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THE FINANCIAL PROGRESS AND CURRENT EARNINGS OF FARMERS ON CUT-OVER
FARMS IN PINE COUNTY

Twenty per cent of all new farms in America settled during the period 1910-1920 are located in Minnesota east and north of the Mississippi River. This is the cut-over area of northern and northeastern Minnesota. It was originally covered with timber, largely coniferous. The development of a farm in this section involves much more labor than in the open prairies. The land must be brushed and stumped before breaking and a considerable portion of it must be cleared of stone before it can be cultivated. For the past three years the Farm Management Department and the federal Bureau of Agricultural Economics has been cooperating with a group of farmers located in this section in a study of farm earnings and financial progress since settlement. The results attained on these farms give some indication of the farming possibilities of this area and the prospect for financial success.

The farmers cooperating in this study were part of a Danish colony established in the vicinity of Askov, Pine County, in 1906. Most of them came in during the period of 1910 and 1920, taking up new land. The soil is a heavy red clay loam, characteristic of the red drift of northeastern Minnesota. Because of the number of large pine stumps and the presence of considerable stone in the soil, clearing is perhaps as slow and expensive as in any portion of the cut-over country.

Twenty farmers whose financial records are available for the years 1925 to 1927 inclusive are used in this presentation. Three of them settled prior to 1910 and only one since 1920. The average date of settlement was 1912, and the average age of the settlers at that time thirty-four years. The amount of land purchased varied from forty to one hundred sixty acres, eighty acres being the most common size. The price paid for raw land varied from \$12 to \$25 per acre. The average price paid for all land bought prior to 1920 was \$22.75 per acre. Land purchased in 1920 and since cost the settler \$127 per acre. This higher price is partly due to a rise in the price level and in part to the fact that this land was bought from a previous settler and hence was partially cleared and had buildings and other improvements. The average net worth of these farmers at settlement was \$3880. This varied from \$100 to \$8800 per man. \$2200 of this was paid down on the land and the balance was invested in buildings, stock, machinery and supplies. The first payment on the land amounted to 56 per cent of the purchase price.

By January 1, 1928, the average size of farm had been increased from eighty-six acres at settlement to ninety-eight acres. The smallest farm was still forty acres and the largest two hundred. The value of real estate had risen from \$3880, the average purchase price at settlement, to \$10,966, partly due to the increased size but largely on account of the clearing, buildings and improvements added. The average mortgage indebtedness against these farms on January 1, 1928 was \$3500. Only two were unencumbered. In addition the average amount of outstanding notes per farm was \$1157, and store bills and accounts \$97. The total value of farm and personal property per man was \$14,953. Subtracting the indebtedness from the above leaves a net worth per farmer of \$10,205. This represents a gain of \$6325 in 16 years, or an average increase in net worth of \$395 per year since settlement.

The receipts and expenses on these farms for the three years, 1925-27 are given in Table I.

TABLE I

Average Farm Family Earnings per Farm on Twenty Cut-Over Farms
in Pine County

	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>Average</u>
<u>Income</u>				
Cash - Butterfat	\$1296	\$1305	\$1417	\$1339
Livestock	609	813	648	690
Crops	659	795	534	663
Other	167	166	140	158
Total Cash Income	2731	3079	2739	2850
Increase of inventory	407	-	218	205
Rent, farm produce, fuel	549	544	523	539
Total Income	3687	3623	3480	3594
<u>Expense</u>				
Cash - Purchased feed	403	511	549	488
Livestock expense	154	158	180	164
Crop expense	101	128	120	116
Buildings, fences, land clearing	277	162	429	289
Machinery and equipment	328	465	329	374
Taxes	166	179	211	185
Interest	250	255	232	246
Miscellaneous	136	113	141	130
Total Cash Expense	1815	1971	2191	1992
Decrease of Inventory	-	11	-	-
Interest on owner's equity at 6%	583	590	619	597
Total expense	2398	2572	2810	2589
Return for family labor	1289	1051	670	1005
Hours worked by family	6321	5721	5236	5759
Return per hour	.20	.18	.13	.16

These farms are dairy farms. Small flocks of poultry and a few hogs are raised. About half the land is in crops. Oats, barley, corn silage and hay are raised for feed and rutabagas and potatoes for sale. The earnings decreased each year, largely as the result of weather and price conditions. Dry weather in 1926 reduced the yields of all crops except rutabagas. A wet, cold spring and dry weather in midsummer in 1927 resulted in low yields for all crops except hay. The short feed crop raised in 1926 made necessary larger feed purchases in 1927. Potato prices declined each year. Price of rutabagas, eggs and hogs were much lower in 1927. Butterfat, on the other hand, was slightly higher in 1927. For the three years potatoes were somewhat higher than the ten year average price, rutabagas about the same, and eggs slightly lower. In general the average earnings of the three years is fairly typical of what might be expected on well managed cut-over farms in this locality over a period of years.

TABLE II

Source and Disposition of Cash Income on Twenty Cut-Over Farms
In Pine County (average per farm; 1925-1927 inclusive)

<u>Cash Received</u>		<u>Cash Paid Out</u>	
Farm (See Table I)	\$2850	Farm (See Table I)	\$1992
Household and personal	64	Household and Personal	931
Borrowed	388	Paid Notes and Mortgages	379
	<u>\$3302</u>		<u>\$3302</u>

Some interesting facts regarding the source and disposition of income on these farms are presented in Table II. The household and personal receipts include receipts for board, gifts and returns on investments outside the farm business. It should be remembered that in addition to the \$931 cash spent for household and personal purposes, these families received farm produce, fuel and house rent, which valued at farm prices amounted to \$539. They also had the use of the auto and farm horses for personal use. During these three years, the borrowings slightly exceeded the payments on indebtedness. As a result the indebtedness increased \$27 per farm during the three years. However, in spite of the increase in total debt, interest payments declined in 1927 because new loans had been made at lower rates of interest. On the other hand, the value of the farm increased \$620 largely due to clearing land, buildings and other improvements. The net increase in net worth per farm for the three years was approximately \$200. This is not as rapid progress as indicated for the whole period since settlement. It should be remembered, however, that the period from 1912, the average date of settlement, to 1928 was a period of rising prices, and the period from 1925 to 1928 one of falling prices. If the average annual increase in net worth is adjusted according to the index of the general price level the yearly rate of increase will be only \$225 instead of \$395.

These figures indicate the possibilities of financial progress on cut-over farms. They do not, however, necessarily represent average results. The men included in this study were industrious and hard working and in most cases had had previous farm experience. They are especially skilled as dairymen (see Farm Management Service Notes No. 44). They maintain a good standard of living and do not sacrifice personal comforts for themselves or educational advantages for their children in order to make more rapid financial progress. They started with an average capital of nearly \$4000. In sixteen years they have increased it to over \$10,000. Cut-over farms offer opportunities to industrious, experienced farmers with sufficient capital to make an initial investment large enough to secure a producing unit. The larger the initial investment on these farms the faster was the financial progress. At best farm development is slow work, but these figures indicate the possibilities for progress toward the goal of farm ownership on a cut-over farm.

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