STARTING FARMING TODAY

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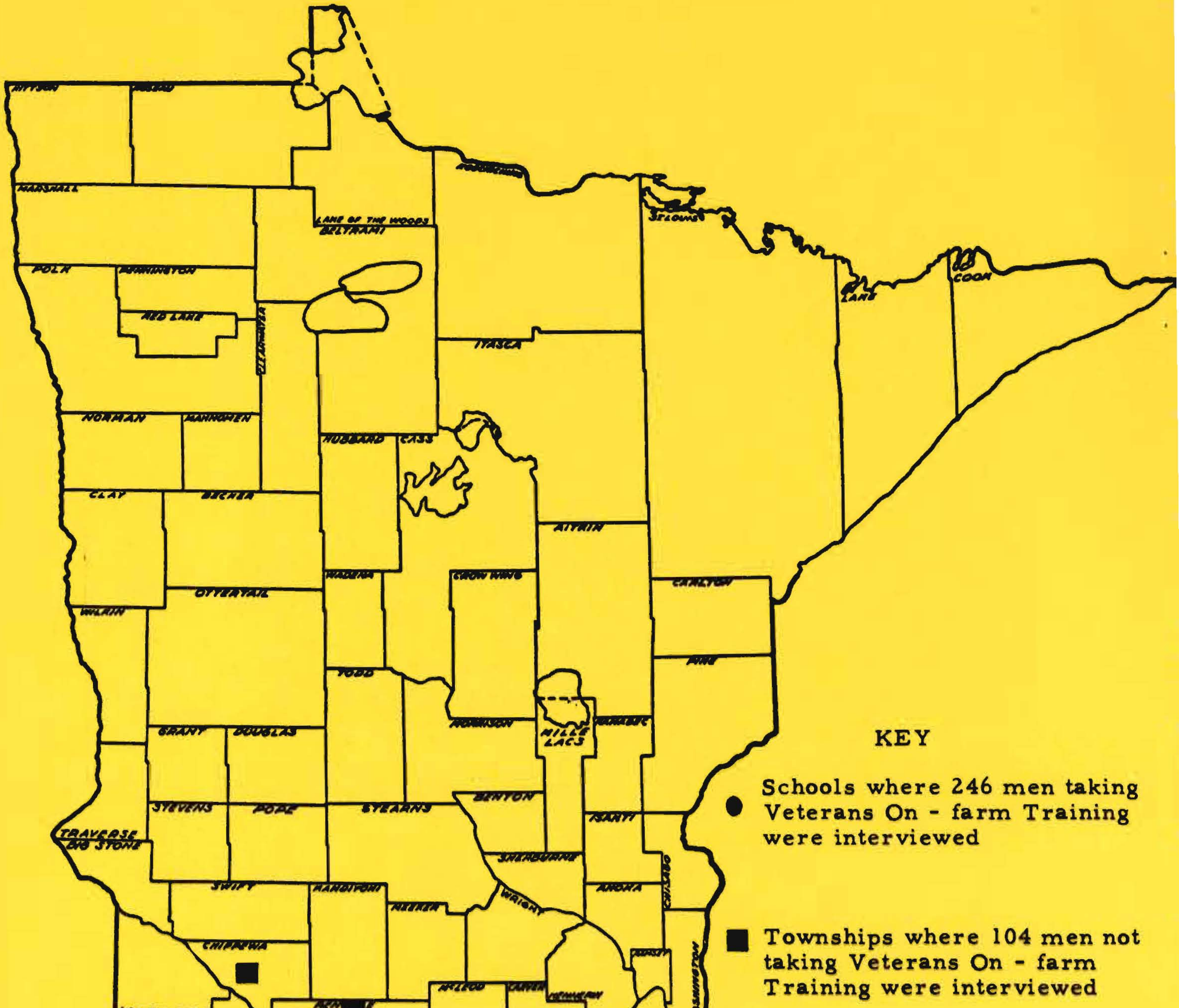

Figure 1. Location of Schools and Townships where Data were Collected

STARTING FARMING TODAY

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STARTING FARMING WAS NEVER EASY

Securing the capital to start farming and especially acquiring ownership of a farm may seem to many a young couple today an almost unattainable goal. Perhaps such young people would do well to ask their fathers or grandfathers or some elderly farmer in their neighborhood as to just how they got their start.

Getting a farm was no easy proposition for the pioneer homesteader who acquired 160 acres for a small filing fee and then journeyed by horse and wagon or perhaps by ox cart some 40 to 60 miles from the railroad or river port. Certainly the prospect did not appear rosy as he struggled on in the face of summer heat, winter blizzards, drouth and grasshoppers. Prairie or forest fires that endangered not only his property but the lives of himself and his family were just another of the perils he faced. The life of the starting farmer was no "bed of roses" in those days.

A RISING PRICE LEVEL FAVORS THE STARTING FARMER

With the passing of time some of the hazards that the pioneer farmer faced have disappeared but new ones have arisen as the old ones disappeared. As one looks back it is apparent that there were certain periods during which the opportunities for a successful start in farming were far brighter than were others. The late 1930's and early 1940's was one of these periods. The steadily rising price level made it an opportune time to go in debt for a good farm. From 1940 to 1950 the acreage of land owned by the operators in Minnesota increased by nearly one-third. During this same period the average size of farm increased 11%. Not only are more farmers achieving the goal of ownership but they are doing it at an earlier age. The average age of Minnesota farm operators in 1950 was 46.9 years as compared with 47.6 years in 1940. In 1950, 45.6% of the owners were under 45 but only 43.0 % in 1940. However few young men who began farming during this period did so under any definite expectation of a rising price level that would enhance their chances of a successful start. Even an approximate forecast of the price level for the next five or ten years is still not available to beginning farmers.

NEW TECHNIQUES INCREASE THE CAPITAL NEEDS OF THE FARMER

There have been rapid and radical changes in farm techniques in recent years. These include a revolutionary mechanization of farms and a bewildering array of new applications of science to crop and livestock production. The day when a young man could start farming with a wagon, a plow and a team of horses has gone forever. Mechanical power and mechanized equipment have not only vastly increased the investment the farmer must have but also have tended to give a marked advantage to the larger farm in order to permit this power and equipment to be used most effectively. Although more credit has been available to farmers in recent years, from more sources, and at more favorable terms, getting capital is still a major hurdle for the beginning farmer to surmount.

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THE STARTING FARMER TODAY MUST HAVE MORE TECHNICAL KNOWLEDGE AND SKILLS

Perhaps an even more important asset for the beginning farmer today is "know how". To use mechanical power and equipment effectively and more especially to utilize all the new techniques in crop and livestock production he must possess a wealth of skills and knowledge of which the farmer of a quarter century ago never even dreamed. With our increasing size of farm we need fewer beginning farmers but these must have far more knowledge and skill than the farming of the past required. This technical knowledge together with the cardinal virtues of honesty, industry, and frugality may be more important in opening the door of opportunity to the young man wishing to start farming today than the possession of capital. If he has these essentials it is frequently possible for him to find an individual with the necessary capital who will be willing to finance his operations on some kind of a rental or partnership basis.

SOURCE OF INFORMATION ON BEGINNING FARMERS

In order to find how beginning farmers are getting their start today and the progress they are achieving a study was made of some 350[1/] young men who started farming between 1948 and 1953. These included 246 men who were receiving vocational on-farm training under the G. I. Bill of Rights and 104 who were starting "on their own" without the vocational training and the subsistence payments received by the veterans. Information on the veterans was obtained in part from their farm account records kept as a part of their training and in part from a group survey and a personal interview in the classroom. The non-veterans were visited individually on their farms and the information secured by the survey method. Some information covering the age, schooling, experience, and marital status of these men is shown in Table 1. Their geographic location in the state is indicated in Figure 1. Dairy and hog farming predominate in the eastern part of this area and corn and meat production in the western part.

Table 1. Some Pertinant Facts About Beginning Farmers Included in This Study

	Veterans	Non-veterans
Average age when starting farming	29.0	25.7
Average number of years of schooling	9.9	11.0
Percentage of high school graduates	36	59
Percentage with vocation agricultural training in high school	27	34
Percentage that had been 4-H Club members	33	62
Percentage married when they started farming	90	67
Percentage with farm experience	99	99

1/ Only 317 records were sufficiently complete to be used in all tabulations.

AMOUNT OF INITIAL CAPITAL OWNED BY BEGINNING FARMERS

The average amount of capital owned by the 317 beginning farmers for whom this information is available was $4700 when they started as farm operators. It varied from nothing to over $40,000. Ten veterans had no net worth at all at the start and one non-veteran had debts more than $700 in excess of the value of his assets. More than half of them owned less than $3000 in net assets. Their initial net worth by types of tenure is shown in Table 2. As might be expected most of those starting as owner-operators had more than average capital resources. Those with limited capital were forced in most cases to start as renters or under some type of partnership agreements.

Table 2. Initial Net Worth and Type of Tenure of 317 Beginning Farmers, 1949-52

Initial Net Worth	Types of Tenure 1/					
				Crop & Livestock Share Renter		
	Owner-Operator	Cash Renter	Crop-Share Cash Renter	Non-related landlord	Related Landlord	Total Cases
Less than $3000	10	24	39	27	61	161
$3000-8000	17	9	33	11	34	104
Over $8000	32	5	3	1	11	52
	59	38	75	39	106	317

Sixty-one of the 151 renters with less than $3000 of owned capital operated under a crop and livestock share arrangement with relatives wherby the relative furnished most of the capital used. These were often rather flexible and in some cases, somewhat indefinite arrangements. The agreements were for the most part oral and provided for sharing of income and expense in both crop and livestock production. Crop and livestock share leases with unrelated landlords were usually written and in general followed the usual terms prevailing for such leases in the neighborhood.

Less than one in four of these beginning farmers had crop share-cash leases when they started and only 12% rented for cash.

Less than 20% of these men started as owner-operators. Three methods were used to achieve ownership with the limited capital available. Some bought low priced farms that could be purchased with a small down payment. Others acquired their parents' farm by assuming any debt already on it and giving the parents a note for the price agreed on. Still others acquired farms with a small down payment under a contract for deed.

SOURCE OF INITIAL CAPITAL OWNED BY BEGINNING FARMERS

Capital owned by these beginning farmers when they started to farm was

1/ Of the 59 owner-operators 39 owned all of the land they operated and 20 only a part of it. The cash renters paid cash rent for all of the land they operated. Crop share-cash renters gave the landlord a share of the grain crops but paid cash rent for pasture or hayland. The crop and livestock share renters shared both crops and livestock production with the landlord. The landlords furnished all or part of the livestock and in some cases of the machinery as well. Most of the crop and livestock share leases were father-son operating agreements although in some cases the senior partner was a relative other than a father.

obtained from a variety of sources. (see Table 3) Some was obtained from wages or a share in the earnings of the home farm in earlier years or from F.F.A. or 4-H Club projects. This was a minor source of income for the veterans but highly important in case of the non-veterans. This work on the home farm was the source of valuable experience as well as of capital accumulations.

Table 3. Principal Sources of Initial Funds as Indicated by Frequency of Report as Most Important Source of Capital

Source	Percentage of Men Reporting Source as Most Important	
	Veterans	Non-veterans
Earned from farm work	17%	68%
Earned from non-farm work	30	21
Saved while in military service	25	---
On hand before entering military service	9	---
Bonuses, disability payments, insurance, etc.	5	---
Wife's contribution	5	2
Inheritance	5	1
Gifts	2	7
Earned from investments	---	1
Other	2	---
Total	100	100

For the veterans whose farm experience was interrupted by military service, non-farm sources were more important. Many of these did not return directly to the farm or experienced a delay in obtaining a farm to operate and hence accumulated a larger proportion of their starting capital from non-farm sources. The subsistence payments received by veteran trainees was an important source of current income once they started to farm. During the $2\frac{1}{2}$ years covered by this study it amounted to $2328 per man. This steady monthly income took care of operating and living expenses for most of these men and in some cases provided operating capital. Indirectly it was a valuable asset in that it enabled them to get more favorable terms from their landlord or creditors than might otherwise have been possible.

Men starting in as partners in a going farm business which was already on a producing basis needed less initial capital of their own. Many of these beginning farmers did work off the farm to provide investment and working capital. The average annual income from this outside work was $480 for the men doing outside work.

Material assistance from relatives helped many of these men to get started. A few cows or a piece of machinery donated by a father or father-in-law was often a very material help. In 10% of the cases the wives of these beginning farmers contributed capital that they had accumulated prior to marriage. A number of men reported that special concession in the way of low rents, free board and room at home, and assistance with farm work-especially at rush periods- was a type of assistance from relatives that made it possible to start with limited capital.

The common practice of exchanging labor for the use of a neighbor's machinery made it possible to keep down the machinery investment. Others did this by rental or custom use of machinery. After farming an average of 2½ years these men had an average machinery investment of $3910.

SOURCE OF TOTAL CAPITAL USED BY BEGINNING FARMERS

Approximately 90% of the men included in this study at the start of 1953 were using borrowed money. Their average debt was $4957 and the average value of their assets was $15,099. Forty-six percent of these men were borrowing from relatives. Much of the capital used by beginning farmers in general is real estate owned by the landlord. A breakdown of the capital used by 357 beginning farmers covered by another study in southeastern Minnesota1/ is shown in Table 4 by ownership of capital and by kind of tenure. This study covered veterans who were starting farming and included 137 owner-operators, 144 cash renters, 149 crop share-cash renters, and 177 crop and livestock share renters.

Table 4. Percentage Distribution of Capital Used by Beginning Farmers, 1947-51

Source of Capital	Owner-Operators	Cash Renters	Crop-share Cash Renter	Crop and Livestock Share Renters
	%	%	%	%
Borrowed	49	7	9	9
Owned by landlord	--	64	70	79
Owned by operator	51	29	21	12
Total	100	100	100	100

PROGRESS ACHIEVED AND PROBLEMS ENCOUNTERED BY BEGINNING FARMERS

The men who started farming with the largest initial net worth received the highest return for the use of their capital and labor.2/ With more working capital they were less restricted in their farming operations. However the difference in returns was not large (see Table 5).

Table 5. Initial Net Worth, Value of Non-Real Estate Capital Used, and Annual Return to Capital and Family Labor for 213 Beginning Farmers

Initial Net Worth Group	Initial Net Worth Average	Average Investment in Working Capital	Return to Capital and Family Labor
Less than $3000	$1368	$7775	$1564
$3000-$8000	4687	9477	1875
Over $8000	14979	11496	2056

1/ Stanton, B.F. and Nodland, T.R., "How Much Capital is Needed to Start Farming". Minnesota Farm Business Notes, No. 347, May 1953

2/ Return to capital and family labor is that portion of the gross income from farming operations that remains after deducting farm operating expense, including the cost of hired labor and interest paid on money borrowed for farm purposes.

Apparently the beginning farmer who had less capital to start with was able to offset this disadvantage by spending less freely and making more sacrifices in order to bring his net worth up to a safer level. Of the 317 men for which the information is available, those with an initial net worth of less than $3000 effected an annual increase in net worth of $1225, those with an initial net worth of $3000 to $8000, an annual increase of $1305, and those with over $8000, an annual increase of $1137. Some of those with low initial net worth may have had superior managerial ability or perhaps more favorable rental opportunities. There is, however, no evidence available to bear out this assumption. Forced economies in farm spending and family living during the first years contributed not only to increased net worth but to the formation of conservative spending habits. In computing annual increases in net worth the value of any assistance received from relatives, government subsistence, and employment off the farm have been deducted from the change in net worth. The gain in net worth as shown is therefore that portion accruing from current farm operation.

Many of these men, although they were able to start with the limited funds, and in most cases have made marked progress, did encounter certain difficulties. These are listed in Table 6. Lack of capital was most often mentioned and difficulty in locating a farm was second in frequency of report. One difficulty leads to another. The man with limited capital has difficulty in renting a farm since landlords prefer a tenant with ample livestock and machinery. Many were able to command the use of a farm only because they "took over" the home farm. With their limited capital renting on a purely commercial basis was out of the question. The reader perhaps should be reminded at this point that the men included in this report had succeeded in acquiring a farm to operate. No information is available as to the difficulties accounted by other young men who had failed to achieve the goal of farm operation because some of the difficulties mentioned barred the way. Also any who started as beginning farmers but dropped out because of failure to make satisfactory progress were not covered by this study.

Table 6. Frequency With Which Certain Difficulties Encountered Were Reported by 212 Beginning Farmers

Difficulties Encountered	Percent Reporting this Difficulty as Most Important
Lack of available capital or credit	35%
Obtaining a farm to operate	28
Obtaining livestock, machinery & equipment	13
Uncertainty as to future prices	9
Lack of sufficient experience or information	8
Risk of loss from weather, disease, insects, etc.	4
Other	3
Total	100

SOURCES OF CREDIT USED BY BEGINNING FARMERS

Individuals, for the most part relatives, were the primary source of credit used by the beginning farmers covered by this study. They provided 69% of the funds for real estate loans and 38% for non-real estate loans. (see Table 7)

Table 7. Sources of Credit Used by 268 Beginning Farmers in Southern Minnesota, January 1, 1951.

Source of Funds	Real Estate Credit		Non-Real Estate Credit	
	% farmers reporting	average amount per farmer reporting	% reporting	average amount per farmer reporting
Individuals	69%	$10839	38%	$2655
Insurance Companies	14	8083		
Commercial Banks	9	2972	26	1732
Federal Land Bank	7	5772		
Farmers Home Admin.			19	3295
Commodity Credit Corp.			6	1243
Production Credit Ass'n.			2	4130
Conditional Sales Contracts			2	647
Merchant Accounts			5	518
Other	1	1500	2	1476
	100		100	

Although less than 20% of these beginning farmers started as owners 40% of the total indebtedness of these 268 men was covered by real estate mortgages, thirty-two per cent was covered by chattel mortgages, 24% by unsecured notes, 1% by conditional sales contracts, and 3% represented merchant accounts. The sources of chattel mortgage credit used by these men are shown in Table 8. Commercial banks and the Farmers Home Administration furnished most of this type of credit.

Table 8. Sources of Chattel Mortgage Credit on January 1, 1953 of 268 Beginning Farmers in Southern Minnesota.

Holder of Chattel Mortgage	Share of Total Amount Borrowed	Average Size of Loans
Commercial Banks	41%	$2116
Farmers Home Administration	36	3523
Commodity Credit Corporation	11	1243
Individual	6	2170
Production Credit Association	4	4130
Other	2	2502
Average	--	2329

The majority of the beginning farmers included in this study increased their borrowings from the time they started farming up to the date of this study. The precentage of debt free farmers decreased from 27 to 9 during this period. Fifty-eight per cent increased their total debt, 11% showed no change, and 31% reported a decrease. The data does not indicate how many of those who increased their debts did so because increased assets permitted them to command additional credit.

INTEREST RATES TO BEGINNING FARMERS NOT EXCESSIVE

These beginning farmers appeared to hold a favorable position as regards interest rates charged by commercial banks. Seventy-four per cent of their production loans carried a 6% interest rate in southeastern Minnesota. A study of representative banks in this area* shows only 57% of their production loans at this rate. A comparison between the rates paid by the beginning

* Dahl, R. P. and Nelson, R. E. "Characteristics of Short-Term Loans to Minnesota Farmers". University of Minnesota, Dept. of Agr. Econ. Report, June 1952.

farmers in this study and the rates of representative banks in the area is shown in Table 9. In Southwestern Minnesota interest rates paid by the farmers included in this study were somewhat higher. Apparently bankers consider that dairy farming, the prevailing type in the southeastern area, involves less risk than feeder cattle and cash crops that are major sources of income in southwestern Minnesota. Dairy cows provide an almost immediate continuous and seasonally well distributed income that tends to be more stable than that from meat production and cash crops.

Table 9. Interest Rates on Bank Loans to Beginning Farmers in Southeastern Minnesota and on all Farm Production Loans Made by Representative Banks in the Area.

	Percentage reporting each interest rate				
	4%	5%	6%	7%	8%
Beginning Farmers	5	7	74	14	0
Representative Banks (all production loans)	0	2	57	31	10

Veterans receiving government subsistence payments paid slightly lower rates than other beginning farmers. One banker said in explanation of this difference, "Of course, we take the subsistence payment into consideration." A comparison of interest rates on loans to veterans, non-veterans, and all farm production loans by representative banks in southern Minnesota is shown in Table 10. The rates for non-veterans followed closely the pattern for all production loans. Favorable interest rates may have been due in some cases to the fact that a relative with a good credit rating signed their notes with the beginning farmers.

Table 10. Percentage of Farm Production Loans at Specified Rates to Veterans and Non-Veterans Starting Farming and to all Production Loans of Representative Commercial Banks in Southern Minnesota.

	Loans to beginning farmers		All borrowers of
Interest Rate	Veterans	Non-Veterans	representative banks
4	5	2	0
5	10	4	6
6	65	55	53
7	19	31	35
8	1	8	6

The most common rate on real estate loans charged beginning farmers included in this study was 4%. This included 38 out of 66 cases or 58%. Fourteen real estate loans carried a rate of less than 4% and the rest rates ranging from 4½ to 6%. The guarantee provision of the Servicemen's Readjustment Act was a negligible factor affecting interest rates paid. Only 8% of the veterans had guaranteed loans - one half for production purposes and one half for real estate purchases. Since this study was made, there has been a tendency for the rates on new loans to increase.

BEGINNING FARMERS GENERALLY CONSERVATIVE BORROWERS

There was a definite reluctance on the part of the men included in this study to increase their borrowings. The answers to the question "Why don't you use more credit now (January 1, 1953)?" follow together with the percentage of those interviewed who gave each answer:

Do not want to be any more deeply in debt	63%
Interest rate on loans too high	14%
Can't increase earning enough to make borrowing profitable	8%
Can't get any more credit	5%
Too much red tape in getting a loan	4%
Repayment schedule too difficult to meet	2%
Other	4%

All renters were asked the question, "Would you buy a farm this year (1953) if credit were available at 5%." The answer was "no" in 91% of the cases. The question, "Would you use more credit this year (for other purposes than the purchase of a farm) if credit were available at 7%", brought negative answers from 87% of those of whom it was asked. A feeling of uncertainty as to the future was quite general as indicated by a very common response to this question, "Not the way prices are." In general they expressed considerable caution in expanding their operations through borrowing.

Approximately 11% of the men interviewed had been refused credit at some stage of their farming experience. One-half of these considered this refusal a definite handicap. In most cases, however, the loan was eventually granted by the same or some other lender.

Most of these beginning farmers strengthened their credit position rapidly. By 1953 only 15% of them had less than $1.50 of farm capital for every dollar of total indebtedness. Also they had additional capital in the form of personal and household property not used directly in the farm business. Ten per cent of them were entirely out of debt by 1953, 16 had $6.00 or more of farm assets for every dollar of total indebtedness, 9% had from 4 to 6 dollars, 12% had 3 - 4 dollars, 9% had 2½ to 3 dollars, 14% had 2 to 2½ dollars and 15% had 1½ to 2 dollars.

Men who borrowed from relatives in general had smaller equities than those who borrowed from other sources. Over two-thirds of those with less than $1.50 in farm assets to each dollar of farm debt had loans from relatives. Personal rather than purely business considerations are the basis for these loans. In many cases the lender encouraged the borrower to start farming both because he had confidence in his ability and because of a family interest in getting him started for himself. Interest rates were commonly lower than on commercial loans. Many of these loans lacked a definite maturity date and payments were made more or less at the convenience of the borrowers. Commercial borrowings commanded higher interest rates and usually were made on a short term note with a definite due date.

It is interesting to note that the amount of loans from relatives was determined by the willingness and ability of the relatives to provide funds to set the beginner up in the farming business. The borrower was inclined to take all that was offered. However in case of commercial loans with their usually higher interest rates and definite repayment dates he was reluctant in many cases to accept as much credit as was available to him. A low ratio of owned capital to debt was not associated with size of operations. However relatives were financing the larger operations.

The percentage equity of these beginning farmers in their farm capital varied with type of tenure but the differences were not large. These percentages and the total value of capital owned per operator were as follows:

	% equity	farm capital owned by operator
Cash renters	68%	$7913
Crop-share cash renters	65	5965
Crop and livestock share renters, related landlords	61	5644
Owner-operators	60	14731
Crop and livestock renters, non-related landlords	57	4880

MOST BEGINNING FARMERS MADE SUBSTANTIAL FINANCIAL PROGRESS

The 317 beginning farmers covered by this study more than doubled their net worth from the time they started farming up to the end of 1952. The average time they had been farming was $2\frac{1}{2}$ years. During this time they had increased their average net worth from $4700, the average starting figure, to $10,142. The yearly rate of increase is fairly uniform by years (see Table 11). The men starting farming in the earlier years began operations with less initial capital. Probably a substantial part of the difference was due to larger initial investments in machinery and power equipment in the later years. The average price of Minnesota farm land on July 1, 1953 as reported by the U. S. Department of Agriculture was up 25% from March 1950 and 33% from March 1949 so those who purchased in the 1948-50 period bought their land at prices well below the market of mid-1953. In computing net worth for these farms the land is valued at purchase price. On the basis of current market prices the net worth of owner-operators as shown here is under-appraised by the amount that the value of any land has increased since purchase.

Table 11. Average Initial Net Worth Compared With Net Worth, January 1, 1953, Classified According to Number of Years as a Farm Operator.

Years a Farm Operator	Average Net Worth At Start	Average Net Worth January 1, 1953	Percentage Gain
1	$5792	$8698	50
2	5062	9137	80
3	4553	10637	133
4	3641	12127	234
Average	4700	10142	116

This gain in net worth did not accrue entirely from earnings of the farm business. An average of $935 per year was received from such outside sources as veteran subsistence payments, employment off the farm, and financial assistance from relatives. By subtracting this outside income it is possible to approximate the contribution of earnings from the farm to the increase in net worth. Data on gain in net worth due to farming operations are shown by type of tenure in Table 12. Only limited significance can be ascribed to differences in gain in net worth between the different tenure groups since the difference within each group were greater than between groups. However the cash renters probably had some advantage in that cash rent tends to lag behind the prices of farm products in periods of rising prices. These cash renters were probably getting their farms on relatively favorable terms. The crop and livestock share renters owned less capital at the start and hence had to pay out more of their current earning for the use of the landlord's capital.

Table 12. Average Yearly Gain in Net Worth Above Outside Assistance of 317 Beginning Farmers by Type of Tenure

Type of Tenure When Starting Farming	Average Yearly Gain in Net Worth
Cash renters	$1318
Owner-operators	1069
Crop share-cash renters	1022
Crop and livestock share renters - related landlords	972
Crop and livestock share renters - non-related landlords	671
Average	1005

Another factor that tends to obscure the effect of tenure on gain in net worth is the fact that 12% of these beginning farmers changed their tenure status between the time they started farming and the end of 1952. Two cash renters, two crop share cash renters and eight crop and livestock share renters bought farms during this period. There were also shifts in rental systems by 25 men included in this study. In 21 cases these shifts included not only a change in tenure but a move to another farm. The other shifts involved only changes in rental system on the same farm.

There was a gain in net worth for each of these 317 beginning farmers during the period of this study. However if the amount of outside assistance is deducted from this gain the resulting figure is a loss in 19% of the cases studied. Some comparisons between the group showing a gain and those showing a loss is indicated in Table 13. Those beginning farmers who showed a loss in net worth when outside assistance is subtracted operated large farms, had more capital to start with, and had more outside assistance. Apparently they were either less willing or had less need to curtail their personal spending in order to build up their net worth.

Table 13. Differences Between Beginning Farmers Who Had a Gain in Net Worth Due to Farm Operation and Those With a Loss in Net Worth From Farm Operation.

	Change in Net Worth From Farm Operation	
	Gain	Loss
Number farmers	258	59
Acres farmed first year	153	179
Acres farmed in 1952	160	186
Net Worth at start	$4363	$6175
Net Worth from farm operation at end of 1952	$8630	$4747
Change	$4267	$1428
Average value assistance received	$2002	$3285
% distribution by tenure		
Crop and livestock share renter, related landlord	27.8	27.2
Crop share-cash renter	26.0	17.0
Owner-operators	20.6	32.3
Crop and livestock share renter, non-related landlords	13.6	10.0
Cash renter	12.0	13.5

Another measure of financial success is "return for capital and family labor". This measure is available only for the 213 veterans who had complete records (see Table 14). Here again the fact that cash rents have not kept up with the rising prices of farm products creates an advantage for the cash renter. The crop and livestock share renters whose landlords are related to them also have an advantage in that they get preferential treatement in the way of favorable leasing terms. Interest payments are low for this group since they supply relatively little of the capital used. Owner operators have borrowed a large share of their capital of over $23,000 and hence have substantial interest and principal payments to make in most cases. Since there was considerable range in return to capital and family labor in each tenure group the type of tenure has limited significance in determining this measure of return.

Table 14. Average Return to Capital and Family Labor in 1952 and Average Value of Proprietors Farm Capital at end of 1952 of 213 Veterans.

Type of Tenure in 1952	Number Cases	Returns to Capital and Family Labor in 1952	Value of Farm Capital December 31, 1952
Cash renters	25	$1972	$10832
Crop and livestock share renters, related landlords	41	1913	7517
Owner-operators	55	1792	23309
Crop share-cash renters	54	1673	9068
Crop and livestock share renters, non-related landlords	38	1444	8303
Average	213	1746	12517

While this study does not provide any data on the subject, other evidence indicates that one of the most important factors in the success or failure of farm operation is the natural productivity of the soil. Ten less bushels of corn or oats per acre as a result of faulty drainage, or soil that is too sandy, or too rolling is a big handicap. Usually these differences in productivity are only partly reflected in the rental or sale price.

CAPITAL NEEDED BY BEGINNING FARMERS AFFECTED BY TYPE OF TENURE

The average size of farm operated and the average value of farm property owned by the different tenure groups at the end of 1952 are shown in Table 15. The average value of other assets, the average debts and the average net worth, for each tenure group are also shown. Starting with an average net worth of $4700 these 317 beginning farmers have increased this to $10,143 over a period average $2\frac{1}{2}$ years. Machinery and power constitute the largest share of the working capital. The machinery and power investment was highest on the owner-operated and cash rented farms even though these were smaller farms since all of the machinery was supplied by the operators. On the corp-share cash rented farms ownership of the more expensive harvesting machinery was sometimes shared with the landlord. On the farms rented for a share of both crops and livestock the landlord commonly furnished a part of the machinery used. Frequently under leases of this type related landlords furnished a major part or all of the machinery. This was especially likely to be the case where the landlord has recently retired from farming and had the machines available. A gradual shift of ownership occured as the tenant replaced machines as they wore out.

Table 15. Total Value of Property, Total Debts and Net Worth of 317 Beginning Farmers at End of 1952.

	Owner Operator	Cash Renters	Crop Share-Cash Renters	Crop and Livestock Share Renters: Non-related Landlord	Crop and Livestock Share Renters: Related Landlord
Number	72	39	77	41	88
Average size of farm, acres	157	148	185	190	209
Value of property					
Feed and seed	$2332	$2088	$1742	$1656	$1369
Livestock	4318	4827	3284	3162	2609
Machinery & power	4427	4138	3859	3681	3539
Total Working Capital	11077	10953	8885	8499	7517
Land & Buildings	14766	333	50	----	1115
Total Capital	25843	11286	8935	8499	8632
Other Assets	2317	2479	2056	1995	2117
Total Assets	28160	13765	10991	10494	10749
Total Debt	11112	3373	2970	3619	2988
Net Worth	17048	10392	8021	6875	7761

The most common pieces of machinery furnished by tenants when they started to farm were a used car or pick-up truck and an old tractor. During the $2\frac{1}{2}$ years covered by this study one-third of these beginning farmers traded in their old tractors on new ones. By the end of 1952 a number of them had purchased some of the more expensive types of machines such as combines, corn pickers, windrow-balers, and field forage chopper although the common practice was to hire or borrow the use of these machines and thus avoid a large investment in machine equipment. The proportion owning these more expensive machines at the end of 1952 and the average inventory valuation of them was as follows:

	Percentage Owning	Average Inventory Valuation
Corn picker	35%	$488
Combine	22	964
Windrow-baler	9	1103
Field forage chopper	3	843

In case of the crop and livestock share renters the amount of working capital was supplemented by that owned by the landlord. The landlords machinery contribution has already been mentioned. Usually his capital in feed and seed equaled that of the renter and his contribution in the way of livestock was equal to that of the renter. In fact in some cases he furnished all of the livestock at the start. If the value of the working capital supplied by the landlord is added to that of the tenant the average value of working capital per acre was approximately $70 per acre except in case of the crop share cash renters for which it was about $20 per acre less. The difference was due principally to the fact that this group included more crop sale farms and hence needed less investment in feed, livestock and livestock equipment. It is apparent from these comparisons that type of tenure is an important factor in determining the amount of capital needed by the beginning farmer.

SUMMARY AND CONCLUSIONS

Starting farming was not an easy process for our fathers and grandfathers - it is not easy today.

A rising price level, especially during the first few years favors the beginning farmer but one never knows when he risks his capital in a farming enterprise what price trends for the next five or ten years will be.

Lack of capital has always been a handicap to the beginning farmer. It takes more capital today than ever before for a successful start. Mechanization and new techniques have not only increased the amount of capital needed to farm but have also increased the size of a farm business needed for an economic unit.

The new techniques in farming make technical knowledge far beyond that possessed by the previous generation of farmers a "must" for the young man starting today. "Know how" has become a more important qualification for the starting farmer today than the possession of capital.

This study is based on the experience of 350 men who have assumed the role of farm proprietorship in southern Minnesota during the past four years. Of these, 246 were veterans taking vocational agricultural training under the G. I. Bill of Rights and 104 were non-veterans who started farming "on their own" without this type of assistance.

The average initial capital owned by these beginning farmers was $4700. It varied from nothing to over $40,000. The non-veterans accumulated two-thirds of their capital from farm work but the veterans obtained only one-sixth from that source. For the latter group earnings from non-farm work and savings while in military service accounted for more than one-half their starting capital. Gifts and inheritances were relatively minor sources for either group - only 7 to 8%.

Men starting as owner-operators borrowed approximately one-half of the capital they used at the start. Those starting as tenants borrowed less than 10% of the capital they used. They obtained the major share by renting from a landlord.

The principal difficulties encountered in starting farming as reported by these men were "lack of available capital and credit" and "obtaining a farm to operate". That they were able to overcome these handicaps is evidenced by the fact that they are farming today. Relatives played an important role in helping these young men to get a start in farming.

Sixty-nine per cent of the real estate loans and 38% of the chattel loans reported were obtained from individuals - mostly relatives. Insurance companies, commercial banks, the Federal Land Bank, and the Farmers Home Administration also supplied substantial amounts of the starting capital used.

Forty per cent of all the borrowed funds used by these beginning farmers were obtained from real estate mortgage loans, 32% from chattel mortgage loans, and the rest on unsecured notes, merchant credit, or conditional sales contracts.

Interest rates paid by these beginning farmers were no higher and in some cases even lower than the prevailing rates charged by commercial banks in the area. Subsistence payments received by veterans strengthened their credit position.

The starting farmers included in this study were conservative in the use of credit. Most of them used materially less than was available to them. Occasionally their request for loans were turned down but usually it resulted in only a temporary delay in securing funds. Only one-half of those refused loans felt that the refusal was a handicap to them.

All of these beginning farmers increased their net worth during the period covered by this study. This increase was due both to earnings from farm operation and to outside assistance such as government subsistence payments, gifts, and income from work off the farm. Without this outside assistance 19% of these men would have shown a loss in net worth from the time they started farming up to the end of 1952.

The amount of increase in net worth since starting farming showed no close association with size of farm, system of tenure or beginning net worth. Those who had more ample earnings apparently absorbed more of their current income in personal and family living expeditures. Necessity is an important factor in determining how these beginning farmers spent their earnings.

This study suggests that the beginning farmer with little capital has the best chance for a successful start under a crop and livestock share system of rental by which the landlord not only furnishes the farm but also a substantial amount of working capital. With more ample capital he may find a crop share-cash or straight cash lease more satisfactory. To start as an owner-operator, even on a small farm, requires more capital than to operate as a renter. The starting farmer is likely to be better off in the long run to get a small share of the income from a productive farm of ample size than to get all the income from a small farm of limited productivity.

Parents in both city and country are anxious to have their children succeed and are willing to make sacrifices for them. In case of farming this is simpler than in most urban occupations since the sons have grown up in the business and the father knows their needs and their capabilities. Parental assistance may take the form of favorable partnership or rental arrangements, advice and guidance, outright gifts of cash, livestock or machinery, favorable credit terms as to interest and repayment, free use of the father's machinery, free board and room at home, and occasional help with peak labor loads.

The experience of these beginning farmers suggests that the door of opportunity is not closed today to the young man with a good background of farm experience, versed in modern farming techniques, and endowed with the cardinal virtues of honesty, industry, and frugality. With these qualifications his chances of obtaining the needed capital on reasonable terms are good and especially so if he has a fair amount of family assistance to ease him over the rough spots at the start.

This study covers only men who have succeeded in getting a start in farming. Undoubtedly other young men who started at the same time "fell by the wayside" and still others who wanted to farm were unable to find a farm and accumulate the necessary capital. There is no evidence that the proportion of failures is increasing. All farms in the area covered are occupied and there is no evidence of a decandent agriculture. In fact everything points to a steady and even rapid improvement in quality of farming in recent years. There is also evidence of increasing standards of farm living. The number of farmers is decreasing but production is increasing. The authors of this report are convinced that the quality and stability of agriculture in this area is not menaced by lack of opportunity for the starting farmer.