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Cost of
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DAIRY FARM FINANCIAL RESULTS

FARM ACCOUNT AVERAGES — 100 FARMS — 1952-53

By

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DAIRY FARM FINANCIAL RETURNS - 1952-53FARM ACCOUNT AVERAGES FROM 100 FARMSFOREWORD

This report contains some averages prepared from farm financial accounts for a number of dairy farms in West-Central and South-West Scotland. It deals with the year 1952-53, i.e. the financial results largely represent the profitability under the scale of milk prices ruling from April 1952 to March 1953. It does not do more than present a general average and group averages, because of the restricted size of the sample.

The farms from which the accounts were obtained closed their financial year in the period from November, 1952 to May 1953, but mainly at March, 1953. In order to speed up publication of the report only the first hundred accounts which were completed are dealt with here; to await completion of all accounts in the sample would have meant delaying publication. The report deals with 100 farms, all of which received T.T. and Attested bonuses. They are commercial farms and do not in any way represent a specially selected sample.

The level of profits obtained by these farms was markedly higher than in the immediately previous years. The weather generally had been favourable, minimum wage rates for regular workers had remained at the same level throughout the period and prices of fertilisers had dropped somewhat from the high level of 1951-52. In addition, the prices of most concentrated feeding stuffs had been only slightly higher, and in one or two cases had been lower, than for the corresponding months of the previous year. On the other hand, milk prices had been raised above those ruling in 1951-52. The 1952-53 prices of milk which qualified for both T.T. and Attested bonuses are given below, together with the increases over the prices paid in the corresponding months of 1951-52.

Milk Prices 1952-53 (Including T.T. & Attested bonuses).

	<u>Per Gal.</u>	<u>Increase over previous year</u>
1952 April	2/10 $\frac{1}{2}$	1 $\frac{1}{2}$ d.
May	2/2 $\frac{3}{4}$ d.	1 $\frac{1}{4}$ d.
June	2/2 $\frac{1}{4}$ d.	1 $\frac{1}{4}$ d.
July	2/2 $\frac{1}{2}$ d.	1 $\frac{1}{2}$ d.
August	2/9d.	2d.
September	3/4 $\frac{3}{4}$ d.	3d.
October	4/0d.	3d.
November	4/3 $\frac{3}{4}$ d.	2 $\frac{3}{8}$ d.
December	4/4 $\frac{3}{4}$ d.	2 $\frac{1}{4}$ d.
1953 January	4/4 $\frac{3}{4}$ d.	2 $\frac{1}{4}$ d.
February	4/1 $\frac{1}{2}$ d.	2 $\frac{1}{4}$ d.
March	3/7d.	1 $\frac{1}{2}$ d.

ACCOUNTING METHOD

Definitions of the various terms used in the report and of the accounting method followed are necessary here:-

All accounts were prepared on a tenancy basis. Trading Expenditure and Trading Revenue relate to all the normal tenancy out-goings and income on the farms, but exclude any purchases or sales of capital equipment, or any expenditure on capital improvements such as new byres, cottages, etc. All expenses and revenue arising out of Ownership are excluded, as are all payments of Income Tax.

Total Expenditure and Total Revenue include all normal tenancy out-goings and income and also all expenditure on new equipment or structures, or income from sales of implements, and motor cars.

Depreciation was given on all equipment on hand at the date of opening valuation, and also on all new equipment and structures bought or erected during the year. The rates used for machinery are those allowed for income-tax purposes (5% plus one-quarter, 10% plus one-quarter, etc.), while for new

structures an annual allowance of one-tenth of net outlay was applied. It is to be noted, however, that "initial" allowances on new equipment were not charged among depreciation.

Stock and Crop Valuations at the opening and closing dates of the financial year were generally on a conservative basis, either of market value or estimated cost of production.

Net Profit represents the balance between Trading Revenue and Trading Expenditure, less the charge for depreciation, plus or minus any increase or decrease in the Stock and Crop Valuations during the year.

Regarding the figures of Net Profit several points require to be noted. At this stage, no charge has been made for any manual work done by the farmer or his wife, nor has any charge been made for interest on the capital invested in tenancy of the farm. Expenditure charged includes all actual payments for, or estimates of, the cash value and perquisites of all hired and family or partnership labour excepting only farmer and wife. Revenue includes all grants and subsidies, also a share of rent against the dwelling-house, an estimate of the value of produce taken for the house or given as perquisites, and certain shares of car-running, wages, etc., transferred to the domestic account.

Surplus - This term has been used more commonly throughout the report as a measure of profitability than has Net Profit or Net Loss. To obtain this figure of Surplus there was added to Expenditure an estimate of the value of the manual work done on each farm by the farmer; the basis of the calculation being on a scale rather higher than the minimum rates for specialist workers as scheduled in the Wages Board Orders. In addition an estimated charge was made for the value of the work done by the farmer's wife. This assessment of the extent to which the work of farmer and wife augmented the labour of hired or family workers was possible only on an approximate basis, but was considered necessary in view of the importance of the farmer's work, especially on the smaller farms in this area.

Neither the figures of Net Profit nor of Surplus make any allowance for interest on capital invested in tenancy.

Adjusted Acres - Where reference is made to Adjusted Acres an allowance has been made for certain farms having some area of rough grazing, by calculating the farm acreage with 4 acres of rough grazing as equivalent to 1 acre of ordinary grazing.

Certain figures are given "per cow" or "per cow carried". The calculation is based on an average of the numbers of cows at the opening and closing dates.

GENERAL AVERAGE

The following figures are general averages of the whole group of 100 farms:-

AVERAGE NET PROFIT AND SURPLUS - 100 FARMS

Average size of farm (including Rough Grazing)	168	acres.
Average size of farm (adjusted acres)	148	"
Average cows per farm	39	cows
	<u>Per Farm</u>	<u>Per Adj. acre.</u>
Trading Revenue Exceeded		<u>Per Cow Carried</u>
Trading Expenses by	£1549	£10. 9/-
Deduct Depreciation on Equipment	343	2. 6/-
	1206	8. 3/-
Add Increase in Stock & Crop Val'n.	260	1.15/-
NET PROFIT	1466	£9.18/-
Deduct average of charges for farmer's manual work	298	2. 0/-
Deduct average of charges for wife's manual work	59	8/-
SURPLUS	<u>£1109</u>	<u>£7.10/-</u>
		<u>£39.14. 0</u>
		<u>8.16. 0</u>
		<u>30.18. 0</u>
		<u>6.13. 0</u>
		<u>£37.11. 0</u>
		<u>7.13. 0</u>
		<u>1.10. 0</u>
		<u>£28. 8. 0</u>