

50 Years of the New York Dairy Farm Business Summary— *What have we learned?*

Mark Stephenson, PhD

Cornell Program on Dairy Markets & Policy



What is DFBS?

- Tool to help farm managers improve the business and financial management of their dairy farm. (whole business analysis)
- Individual farm report, benchmarks and regional meetings for participants.
- Annual Business Summary publication for state, 6 regions and special reports (grazers, renters, small & large herd, etc.)
- About 300 farms participate annually.

Evolution of DFBS

- Paper version in 1955
- Input on micro-computer in 1982
- Field staff using micro-computer version by late 1980s
- First web-based version in 1997 (lite)
- Full blown web-based version in 2000
- Still expanding web features

Welcome to the Top Dairies benchmarking web page. Participants can enter data from their dairy at this site and receive a detailed summary and analysis of the production and financial performance of the business. The Top Dairies program is an outgrowth of the Dairy Farm Business Summary (DFBS) educational program that began at Cornell University in 1955. With this web site, the program is now available not only to dairy farmers in New York , but to dairy farmers in all other states as well.

In addition to receiving a summary and analysis of their business, participants can compare their performance to other similar dairy businesses. **All data will be held in strictest confidence.** Participants can view only their data and not that of others.

To participate in the program go to the "Downloads" button above and download the input form. Once the input form is completed, go to the "Enter/Edit" button and enter your data. After the data is entered and you are confident that it is correct, you can create a report for your business using the "Report" button and also create graphs using the "Graphs" button comparing your performance to other similar farms.

To learn more about the Top Dairies Dairy Farm Business Summary program, go to the " Mission " section of the site or contact your state DFBS coordinator. A list of coordinators can be found at the " Mission " page.

The Cornell Program on Dairy Markets and Policy, Agricultural Finance and Management at Cornell University , Pro-Dairy and the USDA Risk Management Agency support the program.

U.S. Top Dairies

Welcome

Enter/Edit

Reports

Graphs

Help

Log Out

Screen 1 **Screen 2** Screen 3 Screen 4 Screen 5 Screen 6 Screen 7 Screen 8 Screen 9 Screen 10 Screen 11 Screen 12 Screen 13 Screen 14 Screen 15 Screen 16 Screen 17 Screen 18 Screen 19**Machinery & Equipment Tax Basis,
Inventory & Depreciation**

Webster Farm

360790002

2003

NOTE

	Beginning Year	Ending Year
Tax Basis	\$ 150,000	\$ 158,500

Market Value	\$ 250,000	\$ 260,000
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Machinery & Equipment Purchased	+ 20,000
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[Optional Worksheet](#)

Noncash Machinery Transfer to Farm (e.g., gifts & inheritances)	+ 2,500
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Machinery & Equipment Sold	- 1,000
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[Optional Worksheet](#)

2003 Tax Depreciation	- 11,500
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Total Beginning Inventory After Changes	\$ 260,000
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Machinery Appreciation (end less beginning after changes)	\$ 0
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Diagnostic Messages

Screen #4

Livestock appreciation > change in inventory, appreciation = \$0, change in inventory = \$-9950

The majority of the increase in total livestock inventory resulted from price increases and not growth or quality improvement of the herd (Screen 4). Check to see if this is accurate.

Screen #5

Lost capital > 50% of real estate purchased, lost capital = \$2000 Lost capital is greater than "normally"

expected (Screen 5). Small capital improvements may not add to the market value of the property and, therefore, lost capital could be equal to the total cost.

Screen #13

Accounts receivable < 5% of milk sales. The December milk check may not have been included as an account receivable (Screens 10 & 12). Check to see if all accounts have been included.

Screen #15

Milk price < \$11 or > \$15. Price = \$(16.26) per cwt. Milk price is outside the "normal" range. Check to see if pounds of milk sold are under-reported (Screen 7), milk sales (gross) are over-reported (Screen 15) or a non-Holstein herd is being summarized (Screen 7).

Gas tax refund in excess of \$500. Gas tax refund is greater than normally expected. Verify that the entry is correct (Screen 15) and that other receipts have not been included here.

Screen #17



Cornell Cooperative Extension

Prepared by

Department of Applied Economics and Management

Cornell University



2004 Dairy Farm Business Summary

Willy Webster

Webster Farm

01/30/2006

NOT APPROVED

Progress of the Farm Business

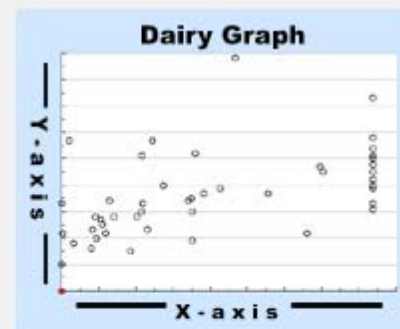
SELECTED FACTORS	2002	2003	2004
Size of Business			
Average number of cows	157	170	175
Average number of heifers	101	100	90
Milk sold, pounds	3,500,000	3,910,000	4,026,200
Worker equivalent	4.83	5.00	5.00
Total tillable acres	450	450	450
Rates of Production			
Milk sold per cow, pounds	22,293	23,000	23,007
Hay DM per acre, tons	3.37	3.75	3.4
Corn silage per acre, tons	18.18	19.09	18.18
Labor Efficiency			
Cows per worker	33	34	35
Milk sold per worker, pounds	724,638	782,000	805,240

Standard Graphing

Year

Graph

Make Graph



Clear Fields

Restrains

Condition

Quantifier

Value

1

2

3

4

5

6

Web Version Features

- Download forms and instructions
- Pop-up help screens and worksheets
- Instant farm report generation
- Customized benchmark report generation
- Multi-year comparisons
- Cost basis balance sheets
- After tax calculations
- Consultant access
- All entries are manually checked

Why do farmers participate?

- Whole business financial analysis—
are we making any money
 - Often used for bank requirements
 - Check on the accuracy of accounting system
- Farm trend analysis
- Benchmarks for business improvements
- Independent review of numbers

Why do Extension field staff participate?

- Basis for continuing education
- Rated as highest impact
- Tracking of performance
- Cornerstone to other programs

DFBS also used by:

- Bankers
- Veterinarians
- Media & presenters
- State & federal policy makers
- Researchers

What have we learned?

- Instant gratification is best
- Less is more
- We would have little participation without Extension field staff and consultants

What Else Have We Learned?

- Don't believe "rules of thumb"
 - E.g. \$2,000 debt per cow
 - Some of our farms can carry as much debt as \$8,000 per cow, some can't carry \$100
- Remember that deferred taxes exist
 - They will reduce the equity of a market value balance sheet by about 33%
- Don't believe "The cost of production"
 - Operating, Purchased Inputs or Total?
 - Vary by more than \$6 per cwt in any year

What Else Have We Learned?

- A cost-based ROA is for bragging rights only!
 - Typical USDA values look like 4-6% ROA
 - If you use “book value” we see something like 15% ROA
- Don't believe income tax Net Income
 - Agriculture is allowed to use cash-based accounting—accrual is far more accurate.
 - Average difference is about \$50,000

What Else Have We Learned?

- Help farmers to think and speak finance
 - Most producers are more comfortable and interested in talking production.
 - Maximum production is not the same as maximum profit
- Again, less is more

Any Questions?