



ANNUAL REPORT 2020

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

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ACKNOWLEDGEMENT

This report is indebted to the 61 dairy producers who willingly participated in the Project during 2020. 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% weighting in the formula, while the other 50% is from the change in Consumer Price Index (CPI).

PROJECT STAFF

Project Staff, responsible for collecting and verifying the study information for 2020 were:

Jessica Farlinger	Technician, East Region
John Ecclestone	Technician, South-West and Western Regions
Andrew Ryzebol	Technician, North-West and Niagara Regions

Individuals responsible for the final editing of the 2020 data and for the preparation of this report, include:

Kristin Benke	Director, Economics & Policy Development, Dairy Farmers of Ontario
Andrew Ryzebol	Project Manager, ODFAP

ONTARIO DAIRY FARM ACCOUNTING PROJECT RESULT 2020

The 2020 results for the 61 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 per hectolitre (bottom); the 15 farms with the lowest cost per hectolitre (top), and the remaining 31 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; 2020.

	Bottom 15	Middle 31	Top 15	All 61
REVENUE	\$	\$	\$	\$
Milk Sales	399,106	700,909	901,917	676,123
Cow & Bull Sales	18,014	37,284	46,445	34,798
Calf & Heifer Sales	3,849	6,512	8,213	6,275
Crop Sales	62,025	63,621	35,529	56,321
Other Farm Income	37,320	92,653	87,972	77,896
Total Cash Revenue	520,314	900,979	1,080,076	851,413
Inventory Change				
Dairy Enterprise	-753	752	-2,837	-500
Replacement Enterprise	-1,067	-679	15,112	3,109
Other Livestock	-3	-87	823	157
Feeds, Crops, Supplies	-14,071	-2,238	3,387	-3,764
Total Farm Revenue	504,420	898,727	1,096,561	850,415
EXPENSES				
Dairy Cow Enterprise				
Cow & Bull Purchases	685	4,729	633	2,728
Commercial Feed Purchases	71,824	124,316	124,291	111,402
Milk & Livestock Marketing	24,716	43,376	56,842	42,099
Breeding Fees	7,910	11,094	11,290	10,359
Stable & Milkhouse Supplies	11,500	13,852	15,838	13,762
Vet. and Drugs	14,443	18,504	18,340	17,465
Other Dairy Expenses ¹	15,977	18,147	19,506	17,948
Replacement Enterprise				
Cattle Purchases	2,100	333	127	717
Feed Purchases	11,800	23,114	14,887	18,309
Other Direct Heifer Expenses	2,936	2,906	3,649	3,096
Crop Enterprise				
Grains and Forages Purchases	13,018	23,541	23,544	20,954
Seed	20,170	23,949	23,188	22,832
Fertilizer	19,591	26,473	25,444	24,528
Sprays	5,570	5,967	5,858	5,842
Custom Work	19,123	36,231	53,768	36,337
Gas & Diesel Fuel	11,966	17,834	16,495	16,062
Machinery Repairs	22,537	38,407	34,148	33,457
Other Crop Expenses ²	3,237	5,758	2,943	4,446
Other Farm Expenses				
Direct Expenses Non-Dairy Livestock	325	5,870	4,149	4,083
Direct Expenses Other Crops	17,885	25,427	20,712	22,413
Wages & Salaries	39,008	65,095	73,271	60,691
Land Rent	6,576	12,149	11,665	10,660
Interest Paid	31,626	86,294	82,829	71,999
Real Estate Taxes	10,421	14,667	15,223	13,760
Telephone & Hydro	12,889	17,801	18,206	16,693
Insurance	10,190	15,252	14,623	13,853
Equipment & Building Repairs	22,346	35,028	35,373	31,994
Other General Cash Expenses ³	8,344	10,167	13,251	10,477
Total Cash Expenses	438,713	726,281	740,093	658,966
Building Depreciation	24,468	40,853	50,817	39,274
Machinery Depreciation	36,882	56,706	52,058	50,688
Total Farm Expenses	500,063	823,840	842,968	748,928
Net Farm Income	4,357	74,887	253,593	101,487

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

TABLE 2 **FARM BALANCE SHEET;**
DECEMBER 31, 2020.

NUMBER OF FARMS	Bottom 15	Middle 31	Top 15	All 61
A. WITH ASSETS AT MARKET VALUE	\$	\$	\$	\$
Machinery and Equipment	582,109	900,975	767,095	789,644
Personal Equipment	6,150	8,442	1,142	6,084
Land and Farm Buildings	3,991,708	5,349,718	6,913,697	5,400,366
Farm House & Personal Structures	320,305	241,294	100,126	226,010
Dairy Cows	100,220	171,473	203,477	161,821
Dairy Heifers	57,430	97,132	146,732	99,566
Other Livestock	691	2,524	12,673	4,569
Feed, Crops, Supplies, Inventory	70,425	147,123	147,714	128,408
Milk Quota	1,326,592	2,373,577	2,992,048	2,268,205
Total Assets	6,455,630	9,292,258	11,284,704	9,084,673
B. WITH FIXED ASSETS AT COST LESS DEPRECIATION¹				
Machinery and Equipment	384,756	531,535	487,166	484,531
Personal Equipment	6,700	9,641	3,107	7,311
Land and Farm Buildings	1,798,817	2,010,635	2,675,259	2,121,981
Farm House & Personal Structures	199,333	147,014	49,793	135,973
Dairy Cows	100,220	171,473	203,477	161,821
Dairy Heifers	57,430	97,132	146,732	99,566
Other Livestock	691	2,524	12,673	4,569
Feed, Crops, Supplies, Inventory	70,425	147,123	147,714	128,408
Milk Quota	548,225	1,131,855	1,376,928	1,048,603
Total Assets	3,166,597	4,248,932	5,102,849	4,192,763
C. LIABILITIES				
Operating & Short-Term Trade Credit	18,121	115,865	300,679	137,276
Intermediate & Long Term Loans	657,594	1,900,828	2,290,375	1,690,905
F.C.C. Loans	264,510	769,313	628,714	610,608
Total Liabilities	940,225	2,786,006	3,219,768	2,438,789
D. OWNER'S EQUITY				
(A) Assets At Market Value	<u>5,515,405</u>	<u>6,506,252</u>	<u>8,064,936</u>	<u>6,645,884</u>
(B) Fixed Assets at Cost	<u>2,226,372</u>	<u>1,462,926</u>	<u>1,883,081</u>	<u>1,753,974</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; 2020.

NUMBER OF FARMS	Bottom 15	Middle 31	Top 15	All 61
Dairy Cows (hd)	56.8	95.2	110.7	89.6
Open Dairy Heifers, 6 months & older (hd)	20.5	30.2	42.5	30.8
Bred Dairy Heifers (hd)	17.5	32.7	45.4	32.1
Milk Sold/Farm (litres) ¹	494,053	870,872	1,138,364	843,988
Milk Sold/Cow (litres) ¹	8,438	9,080	10,134	9,181
Butterfat Test (kg/hl)	4.02	4.21	4.12	4.14
Person-Equivalents of Labour	2.5	2.7	2.3	2.5
Workable Land Farmed (hectares) ²	128	158	140	146
Average Age of Principal Operator	54.5	50.9	44.3	50.1

¹ *Milk is expressed in terms of milk actually sold.*

² *One hectare = 2.47 acres.*

TABLE 4 DAIRY ENTERPRISE REVENUE AND EXPENSES; 2020.
- PER COW -

	Bottom 15	Middle 31	Top 15	All 61
	\$	\$	\$	\$
REVENUE				
Milk Sales	6,853.16	7,340.70	8,022.51	7,388.47
Quality Penalties & Levies	-3.54	-2.15	0.00	-1.96
Cows & Bulls Sold	297.89	318.97	403.13	334.48
Other Dairy Livestock Sold	78.56	80.07	78.12	79.22
Dairy Livestock Inventory Change	-27.30	23.50	101.63	30.22
Net Revenue	7,198.77	7,761.09	8,605.39	7,830.43
DIRECT DAIRY EXPENSES				
Dairy Ration	756.89	703.84	467.43	658.75
Protein Supplements	381.81	517.58	578.59	499.20
Salt & Minerals	45.48	29.37	24.19	32.06
Milk Replacer & Calf Ration	193.91	178.76	143.58	173.84
Other Purchased Feeds	20.93	2.28	37.96	15.64
Vet & Drugs	256.90	208.29	198.27	217.78
A.I. Fees	136.31	124.01	95.74	120.08
Stable & Milk House Supplies	202.01	158.11	147.42	166.28
Milk Transport & Licence Fees	408.96	440.75	489.02	444.80
Livestock Marketing	8.11	11.23	17.27	11.95
Other Dairy Expense ¹	276.45	220.98	227.01	236.11
Total Direct Expense	2,687.76	2,595.20	2,426.48	2,576.49
DAIRY SHARE OF CROP EXPENSES				
Bulk Grain & Forage Purchases	181.81	239.40	215.13	219.27
Seed	207.14	175.28	162.01	179.85
Fertilizers	214.36	181.41	189.23	191.43
Herbicides & Pesticides	43.77	42.09	41.56	42.37
Custom Work	171.74	252.00	387.51	265.58
Fuel & Lubricants	156.78	140.04	106.83	135.99
Field Machinery Repairs	266.94	266.25	183.51	246.07
Land Rent	83.65	70.51	89.90	78.51
Other Crop Expense ²	54.74	35.55	30.71	39.08
Total Crop Expense	1,380.93	1,402.53	1,406.39	1,398.15
Returns Over Direct & Crop Expenses	3,130.08	3,763.36	4,772.52	3,855.79
ALLOCATED INDIRECT & OVERHEAD EXPENSES				
Barn Equipment & Building Repairs	322.37	255.58	230.46	265.83
Hired Labour Expenses	674.14	588.59	662.90	627.90
Interest Expense	535.76	797.99	587.74	681.81
Insurance	154.28	129.51	104.85	129.54
Telephone & Hydro	162.14	153.53	135.26	151.16
Taxes	115.72	120.05	103.54	114.92
Other Overhead Expenses ³	144.84	82.21	77.54	96.46
Total Indirect & Overhead Expenses	2,109.25	2,127.46	1,902.29	2,067.62
Returns Over Expenses	1,020.83	1,635.90	2,870.23	1,788.17
DAIRY LIVESTOCK PURCHASES				
Cows & Bulls Purchased	11.59	73.98	5.68	41.84
Other Dairy Livestock Purchases	49.49	4.23	0.95	14.56
Total Dairy Livestock Purchases	61.08	78.21	6.63	56.40
Net Returns	959.75	1,557.69	2,863.60	1,731.77
TOTAL LABOUR REQUIRED (Hrs)⁴	132.20	87.16	67.17	93.32

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; 2020.
- PER HL OF MILK SOLD -

	Bottom 15	Middle 31	Top 15	All 61
	\$	\$	\$	\$
REVENUE				
Milk Sales	82.08	81.37	78.98	80.96
Quality Penalties & Levies	-0.04	-0.03	0.00	-0.02
Cows & Bulls Sold	3.48	3.60	3.87	3.64
Other Dairy Livestock Sold	0.99	0.85	0.77	0.87
Dairy Livestock Inventory Change	-0.30	0.39	1.05	0.38
Net Revenue	86.21	86.18	84.67	85.83
DIRECT DAIRY EXPENSES				
Dairy Ration	8.95	7.58	4.74	7.22
Protein Supplements	4.34	5.82	5.37	5.35
Salt & Minerals	0.53	0.34	0.25	0.37
Milk Replacer & Calf Ration	2.23	1.98	1.37	1.89
Other Purchased Feeds	0.31	0.03	0.35	0.18
Vet & Drugs	3.05	2.35	1.97	2.43
A.I. Fees	1.62	1.41	0.92	1.34
Stable & Milk House Supplies	2.42	1.83	1.41	1.87
Milk Transport & Licence Fees	4.84	4.86	4.83	4.85
Livestock Marketing	0.08	0.12	0.17	0.12
Other Dairy Expense ¹	3.30	2.51	2.26	2.65
Total Direct Expense	31.67	28.83	23.64	28.27
DAIRY SHARE OF CROP EXPENSES				
Bulk Grain & Forage Purchases	2.26	2.84	2.02	2.50
Seed	2.51	1.92	1.66	2.00
Fertilizers	2.54	1.97	1.98	2.11
Herbicides & Pesticides	0.48	0.45	0.42	0.45
Custom Work	1.94	2.81	3.65	2.80
Fuel & Lubricants	1.97	1.55	1.06	1.53
Field Machinery Repairs	3.43	2.98	1.81	2.80
Land Rent	0.98	0.77	0.95	0.87
Other Crop Expense ²	0.75	0.40	0.32	0.47
Total Crop Expense	16.86	15.69	13.87	15.53
Returns Over Direct & Crop Expenses	37.68	41.66	47.16	42.03
ALLOCATED INDIRECT & OVERHEAD EXPENSES				
Barn Equipment & Building Repairs	4.17	2.81	2.32	3.02
Hired Labour Expenses	8.21	6.45	6.65	6.93
Interest Expense	6.64	8.72	5.78	7.49
Insurance	1.86	1.42	1.07	1.44
Telephone & Hydro	1.97	1.70	1.36	1.68
Taxes	1.35	1.30	1.04	1.25
Other Overhead Expenses ³	1.84	0.91	0.76	1.10
Total Indirect & Overhead Expenses	26.04	23.31	18.98	22.91
Returns Over Expenses	11.64	18.35	28.18	19.12
DAIRY LIVESTOCK PURCHASES				
Cows & Bulls Purchased	0.17	0.85	0.06	0.49
Other Dairy Livestock Purchases	0.71	0.04	0.01	0.20
Total Dairy Livestock Purchases	0.88	0.89	0.07	0.69
Net Returns	10.76	17.46	28.11	18.43
TOTAL LABOUR REQUIRED (Hrs)⁴	1.65	0.99	0.68	1.08

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

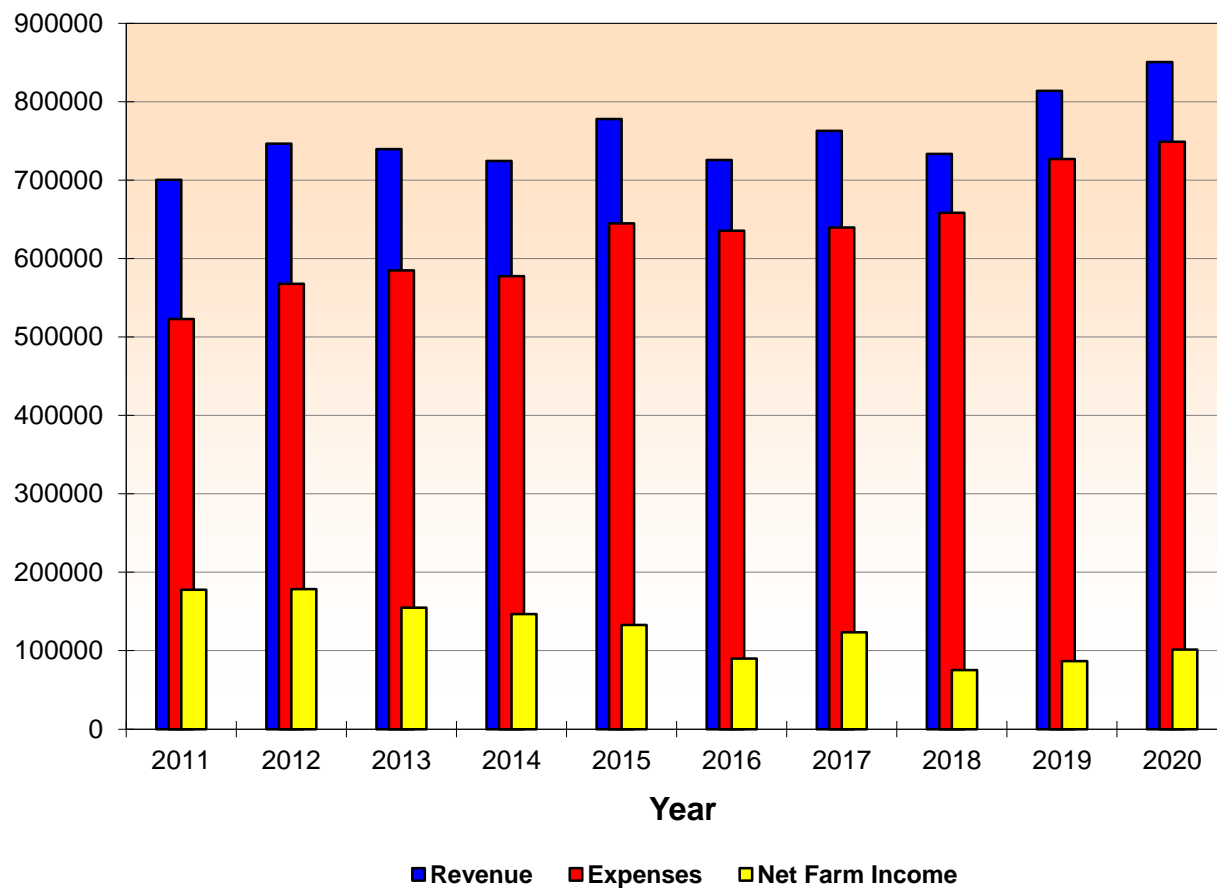
TABLE A.1 FARM REVENUE, EXPENSES AND NET INCOME; 2011 to 2020.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Farms	61	56	58	65	71	65	70	70	68	61
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Milk Sales	580,364	601,449	596,407	589,229	612,963	582,158	611,897	577,595	659,678	676,123
Livestock Sales	29,459	34,995	37,761	49,754	60,371	43,632	38,685	34,593	32,467	41,073
Crop Sales	47,786	66,242	43,486	38,297	49,702	46,191	39,360	52,327	54,827	56,321
Other Farm Income	34,262	51,706	55,818	49,868	46,307	54,309	51,704	62,539	64,740	77,896
Total Cash Revenue	691,871	754,392	733,472	727,148	769,343	726,290	741,646	727,054	811,712	851,413
Inventory Change All Enterprises	8,545	-8,039	6,240	-2,579	8,515	-435	22,325	6,336	2,202	-998
Total Farm Revenue	700,416	746,353	739,712	724,569	777,858	725,855	763,971	733,390	813,914	850,415
EXPENSES										
Dairy Cow Enterprise	155,543	168,304	172,835	173,764	194,336	190,817	205,044	201,331	212,015	215,763
Replacement Enterprise	16,865	18,490	17,455	18,226	21,060	19,977	20,475	20,456	22,477	22,122
Crops Enterprises	105,854	122,888	128,404	119,687	138,877	143,412	132,215	143,943	161,999	164,458
Other Farm Expenses	193,272	200,196	207,753	208,835	227,223	214,133	218,122	220,414	247,733	256,623
Total Cash Expenses	471,534	509,878	526,447	520,512	581,496	568,339	575,856	586,144	644,224	658,966
Building & Machinery Depreciation	51,270	57,874	58,371	57,150	63,483	67,402	64,781	72,077	82,942	89,962
Total Farm Expenses	522,804	567,752	584,818	577,662	644,979	635,741	640,637	658,221	727,166	748,928
NET FARM INCOME	177,612	178,601	154,894	146,907	132,879	90,114	123,334	75,169	86,748	101,487

TABLE A.2 SAMPLE CHARACTERISTICS; 2011 to 2020.

Data Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Farms	61	56	58	65	71	65	70	70	68	61
Herd Size (head)	86.2	88.7	85.3	80.7	85.6	82.7	82.2	84	90	89.6
Milk Sales (litres)	720,343	759,686	742,230	714,021	784,547	769,113	787,315	773,580	829,257	843,988
Milk Sales Per Cow (litres)	7,937	7,893	8,152	8,356	8,583	8,890	9,093	8,942	9,016	9,181
Tillable Hectares	142	152	151	140	151	135	128	132	135	146
Total Person Equivalents	2.4	2.4	2.3	2.3	2.3	2.4	2.5	2.5	2.6	2.5
Age of Principal Operator	50.6	53.3	52.3	51.7	51.9	52.2	51.7	50.7	50.6	50.1

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**AVERAGE REVENUE, EXPENSES
AND NET FARM INCOME;
2011 TO 2020.**



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 2020 sample is composed of five sub-samples of dairy farms. The first sub-sample consists of 7 farms which was recruited in late 2015 and enrolled in the Project for 2015. The second sub-sample consists of 16 farms recruited in late 2016 for enrolment in 2017. The third sub-sample of 17 farms was recruited in late 2017 for enrolment in 2018. The fourth sub-sample of 12 farms was recruited in late 2018 for enrolment in 2019. The fifth and final sub-sample of 9 farms was recruited in late 2019 for enrolment in 2020.

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 14 ODFAP regions match 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 61 farms on which this report is based are summarized in Table B.1.

TABLE B.1 SAMPLE COMPOSITION AND STRUCTURE; 2020.

Participation by Year of Initial Enrolment

REGION	2016	2017	2018	2019	2020	TOTAL
1			3			5
2		2		1		3
3	1	2		2	1	6
4	1	1		2		4
5		1	1	1	1	4
6			2		1	3
7			3	1	1	5
8		2	2	1	2	7
9		1		1	1	3
10		1	1	1	1	4
11	2	1	1	1		5
12		2	3			5
13	1	1	1		1	4
14	2	2		1		5
TOTAL	7	16	17	12	9	61

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.

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.

[illegible]

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 2020 is as follows:

(i) Beef & Veal	14
(ii) Sheep	1
(iii) Other Crops	31

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 2020, are as indicated in Table C.1.

TABLE C.1 **LIVESTOCK INVENTORY VALUES; 2020.**

Description	Under 7,750 Litres/Cow/Year		Over 7,750 Litres/Cow/Year	
	Beginning (\$)	Ending (\$)	Beginning (\$)	Ending (\$)
Cows	1400	1400	1850	1850
Bred Heifers	1200	1200	1700	1700
Open Heifers	900	900	1250	1250
Heifer Calves	200	200	300	300
Bull Calves	100	100	100	100

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 2020 AgriStability Fair Market Values list. Forage values are based on the equivalent feed value of grain corn. Values for 2020 are as indicated in Table C.2.

TABLE C.2 CROP INVENTORY AND TRANSFER VALUES; 2020.
- Per Tonne Basis -

Values used for	Inventory Valuation		Transfer Value
	Beginning	Ending	
	\$	\$	\$
Home-grown Feed:			
Wheat (Feed)	242.00	262.00	252.00
Barley	252.00	256.00	254.00
Oats	268.00	295.00	281.50
Mixed Grain	277.00	223.00	250.00
Grain Corn	202.00	231.00	216.50
Hay	196.00	178.00	187.00
Haylage @ 45% DM	92.00	84.00	88.00
Oatlage/Barlage	55.00	55.00	55.00
Corn Silage	40.00	46.00	43.00
Straw	196.00	206.00	201.00

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 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.