



## **ANNUAL REPORT 2010**

A Co-OPERATIVE PROJECT OF:  
**Canadian Dairy Commission**  
**Dairy Farmers of Ontario**

**Released**  
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## **ACKNOWLEDGEMENT**

This report is indebted to the 65 dairy producers who willingly participated in the Project during 2010. These people went to considerable effort and inconvenience to help the Project representatives collect and verify information. Without this excellent co-operation, this report would not be possible.

The Project representatives, whose job it was to collect, record, and verify all information, were vital to the Project. Their initiative, perseverance and positive attitude has provided the Project with high quality dairy farm data.

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## FOREWORD

The Ontario Dairy Farm Accounting Project (ODFAP) is a co-operative project of Dairy Farmers of Ontario, and the Canadian Dairy Commission (CDC). The Project was initiated in 1976.

The objective of the Project is to develop and maintain a system of obtaining regular, representative and consistent farm production and management data which meets the farm database requirements of the Ontario dairy industry in the three areas of policy, research and extension. This is being achieved (1) by maintaining a sample of farms which represents typical Ontario dairy farm situations and which reflects different levels of technology, regional differences and other significant factors and, (2) through the development and maintenance of a data collection and information reporting system which will provide the participating agencies with the information which they require.

The ODFAP Annual Report is just one aspect of this Project. The Annual Report provides a summary of the information collected, but, by no means, portrays the wealth of information available for policy, research and extension uses. The project data, along with similar data from other provinces, is incorporated into the National Cost of Production formula for industrial milk, maintained by the Canadian Dairy Commission. Likewise, project data is incorporated in the farm cash cost component of the national fluid milk pricing formula. This formula is also maintained by the CDC and is the underlying reference used by all provinces for adjusting fluid milk prices.

## PROJECT STAFF

Project Staff, responsible for collecting and verifying the study information for 2010 were:

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Individuals responsible for the final editing of the 2010 data and for the preparation of this report, include:

Phil Cairns	Senior Policy Advisor, Dairy Farmers of Ontario
Jim Hanmore	Project Manager, ODFAP

# **ONTARIO DAIRY FARM ACCOUNTING PROJECT RESULTS 2010**

The 2010 results for the 65 farms on the project are presented in the following tables.

Farm revenue and expenses are summarized in Table 1. Balance sheet information is summarized in Table 2. Physical characteristics are summarized in Table 3.

It should be noted that livestock and crop inventories are valued at an average of market values or prices at the beginning and end of the year for purposes of accruing the revenue value of inventory changes in the Farm Revenue and Expense Statement in Table 1. As such, the reported revenue items for inventory changes only reflect income changes associated with changes in the quantities of the related inventories held. They do not capture any change in value associated with market price changes during the year.

Revenue and expense information for the dairy enterprise is broken out in Tables 4 and 5. For purposes of these tables, the dairy enterprise is defined to consist of dairy cows, the raising of replacements and/or any related livestock borne of the dairy cow herd, and the supporting crop production associated with both.

Averages are presented in each table for all farms and for 3 sample groupings ranked on the basis of cost of production (COP): the 15 farms with the highest cost; the 15 farms with the lowest cost, and the remaining 35 farms. The COP ranking is based on the assumptions and calculational procedures established for the national Cost of Production pricing formula for industrial milk.

**Table 1 FARM REVENUE AND EXPENSES; 2010.**

<b>NUMBER OF FARMS</b>	<b>Bottom 15</b>	<b>Middle 35</b>	<b>Top 15</b>	<b>All 65</b>
<b>REVENUE</b>	\$	\$	\$	\$
Milk Sales	247,579	398,979	877,394	474,444
Cow & Bull Sales	11,081	15,733	27,629	17,405
Calf & Heifer Sales	3,457	4,353	4,649	4,215
Crop Sales	50,522	24,376	35,863	33,060
Other Farm Income	45,882	41,142	24,418	38,376
<b>Total Cash Revenue</b>	<b>358,521</b>	<b>484,583</b>	<b>969,953</b>	<b>567,500</b>
Inventory Change				
Dairy Enterprise	1,817	1,121	-7,670	-747
Replacement Enterprise	-351	1,346	-2,603	43
Other Livestock	-817	770	387	315
Feeds, Crops, Supplies	-14,908	8,565	20,644	5,936
<b>Total Farm Revenue</b>	<b>344,262</b>	<b>496,385</b>	<b>980,711</b>	<b>573,047</b>
<b>EXPENSES</b>				
Dairy Cow Enterprise				
Cow & Bull Purchases	6,830	5,964	3,947	5,698
Commercial Feed Purchases	25,781	41,312	99,529	51,162
Milk & Livestock Marketing	14,804	24,433	52,394	28,663
Breeding Fees	3,784	5,114	6,919	5,224
Stable & Milkhouse Supplies	5,131	7,751	11,176	7,937
Vet. and Drugs	7,012	12,125	18,877	12,503
Other Dairy Expenses <sup>1</sup>	5,950	10,276	19,730	11,459
Replacement Enterprise				
Cattle Purchases	1,274	449	405	629
Feed Purchases	3,009	6,696	14,590	7,667
Other Direct Heifer Expenses	3,558	3,304	5,199	3,800
Crop Enterprise				
Grains and Forages Purchases	4,608	8,067	13,469	8,515
Seed	8,819	11,237	20,167	12,740
Fertilizer	12,629	12,664	15,475	13,305
Sprays	2,825	2,857	5,411	3,439
Custom Work	8,089	14,316	42,681	19,425
Gas & Diesel Fuel	12,999	11,615	16,694	13,107
Machinery Repairs	15,115	12,944	18,579	14,745
Other Crop Expenses <sup>2</sup>	3,442	3,518	4,647	3,761
Other Farm Expenses				
Direct Expenses Non-Dairy Livestock <sup>3</sup>	-598	8,738	-2,159	4,069
Direct Expenses Other Crops	9,016	10,229	14,742	10,991
Wages & Salaries	17,388	29,293	48,708	31,026
Land Rent	3,907	2,802	13,799	5,595
Interest Paid	25,425	32,491	92,408	44,687
Real Estate Taxes	5,444	5,779	7,463	6,090
Telephone & Hydro	11,375	13,651	18,851	14,326
Insurance	8,144	9,185	12,025	9,600
Equipment & Building Repairs	15,471	16,937	30,688	19,772
Other General Cash Expenses <sup>4</sup>	7,001	11,025	19,126	11,966
<b>Total Cash Expenses</b>	<b>248,232</b>	<b>334,772</b>	<b>625,540</b>	<b>381,901</b>
Building Depreciation	8,651	12,152	30,029	15,469
Machinery Depreciation	25,247	21,588	34,250	25,354
<b>Total Farm Expenses</b>	<b>282,130</b>	<b>368,512</b>	<b>689,819</b>	<b>422,724</b>
<b>Net Farm Income</b>	<b>62,132</b>	<b>127,873</b>	<b>290,892</b>	<b>150,323</b>

<sup>1</sup> Other Dairy Expenses include registration/testing fees, building rent, straw & bedding, & livestock insurance for the dairy herd.

<sup>2</sup> Other Crop Expenses include crop insurance, seed cleaning, twine, propane for corn drying & misc. crop expenses.

<sup>3</sup> Since rebates are recorded as negative expenses, the direct expense for non-dairy livestock enterprises may be negative for farms which have no such livestock.

<sup>4</sup> Other General Cash Expenses include car expenses and miscellaneous farm expenses.

Table 2

**FARM BALANCE SHEET;  
DECEMBER 31, 2010.**

NUMBER OF FARMS	Bottom 15	Middle 35	Top 15	All 65
<b>A. WITH ASSETS AT MARKET VALUE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Machinery and Equipment	405,543	310,582	494,498	374,938
Personal Equipment	5,760	11,203	11,840	10,094
Land and Farm Buildings	1,085,200	1,282,100	1,986,200	1,399,153
Farm House & Personal Structures	141,500	165,541	213,543	171,070
Dairy Cows	75,167	111,514	230,313	130,542
Dairy Heifers	37,917	52,747	107,791	62,027
Other Livestock	4,817	11,092	793	7,267
Feed, Crops, Supplies, Inventory	69,963	97,763	167,576	107,458
Milk Quota	858,267	1,415,300	3,173,200	1,692,435
<b>Total Assets</b>	<b><u>2,684,134</u></b>	<b><u>3,457,842</u></b>	<b><u>6,385,754</u></b>	<b><u>3,954,984</u></b>
<b>B. WITH FIXED ASSETS AT COST LESS DEPRECIATION<sup>1</sup></b>				
Machinery and Equipment	224,537	197,123	295,074	226,053
Personal Equipment	9,542	15,987	14,957	14,262
Land and Farm Buildings	589,465	644,818	1,453,900	818,750
Farm House & Personal Structures	75,168	55,998	151,620	82,488
Dairy Cows	75,167	111,514	230,313	130,542
Dairy Heifers	37,917	52,747	107,791	62,027
Other Livestock	4,817	11,092	793	7,267
Feed, Crops, Supplies, Inventory	69,963	97,763	167,576	107,458
Milk Quota	177,314	480,357	1,230,000	583,421
<b>Total Assets</b>	<b><u>1,263,890</u></b>	<b><u>1,667,399</u></b>	<b><u>3,652,024</u></b>	<b><u>2,032,268</u></b>
<b>C. LIABILITIES</b>				
Operating & Short-Term Trade Credit	19,748	12,617	8,119	13,225
Intermediate & Long Term Loans	343,062	475,750	1,562,800	695,984
F.C.C. Loans	189,994	379,721	775,949	427,375
<b>Total Liabilities</b>	<b><u>552,804</u></b>	<b><u>868,088</u></b>	<b><u>2,346,868</u></b>	<b><u>1,136,584</u></b>
<b>D. OWNER'S EQUITY</b>				
(A) Assets At Market Value	2,131,330	2,589,754	4,038,886	2,818,400
(B) Fixed Assets at Cost				
Less Depreciation	711,086	799,311	1,305,156	895,684

<sup>1</sup> Depreciation was not subtracted from the cost of the farm house, land, milk quota, or personal equipment.

**Table 3**                    **BASIC FARM PRODUCTION PARAMETERS; 2010.**

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<b>NUMBER OF FARMS</b>	<b>Bottom 15</b>	<b>Middle 35</b>	<b>Top 15</b>	<b>All 65</b>
Dairy Cows (hd)	47.4	64.8	128.8	75.5
Open Dairy Heifers, 6 months & older (hd)	17.9	20.8	40.5	24.7
Bred Dairy Heifers (hd)	14.7	20.1	39.1	23.2
Milk Sold/Farm (litres) <sup>1</sup>	309,862	524,275	1,150,200	619,236
Milk Sold/Cow (litres) <sup>1</sup>	6,685	8,019	8,633	7,853
Butterfat Test (kg/hl)	4.14	3.95	3.95	3.99
Person-Equivalents of Labour	1.9	2.4	2.1	2.2
Workable Land Farmed (hectares) <sup>2</sup>	132	121	146	130
Average Age of Principal Operator	50.3	50.6	46.1	49.5

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<sup>1</sup> Milk is expressed in terms of milk actually sold.

<sup>2</sup> One hectare = 2.47 acres.

**Table 4 DAIRY ENTERPRISE REVENUE AND EXPENSES; 2010.****- PER COW -**

<b>NUMBER OF FARMS</b>	<b>Bottom 15</b>	<b>Middle 35</b>	<b>Top 15</b>	<b>All 65</b>
<b>REVENUE</b>	\$	\$	\$	\$
Milk Sales	5,302.28	6,096.35	6,548.40	6,017.42
Quality Penalties & Levies	-2.02	-1.86	-1.26	-1.76
Cows & Bulls Sold	224.75	238.37	222.92	231.66
Other Dairy Livestock Sold	85.94	84.62	46.93	76.23
Dairy Livestock Inventory Change	2.65	5.14	-41.84	-6.27
<b>Net Revenue</b>	<b>5,613.60</b>	<b>6,422.62</b>	<b>6,775.15</b>	<b>6,317.28</b>
<b>DIRECT DAIRY EXPENSE</b>				
Dairy Ration	24.65	138.72	53.20	92.66
Protein Supplements	428.84	387.22	476.99	417.54
Salt & Minerals	119.27	121.56	122.32	121.20
Milk Replacer & Calf Ration	36.18	48.40	61.34	48.56
Other Purchased Feeds	11.57	24.65	23.53	21.37
Vet & Drugs	161.76	191.38	162.91	177.98
A.I. Fees	82.23	83.96	55.67	77.04
Stable & Milk House Supplies	113.45	133.08	95.12	119.79
Milk Transport & Licence Fees	294.26	352.45	378.82	345.11
Livestock Marketing	23.93	25.76	16.08	23.10
Other Dairy Expense <sup>1</sup>	137.27	163.44	154.73	155.39
<b>Total Direct Expense</b>	<b>1,433.41</b>	<b>1,670.62</b>	<b>1,600.71</b>	<b>1,599.74</b>
<b>DAIRY SHARE OF CROP EXPENSES</b>				
Bulk Grain & Forage Purchases	89.76	103.88	138.78	108.67
Seed	122.51	123.26	113.48	120.83
Fertilizers	140.28	138.55	106.57	131.57
Herbicides & Pesticides	26.94	29.28	31.65	29.29
Custom Work	126.28	157.01	234.14	167.72
Fuel & Lubricants	204.31	134.13	104.48	143.48
Field Machinery Repairs	261.29	169.99	104.88	176.03
Land Rent	51.17	33.52	57.47	43.12
Other Crop Expense <sup>2</sup>	62.92	50.16	54.84	54.18
<b>Total Crop Expense</b>	<b>1,085.46</b>	<b>939.78</b>	<b>946.29</b>	<b>974.89</b>
<b>Returns Over Direct &amp; Crop Expenses</b>	<b>3,094.73</b>	<b>3,812.22</b>	<b>4,228.15</b>	<b>3,742.65</b>
<b>LOCATED INDIRECT &amp; OVERHEAD EXPENSES</b>				
Barn Equipment & Building Repairs	265.05	199.20	188.13	211.84
Hired Labour Expenses	290.98	355.16	284.77	324.10
Interest Expense	467.03	437.32	596.34	480.87
Insurance	119.84	86.56	64.67	89.19
Telephone & Hydro	163.10	155.73	122.52	149.76
Taxes	82.03	64.77	57.19	67.00
Other Overhead Expenses <sup>3</sup>	131.67	118.74	85.23	113.99
<b>Total Indirect &amp; Overhead Expenses</b>	<b>1,519.70</b>	<b>1,417.48</b>	<b>1,398.85</b>	<b>1,436.75</b>
<b>Returns Over Expenses</b>	<b>1,575.03</b>	<b>2,394.74</b>	<b>2,829.30</b>	<b>2,305.90</b>
<b>DAIRY LIVESTOCK PURCHASES</b>				
Cows & Bulls Purchased	116.81	59.12	24.35	64.41
Other Dairy Livestock Purchases	20.99	16.55	2.27	14.28
<b>Total Dairy Livestock Purchases</b>	<b>137.80</b>	<b>75.67</b>	<b>26.62</b>	<b>78.69</b>
<b>Net Returns</b>	<b>1,437.23</b>	<b>2,319.07</b>	<b>2,802.68</b>	<b>2,227.21</b>
<b>TOTAL LABOUR REQUIRED (Hrs)<sup>4</sup></b>	<b>124.41</b>	<b>120.63</b>	<b>68.40</b>	<b>109.45</b>

<sup>1</sup> Other Dairy Expense includes bedding materials, feed processing expense, livestock testing and registration, livestock insurance, livestock promotion expense and building rent.

<sup>2</sup> Other Crop Expense includes twine, seed cleaning, crop insurance and machine rentals.

<sup>3</sup> Other Overhead Expense includes hardware, car expenses and miscellaneous expense.

<sup>4</sup> Labour estimated based on the recorded hours from daily time sheets (see section B.4).

**Table 5 DAIRY ENTERPRISE REVENUE AND EXPENSES; 2010.**  
**- PER HL OF MILK SOLD -**

NUMBER OF FARMS	Bottom 15	Middle 35	Top 15	All 65
<b>REVENUE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Milk Sales	80.56	76.31	75.95	77.21
Quality Penalties & Levies	-0.04	-0.02	-0.02	-0.03
Cows & Bulls Sold	3.32	2.99	2.60	2.98
Other Dairy Livestock Sold	1.30	1.08	0.57	1.01
Dairy Livestock Inventory Change	0.20	0.07	-0.47	-0.02
<b>Net Revenue</b>	<b>85.34</b>	<b>80.43</b>	<b>78.63</b>	<b>81.15</b>
<b>DIRECT DAIRY EXPENSES</b>				
Dairy Ration	0.30	1.77	0.55	1.15
Protein Supplements	6.24	4.77	5.42	5.26
Salt & Minerals	1.85	1.52	1.42	1.57
Milk Replacer & Calf Ration	0.59	0.59	0.69	0.61
Other Purchased Feeds	0.18	0.29	0.27	0.26
Vet & Drugs	2.39	2.38	1.87	2.27
A.I. Fees	1.23	1.06	0.65	1.00
Stable & Milk House Supplies	1.74	1.71	1.10	1.58
Milk Transport & Licence Fees	4.41	4.40	4.39	4.40
Livestock Marketing	0.36	0.32	0.19	0.30
Other Dairy Expense <sup>1</sup>	2.08	2.07	1.75	2.00
<b>Total Direct Expense</b>	<b>21.37</b>	<b>20.88</b>	<b>18.30</b>	<b>20.40</b>
<b>DAIRY SHARE OF CROP EXPENSES</b>				
Bulk Grain & Forage Purchases	1.26	1.28	1.67	1.37
Seed	1.94	1.55	1.32	1.59
Fertilizers	2.30	1.69	1.28	1.74
Herbicides & Pesticides	0.42	0.37	0.36	0.38
Custom Work	1.88	1.95	2.64	2.09
Fuel & Lubricants	3.11	1.72	1.23	1.93
Field Machinery Repairs	4.03	2.24	1.24	2.42
Land Rent	0.83	0.43	0.65	0.57
Other Crop Expense <sup>2</sup>	0.93	0.64	0.62	0.70
<b>Total Crop Expense</b>	<b>16.70</b>	<b>11.87</b>	<b>11.01</b>	<b>12.79</b>
<b>Returns Over Direct &amp; Crop Expenses</b>	<b>47.27</b>	<b>47.68</b>	<b>49.32</b>	<b>47.96</b>
<b>ALLOCATED INDIRECT &amp; OVERHEAD EXPENSES</b>				
Barn Equipment & Building Repairs	4.15	2.52	2.12	2.81
Hired Labour Expenses	4.06	4.30	3.15	3.98
Interest Expense	7.52	5.52	6.66	6.25
Insurance	1.87	1.10	0.76	1.20
Telephone & Hydro	2.51	1.98	1.42	1.98
Taxes	1.28	0.84	0.66	0.90
Other Overhead Expenses <sup>3</sup>	1.97	1.49	0.99	1.49
<b>Total Indirect &amp; Overhead Expenses</b>	<b>23.36</b>	<b>17.75</b>	<b>15.76</b>	<b>18.61</b>
<b>Returns Over Expenses</b>	<b>23.91</b>	<b>29.93</b>	<b>33.56</b>	<b>29.35</b>
<b>DAIRY LIVESTOCK PURCHASES</b>				
Cows & Bulls Purchased	1.69	0.76	0.27	0.86
Other Dairy Livestock Purchases	0.30	0.18	0.03	0.17
<b>Total Dairy Livestock Purchases</b>	<b>1.99</b>	<b>0.94</b>	<b>0.30</b>	<b>1.03</b>
<b>Net Returns</b>	<b>21.92</b>	<b>28.99</b>	<b>33.26</b>	<b>28.32</b>
<b>TOTAL LABOUR REQUIRED (Hrs)<sup>4</sup></b>	<b>1.94</b>	<b>1.56</b>	<b>0.81</b>	<b>1.47</b>

<sup>1</sup> Other Dairy Expense includes bedding materials, feed processing, expense, livestock testing and registration, livestock insurance, livestock promotion expense and building rent.

<sup>2</sup> Other Crop Expense includes twine, seed cleaning, crop insurance and machine rentals.

<sup>3</sup> Other Overhead Expense includes hardware, car expenses and miscellaneous expense.

<sup>4</sup> Labour estimated based on the recorded hours from daily time sheets (see section B.4)

## APPENDIX A

**Table A.1 FARM REVENUE, EXPENSES AND NET INCOME; 2001 to 2010.**

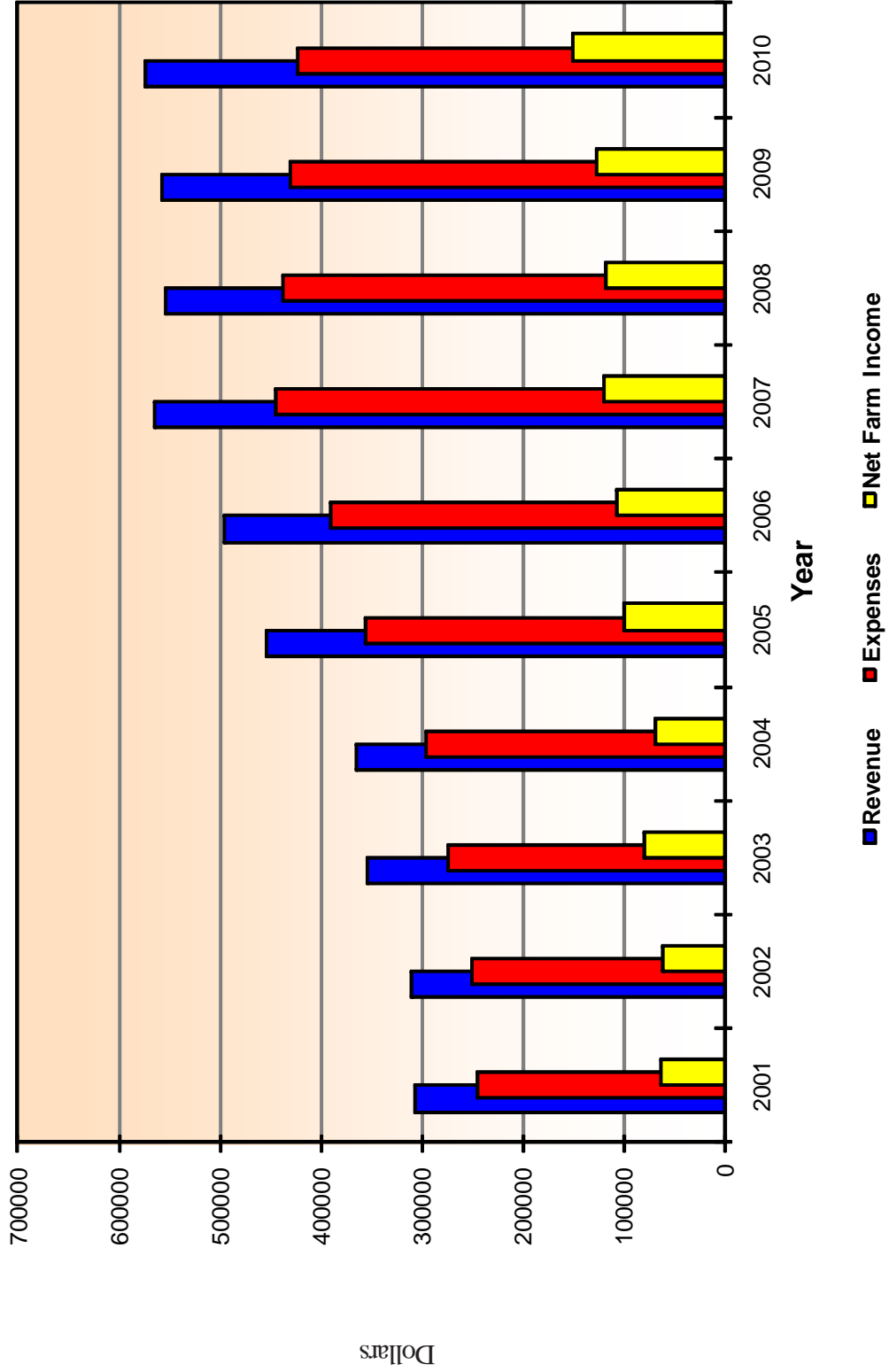
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Farms	88	84	91	84	75	74	84	73	73	65
<b>REVENUE</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Milk and Cream Sales	244,225	250,903	295,482	315,669	378,511	403,024	480,154	455,880	475,906	474,444
Livestock Sales	28,686	26,130	17,549	15,829	16,697	17,403	16,728	25,415	16,840	21,620
Crop Sales	7,621	11,828	15,053	13,475	24,939	28,595	31,224	27,485	25,262	33,060
Other Farm Income	22,999	17,256	18,329	13,431	33,617	37,456	39,167	30,728	33,143	38,376
<b>Total Cash Revenue</b>	<b>303,531</b>	<b>306,117</b>	<b>346,413</b>	<b>358,404</b>	<b>453,764</b>	<b>486,478</b>	<b>567,273</b>	<b>539,508</b>	<b>551,151</b>	<b>567,500</b>
Inventory Change All Enterprises	2,855	4,270	7,787	6,336	678	9,374	-3,254	14,807	5,346	5,547
<b>Total Farm Revenue</b>	<b>306,386</b>	<b>310,387</b>	<b>354,200</b>	<b>364,740</b>	<b>454,442</b>	<b>495,852</b>	<b>564,019</b>	<b>554,315</b>	<b>556,497</b>	<b>573,047</b>
<b>EXPENSES</b>										
Dairy Cow Enterprise	65,301	68,799	79,772	84,916	98,218	101,096	254,484	125,140	130,483	122,646
Replacement Enterprise	7,910	7,036	8,449	8,032	9,608	9,479	11,355	14,076	12,045	12,096
Crops Enterprises	50,506	51,407	53,148	60,223	74,856	79,784	89,089	93,488	87,309	89,037
Other Farm Expenses	96,779	98,557	106,408	116,710	139,931	165,433	183,982	165,724	161,563	158,122
<b>Total Cash Expenses</b>	<b>220,496</b>	<b>225,799</b>	<b>247,777</b>	<b>269,881</b>	<b>322,613</b>	<b>355,792</b>	<b>407,664</b>	<b>398,428</b>	<b>391,400</b>	<b>381,901</b>
Building & Machinery Depreciation	23,193	23,464	26,506	26,346	32,435	33,720	36,710	38,027	38,325	40,823
<b>Total Farm Expenses</b>	<b>243,689</b>	<b>249,263</b>	<b>274,283</b>	<b>296,227</b>	<b>355,048</b>	<b>389,512</b>	<b>444,374</b>	<b>436,455</b>	<b>429,725</b>	<b>422,724</b>
<b>NET FARM INCOME</b>	<b>62,697</b>	<b>61,124</b>	<b>79,917</b>	<b>68,513</b>	<b>99,394</b>	<b>106,340</b>	<b>119,645</b>	<b>117,860</b>	<b>126,772</b>	<b>150,323</b>

**Table A.2 SAMPLE CHARACTERISTICS; 2001 TO 2010.**

Data Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Farms	88	84	91	84	75	74	84	73	73	65
Herd Size (head)	53.75	54.8	60.1	63.1	68.0	69.3	77.4	74.6	75.5	75.5
Milk Sales (litres)	405,018	420,867	464,871	493,526	555,512	573,620	659,597	616,427	633,715	619,236
Milk Sales Per Cow (litres)	7,365	7,459	7,469	7,492	7,842	7,975	8,252	7,971	8,054	7,853
Tillable Hectares	104	99	97	108	123	132	140	115	122	130
Total Person Equivalents	1.94	1.89	1.90	2.00	2.10	2.10	2.30	2.30	2.25	2.22
Age of Principal Operator	46.8	47.3	46.5	46.8	47.0	46.9	47.0	47.4	49.5	49.5

**AVERAGE REVENUE, EXPENSES  
AND NET FARM INCOME;  
2001 TO 2010.**

**Graph A.1**



Dollars

Year

■ Revenue ■ Expenses ■ Net Farm Income

## APPENDIX B

### SAMPLE DESIGN AND CHARACTERISTICS

#### B.1 Project Methodology

To provide uniformity of data collection, Project representatives are assigned to do on-farm recording of financial transactions. Farms are visited, three to four times a year, to record financial transactions and collect relevant production information. Various techniques are used to solicit data due to the many differences in farm types and the level of organization.

#### B.2 Sample Selection

The project sample is based on a regionally stratified random sample of farms. The sample was selected from the files of Dairy Farmers of Ontario.

The 2010 sample is composed of five sub-samples of dairy farms. The first sub-sample consists of 14 farms which were recruited in late 2005 and enrolled in the Project for 2006. The second sub-sample consists of 24 farms recruited in late 2006 for enrolment in 2007. The third sub-sample of 18 farms was recruited in late 2007 for enrolment in 2008. The fourth sub-sample of 6 farms was recruited in late 2008 for enrolment in 2009. The fifth and final sub-sample of 3 farms was recruited in late 2009 for enrolment in 2010.

All five sub-samples were randomly selected on the basis of region. That is, the number of farms selected within a region for each sub-sample reflected the proportion of the farms present in the population for that region at the time the sub-sample was drawn.

The counties<sup>1</sup> included in each region of the sampling grid area are:

- Region 1 Elgin, Essex, Kent, Lambton, Middlesex, Norfolk.
- Region 2 Brant, Huron, Oxford, Perth, Waterloo.
- Region 3 Bruce, Dufferin, Grey, Simcoe, Wellington.
- Region 4 Durham, Haldimand, Halton, Niagara, Northumberland, Ontario, Peel, Prince Edward, Wentworth, York.
- Region 5 Frontenac, Hastings, Lanark, Leeds, Lennox & Addington, Peterborough, Victoria.
- Region 6 Carleton, Dundas, Glengarry, Grenville, Prescott, Renfrew, Russell, Stormont.

The regions of the grid were identified on the basis of similar land capabilities, climatic factors and non-dairy opportunities.

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<sup>1</sup> *Counties are as they were defined prior to amalgamation under regional government.*

The sample is based on a five year rotation. Each year the new sample is based on the existing population within each of six regions. Any producer that had participated in the project within the past 3 years was excluded from the sample selection process.

The sample composition and structure for the 65 farms on which this report is based are summarized in Table B.1. The reduced number of participants in 2009 and 2010 reflects the planned reduction in the sample size for the National COP in recognition of the current producer populations in all provinces.

**Table B.1 SAMPLE COMPOSITION AND STRUCTURE; 2010.**

<b>Participation by Year of Initial Enrolment</b>						
<b>REGION</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
1	1	0	0	2	0	<b>3</b>
2	4	10	6	2	0	<b>22</b>
3	5	4	5	2	2	<b>18</b>
4	1	3	3	0	0	<b>7</b>
5	1	3	2	0	0	<b>6</b>
6	2	4	2	0	1	<b>9</b>
<b>Total</b>	<b>14</b>	<b>24</b>	<b>18</b>	<b>6</b>	<b>3</b>	<b>65</b>

### **B.3 Enrolment Procedure**

Farms selected for enrolment were initially contacted and recruited by a DFO Field Services Representative. A serious attempt was made to handle all contacts in the same manner and to give essentially the same message in all cases. In discussions with the farmers, and in seeking their co-operation, it was emphasized that the confidentiality of individual records would be respected, that there were benefits to the industry and to the individual and that we were seeking their co-operation. It was also stressed that the data collection visits would occur at the convenience of the producer.

**MAP B.1**

**DAIRY REGIONS OF SOUTHERN ONTARIO**



**B.4 Labour Data Collection**

Labour data for the project is collected using daily time sheets. Producers are asked to complete the time sheets for their first year on the project. Sheets are completed for all individuals contributing labour to the farm. Completion of the time sheets in the second and subsequent years on the project is encouraged, but not mandatory, unless changes have occurred which would significantly alter the labour requirements for the operation.



## APPENDIX C

### ACCOUNTING PROCEDURES

#### C.1 Account Structure

A computerized accounting program is used as the data collection vehicle for the Project. The computer program permits separating information into enterprises or profit centres and accounts or cost centres. Six basic enterprises are being registered:

- (i) general farm
- (ii) dairy herd
- (iii) replacement
- (iv) small grain
- (v) corn/corn silage
- (vi) hay/haylage/pasture

The general farm account includes any other crop or type of livestock. Specialized enterprises are not registered. One overhead cost account is registered.

The number of farms which had other livestock or crops activity in the general farm account in 2010 is as follows:

(i)	Beef	10
(ii)	Swine	1
(iii)	Poultry	0
(iv)	Sheep	1
(v)	Other Crops	34

#### C.2 On-Farm Recording

Project representatives work within very specific guidelines in order to get as much uniformity as possible. As a general rule, the recording methods required for filing tax returns are used. All income and expense items are recorded on an accrual basis. A complete list of items recorded and the recording procedure can be obtained from the Project Manager.

### C.3 Valuation of Fixed Assets

All fixed assets (land, buildings, houses, machinery, and intangibles) are recorded at both original cost and estimated current market value.

Depreciation is recorded using a diminishing balance rate: 5% for buildings and structures, 10% for farm machinery and 15% motorized equipment and machinery. The assumption is made that the equipment will reach its salvage value when it is worth 20 per cent of its original cost.

### C.4 Valuation of Livestock

Dairy livestock is valued according to three different quality categories. Beginning and ending inventory values, used for 2010, are as indicated in Table C.1.

**LIVESTOCK INVENTORY VALUES; 2010.**

**Table C.1**

Description	Utility/Commercial 5,000 or Below Litres/Cow/Year		Good Quality 5,001-7,750 Litres/Cow/Year		Breeder Over 7,751 Litres/Cow/Year	
	Beginning (\$)	Ending (\$)	Beginning (\$)	Ending (\$)	Beginning (\$)	Ending (\$)
Cows	800	800	1300	1300	1850	1850
Bred Heifers	750	750	1000	1000	1600	1600
Open Heifers	500	500	750	750	1000	1000
Heifer Calves	100	100	150	150	250	250
Bull Calves	120	120	120	120	120	120

**Note:** Information in the table is based on current auction market value as collected by Project representatives. Beef, swine and poultry were valued at current market value.

### C.5 Valuation of Crops

Grain values are based on estimates obtained from the Ontario Ministry of Agriculture and Food. Forage values are based on the equivalent feed value of grain corn. Values for 2010 are as indicated in Table C.2.

**Table C.2 CROP INVENTORY AND TRANSFER VALUES; 2010.**

- Per Tonne Basis -

Values used for	Inventory Valuation		Transfer
	Beginning \$	Ending \$	Value \$
<b>Home-grown Feed:</b>			
Wheat (Feed)	160.00	266.00	213.00
Oats	180.00	180.00	180.00
Barley	160.00	160.00	160.00
Mixed Grain	170.00	170.00	170.00
Grain Corn	156.00	215.00	186.00
Hay	110.00	110.00	110.00
Corn Silage	35.00	45.00	40.00
Haylage @ 45% DM	55.00	55.00	55.00
Straw	90.00	90.00	90.00
Oatlage/Barlage	55.00	55.00	55.00

## C.6 Allocation of Expenses

Direct expense items, such as seed and fertilizer, pose no problem with respect to allocation as their use is generally confined to a single farm enterprise.

Indirect and overhead expenses are more difficult to allocate as they are normally used in more than one enterprise. These expenses are allocated on the basis of the following guidelines.

### (a) Building Depreciation

Allocated to livestock enterprises according to the building space used. If the buildings used for certain types of enterprises are obviously depreciating at a higher rate than others, the allocation is accordingly adjusted.

### (b) Machinery Depreciation

Allocated according to use as defined on the basis of the classification of individual machinery and equipment items.

### (c) Heating Fuels

Normally all personal use unless auxiliary heating is required for certain livestock enterprises (e.g. broilers).

- (d) Barn Equipment Repair**  
Normally about 80 per cent to the cows, 20 per cent to heifers (milking equipment milk tank, stable cleaners, etc. are used mainly for the dairy enterprise). If other livestock enterprises are on the farm, costs are allocated according to use.
- (e) Building Repair** (*building repair, fence repair, hardware*)  
Normally about 80 per cent cows, 20 per cent heifers if housed in the same type of facilities.
- (f) Gas, Diesel** (*gas, diesel, oil, grease*)  
Allocated to crops on the basis of hectares or use. Gasoline for personal use is being recorded directly, and not allocated.
- (g) Field Machinery** (*equipment repair*)  
Allocated according to hectares or use.
- (h) Machinery Miscellaneous Expenses** (*hardware, tools, machine insurance, licence, rent*)  
Allocated according to hectares or use.
- (i) House Repairs and Maintenance**  
Almost always 100 per cent personal.
- (j) Labour** (*wages, EI, CPP, WSIB, EHT*)  
According to use.
- (k) Interest** (*interest, life insurance premium*)  
Allocation of short term interest is based on the percentage that the direct expense for each enterprise represents of the total direct expense for the farm. Intermediate and long term interest including life insurance premium is allocated 50 per cent to the livestock enterprises based on the percentage overhead allocated, and 50 per cent to crops according to hectares.
- (l) Farm Insurance** (*fire, liability, accident*)  
Allocated to livestock.
- (m) Car** (*car insurance, maintenance*)  
Normally 70 per cent personal, 15 per cent livestock, 15 per cent crops.
- (n) Hydro**  
Normally, if highly mechanized, 30 per cent personal, 70 per cent livestock. If low mechanization, 50 per cent personal, 50 per cent livestock.

- (o) **Water**  
Allocated to livestock.
  
- (p) **Telephone**  
Normally 50 per cent personal, 25 per cent livestock, 25 per cent crops.
  
- (q) **Real Estate Taxes**  
Approximately half land, half buildings, allocated 10 per cent to personal use for the house, pro-rated 40 per cent to livestock according to animal units, 50 per cent to crops according to hectares of each crop.
  
- (r) **Other Overhead Expenses** (*Fees, accounting, legal, office supplies, advertising, etc.*)  
Fifty per cent livestock, 50 per cent crops.

## **C.7 Allocation of Home-grown Feed**

All home-grown feed is allocated to the various livestock enterprises based on information supplied by the farmer. In order to check for accuracy, an edit is carried out at the end of the year. This involves checking the estimated feed consumption

$$(Beginning\ Inventory + Production + Purchases - Sales - Ending\ Inventory)$$

for each farm to make sure that it is in line with accepted industry benchmarks for feed consumption. If feed consumption is not close to the benchmarks, the crop yields and other related information are double-checked to clarify the discrepancy.