



ANNUAL REPORT 2017

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

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ACKNOWLEDGEMENT

This report is indebted to the 70 dairy producers who willingly participated in the Project during 2017. 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, which is managed by the Canadian Dairy Commission. Likewise, project data is incorporated in the cost of production component of the National Pricing Formula for fluid and industrial milk classes. Cost of production has a 50 percent weighting in the formula, while the other 50 percent is from the change in Consumer Price Index (CPI).

PROJECT STAFF

Project Staff, responsible for collecting and verifying the study information for 2017 were:

Barbara Ryan	Technician, North-West Region
Ian Murphy/Jessica Farlinger	Technicians, East Region
John Ecclestone	Technician, Western Region
Andrew Ryzebol	Technician, South-West and Niagara Region Project Manager, ODFAP

Individuals responsible for the final editing of the 2017 data and for the preparation of this report, include:

Kristin Benke	Senior Economist, Dairy Farmers of Ontario
Andrew Ryzebol	Project Manager, ODFAP

ONTARIO DAIRY FARM ACCOUNTING PROJECT RESULT 2017

The 2017 results for the 70 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 (bottom); the 15 farms with the lowest cost (top), and the remaining 40 farms (middle). 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; 2017.

	Bottom 15	Middle 40	Top 15	All 70
REVENUE	\$	\$	\$	\$
Milk Sales	253,082	586,033	1,039,684	611,897
Cow & Bull Sales	18,555	25,684	51,976	29,791
Calf & Heifer Sales	6,543	8,651	11,894	8,894
Crop Sales	11,760	49,204	40,706	39,360
Other Farm Income	31,392	57,423	56,764	51,704
Total Cash Revenue	321,332	726,995	1,201,024	741,646
Inventory Change				
Dairy Enterprise	4,868	10,196	18,787	10,895
Replacement Enterprise	322	963	8,432	2,426
Other Livestock	867	70	-1,287	-50
Feeds, Crops, Supplies	-6,004	11,608	17,302	9,054
Total Farm Revenue	321,385	749,832	1,244,258	763,971
EXPENSES				
Dairy Cow Enterprise				
Cow & Bull Purchases	16,936	6,073	8,688	8,961
Commercial Feed Purchases	38,056	93,933	178,431	100,066
Milk & Livestock Marketing	16,903	37,203	65,465	38,909
Breeding Fees	5,864	9,536	8,519	8,531
Stable & Milkhouse Supplies	6,678	13,551	16,898	12,795
Vet. and Drugs	9,838	16,671	30,394	18,147
Other Dairy Expenses ¹	8,496	17,881	26,118	17,635
Replacement Enterprise				
Cattle Purchases	1,815	284	557	671
Feed Purchases	7,674	16,498	25,356	16,506
Other Direct Heifer Expenses	1,813	2,818	6,063	3,298
Crop Enterprise				
Grains and Forages Purchases	9,429	15,166	46,578	20,668
Seed	8,185	18,609	20,384	16,756
Fertilizer	8,814	19,770	22,870	18,087
Sprays	2,301	5,565	5,805	4,917
Custom Work	10,957	24,313	37,174	24,207
Gas & Diesel Fuel	8,957	17,821	22,373	16,897
Machinery Repairs	16,966	28,584	31,740	26,771
Other Crop Expenses ²	2,021	4,983	2,946	3,912
Other Farm Expenses				
Direct Expenses Non-Dairy Livestock	2,975	1,190	1,644	1,670
Direct Expenses Other Crops	4,054	24,659	18,149	18,848
Wages & Salaries	27,170	53,564	121,213	62,405
Land Rent	544	7,690	6,605	5,926
Interest Paid	37,071	48,165	71,658	50,822
Real Estate Taxes	5,243	9,568	12,934	9,363
Telephone & Hydro	10,328	17,850	24,262	17,612
Insurance	7,127	13,689	11,371	11,786
Equipment & Building Repairs	15,113	25,371	50,671	28,594
Other General Cash Expenses ³	6,889	11,163	15,124	11,096
Total Cash Expenses	298,217	562,168	889,990	575,856
Building Depreciation	9,871	22,888	46,128	25,078
Machinery Depreciation	21,595	42,787	49,586	39,703
Total Farm Expenses	329,683	627,843	985,704	640,637
Net Farm Income	-8,298	121,989	258,554	123,334

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

² Other Crop Expenses include crop insurance, seed cleaning, twine, propane for corn drying & miscellaneous crop expenses.

³ Labour estimated based on the recorded hours from daily time sheets (see section B.4)

TABLE 2 **FARM BALANCE SHEET;**
DECEMBER 31, 2017.

NUMBER OF FARMS	Bottom 15	Middle 40	Top 15	All 70
A. WITH ASSETS AT MARKET VALUE	\$	\$	\$	\$
Machinery and Equipment	328,747	671,884	770,950	619,583
Personal Equipment	3,018	3,264	6,276	3,857
Land and Farm Buildings	2,208,751	3,811,956	5,460,184	3,821,604
Farm House & Personal Structures	123,333	151,964	447,111	209,075
Dairy Cows	72,548	148,879	238,473	151,721
Dairy Heifers	30,438	76,594	121,436	76,312
Other Livestock	2,488	2,435	8,400	3,724
Feed, Crops, Supplies, Inventory	52,247	118,974	148,622	111,028
Milk Quota	1,024,640	2,150,645	3,682,862	2,237,690
Total Assets	<u>3,846,210</u>	<u>7,136,595</u>	<u>10,884,314</u>	<u>7,234,594</u>
B. WITH FIXED ASSETS AT COST LESS DEPRECIATION¹				
Machinery and Equipment	198,172	404,161	512,063	383,142
Personal Equipment	3,505	4,867	12,492	6,209
Land and Farm Buildings	460,215	1,294,078	2,580,224	1,390,995
Farm House & Personal Structures	16,733	91,472	223,458	103,739
Dairy Cows	72,548	148,879	238,473	151,721
Dairy Heifers	30,438	76,594	121,436	76,312
Other Livestock	2,488	2,435	8,400	3,724
Feed, Crops, Supplies, Inventory	52,247	118,974	148,622	111,028
Milk Quota	226,359	721,523	1,656,734	815,819
Total Assets	<u>1,062,705</u>	<u>2,862,983</u>	<u>5,501,902</u>	<u>3,042,689</u>
C. LIABILITIES				
Operating & Short-Term Trade Credit	20,094	129,238	92,056	97,883
Intermediate & Long Term Loans	467,485	840,645	2,748,379	1,169,483
F.C.C. Loans	302,849	923,606	472,058	693,827
Total Liabilities	<u>790,428</u>	<u>1,893,489</u>	<u>3,312,493</u>	<u>1,961,193</u>
D. OWNER'S EQUITY				
(A) Assets At Market Value	<u>3,055,782</u>	<u>5,243,106</u>	<u>7,571,821</u>	<u>5,273,401</u>
(B) Fixed Assets at Cost	<u>272,277</u>	<u>969,494</u>	<u>2,189,409</u>	<u>1,081,496</u>

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

TABLE 3 **BASIC FARM PRODUCTION PARAMETERS; 2017.**

NUMBER OF FARMS	Bottom 15	Middle 40	Top 15	All 70
Dairy Cows (hd)	43.3	81.3	123.4	82.2
Open Dairy Heifers, 6 months & older (hd)	13.1	27.0	36.0	26.0
Bred Dairy Heifers (hd)	10.2	26.8	40.6	26.2
Milk Sold/Farm (litres) ¹	331,461	751,763	1,337,972	787,315
Milk Sold/Cow (litres) ¹	7,389	9,216	10,470	9,093
Butterfat Test (kg/hl)	4.06	4.17	4.09	4.13
Person-Equivalents of Labour	2.1	2.5	2.9	2.5
Workable Land Farmed (hectares) ²	77	144	137	128
Average Age of Principal Operator	53.0	50.9	52.7	51.7

¹ Milk is expressed in terms of milk actually sold.

² One hectare = 2.47 acres.

TABLE 4 DAIRY ENTERPRISE REVENUE AND EXPENSES; 2017.
- PER COW -

	Bottom 15	Middle 40	Top 15	All 70
	\$	\$	\$	\$
REVENUE				
Milk Sales	5,615.31	7,138.86	8,101.66	7,018.70
Quality Penalties & Levies	-7.99	-2.69	0.00	-3.25
Cows & Bulls Sold	413.26	329.60	458.27	375.10
Other Dairy Livestock Sold	165.30	121.82	113.15	129.28
Dairy Livestock Inventory Change	86.29	130.88	171.48	130.03
Net Revenue	6,272.17	7,718.47	8,844.56	7,649.86
DIRECT DAIRY EXPENSES				
Dairy Ration	514.63	611.05	353.57	535.22
Protein Supplements	302.11	473.03	861.63	519.68
Salt & Minerals	46.42	36.54	44.20	40.30
Milk Replacer & Calf Ration	136.02	184.73	128.51	162.25
Other Purchased Feeds	8.90	25.30	66.25	30.56
Vet & Drugs	242.06	225.08	267.70	237.85
A.I. Fees	118.87	120.61	72.64	109.96
Stable & Milk House Supplies	147.77	174.56	140.81	161.59
Milk Transport & Licence Fees	361.04	440.65	502.38	436.82
Livestock Marketing	18.13	16.59	9.77	15.46
Other Dairy Expense ¹	151.57	208.35	189.12	192.06
Total Direct Expense	2,047.52	2,516.49	2,636.58	2,441.75
DAIRY SHARE OF CROP EXPENSES				
Bulk Grain & Forage Purchases	189.93	165.76	245.85	188.10
Seed	154.87	152.01	122.54	146.31
Fertilizers	167.16	158.03	142.79	156.72
Herbicides & Pesticides	42.80	44.07	32.31	41.28
Custom Work	178.98	209.86	216.90	204.75
Fuel & Lubricants	169.73	155.27	132.01	153.38
Field Machinery Repairs	282.74	224.51	188.32	229.23
Land Rent	15.13	55.13	44.67	44.32
Other Crop Expense ²	60.49	49.35	24.68	46.45
Total Crop Expense	1,261.83	1,213.99	1,150.07	1,210.54
Returns Over Direct & Crop Expenses	2,962.82	3,987.99	5,057.91	3,997.57
ALLOCATED INDIRECT & OVERHEAD EXPENSES				
Barn Equipment & Building Repairs	276.02	227.32	265.74	245.99
Hired Labour Expenses	521.57	580.43	912.38	638.95
Interest Expense	762.15	495.61	504.96	554.73
Insurance	133.08	112.79	82.15	110.57
Telephone & Hydro	190.91	178.98	163.36	178.19
Taxes	95.98	86.90	87.19	88.91
Other Overhead Expenses ³	133.38	103.65	88.98	106.88
Total Indirect & Overhead Expenses	2,113.09	1,785.68	2,104.76	1,924.22
Returns Over Expenses	849.73	2,202.31	2,953.15	2,073.35
DAIRY LIVESTOCK PURCHASES				
Cows & Bulls Purchased	345.21	74.56	71.20	131.84
Other Dairy Livestock Purchases	36.42	5.01	2.35	11.17
Total Dairy Livestock Purchases	381.63	79.57	73.55	143.01
Net Returns	468.10	2,122.74	2,879.60	1,930.34
TOTAL LABOUR REQUIRED (Hrs)⁴	142.94	96.51	72.28	101.27

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

² Other Crop Expense includes twine, seed cleaning, crop insurance and machine rentals.

³ Other Overhead Expense includes hardware, car expenses and miscellaneous expense.

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

TABLE 5 DAIRY ENTERPRISE REVENUE AND EXPENSES; 2017.
- PER HL OF MILK SOLD -

	Bottom 15	Middle 40	Top 15	All 70
	\$	\$	\$	\$
REVENUE				
Milk Sales	75.65	77.77	77.27	77.21
Quality Penalties & Levies	-0.16	-0.03	0.00	-0.05
Cows & Bulls Sold	5.70	3.73	4.38	4.29
Other Dairy Livestock Sold	2.48	1.35	1.12	1.54
Dairy Livestock Inventory Change	1.13	1.44	1.69	1.43
Net Revenue	84.80	84.26	84.46	84.42
DIRECT DAIRY EXPENSES				
Dairy Ration	7.83	6.65	3.44	6.22
Protein Supplements	3.49	5.03	8.04	5.35
Salt & Minerals	0.59	0.39	0.40	0.43
Milk Replacer & Calf Ration	1.96	2.01	1.24	1.83
Other Purchased Feeds	0.10	0.27	0.59	0.30
Vet & Drugs	3.12	2.42	2.57	2.60
A.I. Fees	1.47	1.33	0.70	1.22
Stable & Milk House Supplies	2.03	1.87	1.30	1.78
Milk Transport & Licence Fees	5.04	4.78	4.79	4.84
Livestock Marketing	0.27	0.18	0.10	0.18
Other Dairy Expense ¹	1.95	2.29	1.78	2.10
Total Direct Expense	27.85	27.22	24.95	26.85
DAIRY SHARE OF CROP EXPENSES				
Bulk Grain & Forage Purchases	2.35	1.93	2.15	2.07
Seed	1.98	1.68	1.20	1.64
Fertilizers	2.10	1.77	1.43	1.77
Herbicides & Pesticides	0.53	0.48	0.31	0.45
Custom Work	2.35	2.17	2.15	2.20
Fuel & Lubricants	2.38	1.74	1.26	1.77
Field Machinery Repairs	3.84	2.54	1.84	2.67
Land Rent	0.24	0.58	0.45	0.48
Other Crop Expense ²	0.76	0.55	0.25	0.53
Total Crop Expense	16.53	13.44	11.04	13.58
Returns Over Direct & Crop Expenses	40.42	43.60	48.47	43.99
ALLOCATED INDIRECT & OVERHEAD EXPENSES				
Barn Equipment & Building Repairs	3.58	2.49	2.50	2.73
Hired Labour Expenses	6.52	6.39	8.50	6.87
Interest Expense	10.58	5.36	5.02	6.41
Insurance	1.80	1.24	0.81	1.27
Telephone & Hydro	2.68	1.97	1.60	2.04
Taxes	1.40	0.95	0.84	1.02
Other Overhead Expenses ³	1.72	1.14	0.86	1.20
Total Indirect & Overhead Expenses	28.28	19.54	20.13	21.54
Returns Over Expenses	12.14	24.06	28.34	22.45
DAIRY LIVESTOCK PURCHASES				
Cows & Bulls Purchased	4.74	0.78	0.69	1.61
Other Dairy Livestock Purchases	0.44	0.06	0.02	0.13
Total Dairy Livestock Purchases	5.18	0.84	0.71	1.74
Net Returns	6.96	23.22	27.63	20.71
TOTAL LABOUR REQUIRED (Hrs)⁴	2.22	1.08	0.70	1.24

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

² Other Crop Expense includes twine, seed cleaning, crop insurance and machine rentals.

³ Other Overhead Expense includes hardware, car expenses and miscellaneous expense.

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

APPENDIX A

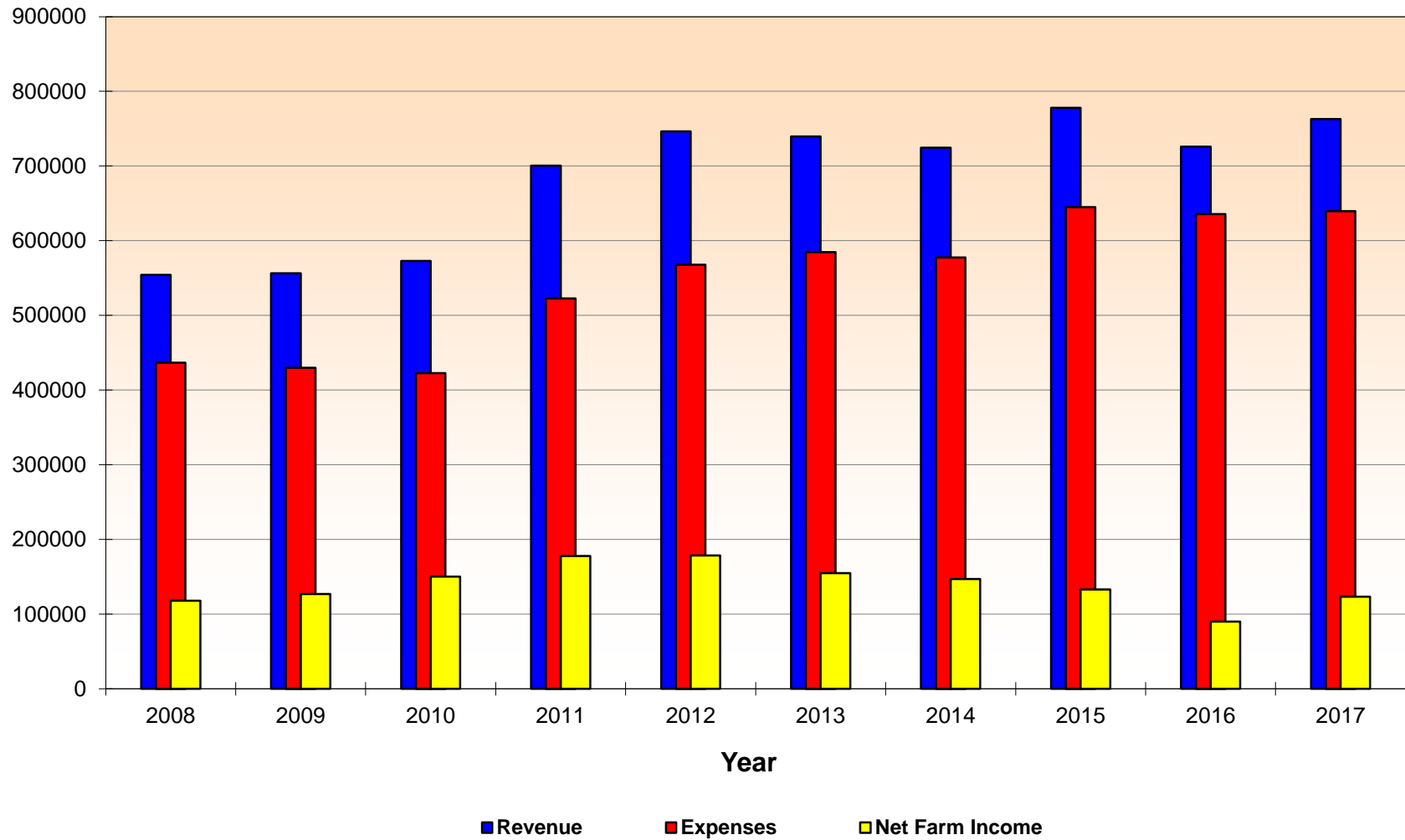
TABLE A.1 FARM REVENUE, EXPENSES AND NET INCOME; 2008 to 2017.

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Farms	73	73	65	61	56	58	65	71	65	70
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Milk Sales	455,880	475,906	474,444	580,364	601,449	596,407	589,229	612,963	582,158	611,897
Livestock Sales	25,415	16,840	21,620	29,459	34,995	37,761	49,754	60,371	43,632	38,685
Crop Sales	27,485	25,262	33,060	47,786	66,242	43,486	38,297	49,702	46,191	39,360
Other Farm Income	30,728	33,143	38,376	34,262	51,706	55,818	49,868	46,307	54,309	51,704
Total Cash Revenue	539,508	551,151	567,500	691,871	754,392	733,472	727,148	769,343	726,290	741,646
Inventory Change All Enterprises	14,807	5,346	5,547	8,545	-8,039	6,240	-2,579	8,515	-435	22,325
Total Farm Revenue	554,315	556,497	573,047	700,416	746,353	739,712	724,569	777,858	725,855	763,971
EXPENSES										
Dairy Cow Enterprise	125,140	130,483	122,646	155,543	168,304	172,835	173,764	194,336	190,817	205,044
Replacement Enterprise	14,076	12,045	12,096	16,865	18,490	17,455	18,226	21,060	19,977	20,475
Crops Enterprises	93,488	87,309	89,037	105,854	122,888	128,404	119,687	138,877	143,412	132,215
Other Farm Expenses	165,724	161,563	158,122	193,272	200,196	207,753	208,835	227,223	214,133	218,122
Total Cash Expenses	398,428	391,400	381,901	471,534	509,878	526,447	520,512	581,496	568,339	575,856
Building & Machinery Depreciation	38,027	38,325	40,823	51,270	57,874	58,371	57,150	63,483	67,402	64,781
Total Farm Expenses	436,455	429,725	422,724	522,804	567,752	584,818	577,662	644,979	635,741	635,741
NET FARM INCOME	117,860	126,772	150,323	177,612	178,601	154,894	146,907	132,879	90,114	90,114

TABLE A.2 SAMPLE CHARACTERISTICS; 2008 to 2017.

Data Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Farms	73	73	65	61	56	58	65	71	65	70
Herd Size (head)	74.6	75.5	75.5	86.2	88.7	85.3	80.7	85.6	82.7	82.2
Milk Sales (litres)	616,427	633,715	619,236	720,343	759,686	742,230	714,021	784,547	769,113	787,315
Milk Sales Per Cow (litres)	7,971	8,054	7,853	7,937	7,893	8,152	8,356	8,583	8,890	9,093
Tillable Hectares	115	122	130	142	152	151	140	151	135	128
Total Person Equivalents	2.3	2.25	2.22	2.4	2.4	2.3	2.3	2.3	2.4	2.5
Age of Principal Operator	47.4	49.5	49.5	50.6	53.3	52.3	51.7	51.9	52.2	51.7

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**AVERAGE REVENUE, EXPENSES
AND NET FARM INCOME;
2008 TO 2017.**



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, on average, 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 (DFO).

The 2017 sample is composed of five sub-samples of dairy farms. The first sub-sample consists of 17 farms which was recruited in late 2012 and enrolled in the Project for 2013. The second sub-sample consists of 10 farms recruited in late 2013 for enrolment in 2014. The third sub-sample of 11 farms was recruited in late 2014 for enrolment in 2015. The fourth sub-sample of 9 farms was recruited in late 2015 for enrolment in 2016. The fifth and final sub-sample of 23 farms was recruited in late 2016 for enrolment in 2017.

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. In 2013 the original 6 regions were replaced by 14 new regions, matching the DFO Field Supervisor Representative zones, allowing for a more streamlined recruiting process.

The counties¹ included in each region of the sampling grid area are:

- Region 1 Glengarry, Prescott
- Region 2 Russell, Stormont, Dundas, Carleton
- Region 3 Grenville, Leeds, Carleton, Dundas
- Region 4 Lennox & Addington, Frontenac, Lanark, Renfrew, Carleton
- Region 5 Hastings, Northumberland, Peterborough, Prince Edward
- Region 6 York, Peel, Durham, Simcoe, City of Kawartha Lakes
- Region 7 Brant, Haldimand, Niagara, Norfolk, Halton, Waterloo, Wentworth, Oxford, Wellington
- Region 8 Oxford
- Region 9 Middlesex, Elgin, Lambton, Essex-Kent
- Region 10 Perth, Huron
- Region 11 Perth, Wellington
- Region 12 Waterloo, Wellington
- Region 13 Bruce, Huron
- Region 14 Dufferin, Grey, Wellington

¹ 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 14 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 70 farms on which this report is based are summarized in Table B.1.

TABLE B.1 SAMPLE COMPOSITION AND STRUCTURE; 2017.

Participation by Year of Initial Enrolment

REGION	2013	2014	2015	2016	2017	TOTAL
1	0	0	1	0	1	2
2	1	0	1	0	1	3
3	1	0	0	1	2	4
4	1	0	1	1	1	4
5	0	2	0	0	3	5
6	2	0	1	0	0	3
7	5	1	1	0	0	7
8	1	3	2	2	2	10
9	0	2	0	0	1	3
10	1	0	1	0	2	4
11	2	2	2	2	1	9
12	1	0	0	0	4	5
13	2	0	0	1	2	5
14	0	0	1	2	3	6
TOTAL	17	10	11	9	23	70

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 2017 is as follows:

(i) Beef	5
(ii) Swine	1
(iii) Poultry	2
(iv) Sheep	1
(v) Other Crops	35

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 percent 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 2017, are as indicated in Table C.1.

TABLE C.1 LIVESTOCK INVENTORY VALUES; 2017.

Description	5,000 or Below Litres/Cow/Year		5,001-7,750 Litres/Cow/Year		Over 7,750 Litres/Cow/Year	
	Beginning (\$)	Ending (\$)	Beginning (\$)	Ending (\$)	Beginning (\$)	Ending (\$)
Cows	800	850	1300	1400	1850	1850
Bred Heifers	750	800	1000	1200	1600	1700
Open Heifers	500	550	750	900	1000	1250
Heifer Calves	100	150	150	200	250	300
Bull Calves	120	150	120	150	120	150

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 Agricorp 2017 AgriStability Fair Market Values list. Forage values are based on the equivalent feed value of grain corn. Values for 2017 are as indicated in Table C.2.

TABLE C.2 CROP INVENTORY AND TRANSFER VALUES; 2017.
 - Per Tonne Basis -

Values used for	Inventory Valuation		Transfer Value
	Beginning	Ending	
	\$	\$	\$
Home-grown Feed:			
Wheat (Feed)	172.00	185.00	178.50
Barley	183.00	218.00	200.50
Oats	213.00	257.00	235.00
Mixed Grain	163.00	200.00	181.50
Grain Corn	174.00	166.00	170.00
Hay	171.00	180.00	175.50
Haylage @ 45% DM	90.00	85.00	87.50
Oatlage/Barlage	50.00	50.00	50.00
Corn Silage	38.00	33.00	35.50
Straw	135.00	150.00	142.50

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 percent to the cows, 20 percent 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 percent cows, 20 percent 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 percent 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 percent to the livestock enterprises based on the percentage overhead allocated, and 50 percent to crops according to hectares.

(l) Farm Insurance (*fire, liability, accident*)

Allocated to livestock.

(m) Car (*car insurance, maintenance*)

Normally 70 percent personal, 15 percent livestock, 15 percent crops.

(n) Hydro

Normally, if highly mechanized, 30 percent personal, 70 percent livestock. If low mechanization, 50 percent personal, 50 percent livestock.

(o) Water

Allocated to livestock.

(p) Telephone

Normally 50 percent personal, 25 percent livestock, 25 percent crops.

(q) Real Estate Taxes

Approximately half land, half buildings, allocated 10 percent to personal use for the house, pro-rated 40 percent to livestock according to animal units, 50 percent to crops according to hectares of each crop.

(r) Other Overhead Expenses (*Fees, accounting, legal, office supplies, advertising, etc.*)

50 percent livestock, 50 percent 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.