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MINNESOTA FARM MANAGEMENT SERVICE NOTES

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Prepared by the Farm Management Group at University Farm, St. Paul, Minn.

FINANCIAL RETURNS FROM FARMING IN 1925

I. In a Cut-Over Section

Satisfactory incomes resulted from the operation of farms in the vicinity of Askov in Pine County during 1925. The earnings of the individual families, which averaged \$1225, ranged from \$110 to \$2831. These figures were obtained from a group of 29 cooperators. The average size of the farms was 108 acres. Of this 53 acres were devoted to crops, 37 acres to pasture and about 11 acres were still in stumps and brush. Table I gives a detailed statement of income and expenses. This statement assumes full ownership. Interest is charged on the total capitalization. None of these farms were rented but most of them carried some indebtedness. The amount of interest actually paid averaged \$273 per farm.

Table I. Family Earnings in a Cut-Over Section - 1925
Askov, Pine County

Income:		Expense:	
Dairy products	\$1234	Labor	\$61
Cattle	188	Feed	375
Swine	158	Crop	106
Poultry	224	Livestock expense	169
Crops	695	Buildings, improvements	314
Miscellaneous	249	Machinery & equipment	147
Increase of inventory	433	Auto	116
Value farm products used		Gas, oils, etc.	64
in house	192	Taxes, insurance, rent	208
Estimated house rent 12%		Miscellaneous	34
of value	<u>272</u>	Interest @ 6%	<u>826</u>
Total Income	\$3645	Total Expense	\$2420
Family Earnings			\$1225

These data reflect a satisfactory price for butterfat and a relatively high price for the 1925 crop of potatoes. Over one-half of the cash income came from the dairy cattle. There was a substantial margin of profit on the dairy enterprise. This was made possible by the high prices for butterfat and efficiency in handling the animals, in spite of high feed prices. The cash crops also were a large factor in enlarging the income. One fourth of the income was from crop sales, largely potatoes and rutabagas. Three and one half acres per farm were in potatoes and four acres in rutabagas. For the 1925 crop of potatoes sold before January 1, 1926, the price received was about \$1.00 per bushel. Rutabagas fluctuated widely in price, being low at times and very high at other times. Finally the market broke and no more could be sold at any price. The average price received for those sold was \$11.50 a ton.

The figures on earnings can not be compared directly with urban incomes. The farm business has been credited with part of the value of farm products used in the house and an estimated value of the rent of the dwelling furnished by the farm. The farm products are credited at farm values and would cost much more if purchased in town. On the other hand, all the expenses of the auto are charged against the farm. The family use of the car is therefore paid by the farm business. The farm also contributes vegetables, fruits and wood for fuel for which it has been given no credit.

Table II. Value of Farm Produce per Family Used in House - 1925

	Amount	Value		Amount	Value
Cream	141 qts.	\$36.47	Poultry	78½ lbs.	\$9.92
Whole milk	670 qts.	28.49	Beef	271 lbs.	15.36
Skim milk	1283 qts.	6.43	Pork	227 lbs.	38.41
Butter	33 lbs.	13.83	Potatoes	32 bu.	18.93
Eggs	93½ doz.	23.69	Total		\$191.53

The investment in the farm business in this section is not large. The average in 1925 was less than \$14,000. Land and buildings are the largest items, land being valued at \$6000 and buildings at \$4600. As more land is cleared and improvements are added these figures will mount higher. The livestock was valued at \$1400. A large proportion of this was in dairy cattle. The investment in machinery was about \$700 and in the auto over \$200. The average valuation placed on feeds and supplies was \$900. The increase of \$433 in inventory (Table I) is contributed largely by three items. The value of the land was increased about \$125 to cover the value of labor and material used in clearing new land. An increase in the livestock of nearly \$100 represents an increase in the amount of stock on hand. The increase in feeds and supplies added more than \$175 partly due to increase amounts on hand and partly to the high price of potatoes prevailing at the end of the year. Earnings were large enough to allow 6 per cent interest on the entire capitalization plus 19 cents an hour for the labor of the farmer and his family.

Table III. Farms Grouped According to Family Earnings - 1925

	No. farms	Family earnings	Crop acres	Total acres	No. cows	Amount livestock*	Investment	Man hours
Under \$900	7	\$536	46¾	99¾	9¼	19	\$12719	5920
\$900 - \$1300	10	1062	44½	92½	9¾	17¾	11832	5352
1300 - 1700	4	1427	54	104½	14	22½	15009	7464
Over 1700	6	2165	65	125½	13½	26½	17372	7703
Average		1225	53¼	108½	11	20¾	13764	6550

*Animal units

This area is still in a stage of development. Twenty years ago all the land was cut-over land covered with brush. Even now much of the land is in the same state. Because of this condition the farmer must be content to take part of his income in the form of increased inventory valuation because the maximum cash income can not be obtained until the land is fully cleared. Then more livestock can be kept, more acres can be devoted to cash and feed crops and less feed will have to be purchased. Table III shows the farms grouped according to the amount of family earnings and presents data to show some reasons why the earnings varied.

II. In Southern Minnesota

Farm Incomes in southern Minnesota have been recovering steadily since the depression of 1920 and 1921. 1925 was the most prosperous year since the depression, especially for the dairyman and swine producer. The figures in Table IV indicate the incomes for 1924 and 1925 on two groups of farms in southern Minnesota. These data cover the same farms for both years. These incomes are undoubtedly higher than the average farm incomes in this section of the state. These men have been keeping complete farm accounts for several years and with them as a guide have increased their incomes thru increased efficiency in production. However, even tho the amount of income may not be representative the trend is indicative of what occurred generally on diversified livestock farms. Altho there was some increase in the cost of operating these farms in 1925 as compared with 1924 the increased income from cattle and swine was more than enough to offset it.

Table IV. A Comparison of Farm Incomes - 1924 and 1925

	Steele County		Cottonwood-Jackson Co.	
	1924	1925	1924	1925
Receipts:				
Dairy products	\$1676	\$1892	\$560	\$590
Cattle	382	813	504	463
Swine	1645	2100	1337	2433
Poultry	216	366	301	327
Sheep	-	-	57	136
Crops	553	532	723	270
Miscellaneous	140	130	185	202
Increase of inventory	514	130	245	504
Total	\$5126	\$5963	\$3912	\$4925
Expenses:				
Labor	\$414	\$375	\$28	\$84
Crop expense	275	229	160	134
Livestock expense	760	941	549	877
Machinery & equipment	610	718	351	652
Buildings & fences	137	134	26	117
Taxes, insurance & rent	590	553	379	438
Miscellaneous	16	23	15	102
Total	2803	3023	1508	2404
Farm income	2323	2940	2404	2521
Interest on investment @ 5%	1083	1091	811	830
Return for labor & management or family earnings	\$1240	\$1849	\$1593	\$1691