Glossary

Cooperative is a firm owned by its farmer-members, operated for their benefit, that distributes earnings on the basis of patronage (volume of milk).

Economic profit measures the return to operator labor and management.

Federal milk marketing order is a regulation issued by the Secretary of Agriculture specifying minimum prices and conditions under which regulated milk handlers must operate within a specified geographic area. Handlers generally refer to fluid milk processors but can include manufacturing plants that also supply fluid markets.

Financial position describes the financial health of a farm business from a combination of income (net farm income) and solvency (debt/asset ratio) measures. Farms are categorized into one of four classes:

Favorable-positive income and debt/asset ratio less than 0.40. These farms are generally considered financially stable.

Marginal income-negative income and a debt/asset ratio less than 0.40. Periods of negative income may not pose financial difficulties if these farms are carrying a low debt load and can either borrow against equity or obtain income from off-farm sources.

Marginal solvency-positive income and a debt/asset ratio above 0.40. A high debt/asset ratio may be acceptable if these farms can generate enough income to service their debt and meet other financial obligations.

Vulnerable-negative income and a debt/asset ratio above 0.40. These farms are generally considered financially unstable.

High-NFI businesses are the 25 percent of dairy businesses with the highest net farm income. Included are businesses with net farm income of $42,733 or more.

Low-NFI businesses are the 25 percent of dairy businesses with the lowest net farm income. Included are businesses with net farm income of $5,746 or less.

Major occupation is that occupation in which the operator reported the majority of his/her time spent.

Milk production regions:

Northeast includes New York, Pennsylvania, and Vermont.

Corn Belt includes Iowa, Missouri, and Ohio.

Upper Midwest includes Wisconsin, Minnesota, and Michigan.

Southeast includes Florida and Georgia.

Southern Plains includes Texas.

Pacific includes Arizona, California, and Washington.

Net farm income measures the accounting profit from the current-year production of commodities.

Price support program is a Federal program aimed at supporting the price dairy farmers receive for their milk by offering to purchase any butter, nonfat dry milk, and Cheddar cheese at announced prices.

Production specialty is the farm production classification that represents the largest portion of gross commodity receipts from the farm operation.

Specialized dairy farm businesses represent operations with at least 50 percent of receipts coming from dairy product sales.

Value of production is an estimate of the total value of all farm products produced on a farm, excluding the value of intermediate products such as corn fed to livestock.