

Ontario Farm Financial Analysis Summary
Farm Type: Grapes



The Ontario Farm Financial Analysis Summary uses farm income and expense data to evaluate financial performance based on farm type. The income and expense data used comes from selected Ontario farm businesses participating in business risk management programs. Financial Measure and Ratio values are the median of the sample. The **Grapes** farm type includes farms with greater than 5 acres in grapes and receive more than 80% of their total farm sales from grapes.

		All Farms - greater than 5 acres						
		2014	2015	2016	2017	2018	5 year	
		Number of farms:	117	96	123	142	127	121
Financial Measures		Per \$ Revenue from farming operations						
\$	Revenue from farming operations	1.00	1.00	1.00	1.00	1.00	1.00	
\$	Cost of goods sold	0.16	0.17	0.15	0.16	0.18	0.16	
\$	Gross Margin	0.84	0.83	0.85	0.84	0.82	0.84	
\$	Direct Operating Expenses	0.67	0.70	0.61	0.61	0.71	0.65	
\$	Contribution Margin	0.16	0.13	0.23	0.24	0.11	0.19	
\$	Operating Overhead Expenses	0.11	0.12	0.13	0.11	0.12	0.12	
\$	EBITDAR	0.06	0.01	0.11	0.13	-0.01	0.07	
\$	Annual cost of capital (ACoC)	0.14	0.17	0.14	0.14	0.14	0.14	
\$	EBIT (Operating Profit)	-0.08	-0.15	-0.03	-0.01	-0.15	-0.07	
\$	Interest Expenses	0.03	0.03	0.04	0.02	0.02	0.03	
\$	EBT (Net Farm Income)	-0.10	-0.18	-0.07	-0.04	-0.18	-0.09	
Financial Ratios								
times interest earned	Interest Coverage	-1.29	-3.35	-1.01	-0.68	-4.33	-1.55	
		% of Revenue from farming operations						
%	Interest Expense Ratio	2.6%	2.8%	3.7%	2.4%	2.3%	2.7%	
%	Operating Expense Ratio	99.9%	110.6%	100.2%	99.9%	113.0%	104.8%	
%	Energy Expense Ratio	0.9%	1.0%	0.9%	0.8%	1.0%	0.9%	
%	Labour Expense Ratio	32.2%	36.8%	28.1%	25.1%	31.5%	29.7%	
%	Machinery Operating Expense ratio	21.5%	19.7%	18.8%	18.0%	20.9%	19.8%	
		Crop						
%	Crop Inputs Expense ratio	16.2%	17.0%	15.5%	15.5%	18.2%	16.1%	
Production								
Acres Grapes	Average acres in grapes	71.5	76.2	72.2	78.4	69.3	73.52	
% of industry	% of total Ontario commodity sales represented by sample	NA	55.7%	48.1%	58.4%	68.4%	57.7%	
% of industry	% of total Ontario commodity acres represented by sample	50.6%	45.3%	51.5%	65.2%	51.9%	52.9%	
		Top 25th percentile (by % Earnings Before Taxes (EBT))						
		2014	2015	2016	2017	2018	5 year	
		Number of farms:	29	24	30	35	31	30
Financial Measures		Per \$ Revenue from farming operations						
\$	Revenue from farming operations	1.00	1.00	1.00	1.00	1.00	1.00	
\$	Cost of goods sold	0.11	0.11	0.09	0.09	0.10	0.10	
\$	Gross Margin	0.89	0.89	0.91	0.91	0.90	0.90	
\$	Direct Operating Expenses	0.42	0.44	0.42	0.37	0.41	0.41	
\$	Contribution Margin	0.47	0.45	0.49	0.54	0.49	0.49	
\$	Operating Overhead Expenses	0.06	0.09	0.05	0.06	0.05	0.08	
\$	EBITDAR	0.41	0.36	0.44	0.48	0.44	0.41	
\$	Annual cost of capital (ACoC)	0.08	0.09	0.07	0.06	0.10	0.08	
\$	EBIT (Operating Profit)	0.33	0.27	0.37	0.42	0.34	0.33	
\$	Interest Expenses	0.02	0.03	0.02	0.02	0.01	0.02	
\$	EBT (Net Farm Income)	0.31	0.24	0.35	0.39	0.33	0.31	
Financial Ratios								
times interest earned	Interest Coverage	7.69	4.45	8.18	12.07	17.56	10.17	
		% of Revenue from farming operations						
%	Interest Expense Ratio	2.0%	3.3%	1.9%	2.4%	0.7%	1.8%	
%	Operating Expense Ratio	70.1%	74.2%	67.7%	63.7%	67.3%	68.0%	
%	Energy Expense Ratio	0.7%	0.3%	0.1%	0.2%	0.4%	0.3%	
%	Labour Expense Ratio	22.9%	20.9%	14.4%	16.4%	20.0%	19.0%	
%	Machinery Operating Expense ratio	11.4%	15.3%	11.9%	10.3%	10.6%	11.1%	
		Crop						
%	Crop Inputs Expense ratio	11.0%	10.6%	8.9%	9.3%	10.1%	10.1%	
Production								
Acres Grapes	Average acres in grapes	73.8	72.4	74.2	81.1	78.5	75.98	
% of industry	% of total Ontario commodity sales represented by sample	NA	20.2%	15.9%	18.2%	25.1%	19.8%	
% of industry	% of total Ontario commodity acres represented by sample	12.9%	10.8%	12.9%	16.6%	14.3%	13.5%	

Ontario Farm Financial Analysis Summary



Standardized Financial Reporting and Benchmarks*

The Ontario Farm Financial Summary results and benchmarks use a standardized financial reporting format.

Expenses are grouped into 5 main categories for the analysis to enable comparison within and across farm types.

The definitions of the expense categories, financial measures and ratios are presented below.

Revenue and Expense Categories

Calculation includes:		
Revenue from farming operations	+ Commodity sales + Crop insurance payments	+ Change in inventory + Change in accounts receivable
Cost of goods sold	+ Commodity purchases (crops, seed, feed, livestock) + Fertilizers and soil supplements + Pesticides and chemical treatments + Insurance premiums (crop or production) + Private insurance premiums for allowable commodities + Veterinary fees, medicine, A.I. fees + Minerals and salts	+ Change in accounts payable - Change in purchased inputs
Direct Operating Expenses	+ Machinery (gasoline, diesel fuel, oil) + Arm's length salaries + Non-arm's length salaries + Storage/drying + Commissions and levies + Containers and twine + Machinery (repairs, licenses, insurance) + Agricultural Contract work + Small tools + Building and fence repairs + Soil testing + Freight and shipping + Purchases of commodities resold	
Operating Overhead Expenses	+ Other insurance premiums + Advertising and promotion costs + Memberships/subscriptions + Office expenses + Electricity + Heating fuel + Legal and accounting fees + Motor vehicles expenses + Licenses/permits + Telephone + Other (specify)	
Annual cost of capital (ACoC)	+ Allowance on allowable capital property + Quota rental (tobacco, dairy) + Capital Cost Allowance + Machinery lease, rental + Motor vehicle interest and leasing costs + Land clearing and draining + Property taxes + Rent(land, buildings, pastures)	
Interest Expenses	Interest (real estate, mortgage, other)	

Financial Measures

Gross Margin	= Revenue from farming operations - Cost of Goods Sold
Contribution Margin	= Revenue from farming operations - Cost of Goods Sold - Direct Operating Expenses
EBITDAR - Earnings before interest, taxes, depreciation, amortization, rent	= Revenue from farming operations - Cost of Goods Sold - Direct Operating Expenses - Operating Overhead Expenses
EBIT - Earnings before interest and taxes (Operating Profit)	= Revenue from farming operations - Cost of Goods Sold - Direct Operating Expenses - Operating Overhead Expenses - Annual Cost of Capital
EBT - Earnings before taxes from operations (Net Farm Income)	= Revenue from farming operations - Cost of Goods Sold - Direct Operating Expenses - Operating Overhead Expenses - Annual Cost of Capital - Interest Expenses

Financial Ratios

Interest Coverage	EBIT (Earnings before interest and taxes) ÷ Interest Expense
Interest Expense Ratio	Interest Expense ÷ Revenue from farming operations
Operating Expense Ratio	Total Expenses - Allowance on allowable capital property - Capital Cost Allowance ÷ Revenue from farming operations
Labour Expense Ratio	+ Arm's length salaries + Non-arm's length salaries ÷ Revenue from farming operations
Energy Expense Ratio	+ Electricity + Heating fuel ÷ Revenue from farming operations
Machinery Operating Expense Ratio	Machinery Related Expenses + Machinery (gasoline, diesel fuel, oil) + Machinery (repairs, licenses, insurance) + Agricultural Contract work + Machinery lease, rental + Freight and shipping ÷ Revenue from farming operations
Crop Operations	
Crop Inputs Expense Ratio	Cost of Goods Sold ÷ Revenue from farming operations
Rent:Property Tax Ratio	Rent(land, buildings, pastures) ÷ Property taxes
Livestock Operations	
Feed Expense Ratio	Homegrown and Purchased Feed Expenses** + Crop Commodity purchases (feed, feed grains, seed) + Fertilizers and soil supplements + Pesticides and chemical treatments + Insurance premiums (crop or production) + Machinery (gasoline, diesel fuel, oil) + Machinery (repairs, licenses, insurance) + Machinery lease, rental + Containers and twine + Storage/drying + Agricultural Contract work - Change in Purchased Inputs ÷ Revenue from farming operations ** does not include costs of capital, crop labour and interest attributable to feed
Health Expense Ratio	Veterinary fees, medicine, A.I. fees ÷ Revenue from farming operations

*For more information on the Standardized Financial Statements and Benchmarks:

Agri-Food Management Excellence

www.agrifoodtraining.com/white-papers-think-pieces