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THE ANNUAL CASH INCOME OF MINNESOTA FARMERS

One indication of the progress of Minnesota agriculture is found in the annual cash receipts of Minnesota farmers. Estimates of cash income are given in the following table, for the years 1910 to 1927 inclusive.

TABLE I  
Gross Cash Income from the Sales of Principal Farm  
Products, 1910-1927

1910	\$165,861,000	1919	\$437,553,000
1911	144,113,000	1920	379,231,000
1912	162,631,000	1921	229,308,000
1913	182,399,000	1922	256,402,000
1914	184,387,000	1923	286,589,000
1915	201,367,000	1924	342,026,000
1916	227,723,000	1925	395,218,000
1917	308,264,000	1926	397,612,000
1918	450,869,000	1927	370,251,000*

\* Preliminary

The above estimates include the cash sales of the following products, wheat, corn, oats, barley, rye, flax, hay, potatoes, hogs, cattle, calves, lambs and sheep, chickens, eggs, butterfat and milk. These are the sixteen most important farm products in Minnesota. It will be noted that the sales of fruits and vegetables, wool, honey and wax, and other minor farm products are not included. The totals would probably not be increased by more than five per cent if data of sales of these minor crops were available.

It should also be noted that these estimates do not show the total value of farm production but only cash sales. No allowance is made for the farm products used by the farm family or for changes in the inventory of livestock or crops on farms. The value of the use of the farm dwelling is not included.

Table I shows that from 1911 to 1916 there was a gradual increase in the value of farm marketings. From 1916 to 1918 there was an increase of almost 100 per cent in cash income. The peak of income came in 1918 with a total of \$451,000,000. There was a small drop in 1919 and a decided drop in 1920 and 1921. The 1921 income was only slightly higher than that for 1916 and was some \$220,000,000 less than the 1918 total. Since 1921 incomes have increased steadily to 1926 when total sales of \$398,000,000 were made. Only the incomes of 1918 and 1919 were larger than that received in 1926. The 1927 income is \$27,000,000 less than that for 1926.

Table I may give an erroneous impression of the progress made by the agricultural industry unless the purchasing power, as well as the absolute values of the annual incomes, is considered. Table II presents an index of annual gross incomes, accompanied by an index of their purchasing power in terms of commodities bought by farmers.

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TABLE II  
Indexes of Gross Cash Sales and Purchasing Power 1910-1927  
(1910-14 = 100)

	Gross cash income	Purchasing power		Gross cash income	Purchasing power
1910	99	101	1919	261	127
11	86	85	20	226	110
12	97	97	21	137	88
13	109	109	22	153	101
14	110	109	23	171	112
15	120	113	24	204	132
16	136	111	25	235	148
17	184	123	26	237	152
18	269	151	27	221	144

The above table shows that although income increased 169 per cent from 1910-14 to 1918, when expressed in terms of dollars, the purchasing power of that income increased only 51 per cent during the same period. From 1913 to 1921 there was a decline in both income and in purchasing power. In 1921 the agricultural income of Minnesota could purchase 12 per cent less than it could in 1910-14, although it was 37 per cent higher than it was in the earlier period. Since 1921 both income and purchasing power have increased, but purchasing power has increased more slowly than has income,

The above figures for purchasing power relate to the power of the gross cash incomes (as they have varied from year to year due to both price and quantity changes), to purchase a fixed quantity of the commodities which farmers buy. Altho this index of purchasing power takes account of changes in farm receipts, it does not take into account changes in farm expenses due to increased quantities of goods which farmers may be purchasing as a result of an increased standard of living. Neither does it include any expenses for taxes, interest or labor, and insofar as it fails to incorporate these items it fails to measure the purchasing power of the farmer.

The figures for purchasing power which are usually seen, represent the ratio of the price level of farm products to the price level of commodities which farmers buy. Such a figure shows the power of a fixed quantity of farm products to purchase a fixed quantity of commodities. In failing to take into account changes in quantities marketed this figure for purchasing power of farm products is considerably different from one which is based on gross cash income during a period of increasing production. For 1927 the index of purchasing power of farm products was 93. This indicates that a fixed quantity of those products would purchase less than was true in 1910-14.

Table III, below, shows sales of Minnesota farm products for the years 1926 and 1927 by commodities and the increase or decrease from 1926 to 1927. There were increases in the sale value of eight commodities and decreases for eight commodities, but the decreases were so large that total sales were \$27,361,000 less than for 1926. Decreases were due for the most part to price declines but for corn and oats increased prices were more than offset by smaller quantities of these crops sold.

TABLE III  
Sales of Minnesota Farm Products, 1926-1927

Commodity	Cash Sales		Increase	Decrease
	1926	1927*		
Wheat	35,431,000	23,870,000		11,560,000
Corn	12,987,000	8,288,000		4,700,000
Oats	11,104,000	8,134,000		2,970,000
Barley	5,394,000	7,237,000	1,863,000	
Rye	3,406,000	5,831,000	2,425,000	
Flax	15,070,000	14,161,000		909,000
Hay	4,974,000	5,464,000	490,000	
Potatoes	22,783,000	18,436,000		4,447,000
Hogs	113,498,000	94,984,000		18,514,000
Cattle	40,413,000	40,755,000	342,000	
Calves	8,035,000	8,241,000	205,000	
Lambs-sheep	3,818,000	4,018,000	200,000	
Chickens	7,066,000	6,375,000		691,000
Eggs	13,920,000	12,087,000		1,823,000
Butterfat	87,184,000	99,489,000	12,305,000	
Milk	12,549,000	12,881,000	331,000	
Total	397,612,000	370,251,000	18,162,000	45,523,000
Net Increase				27,364,000

\* Preliminary

Comparison of the proportion of total cash income derived from sales of different commodities furnishes an index of the extent to which sources of income have shifted during the eighteen year period. During 1910-11-12 sales of wheat were 30.5 per cent of total sales. In 1925-27 wheat contributed only 8.6 per cent of the total cash income. For the same two periods receipts from the sales of hogs were respectively 12.3 and 26.5 per cent of the total. The proportion of the total contributed by receipts from sales of butterfat has increased from 15.1 per cent to 23.5 per cent. The most important shifts in sources of income occur in the above commodities. Each of the other commodities contributes less than ten per cent of the total cash income, and shows only minor changes in the relative amount of cash income furnished during the period. Sales of cattle have increased during recent years and now contribute 9.8 per cent of the total income.

The two principal sources of income now are hogs and butterfat. These two commodities alone furnished half of the total cash income in 1925-26 and 1927. Cattle sales are now more important than wheat sales, whereas in 1910-11-12 wheat sales were four times as important as cattle sales. There is clear indication that Minnesota farmers are depending more upon sales of livestock and livestock products and less upon sales of cash grain crops.

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