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AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

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Prepared by the Division of Agricultural Economics
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FARM INCOME IN MINNESOTA

Prepared by W. C. Waite, L. F. Garey and M. M. Regan

The preliminary estimate of the annual gross cash income from the sale of Minnesota agricultural products in 1931 is 233.2 million dollars. The average annual income in the period 1925-29 was 382 million dollars and in 1930 the income was 332 million dollars. No complete estimate can be made for 1932, since the data are incomplete, but it appears now that the income will be about 175 million dollars. Total income figures for the past 22 years are given in Table 1.

Table 1.

Gross Cash Income from the Sale of Principal Farm Products in Minnesota, 1910-1931
(in millions of dollars)

1910	\$166	1918	\$451	1926	\$398
1911	144	1919	438	1927	366
1912	163	1920	379	1928	367
1913	182	1921	229	1929	384
1914	184	1922	256	1930	332
1915	201	1923	287	1931	233
1916	228	1924	342		
1917	308	1925	395		

The foregoing figures are made up from the sales of the sixteen principal Minnesota agricultural products: butterfat, hogs, cattle, wheat, eggs, milk, corn, flax, oats, barley, potatoes, calves, chickens, hay, rye and lambs-sheep. The amounts of the principal products sold each month multiplied by their farm price constitute the cash income for each month. The sum of the twelve calendar months is the estimated annual cash income. A number of minor crops have been omitted. These figures do not represent the total value of agricultural production and no allowance has been made either for the value of farm products used by the farm family or for changes in inventory of livestock or crops. Cash income obtained from other sources than the sale of farm products is not included. The manner in which the estimate for the individual products is made is described in detail in Technical Bulletin 72, Minnesota Agricultural Indexes of Prices, Quantities, and Cash Incomes, 1910-1927.

The position of agriculture is influenced by its expenses as well as by its income. In the table below an estimate of the cash operating expenses of the farm and the payments for interest and taxes is given for the years 1910-1931.

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Table 2.

Total Cash Expenditures of Minnesota Agriculture with Proportion
for Taxes and Interest, 1910-1931

Year	Total cash expenses (in millions of dollars)	Per cent taxes and interest are of total expenses	Year	Total cash expenses (in millions of dollars)	Per cent taxes and interest are of total expenses
1910	\$72	29.1	1921	\$187	40.6
1911	75	30.7	1922	173	45.1
1912	81	29.6	1923	189	44.4
1913	88	31.8	1924	188	42.0
1914	92	34.8	1925	195	41.0
1915	100	34.0	1926	189	40.7
1916	110	36.4	1927	192	41.1
1917	134	32.1	1928	192	40.1
1918	166	28.9	1929	199	39.7
1919	190	31.0	1930	171	45.0
1920	221	34.3	1931	159	45.3
			1932	149	46.5

The cash expenses are the summation of estimates of the following twenty items: taxes, interest on indebtedness, hired labor, feed, stocker and feeder cattle, hogs and sheep, veterinary charges, stallion fees, threshing, twine, sacks, spray material, gasoline, auto and truck licenses, machine repairs, building repairs, farm papers, organization fees, insurance, fertilizer, and electricity. These items of expense are estimated from data obtained from a great number of sources, including State and Federal publications, ^{and} unpublished data from State and Federal departments and other sources. These figures represent the cash operating expenses of farmers, so do not represent all of the total cash outlay.

In 1910, taxes and interest comprised slightly less than thirty per cent of the total cash expenditures of farmers. From 1910 to 1916, taxes and interest increased at a somewhat greater rate than did other expenses, and in the latter year constituted over thirty-five per cent of the total expenses. In 1918 and 1919, other expenses increased considerably; at the same time there was an apparent lag in taxes and interest, lowering the proportion that taxes and interest were of the total to about the 1910 to 1913 level. In 1920, both taxes and interest increased markedly in total, bringing the proportion back to about the 1917 level.

In 1921 and 1922, there was a very marked decrease in other expenses, with a slight increase in taxes and interest, bringing the proportion of the latter to over forty per cent of the total in 1921 and forty-five per cent in 1922. The proportion in 1923 also was about 45 per cent.

The proportion remained fairly constant at about forty per cent from 1924 through 1929, due largely to the increase in other expense, rather than a decline in taxes and interest. In 1930, as in 1921, there was a sharp drop in other expenses with only a slight drop in taxes and interest, bringing the proportion back to about forty-five per cent. In 1931, there was a decrease in both, with the proportion remaining about the same as in 1930. In 1932, other expenses were cut more than taxes and interest, raising the proportion to over forty-six per cent.

Net Cash Income of Minnesota Agriculture

The net cash income is what is left after deducting the cash operating expenses from the cash income. This remainder is what the farmers have available for food, clothing, medical service, education of family, life insurance, mortgage liquidation, and other items which involve cash outlay. On a farm basis, this amounted to \$600 in 1910, \$288 in 1920, \$1066 in 1925, and \$866 in 1930. In 1931, it is estimated at \$384 and in 1932, \$141 per farm. Allowing 3.8 adult units per family, the net cash income per adult would be \$158 in 1910, \$233 in 1920, \$280 in 1925, and \$228 in 1930. The estimate for 1931 is \$101 and for 1932 is \$37. Studies in southeastern Minnesota show that approximately \$75 per adult equivalent were spent in 1931 for food, clothing and medical service.* This figure is probably high for the state as a whole but if \$50 per person be allowed for these three items, only about \$50 remained for the other necessary cash expenses in 1931.

Table 3.

Cash Income and Expenses of Minnesota Agriculture
(in millions of dollars)

Year	Gross cash income	Expenses less taxes and interest	Taxes and interest	Net cash income	Net cash income per farm (dollars per farm)
1910	166	51	21	94	600
1911	144	52	23	69	439
1912	163	57	24	82	509
1913	182	60	28	94	582
1914	184	60	32	92	560
1915	201	66	34	101	605
1916	228	70	40	118	696
1917	308	91	43	174	1014
1918	451	118	48	285	1640
1919	438	131	50	248	1408
1920	379	145	76	158	888
1921	229	111	76	42	236
1922	256	95	78	83	457
1923	267	105	84	98	528
1924	342	109	79	154	829
1925	395	115	80	200	1066
1926	398	112	77	209	1112
1927	366	113	79	174	927
1928	367	115	77	175	939
1929	384	120	79	185	995
1930	332	94	77	161	866
1931	233	87	72	74	384
1932	175	80	69	26	141

With so large a part of the cash farm expenses consisting of such non-flexible items as taxes and interest, the possibility of significant increases in net farm income lies with an increase in the prices of agricultural commodities instead of any great reduction in farm expenses.

*Mimeographed Report 52, Division of Agricultural Economics, University of Minnesota.

MINNESOTA FARM PRICES FOR NOVEMBER 1932

Prepared by Adena E. Erickson

The index number of Minnesota farm prices for the month of November 1932 was 37.6. When the average of farm prices of the three Novembers of 1924-25-26 is represented by 100, the indexes for November of each year from 1924 to date are as follows:

November 1924	-	91.9
"	1925	- 105.1
"	1926	- 104.4
"	1927	- 96.3
"	1928	96.4
"	1929	99.1
"	1930	75.7*
"	1931	53.8*
"	1932	37.6*

*Preliminary

The price index of 37.6 for the past month is the net result of increases and decreases in the prices of farm products in November 1932 over the average of November 1924-25-26 weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index,
November 15, 1932 with Comparisons*

	Nov. 15, 1932	Oct. 15, 1932	Nov. 15, 1931	Av. Nov. 1924-25- 26	% Nov. 15, 1932 is of Oct. 15, 1932	% Nov. 15, 1932 is of Nov. 15, 1931	% Nov. 15, 1932 is of Nov. 15, 1924-25-26
Wheat	\$.36	\$.37	\$.58	\$1.32	97	62	27
Corn	.15	.15	.36	.66	100	42	23
Oats	.10	.10	.20	.36	100	50	28
Barley	.20	.16	.34	.58	125	59	34
Rye	.20	.20	.38	.95	100	53	21
Flax	.92	.93	1.25	2.22	99	74	41
Potatoes	.21	.21	.30	.89	100	70	24
Hogs	2.85	3.05	4.00	10.06	93	71	28
Cattle	4.00	4.00	4.40	5.67	100	91	70
Calves	4.20	4.85	5.20	8.63	86	81	49
Lambs-sheep	4.18	4.10	4.63	10.90	102	90	38
Chickens	.077	.084	.121	.158	92	64	49
Eggs	.24	.21	.24	.41	114	100	58
Butterfat	.20	.19	.30	.45	105	67	44
Hay	6.42	6.66	8.50	11.81	96	76	54
Milk	1.14	.119	1.57	2.29	96	73	50

*Except for milk, these are the average prices for Minnesota as reported by the United States Department of Agriculture.