<b>\$ 120,769</b>	<b>\$ 128,036</b>
Mach. & equip. leased	1,623	2,281			
Farm Credit stock	6,743	3,852			
Other stock/certificate	<u>14,247</u>	<u>14,320</u>			
<b>Total Intermediate</b>	<b>\$ 381,558</b>	<b>\$ 398,635</b>			
<u>Long Term</u>			<u>Long Term</u>		
Land & buildings:			Structured debt		
owned	\$ 438,348	\$ 444,789	>10 years	\$ 105,038	\$ 105,596
leased	<u>206</u>	<u>146</u>	Financial lease		
<b>Total Long Term</b>	<b>\$ 438,554</b>	<b>\$ 444,935</b>	(structures)	<u>206</u>	<u>146</u>
			<b>Total Long Term</b>	<b>\$ 105,244</b>	<b>\$ 105,742</b>
<b>Total Farm Assets</b>	<b>\$ 937,547</b>	<b>\$ 967,464</b>	<b>Total Farm Liab.</b>	<b>\$ 285,060</b>	<b>\$ 302,639</b>
			<b>FARM NET WORTH</b>	<b>\$ 652,487</b>	<b>\$ 664,825</b>

Nonfarm Assets, Liabilities & Net Worth (Average of 21 farms reporting)

Assets	Jan. 1	Dec. 31	Liabilities & Net Worth	Jan. 1	Dec. 31
Personal cash, checking & savings	\$ 1,304	\$ 1,478	Nonfarm Liabilities	\$ 1,690	\$ 639
Cash value life insurance	14,742	13,965			
Nonfarm real estate	14,071	17,310			
Auto (personal share)	3,262	3,167			
Stocks & bonds	11,021	14,645			
Household furnishings	7,676	7,667			
All other nonfarm assets	<u>19,913</u>	<u>20,797</u>			
<b>Total Nonfarm Assets</b>	<b>\$ 71,989</b>	<b>\$ 79,029</b>	<b>NONFARM NET WORTH</b>	<b>\$ 70,299</b>	<b>\$ 78,390</b>

Farm & Nonfarm Assets, Liabilities, and Net Worth*	Jan. 1	Dec. 31
Total Assets	\$ 1,009,536	\$ 1,046,493
Total Liabilities	<u>286,750</u>	<u>303,278</u>
<b>TOTAL FARM &amp; NONFARM NET WORTH</b>	<b>\$ 722,786</b>	<b>\$ 743,215</b>

\*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 on the date of 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. The dramatic impact of including deferred taxes is clear. Total liabilities were increased 46 percent on these 12 farms by including deferred taxes.

**CONDENSED BALANCE SHEET INCLUDING DEFERRED TAXES**

December 31, 1997

12 New York Dairy Farms, 1997

Assets		Liabilities & Net Worth	
		Current debts & payables	\$ 86,615
		Current deferred taxes	<u>29,951</u>
Total Current Assets	\$ 127,574	Total Current Liabilities	\$ 116,566
		Intermediate debts & leases	\$ 154,317
		Intermediate deferred taxes	<u>102,671</u>
Total Inter. Assets	\$ 465,737	Total Intermediate Liabilities	\$ 256,988
		Long term debts & leases	\$ 149,433
		Long term deferred taxes	<u>47,799</u>
Total Long Term Assets	\$ <u>392,904</u>	Total Long Term Liabilities	\$ 197,232
TOTAL FARM ASSETS	\$ 986,215	TOTAL FARM LIABILITIES	\$ 570,786
		Farm Net Worth	\$ 415,429
		Percent Equity (Farm)	42%
		Nonfarm debts	\$ 0
		Nonfarm deferred taxes	<u>4,947</u>
Total Nonfarm Assets	\$ 43,658	Total Nonfarm Liabilities	\$ 4,947
TOTAL ASSETS	\$ 1,029,873	TOTAL LIABILITIES	\$ 575,733
		Total Net Worth	\$ 454,140
		Percent Equity (Total)	44%

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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm		
<b>Financial Ratios - Farm:</b>				
Percent equity	69%	_____ %		
Debt/asset ratio: total	0.31	_____		
long-term	0.24	_____		
intermediate/current	0.38	_____		
<b>Farm Debt Analysis:</b>				
Accounts payable as % of total debt	7%	_____ %		
Long-term liabilities as a % of total debt	35%	_____ %		
Current & inter. liabilities as a % of total debt	65%	_____ %		
<b>Farm Debt Levels:</b>				
	<u>Per Cow</u>	<u>Per Tillable Acre Owned</u>	<u>Per Cow</u>	<u>Per Tillable Acre Owned</u>
Total farm debt	\$ 2,131	\$ 1,462	\$ _____	\$ _____
Long-term debt	745	511	_____	_____
Intermediate & long term	1,646	1,129	_____	_____
Intermediate & current debt	1,387	951	_____	_____

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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average of Region's Farms	
	Real Estate	Machinery & Equipment
Value beginning of year	\$ 438,348	\$ 149,933
Purchases	\$ 17,396*	\$ 24,116
Gift & inheritance	+ 821	+ 0
Lost capital	- 5,959	-
Sales	- 717	- 761
Depreciation	- 8,715	- 13,995
Net investment	= 2,825	= 9,360
Appreciation	+ 3,616	+ -821
Value end of year	\$ 444,789	\$ 158,472

\*\$906 land and \$16,490 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 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), (3) increases or decreases in the value (price) of assets owned by the business (called change in valuation equity), and (4) the error in the business cash flow accounting.

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

**STATEMENT OF OWNER EQUITY (RECONCILIATION)**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm
Beginning of year farm net worth	\$ 652,487	\$ _____
Net farm income w/o appreciation	\$ 36,006	\$ _____
+Nonfarm cash income	+ 13,876	+ _____
-Personal withdrawals & family expenditures excluding nonfarm borrowings	<u>- 42,113</u>	- _____
RETAINED EARNINGS	+ \$ 7,769	+\$ _____
Nonfarm noncash transfers to farm	\$ 946	\$ _____
+Cash used in business from nonfarm capital	+ 5,181	+ _____
-Note or mortgage from farm real estate sold (nonfarm)	<u>- 113</u>	- _____
CONTRIBUTED/WITHDRAWN CAPITAL	+ \$ 6,014	+\$ _____
Appreciation	\$ 4,484	\$ _____
-Lost capital	<u>- 5,959</u>	- _____
CHANGE IN VALUATION EQUITY	+ \$ -1,475	+\$ _____
IMBALANCE/ERROR	<u>- -30</u>	- \$ _____
End of year net worth*	= \$ 664,825	=\$ _____
<u>Change in Net Worth</u>		
Without appreciation	\$ 7,854	\$ _____
With appreciation	\$ 12,338	\$ _____

\*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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	
<b><u>Cash Flow from Operating Activities</u></b>		
Cash farm receipts	\$ 422,098	
- Cash farm expenses	<u>375,977</u>	
= Net cash farm income		\$ 46,121
Personal withdrawals & family expenses including nonfarm debt payments	\$ 42,300	
- Nonfarm income	<u>13,876</u>	
- Net cash withdrawals from the farm		<u>\$ 28,424</u>
= Net Provided by Operating Activities		\$ 17,697
<b><u>Cash Flow From Investing Activities</u></b>		
Sale of assets: machinery	\$ 761	
+ real estate	604	
+ other stock & cert.	<u>3,420</u>	
= Total asset sales		\$ 4,785
Capital purchases: expansion livestock	\$ 3,595	
+ machinery	24,116	
+ real estate	17,396	
+ other stock & cert.	<u>741</u>	
- Total invested in farm assets		<u>\$ 45,848</u>
= Net Provided by Investment Activities		\$ -41,063
<b><u>Cash Flow From Financing Activities</u></b>		
Money borrowed (intermediate & long term)	\$ 56,407	
+ Money borrowed (short term)	3,694	
+ Increase in operating debt	840	
+ Cash from nonfarm capital used in business	5,181	
+ Money borrowed - nonfarm	<u>187</u>	
= Cash inflow from financing		\$ 66,309
Principal payments (intermediate & long term)	\$ 42,251	
+ Principal payments (short term)	1,405	
+ Decrease in operating debt	<u>0</u>	
- Cash outflow for financing		<u>\$ 43,656</u>
= Net Provided by Financing Activities		\$ 22,653
<b><u>Cash Flow From Reserves</u></b>		
Beginning farm cash, checking & savings		\$ 7,769
- Ending farm cash, checking & savings		<u>7,091</u>
= Net Provided from Reserves		\$ 678
Imbalance (error)		<u>\$ -35</u>



## ANNUAL CASH FLOW STATEMENT

Item	My Farm	
<u>Cash Flow from Operating Activities</u>		
Cash farm receipts	\$ _____	
- Cash farm expenses	_____	
= Net cash farm income		\$ _____
Personal withdrawals & family expenses including nonfarm debt payments	\$ _____	
- Nonfarm income	_____	
- Net cash withdrawals from the farm		\$ _____
= Net Provided by Operating Activities		\$ _____
<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 (intermediate & long term)	\$ _____	
+ Money borrowed (short term)	_____	
+ Increase in operating debt	_____	
+ Cash from nonfarm capital used in business	_____	
+ Money borrowed - nonfarm	_____	
= Cash inflow from financing		\$ _____
Principal payments (intermediate & long term)	\$ _____	
+ Principal payments (short term)	_____	
+ Decrease in operating debt	_____	
- Cash outflow for financing		\$ _____
= Net Provided by Financing Activities		\$ _____
<u>Cash Flow From Reserves</u>		
Beginning farm cash, checking & savings	\$ _____	
- Ending farm cash, checking & savings	_____	
= Net Provided from Reserves		\$ _____
Imbalance (error)		\$ _____

## 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 1997. The cash flow projection worksheet on the next page can be used to estimate repayment ability, which can then be compared to planned 1998 debt payments shown below.

### FARM DEBT PAYMENTS PLANNED

Same 34 Northern Hudson Region Dairy Farms, 1996 & 1997

Debt Payments	Average			My Farm		
	1997 Payments		Planned 1998	1997 Payments		Planned 1998
	Planned	Made		Planned	Made	
Long term	\$ 14,963	\$ 21,195	\$ 14,960	\$ _____	\$ _____	\$ _____
Intermediate term	38,520	52,365	40,939	_____	_____	_____
Short term	576	1,347	2,945	_____	_____	_____
Operating (net reduction)	627	0	1,647	_____	_____	_____
Accounts payable (net reduction)	533	0	384	_____	_____	_____
Total	\$ 55,219	\$ 74,907	\$ 60,875	\$ _____	\$ _____	\$ _____
Per cow	\$ 349	\$ 474		\$ _____	\$ _____	
Per cwt. 1997 milk	\$ 1.74	\$ 2.36		\$ _____	\$ _____	
Percent of total 1997 farm receipts	11%	14%		_____	_____	
Percent of 1997 milk receipts	12%	16%		_____	_____	

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 1997 (as of December 31, 1996) that could have been made with the amount available for debt service in 1997. Farmers who did not participate in DFBS in 1996 have their 1997 cash flow coverage ratio based on planned debt payments for 1998.

### CASH FLOW COVERAGE RATIO

Same 34 Northern Hudson Region Dairy Farms, 1996 & 1997

Item	Average	My Farm
Cash farm receipts	\$ 497,099	\$ _____
- Cash farm expenses	439,412	_____
+ Interest paid	21,489	_____
- Net personal withdrawals from farm*	34,852	_____
(A) = Amount Available for Debt Service	\$ 44,324	\$ _____
(B) = Debt Payments Planned for 1997 (as of December 31, 1996)	\$ 55,219	\$ _____
(A/B) = Cash Flow Coverage Ratio for 1997	0.80	_____

\*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	1998 Projection
	Per Cow	Per Cwt.	Per Cow/ Per Cwt.		
Average no. of cows	137				
Total cwt. of milk sold		26,961			
<u>Accrual Operating Receipts</u>					
Milk	\$ 2,856	\$ 14.51	\$		\$
Dairy cattle	197	1.00			
Dairy calves	17	0.09			
Other livestock	19	0.10			
Crops	39	0.20			
Misc. Receipts	78	0.40			
Total	\$ 3,206	\$ 16.29	\$		\$
<u>Accrual Operating Expenses</u>					
Hired labor	\$ 354	\$ 1.80	\$		\$
Dairy grain & concentrate	874	4.44			
Dairy roughage	57	0.29			
Nondairy feed	1	0.00			
Mach. hire, rent & lease	30	0.15			
Mach. repair & vehicle exp.	188	0.96			
Fuel, oil & grease	79	0.40			
Replacement livestock	27	0.14			
Breeding	40	0.20			
Vet & medicine	107	0.54			
Milk marketing	167	0.85			
Bedding	33	0.17			
Milking supplies	67	0.34			
Cattle lease	0	0.00			
Custom boarding	5	0.02			
bST	38	0.19			
Other livestock exp.	55	0.28			
Fertilizer & lime	93	0.47			
Seeds & plants	45	0.23			
Spray & other crop exp.	55	0.28			
Land, bldg., fence repair	38	0.19			
Taxes	59	0.30			
Real estate rent & lease	56	0.28			
Insurance	31	0.16			
Utilities	83	0.42			
Miscellaneous	29	0.15			
Total Less Interest Paid	\$ 2,611	\$ 13.27	\$		\$
<u>Net Accrual Operating Income</u>					
(without interest paid)	\$ 81,605		\$		\$
- Change in livestock & crop invent.*	12,426				
- Change in accounts receivable	4,728				
- Change in feed & supply inventory**	1,640				
+ Change in accounts payable***	2,298				
NET CASH FLOW	\$ 65,111		\$		\$
- Net family withdrawals	\$ 28,237				
Available for Farm	\$ 36,874		\$		
- Farm debt payments	61,680				
Available for Farm Investment	\$ -24,806		\$		\$
- Capital purchases	45,848				
Additional Capital Needed	\$ 70,654		\$		\$

\*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, the level of crop yields, and what it costs to produce crops is important in evaluating alternative cropping and feed purchasing alternatives.

#### LAND RESOURCES AND CROP PRODUCTION

53 Northern Hudson Region Dairy Farms, 1997

Item	Average			My Farm		
	Owned	Rented	Total	Owned	Rented	Total
<u>Land</u>						
Tillable	207	191	398	_____	_____	_____
Nontillable	52	15	67	_____	_____	_____
Other nontillable	94	9	103	_____	_____	_____
Total	353	215	568	_____	_____	_____
<u>Crop Yields</u>	<u>Farms</u>	<u>Acres*</u>	<u>Prod/Acre</u>	<u>Acres</u>	<u>Prod/Acre</u>	
Hay crop	49	224	1.86 tn DM	_____	_____	tn DM
Corn silage	49	151	13.32 tn	_____	_____	tn
			4.37 tn DM	_____	_____	tn DM
Other forage	9	40	1.05 tn DM	_____	_____	tn DM
Total forage	51	368	2.83 tn DM	_____	_____	tn DM
Corn grain	25	68	109 bu	_____	_____	bu
Oats	4	22	32 bu	_____	_____	bu
Wheat	2	31	56 bu	_____	_____	bu
Other crops	5	18		_____	_____	
Tillable pasture	5	62		_____	_____	
Idle	6	31		_____	_____	
Total Tillable Acres	398			_____	_____	

\*This column represents the average acreage for the farms producing that crop. Average acreages including those farms not producing were hay crop 207, corn silage 140, corn grain 32, oats 2, tillable pasture 6, and idle 3.

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

53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm
Total tillable acres per cow	2.91	_____
Total forage acres per cow	2.58	_____
Harvested forage dry matter, tons per cow	7.31	_____

**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 2 farms in the region.

**CROP RELATED ACCRUAL EXPENSES**  
Northern Hudson Region Dairy Farms Reporting, 1997

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	53	9			9		0	
Ave. number of acres	398	261			251		0	0
Fert. & lime	\$ 32.12	\$ 40.99	\$ 9.66	\$ 0.43	\$ 26.35	\$ 17.23	\$ 0	\$ 0
Seeds & plants	15.52	21.32	5.02	0.23	10.38	6.79	0	0
Spray & other crop exp.	<u>18.91</u>	<u>46.89</u>	<u>11.05</u>	<u>0.50</u>	<u>4.16</u>	<u>2.72</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 66.55	\$ 109.20	\$ 25.73	\$ 1.16	\$ 40.89	\$ 26.94	\$ 0	\$ 0

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**  
53 Northern Hudson Region Dairy Farms, 1997

Machinery Expense	Average		My Farm	
	Total Expenses	Per Till. Acre	Total Expenses	Per Till. Acre
Fuel, oil & grease	\$ 10,815	\$ 27.17	\$ _____	\$ _____
Mach. repair & vehicle exp.	25,779	64.77	_____	_____
Machine hire, rent & lease	4,100	10.30	_____	_____
Interest (5%)	7,808	19.62	_____	_____
Depreciation	<u>13,995</u>	<u>35.16</u>	_____	_____
Total	\$ 62,497	\$ 157.03	\$ _____	\$ _____

**Dairy Analysis**

Analysis of the dairy enterprise can reveal 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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Dairy Cows		Bred		Heifer Open		Calves	
	No.	Value	No.	Value	No.	Value	No.	Value
Beg. year (owned)	136	\$ 145,593	36	\$ 32,442	35	\$ 19,255	31	\$ 9,061
+ Change w/o apprec.		6,427		3,860		-590		930
+ Appreciation		<u>-790</u>		<u>-119</u>		<u>-167</u>		<u>14</u>
End year (owned)	142	\$ 151,230	40	\$ 36,183	34	\$ 18,498	35	\$ 10,005
End including leased	142							
Average number	137		(all age groups)					

**My Farm:**

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

Total milk sold and milk sold per cow are extremely valuable measures of 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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Average	My Farm
Total milk sold, lbs.	2,696,096	_____
Milk sold per cow, lbs.	19,620	_____
Average milk plant test, percent butterfat	3.78%	_____

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, COSTS OF PRODUCING MILK,  
AND PROFITABILITY**

53 Northern Hudson Region Dairy Farms, 1997

Item	Average			My Farm		
	Total	Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
<u>Accrual Cost of Producing Milk</u>						
Operating costs	\$ 332,516	\$ 2,427	\$ 12.33	\$ _____	\$ _____	\$ _____
Purchased inputs costs	\$ 355,226	\$ 2,593	\$ 13.18	\$ _____	\$ _____	\$ _____
Total Costs	\$ 423,602	\$ 3,092	\$ 15.71	\$ _____	\$ _____	\$ _____
<u>Accrual Receipts From Milk</u>						
Net Farm Income without Apprec.	\$ 391,232	\$ 2,856	\$ 14.51	\$ _____	\$ _____	\$ _____
Net Farm Income with Apprec.	\$ 36,006	\$ 263	\$ 1.34	\$ _____	\$ _____	\$ _____
Net Farm Income with Apprec.	\$ 40,490	\$ 296	\$ 1.50	\$ _____	\$ _____	\$ _____

The accrual operating expenses most commonly associated with the dairy enterprise are listed in the table below. Feed and crop expenses include total purchased dairy feed plus fertilizer, seeds, spray and other crop expenses.

**DAIRY RELATED ACCRUAL EXPENSES**

53 Northern Hudson Region Dairy Farms, 1997

Item	Average		My Farm	
	Per Cow	Per Cwt.	Per Cow	Per Cwt.
Purchased dairy grain & concentrate	\$ 874	\$ 4.44	\$ _____	\$ _____
Purchased dairy roughage	57	0.29	_____	_____
Total Purchased Dairy Feed	\$ 931	\$ 4.73	\$ _____	\$ _____
Purchased grain & conc. as % of milk receipts		31%		_____%
Purchased feed & crop exp.	\$ 1,124	\$ 5.71	\$ _____	\$ _____
Purchased feed & crop exp. as % of milk receipts		39%		_____%
Breeding	\$ 40	\$ 0.20	\$ _____	\$ _____
Veterinary & medicine	107	0.54	_____	_____
Milk marketing	167	0.85	_____	_____
Bedding	33	0.17	_____	_____
Milking supplies	67	0.34	_____	_____
Cattle lease	0	0.00	_____	_____
Custom boarding	5	0.02	_____	_____
bST	38	0.19	_____	_____
Other livestock expense	55	0.28	_____	_____

**Capital and Labor Efficiency Analysis**

Capital efficiency factors measure how effectively 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**  
53 Northern Hudson Region Dairy Farms, 1997

Item	Per Worker	Per Cow	Per Tillable Acre	Per Tillable Acre Owned
Farm capital	\$ 224,119	\$ 6,953	\$ 2,393	\$ 4,601
Real estate		3,224		2,134
Machinery & equipment	36,742	1,140	392	
Asset turnover ratio	0.47			
<b>My Farm</b>				
Farm capital	\$ _____	\$ _____	\$ _____	\$ _____
Real estate	_____	_____	_____	_____
Machinery & equipment	_____	_____	_____	_____
Asset turnover ratio	_____			

**LABOR FORCE INVENTORY AND ANALYSIS**  
53 Northern Hudson Region Dairy Farms, 1997

Labor Force	Months	Age	Years of Educ.	Value of Labor & Mgmt.
Operator number 1	13.8	48	13	\$ 19,481
Operator number 2	5.2	42	13	7,877
Operator number 3	1.3	40	13	2,660
Family paid	4.8			
Family unpaid	3.5			
Hired	<u>22.4</u>			
Total	51.0	/ 12 = 4.25 Worker Equivalent 1.61 Operator/Manager Equivalent		
<b>My Farm: Total</b>				
Operator's	_____	/ 12 = _____ Worker Equivalent / 12 = _____ Operator/Manager Equivalent		

Labor Efficiency	Average		My Farm	
	Total	Per Worker	Total	Per Worker
Cows, average number	137	32	_____	_____
Milk sold, pounds	2,696,096	634,376	_____	_____
Tillable acres	398	94	_____	_____
Work units	1,441	339	_____	_____

Labor Costs	Average			My Farm		
	Total	Per Cow	Per Cwt.	Total	Per Cow	Per Cwt.
Value of operator(s) labor (\$1,550/mo.)	\$ 31,465	\$ 230	\$ 1.17	\$ _____	\$ _____	\$ _____
Family unpaid (\$1,550/mo.)	5,425	40	0.20	_____	_____	_____
Hired	<u>48,541</u>	<u>354</u>	<u>1.80</u>	_____	_____	_____
Total Labor	\$ 85,431	\$ 624	\$ 3.17	\$ _____	\$ _____	\$ _____
Machinery Cost	\$ 62,497	\$ 456	\$ 2.32	\$ _____	\$ _____	\$ _____
Total Labor & Mach.	\$ 147,928	\$ 1,080	\$ 5.49	\$ _____	\$ _____	\$ _____



## 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 34 Northern Hudson Region Dairy Farms, 1996 & 1997

Selected Factors	Average of 34 Farms*		My Farm		
	1996	1997	1996	1997	Goal
<u>Size of Business</u>					
Average number of cows	151	158	_____	_____	_____
Average number of heifers	191	126	_____	_____	_____
Milk sold, lbs.	3,028,025	3,180,219	_____	_____	_____
Worker equivalent	4.52	4.65	_____	_____	_____
Total tillable acres	467	484	_____	_____	_____
<u>Rates of Production</u>					
Milk sold per cow, lbs.	20,084	20,166	_____	_____	_____
Hay DM per acre, tons	2.3	1.9	_____	_____	_____
Corn silage per acre, tons	14.0	13.1	_____	_____	_____
<u>Labor Efficiency</u>					
Cows per worker	33	34	_____	_____	_____
Milk sold/worker, lbs.	669,917	683,918	_____	_____	_____
<u>Cost Control</u>					
Grain & conc. purchased as % of milk sales	29%	30%	_____ %	_____ %	_____ %
Dairy feed & crop exp. per cwt. milk	\$ 5.60	\$ 5.55	\$ _____	\$ _____	\$ _____
Labor & mach. costs/cow	\$ 1,140	\$ 1,094	\$ _____	\$ _____	\$ _____
Operating cost of producing cwt. of milk	\$ 12.54	\$ 12.04	\$ _____	\$ _____	\$ _____
<u>Capital Efficiency**</u>					
Farm capital per cow	\$ 7,231	\$ 7,245	\$ _____	\$ _____	\$ _____
Mach. & equip. per cow	\$ 1,215	\$ 1,198	\$ _____	\$ _____	\$ _____
Asset turnover ratio	0.48	0.46	_____	_____	_____
<u>Profitability</u>					
Net farm income w/o apprec.	\$ 62,027	\$ 49,155	\$ _____	\$ _____	\$ _____
Net farm income w/apprec.	\$ 68,671	\$ 54,031	\$ _____	\$ _____	\$ _____
Labor & mgt. income per operator/manager	\$ 9,933	\$ 1,788	\$ _____	\$ _____	\$ _____
Rate of return on equity capital w/appreciation	3.7%	2.0%	_____ %	_____ %	_____ %
Rate of return on all capital w/appreciation	4.6%	3.4%	_____ %	_____ %	_____ %
<u>Financial Summary</u>					
Farm net worth, end year	\$ 811,751	\$ 838,246	\$ _____	\$ _____	\$ _____
Debt to asset ratio	0.27	0.28	_____	_____	_____
Farm debt per cow	\$ 1,921	\$ 2,008	\$ _____	\$ _____	\$ _____

\*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**

53 Northern Hudson Region Dairy Farms, 1997

Size of Business			Rate of Production			Labor Efficiency	
Worker Equivalent	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)
8.82	315	6,882,060	24,259	3.1	19	46	848,223
4.77	157	3,144,764	20,511	2.3	14	35	718,799
3.61	108	1,889,722	18,078	1.9	13	31	583,099
2.75	76	1,208,456	16,397	1.4	11	26	450,217
1.75	49	776,810	13,429	0.9	7	21	330,045

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	Feed & Crop Expenses Per Cwt. Milk
(10)	(10)	(11)	(11)	(10)	(10)	(10)
\$504	23%	\$240	\$708	\$731	\$4.56	\$4.56
693	27	386	998	934	5.25	5.25
818	30	488	1,131	1,087	5.80	5.80
934	33	575	1,272	1,234	6.37	6.37
1,137	41	679	1,479	1,395	7.51	7.51

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)
\$3,476	\$9.85	\$13.74	\$158,569	\$150,161	\$44,276	\$99,046
2,996	11.37	15.34	46,527	40,141	6,015	26,759
2,597	12.41	16.17	27,056	24,831	-4,147	9,203
2,346	13.48	17.94	10,995	9,239	-17,534	-10,415
1,922	15.51	21.53	-29,406	-33,584	-58,881	-53,698

\*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 300 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

300 New York Dairy Farms, 1996

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)
14.1	651	14,248,916	24,025	4.9	21	57	1,138,608
6.8	266	5,607,051	22,037	3.8	19	45	912,193
5.3	186	3,650,914	21,015	3.4	18	40	793,393
4.2	138	2,594,240	20,222	3.1	17	37	679,606
3.5	112	2,027,310	19,078	2.8	16	34	620,615
-----							
3.0	89	1,632,345	18,150	2.5	15	31	558,524
2.6	73	1,311,881	17,149	2.3	14	28	505,026
2.2	62	1,075,438	16,328	2.1	13	26	463,816
1.8	50	808,021	14,947	1.8	11	23	388,967
1.4	40	548,071	11,967	1.4	8	19	274,100

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)
\$434	17%	\$229	\$683	\$601	\$3.68
608	24	322	827	787	4.50
685	26	374	904	853	4.83
746	28	411	971	915	5.14
804	30	447	1,036	991	5.38
-----					
872	32	479	1,088	1,062	5.66
939	33	520	1,154	1,123	5.96
1,005	36	571	1,251	1,184	6.29
1,083	38	642	1,354	1,280	6.83
1,211	43	801	1,610	1,475	7.80

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

**FARM BUSINESS CHART FOR  
FARM MANAGEMENT COOPERATORS**  
300 New York Dairy Farms, 1996

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)
\$3,619	\$16.22	\$1,247	\$8.22	\$2,152	\$13.09
3,313	15.60	1,619	9.87	2,478	14.18
3,158	15.30	1,825	10.57	2,666	14.66
3,008	15.09	1,985	11.15	2,829	15.28
2,868	14.93	2,118	11.53	2,972	15.76
-----					
2,709	14.80	2,259	11.96	3,084	16.43
2,564	14.70	2,415	12.42	3,209	17.08
2,431	14.60	2,556	12.96	3,365	17.74
2,226	14.48	2,738	13.91	3,550	19.20
1,796	14.08	3,048	15.79	3,922	23.08

Profitability						
Net Farm Income Without Appreciation			Net Farm Income With Appreciation		Labor & Management Income	
Total	Per Cow	As % of Total Accrual Receipts	Total	Per Cow	Per Farm	Per Operator
(3)	(10)	(3)	(3)	(10)	(3)	(3)
\$321,819	\$1,028	30.4%	\$347,786	\$1,157	\$224,564	\$162,869
115,924	711	22.1	134,601	843	76,776	52,013
79,222	579	18.2	94,669	688	43,729	32,464
56,906	504	15.7	65,624	580	25,394	21,026
41,652	430	13.4	52,280	512	16,055	12,477
-----						
31,778	354	11.3	41,047	426	8,594	6,199
23,448	259	8.5	29,141	330	-50	-55
12,232	146	5.2	18,606	231	-12,439	-10,090
1,044	14	0.5	6,389	78	-25,888	-21,207
-35,684	-377	-15.6	-26,815	-277	-65,783	-52,531

Farm Business Charts for farms with freestall barns and 150 cows or less, 151-300 cows, and more than 300 cows; and farms with conventional barns with 60 cows or less and more than 60 cows are shown on pages 28-32.

**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

300 New York Dairy Farms, 1996

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)	
\$55	\$873	3.10	2%	\$179	
195	672	1.87	7	795	
306	575	1.47	10	1,411	
363	512	1.21	12	1,808	
403	463	1.05	14	2,134	
-----					
445	406	0.90	16	2,509	
490	346	0.77	17	2,809	
544	254	0.62	20	3,140	
630	158	0.27	24	3,541	
863	-239	-0.63	40	4,640	
-----					
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)
-0.62	97%	0.03	0.00	21%	13%
0.12	89	0.11	0.00	12	9
0.25	80	0.17	0.07	9	7
0.37	73	0.24	0.20	6	5
0.51	66	0.31	0.28	4	4
-----					
0.64	61	0.38	0.38	2	2
0.79	56	0.43	0.46	-1	1
0.98	50	0.51	0.57	-4	-1
1.31	43	0.60	0.70	-9	-3
3.50	27	0.86	1.07	-46	-10
-----					
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)	(6)	
.82	\$1,235	\$524	\$4,083	\$243,775	
.66	1,886	753	5,051	87,972	
.59	2,168	895	5,528	58,367	
.54	2,423	1,022	5,954	37,579	
.50	2,685	1,144	6,387	25,888	
-----					
.47	3,016	1,323	6,773	17,129	
.44	3,479	1,472	7,285	9,226	
.39	3,897	1,649	7,873	1,735	
.34	4,502	1,896	8,752	-8,219	
.25	6,861	2,618	11,530	-65,498	

\*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 five groups of dairy farms. The average size of farms in the five groups ranges from 47 cows on the small conventional farms to 604 cows on the largest freestall farms.

The largest freestall farms averaged the highest milk output per cow and per worker, the lowest total cost 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 farm businesses.

Farm business charts have been computed for each of the five housing and herd size categories and are on pages 28-32. 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 41-50 of the 1996 State Summary\*. As herd size increases, the average profitability generally increases (page 41)\*. Net farm income without appreciation averaged \$10,342 per farm for the less than 40 cow farms and \$259,047 per farm for those with 300 cows and over. This relationship generally holds for all measures of profitability including rate of return on capital.

Farm net worth increases rapidly as herd size increases (pages 45-48)\*, even though percent equity was higher on the smaller farms. 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 49-50)\*. The farms with 300 and more cows per farm averaged 53 percent more milk sold per cow than the smallest farms. All of the groups with 85 or more cows averaged above 18,000 pounds of milk sold per cow while the farms smaller than 85 cows averaged 16,500 pounds of milk sold per cow. 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 313,758 pounds at the lowest herd size category up to 1,000,157 pounds at the largest size category.

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\*Wayne A. Knoblauch, and Linda D. Putnam, Dairy Farm Management Business Summary, New York, 1996, Department of Agricultural, Resource, and Managerial Economics, Cornell University, R.B. 97-14, September 1997.

## SELECTED BUSINESS FACTORS BY TYPE OF BARN AND HERD SIZE

270 New York Dairy Farms, 1996

Item	Farms with:	Conventional		Freestall		
		<= 60 Cows	>60 Cows	<=150 Cows	151-300 Cows	≥300 Cows
Number of farms		69	55	63	48	35
<u>Cropping Program Analysis</u>						
Total Tillable acres		155	282	315	567	1,174
Tillable acres rented*		56	112	121	285	546
Hay crop acres*		102	160	167	254	452
Corn silage acres*		24	57	73	166	465
Hay crop, tons DM/acre		2.1	2.6	2.5	2.7	3.2
Corn silage, tons/acre		13.6	14.4	14.3	15.5	17.1
Oats, bushels/acre		48	55	33	42	48
Forage DM per cow, tons		7.1	8.1	7.3	6.9	6.8
Tillable acres/cow		3.3	3.3	3.0	2.6	1.9
Fert. & lime exp./tillable acre		\$16.46	\$24.64	\$23.00	\$26.67	\$29.89
Total machinery costs		\$22,250	\$41,761	\$53,443	\$101,702	\$247,248
Machinery cost/tillable acre		\$144	\$148	\$170	\$179	\$211
<u>Dairy Analysis</u>						
Number of cows		47	86	105	222	604
Number of heifers		35	69	78	164	444
Milk sold, lbs.		758,356	1,510,688	1,967,450	4,491,591	13,142,057
Milk sold/cow, lbs.		16,061	17,562	18,789	20,213	21,774
Operating cost of prod. milk/cwt.		\$11.52	\$11.10	\$12.21	\$12.28	\$12.05
Total cost of prod. milk/cwt.		\$18.39	\$15.94	\$16.73	\$15.28	\$14.21
Price/cwt. milk sold		\$14.85	\$15.00	\$15.04	\$15.07	\$14.91
Purchased dairy feed/cow		\$792	\$791	\$881	\$1,044	\$994
Purchased dairy feed/cwt. milk		\$4.91	\$4.50	\$4.70	\$5.16	\$4.57
Purchased grain & conc. as % milk rec.		31%	29%	30%	32%	30%
Purchased feed & crop exp./cwt. milk		\$5.62	\$5.40	\$5.57	\$5.94	\$5.21
<u>Capital Efficiency</u>						
Farm capital/worker		\$189,979	\$203,875	\$233,684	\$237,054	\$263,840
Farm capital/cow		\$7,599	\$7,136	\$7,166	\$5,958	\$5,591
Farm capital/tillable acre owned		\$3,608	\$3,631	\$3,879	\$4,691	\$5,378
Real estate/cow		\$3,974	\$3,269	\$3,279	\$2,476	\$2,316
Machinery investment/cow		\$1,486	\$1,486	\$1,427	\$1,030	\$879
Asset turnover ratio		0.38	0.43	0.45	0.59	0.64
<u>Labor Efficiency</u>						
Worker equivalent		1.88	3.01	3.22	5.58	12.80
Operator/manager equivalent		1.24	1.42	1.56	1.90	2.04
Milk sold/worker, lbs.		403,381	501,890	611,009	804,945	1,026,723
Cows/worker		25	29	33	40	47
Labor cost/cow		\$706	\$587	\$572	\$532	\$594
Labor cost/tillable acre		\$214	\$179	\$191	\$208	\$306
<u>Profitability &amp; Balance Sheet Analysis</u>						
Net farm income (without appreciation)		\$14,070	\$41,852	\$30,343	\$78,707	\$259,047
Labor & management income/operator		\$-3,360	\$9,116	\$972	\$20,575	\$80,897
Rate Return on all capital with appreciation		-0.1%	4.1%	3.1%	6.6%	9.6%
Farm debt/cow		\$2,175	\$1,817	\$2,424	\$2,587	\$2,553
Percent equity		71%	74%	66%	56%	55%

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

### FARM BUSINESS CHART FOR SMALL CONVENTIONAL STALL DAIRY FARMS

69 Conventional Stall Dairy Farms with 60 or Less Cows, New York, 1996

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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)
2.97	60	1,203,435	21,572	3.7	21	50	799,962
2.51	57	1,013,799	19,519	3.1	18	36	579,006
2.13	54	938,605	18,174	2.7	17	30	500,345
2.00	51	828,545	17,275	2.4	16	28	480,813
1.96	48	766,044	16,753	2.2	15	26	437,443
-----							
1.77	46	715,358	16,026	2.1	14	24	384,217
1.58	44	660,636	15,128	1.9	12	22	352,174
1.50	42	604,158	13,790	1.6	11	21	320,834
1.42	39	550,236	12,459	1.5	9	20	271,110
1.07	33	366,328	9,254	1.0	6	17	205,488

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)	
\$340	18%	\$153	\$680	\$431	\$3.48	
525	23	298	902	666	4.38	
619	26	353	1,017	791	4.95	
664	29	392	1,084	830	5.28	
708	30	432	1,137	859	5.45	
-----						
741	32	464	1,197	909	5.86	
783	34	498	1,264	978	6.18	
849	36	574	1,342	1,055	6.42	
945	39	679	1,467	1,143	6.96	
1,172	47	903	1,819	1,308	7.82	

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.
(10)	(10)	(10)	Total	Per Cow	(3)	(6)
\$3,227	\$8.08	\$14.39	\$47,874	\$1,027	\$26,356	\$88,439
2,915	8.91	15.53	37,039	750	17,242	30,717
2,731	9.79	16.46	28,499	593	10,327	19,252
2,573	10.61	17.03	23,329	524	4,918	15,786
2,481	11.33	17.65	18,072	406	2,053	10,484
-----						
2,380	11.66	18.44	12,298	248	-2,090	6,180
2,220	12.40	19.46	7,513	160	-6,685	1,006
2,066	12.97	20.82	3,382	75	-14,211	-3,150
1,830	14.00	22.97	-2,821	-75	-22,342	-8,142
1,370	16.62	27.50	-29,650	-562	-49,645	-22,857

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



## FARM BUSINESS CHART FOR LARGE CONVENTIONAL STALL DAIRY FARMS

55 Conventional Stall Dairy Farms with More Than 60 Cows, New York, 1996

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)
5.29	142	2,417,978	22,410	5.3	21	48	816,762
4.11	111	2,016,357	20,557	3.7	18	39	666,640
3.39	101	1,863,454	19,202	3.5	17	36	614,542
3.15	92	1,617,046	18,293	3.2	16	33	579,071
3.00	82	1,526,996	18,043	2.8	15	31	544,006
-----							
2.87	76	1,389,911	17,627	2.5	15	30	524,015
2.59	74	1,309,439	17,007	2.4	14	27	489,153
2.50	70	1,219,710	16,479	2.1	12	25	443,699
2.14	66	1,153,288	15,248	1.9	11	22	395,763
1.74	64	907,431	13,017	1.4	5	18	286,535
-----							
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)		(10)
\$416	15%	\$280	\$771	\$612	\$3.51		
554	22	342	849	704	4.19		
634	24	399	890	787	4.60		
669	27	440	966	848	4.93		
726	30	470	1,039	883	5.19		
-----							
799	32	507	1,111	945	5.62		
880	33	539	1,221	1,070	5.89		
951	34	568	1,312	1,146	6.11		
1,066	38	645	1,385	1,234	6.80		
1,145	44	781	1,607	1,317	7.64		
-----							
Value and Cost of Production			Profitability				
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.	
(10)	(10)	(10)	Total	Per Cow	(3)	(6)	
\$3,347	\$7.25	\$12.60	\$126,115	\$1,196	\$64,873	\$90,224	
3,081	8.67	13.68	76,332	905	38,043	64,355	
2,865	9.90	14.61	58,470	798	29,481	39,264	
2,755	10.53	15.27	50,403	626	19,651	31,945	
2,677	11.17	15.73	44,176	540	16,879	26,831	
-----							
2,626	11.44	16.40	39,967	452	12,437	22,572	
2,521	11.83	16.89	31,455	370	6,386	11,896	
2,410	12.42	17.28	25,322	327	-1,715	6,776	
2,309	13.50	18.29	17,743	173	-20,528	225	
1,985	15.64	22.38	-24,090	-317	-45,435	-28,152	

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

### FARM BUSINESS CHART FOR SMALL FREESTALL DAIRY FARMS

63 Freestall Barn Dairy Farms with 150 or Less Cows, New York, 1996

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	No. of Cows	Pounds of 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)
5.12	145	3,165,908	24,516	4.3	19	59	1,036,200
4.44	140	2,809,190	22,148	3.6	13	43	836,779
3.94	131	2,462,621	20,888	3.2	17	38	727,081
3.63	122	2,231,843	20,001	3.0	16	35	656,951
3.35	114	2,097,629	19,221	2.8	15	34	630,173
-----							
3.16	106	1,896,454	18,516	2.7	15	33	598,483
2.91	96	1,722,674	17,205	2.5	14	31	545,410
2.50	81	1,522,757	16,352	2.2	13	28	498,264
2.19	72	1,250,795	15,632	1.8	12	25	466,291
1.55	57	888,080	13,516	1.3	10	22	390,808
-----							
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)		
\$490	18%	\$260	\$681	\$710	\$3.85		
629	24	380	891	845	4.68		
734	26	425	951	915	5.16		
788	29	462	1,011	972	5.32		
836	30	493	1,055	999	5.42		
-----							
882	32	548	1,100	1,072	5.71		
943	35	577	1,156	1,130	6.19		
989	37	615	1,233	1,189	6.48		
1,084	38	646	1,318	1,282	6.93		
1,208	41	790	1,582	1,446	7.59		
-----							
Value and Cost of Production			Profitability				
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.	
(10)	(10)	(10)	Total	Per Cow	(3)	(6)	
\$3,740	\$9.76	\$14.32	\$97,857	\$872	\$45,473	\$85,446	
3,316	10.35	15.01	69,667	619	25,567	60,647	
3,090	10.85	15.57	51,429	511	18,664	40,918	
2,984	11.52	16.11	39,709	446	11,608	27,830	
2,880	12.04	16.64	35,698	364	7,908	20,346	
-----							
2,766	12.39	17.21	28,862	274	1,195	15,396	
2,588	12.83	17.64	21,470	193	-5,943	8,719	
2,488	13.70	18.46	10,039	96	-13,657	910	
2,317	14.80	19.46	-3,808	-35	-24,434	-9,794	
2,049	16.12	21.51	-28,596	-380	-47,468	-43,680	

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

**FARM BUSINESS CHART FOR MEDIUM FREESTALL DAIRY FARMS**  
48 Freestall Barn Dairy Farms with 151-300 Cows, New York, 1996

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	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)
7.88	283	6,803,006	25,468	4.3	23	68	1,299,135
7.12	270	5,867,677	23,534	3.9	20	54	1,086,749
6.56	259	5,404,483	22,532	3.8	19	49	990,062
6.19	248	5,030,295	21,375	3.5	18	45	897,337
6.01	237	4,690,388	20,783	3.3	17	41	828,328
-----							
5.42	219	4,194,819	20,184	3.0	15	39	796,346
5.20	201	3,941,415	19,165	2.5	15	36	770,387
4.75	187	3,582,997	18,366	2.3	14	35	693,874
4.16	176	3,383,605	16,961	2.0	13	31	613,575
3.27	163	2,754,728	14,384	1.2	9	27	486,569

**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)
\$637	21%	\$258	\$657	\$822	\$4.17
747	26	302	745	964	4.71
832	27	351	798	1,036	5.02
898	30	408	846	1,085	5.40
971	32	443	944	1,147	5.75
-----					
1,008	33	494	1,013	1,194	6.18
1,044	36	526	1,083	1,269	6.50
1,092	37	570	1,179	1,389	7.03
1,199	41	643	1,364	1,443	7.59
1,291	45	728	1,527	1,719	8.68

**Value and Cost of Production**

Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Profitability		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.
			Net Farm Income Without Apprec. Total	Per Cow		
(10)	(10)	(10)	(3)	(10)	(3)	(6)
\$3,824	\$9.74	\$12.80	\$233,259	\$991	\$110,437	\$184,695
3,636	10.64	13.88	154,020	649	82,859	137,445
3,413	11.12	14.28	124,422	566	73,344	104,559
3,259	11.52	14.50	109,516	487	50,964	80,265
3,124	11.89	15.02	95,367	450	38,058	64,476
-----						
2,991	12.42	15.53	82,390	379	30,202	50,655
2,902	12.85	16.18	63,806	315	12,729	28,330
2,733	13.91	16.97	45,286	216	-153	9,867
2,518	14.49	17.48	-857	-5	-25,875	-18,458
2,200	16.03	18.97	-74,163	-317	-79,530	-91,546

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

**FARM BUSINESS CHART FOR LARGE FREESTALL DAIRY FARMS**  
35 Freestall Barn Dairy Farms with 300 or More Cows, New York, 1996

Size of Business			Rates of Production			Labor Efficiency	
Worker Equivalent	No. of Cows	Pounds of 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)
32.14	1,697	37,033,757	24,803	5.7	20	61	1,378,113
17.15	955	21,804,174	24,077	4.7	20	53	1,137,106
15.36	703	15,227,082	23,149	3.8	20	50	1,084,070
14.27	597	13,003,869	22,525	3.6	18	47	1,029,827
12.86	525	12,027,844	22,250	3.3	18	46	996,098
10.92	493	10,351,685	21,744	3.1	18	45	943,313
10.17	406	8,809,368	21,091	2.6	16	41	922,957
9.30	366	7,925,753	20,653	2.5	15	39	883,987
8.62	346	7,172,671	19,853	2.3	14	39	773,624
7.16	313	6,410,978	18,614	2.2	12	33	684,809

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	Feed & Crop Expenses Per Cwt. Milk
(10)	(10)	(11)	(11)	(10)	(10)	(10)
\$711	23%	\$243	\$723	\$901	\$4.39	\$4.39
800	25	310	884	1,006	4.64	4.64
877	28	373	922	1,072	4.89	4.89
979	29	398	953	1,107	5.08	5.08
1,005	31	411	1,003	1,140	5.42	5.42
1,023	32	446	1,036	1,189	5.64	5.64
1,068	34	474	1,061	1,266	5.76	5.76
1,131	35	485	1,110	1,293	5.87	5.87
1,167	36	541	1,208	1,336	5.93	5.93
1,232	39	662	1,408	1,396	6.45	6.45

Value and Cost of Production			Profitability			
Milk Receipts Per Cow	Oper. Cost Milk Per Cwt.	Total Cost Production Per Cwt.	Net Farm Income Without Appreciation		Labor & Mgmt. Inc. Per Oper.	Change in Net Worth w/Apprec.
(10)	(10)	(10)	Total	Per Cow	(3)	(6)
\$3,715	\$10.54	\$12.90	845,578	\$730	\$591,699	\$527,102
3,567	11.34	13.31	470,286	655	227,950	349,326
3,394	11.59	13.70	343,687	572	168,299	286,678
3,351	11.90	13.92	318,634	535	115,496	256,533
3,314	12.13	14.32	253,916	512	83,964	201,351
3,257	12.31	14.83	212,235	422	66,114	139,175
3,200	12.47	15.27	168,430	368	51,618	97,918
3,101	12.75	15.52	121,635	318	33,784	63,594
2,989	13.15	15.75	72,892	189	12,134	37,437
2,712	13.98	16.26	17,407	42	-29,249	-147,916

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

## IDENTIFY AND SET GOALS

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

1. Goals should be **Specific**.
2. Goals should be **Measurable**.
3. Goals should be **Achievable** but challenging.
4. Goals should be **Rewarding**.
5. Goals should be **Timed** with a designated date by which the goal will be achieved.

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

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

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

- a. Begin with a mission statement which describes why the business exists based on the preferences and values of the owners.
- b. Identify 4-6 objectives.
- c. Identify SMART goals.

### Worksheet for Setting Goals

#### I. Mission and Objectives

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Worksheet for Setting Goals (Continued)

II. Goals

What	How	When	Who is Responsible
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____

Summarize Your Business Performance

The Farm Business and Financial Analysis Charts on pages 22-25 can be used to help identify strengths and weaknesses of your farm business. Identify three major strengths and three areas of your farm business that need improvement.

Strengths: \_\_\_\_\_  
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Needs improvement: \_\_\_\_\_  
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## 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.

**bST Usage** - An estimate of the percentage of herd, on average, that was supplemented with bovine somatotropin during the year.

**Capital Efficiency** - The amount of capital invested per production unit. Relatively high investments per worker with low to moderate investments per cow imply efficient use of capital.

**Cash From Nonfarm Capital Used in the Business** - Transfers of money from nonfarm savings or investments to the farm business where it is used to pay operating expenses, make debt payments and/or capital purchases.

**Cash Flow Coverage Ratio** - (defined on page 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; bST, DHIC, registration fees and transfers.

**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)

**Renter** - Farm business owner/operator owns no tillable land and commonly rents all other farm real estate.

**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)

**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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**OTHER A.R.M.E. EXTENSION BULLETINS**

<b>EB No</b>	<b>Title</b>	<b>Author(s)</b>
98-07	Dairy Farm Business Summary, Western and Central Plain Region, 1997	Knoblauch, W.A., L.D. Putnam, J. Karszes, C. Mentis, G. Allhusen and J. Hanchar
98-06	Dairy Farm Business Summary, New York Large Herd Farms, 300 Cows or Larger, 1997	Karszes, J., K.A. Knoblauch and L.D. Putnam
98-05	A Presentation Guide to the U.S. Food Industry	Green, G.M., E. W. McLaughlin and K. Park
98-04	Estate and Succession Planning for Small Business Owners	Tauer, L.W. and D.A. Grossman
98-03	Profile of the Work Force on Dairy Farms in New York and Wisconsin	McClenahan, E.J. and R.A. Milligan
98-02	MICRO DFBS: A Guide to Processing Dairy Farm Business Summaries in County and Regional Extension Offices for Micro DFBS Version 4.1	Putnam, L.D. and W.A. Knoblauch
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97-21	New York Economic Handbook, 1998: Agribusiness Economic Outlook Conference	A.R.M.E. Staff
97-20	Farm Labor Regulations	Grossman, D.A.
97-19	1997 Farm Income Tax Management and Reporting Reference Manual	Smith, S.F. and C.H. Cuykendall
97-18	Lake Erie Grape Farm Cost Survey, 1991-1995	Shaffer, B. and G.B. White
97-17	LEAP, Lease Analysis Program -- A Computer Program for Economic Analysis of Capital Leases	LaDue, E.L.
97-16	Analyzing Capital Leases	LaDue, E.L.
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