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FARM BUSINESS ANALYSIS AND SUMMARY

11 Lake Ontario Fruit Farms

1967

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FARM BUSINESS ANALYSIS AND SUMMARY
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This report is a summary and analysis of the farm business records kept by 11 Lake Ontario fruit growers located in Niagara, Orleans and Wayne Counties for the 1967 calendar year.

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

The total acreage in fruit averaged 117 acres per farm. The most important fruit enterprise was apples. This fruit crop was grown on all farms and averaged 84 acres per farm. Next came cherries with 16 acres. The acreage in prunes averaged 4 acres while an average 2.8 acres of peaches were produced.

Growers included in this report were not selected at random. They were ones interested in a financial record of their businesses and a comparison with averages of other farms. This should be kept in mind as this report is studied.

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

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MEASURING THE PROFIT OR LOSS FROM THE FARM BUSINESS IN 1967

<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u>
		1967
		<u>11 Farms</u>
Average farm inventory	\$ _____	\$100,803.
Farm receipts, fruits	\$ _____	\$ 67,595.
Farm receipts, other	_____	<u>11,870.</u>
Total farm receipts	\$ _____	\$ 79,465.
Farm expenses	_____	<u>56,007.</u>
Farm income	\$ _____	\$ 23,458.
Interest on capital @ 5 per cent	_____	<u>5,040.</u>
Labor income per farm	\$ _____	\$ 18,418
Total number of operators	_____	13
Labor income per farm operator	\$ _____	\$ 15,584

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

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CAPITAL INVESTMENT

Farm Inventories, End of Year

<u>Item</u>	<u>My Farm</u>	<u>Average per Farm</u>	<u>Per Cent of Total</u>
Livestock	\$ _____	\$ 1,550.	2
Crops, feed and supplies	_____	14,993.	14
Machinery and equipment	_____	29,823.	28
Land and buildings	_____	<u>59,390.</u>	<u>56</u>
Total farm inventories	\$ <u>_____</u>	<u>\$105,756.</u>	<u>100</u>
Man equivalent	_____	5.4	
Investment per man	\$ _____	\$ 19,584.	
Number of acres in fruit	_____	117	
Investment per acre in fruit	\$ _____	\$ 904	
Number of crop acres	_____	136	
Investment per acre in crops	\$ _____	\$ 778	

Based on end of year inventory values, the total capital investment on these 11 fruit farms averaged \$105,756.

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

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SOURCES OF INCOME

Farm Receipts

<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u>	<u>Per Cent of Total</u>
Apples	\$ _____	\$30,794.	
Cherries	_____	18,726.	
Prunes	_____	809.	
Other fruits	_____	<u>17,266.</u>	
Total fruits	\$ _____	\$67,595.	85
Miscellaneous receipts	_____	1,964	3
Increase in inventory	_____	<u>9,906.</u>	<u>12</u>
Total farm receipts	\$ _____	<u>\$79,465.</u>	<u>100</u>

Estimates were made for several farms to arrive at a division of income from the various fruits. Income from fruits comprised 85 per cent of total farm receipts. Almost half of this came from apples.

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

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FARM EXPENSES

<u>Items</u>	<u>My Farm</u>	<u>Average per Farm</u>	<u>Per Cent of Total</u>
Lime and fertilizer	\$ _____	\$ 1,699.	3
Seeds and plants	_____	157.	*
Other crop expense	_____	8,010.	14
Gas and oil	_____	2,026.	4
Auto and truck	_____	162.	*
Equipment repair	_____	2,911.	5
Machine hire	_____	756.	1
Real estate upkeep	_____	849.	1
Hired labor	_____	22,612.	41
Telephone and electricity	_____	559.	1
Taxes and insurance	_____	2,110.	4
Miscellaneous farm expense	_____	2,078.	4
New buildings	_____	1,156.	2
New machinery	_____	10,622.	19
Unpaid family labor	_____	300.	1
Total farm expenses	\$ _____	<u>\$56,007.</u>	<u>100</u>

Farm expenses on these 11 Lake Ontario farms average \$56,007. Hired labor was the most important, accounting for 41 per cent of the total. Equipment costs were the next largest expense. The combined costs of gas, truck and auto, equipment repair, machine hire, and new machinery accounted for 29 per cent of all expenses.

* Less than 1 per cent.

POWER AND MACHINERY COSTS*

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

Item	My Farm	Average per farm
Beginning inventory	\$ _____	\$22,733.
New machinery bought	_____	<u>10,622.</u>
Total	\$ _____	\$33,355.
End inventory	\$ _____	\$29,823.
Machinery sold	_____	25.
Total	\$ _____	<u>\$29,848.</u>
Depreciation	\$ _____	\$ 3,507.
Interest at 5% av. inventory	_____	1,313.
Gas and oil	_____	2,026.
Machinery repairs	_____	2,911.
Machinery hire	_____	756.
Auto expenses (farm share)	_____	162.
Electricity (farm share)	_____	<u>410.</u>
TOTAL MACHINERY COSTS	\$ _____	\$11,085.
Gas tax refunds	\$ _____	\$ 19.
Income from machine work	_____	332.
NET MACHINERY COST	\$ _____	\$10,734.
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Acres in crops	_____	136
Machinery cost per crop acre	\$ _____	\$ 79.
Man equivalent	_____	5.4
Machinery cost per man	\$ _____	\$ 1,988.

All net machinery costs including depreciation, totaled \$10,734 on the 11 fruit farms, machinery costs on a crop acre basis averaged \$79.

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

* Does not include housing or repair labor costs.

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LABOR AND MACHINERY COSTS

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

LABOR AND POWER AND MACHINERY COSTS

Item	My Farm	Average per farm
Value of operator's labor*	\$ _____	\$ 6,383.
Hired labor	_____	22,612.
Unpaid family labor	_____	300.
TOTAL LABOR COSTS	\$ _____	\$29,295.
Net power and machinery cost	_____	10,734.
TOTAL LABOR & MACHINERY COST	\$ _____	\$40,029.
Total labor and machinery cost per crop acre	\$ _____	\$ 294.
Total labor and machinery cost per man	\$ _____	\$ 7,413.

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

USE YOUR RECORDS

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

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

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

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

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

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

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

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