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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.

HOW THE FARMER SPENDS HIS INCOME

The size of the farmer's income has always received much attention in studies of the farm business. Little consideration has been given to the use of this income for other than business purposes. Farming is a family business and a study of income earning can not be wholly divorced from a study of how these incomes are spent in providing the family with the necessities, comforts and conveniences of life.

A discussion of receipts and expenditures for farms on the Pine County and Polk County Farm Accounting Routes was presented in Farm Management Service Notes 43 and 56. The use made of the total cash incomes available for family use after the operating expenses of the farm has been paid is shown in the following table.

TABLE I  
Farm Family Receipts and Expenditures

	Pine County		Polk County
	1925	1926	1926
Number farms	27	24	17
Cash farm receipts	\$2748	\$3107	\$5043
Farm expenses	1867	1978	3788
Net cash income from farm operations	881	1129	1255
Household receipts	13	15	26
Personal receipts	72	103	340
Old accounts received	104	20	31
Money borrowed	373	68	741
Total cash for personal and household, and for savings	1443	1335	2593
Cash payments - Household	460	508	518
Personal	370	396	818
Old accounts paid	160	39	84
Mortgages and notes paid	385	125	1057
Total cash payments	1375	1068	2477
Cash surplus or deficit	68	267	-84

In addition to the net cash income from farming operations these farmers received small sums for boarding outside workers and from such sources as gifts, inheritances, and incomes from investments outside the farm business. Some collections were made on old accounts but all this and more was used to pay off old debts the farmer himself had previously incurred. Some money was borrowed to finance current operations but the equivalent of this was paid back and some additional payments made on notes and mortgages previously given.

The cash surplus or deficit does not represent a gain or loss in net worth, but rather merely the balance between cash income and cash outgo. This surplus or deficit may be accounted for by changes in cash on hand or by differences in the inventory values of farm property. No record of cash on hand or in the bank at the beginning and end of each year is available. In 1925 there was an average increase of \$433 in the value of farm property per farm in Pine County and a decrease of \$51 in 1926. The average inventory valuation in Polk County increased \$145 during the year 1926. It should be remembered that these figures include only cash receipts and expenditures for the purposes indicated. Non-cash items of cost and income are not included.

TABLE II  
Farm Household Expenditures

	Pine County		Polk County
	1925	1926	1926
Average size family(adult equivalents)	4.03	4.40	4.29
Cash expenditures			
Food & general supplies	\$379	\$400	\$367
Fuel	29	28	42
Furnishings	46	64	80
Hired help	6	16	29
Total cash expenditure	\$460	\$508	\$518
Farm produce(furnished by farm)	192	213	322
Total household expense	\$652	\$721	\$840

The details of the household expenditures on these farms are shown in Table II. The item of general supplies which is combined with food includes such things as matches, soap, cleaning materials, etc. Since these articles were purchased at the grocery store at the same time that food purchases were made and included on the same bill it was not always possible to make a complete separation of them. This, however, is a minor item. A fairly complete separation possible in the Polk County reports shows an annual expenditure of ten dollars per farm for general supplies. In addition to the food purchases considerable produce raised on the farm was used in the home. This item in Table II includes only milk, cream, butter, eggs, poultry, meat and potatoes. It is valued at the price it would sell for on the farm. This is probably about one-half of what the average city consumer would pay for similar goods. In addition to the produce reported some fruit and garden vegetables were also used. The value of these amounted to \$37 per farm in Pine County in 1926. Probably it would not vary widely from this figure the previous year or on the Polk County farms. The fuel purchased represents only a small part of the total used. The balance is furnished by the farm but no estimate of its value is given. In Pine County this fuel is largely salvage from land clearing operations. Its preparation involves considerable work and tho its market value may be low it reduces greatly the cash outlay for fuel.

The details of personal expenditures by these families are shown in Table III. Clothing is the most important single item in the list. The miscellaneous item includes gifts, personal expenses such as barber bills, toilet articles, etc., tobacco, candy and similar items. Some of the gifts included here as well as the amounts given to members of the family may be and usually are spent for clothing, amusement and other items classified in the table. These accounts cover only expenditures directly under the control of the farmer. No record is available of receipts from work done by adult children off the farm or of expenditures by them of money received on or off the home farm, even tho they may be living at home part of the time.

TABLE III  
Personal Expenditures by Farm Families

	<u>Pine County</u>		<u>Polk County</u>
	1925	1926	1926
Clothing and dry goods	\$135	\$142	\$212
Doctor, dentist and medicine	56	82	74
Railroad and travel	13	13	34
School	--	--	13
Reading matter	--	4	2
Church and benevolence	16	26	26
Clubs and organizations	3	4	6
Amusements	6	5	8
Life insurance and investment	8	5	155
Given to members of family	--	70	104
Miscellaneous and unspecified	133	45	184
<b>Total personal expenditures</b>	<b>\$370</b>	<b>\$396</b>	<b>\$818</b>

The figures in these tables do not include expenditures for taxes and upkeep of the farm house, telephone rent, or auto expense. In every case the family was furnished with a house and in nearly every case a telephone and auto were available for family use. The cost of these items has been included in the farm expenses. No expense for schooling is listed for the Pine County farms and little for Polk County. Most of the children were attending the local public schools. In a few cases adult members of the family were attending school or college away from home, but these were largely self supporting or assisted in part by gifts from their parents that have been included in the last two items in Table III. The amount of reading matter supplied seems low but it was supplemented by daily papers and farm papers, the subscriptions to which have been included in farm expenses. The clubs and organizations account includes only the cost of membership in organizations not connected with the farm business. Farm bureau and farmers club dues and membership fees in marketing and other business cooperatives have been charged to the farm account. The expenditure for amusement as has already been indicated was increased by personal spending money of members of the family listed here under gifts and miscellaneous. These facts should be considered in comparing these figures with family expenditure data from other sources.

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