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AGRICULTURAL EXTENSION DIVISION
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MINNESOTA FARM BUSINESS NOTES

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University Farm, St. Paul, Minnesota

FARMERS' EARNINGS IN 1935 WITH COMPARISONS FOR PREVIOUS YEARS

Prepared by G. A. Pond and G. A. Sallee

Some preliminary estimates of the gross and net cash income of farmers in Minnesota in 1935 were presented in Minnesota Farm Business Notes No. 156. These figures covered all farmers in the state and obviously were rather broad generalizations. In this number are presented specific earnings records for five groups of representative farmers in various parts of the state. These figures emphasize the wide variation in income and expense among farmers in different parts of the state and among farmers in the same county or even smaller area. Attention is also given to variations in earnings from year to year in some of these areas.

Table 1

Counties:	Description of Farms				
	8 south- eastern counties*	Winona, Mower, Fillmore	Winona	Stevens	Carlton, Itasca, St. Louis
Number of farms	150	40	20	15	16
Total acres	202	194	334	395	156
% land tillable	76	68	58	87	42
% tillable land in:					
Small grain	45	46	62	61	24
Cultivated crops	28	22	18	20	14
Hay and pasture	27	32	20	19	62
Number of cows	18	13	19	12	9
Pounds of hogs produced	9672	No data	9741	4729	586
Number of sheep	19	26	21	21	14
Number of hens	171	103	117	91	48

*Dodge, Freeborn, Goodhue, Le Sueur, Mower, Rice, Steele and Waseca.

Some description of the farms from which these earning figures were obtained is given in Table 1. In all cases, these farms are larger than the averages of the counties in which they are located. They also represent better than average management since in general it is only the better farmers who will keep farm accounts. All of the earnings figures were obtained from farmers' account books and have been carefully checked for accuracy and completeness. Practically all the farms in the first three and in the fifth groups are dairy farms or general farms with dairying as the dominant enterprise. The farms in Stevens County were about evenly divided between dairy farms and general farms on which small grain was an important enterprise. The farms in Fillmore, Mower and Winona Counties are included in a soil erosion control demonstration area.

Table 2

Summary of Farmers' Income, Expense and Earnings, 1935					
Counties:	8 south- eastern counties	Winona, Mower, Fillmore	Winona	Stevens	Carlton, Itasca, St. Louis
Receipts:					
Dairy products	\$1307	\$700	\$1049	\$515	\$733
Cattle	614	568	771	225	175
Hogs	793	474	725	265	44
Poultry and eggs	652	242	310	238	145
Sheep and wool	192	247	93	121	72
Crops	637	250	626	1016	246
Miscellaneous	604	256	610	935	153
Total cash receipts	4799	2737	4184	3315	1568
Increase in farm inventory	294	160	14	1362	-
Farm produce used in house	265	311	363	255	298
Total farm income	5358	3208	4561	4932	1866
Expenses:					
Machinery and power	700	358	810	155	156
Buildings and fences	236	180	213	973	21
Hired labor	322	162	366	192	72
Feeds	438	184	292	511	183
Crop expense	195	99	199	435	88
Livestock expense	606	304	335	241	87
Taxes and insurance	258	193	282	226	94
Miscellaneous	30	14	29	16	17
Total cash expenses	2785	1494	2526	2749	718
Decrease in farm inventory	-	-	-	-	86
Board for hired labor	121	88	168	67	34
Wages for unpaid family labor	229	156	337	481	319
Interest on farm inventory	859	638	862	874	386
Total farm expense	3994	2376	3893	4171	1543
Operator's labor earnings:					
Average	1364	832	668	761	323
Low	-671	-785	-463	-834	-448
High	8987	2488	3380	1835	1305

A statement of the cash and non-cash items of income and expense and of the labor earnings of these farmers is presented in Table 2. These statements are computed on a "full ownership" basis in order to eliminate the effect of differences in rental systems, amounts of indebtedness, interest rates and other variable factors of that type. Operator's labor earnings is the return a farmer receives for his labor and management after deducting all farm expense including wages for members of the family other than himself and an interest charge on the entire farm investment. It reflects more accurately the relative financial success of different farmers as managers than if differences due to ownership and tenancy factors also were involved in the same figure. Obviously, the actual amount of cash available for household and personal expenditures and for savings and investment is larger than the operator's labor earnings in most cases since he seldom pays interest on the entire farm investment and since some of the other items do not represent cash outlay. On the other hand, it may be less if non-cash items of income are unusually high. (See Stevens County, 1935, Table 3.)

The range in earnings in each of these areas is also shown in Table 2. In each case some one or more farmers had a gross income inadequate to cover all the items of expense listed. On the other hand, the most successful farmers had earnings from two to nearly seven times that of the average operator. This range is characteristic of the results found in all studies of farm earnings. This wide difference reflects in part differences in managerial ability between different operators and in part differences in fortuitous circumstances that affect earnings.

Table 3

	Trend in Earnings								
	Eight Southeastern Counties								
	1928	1929	1930	1931	1932	1933	1934	1935	
Number of farms	124	172	180	147	143	108	120	150	
Total acres per farm	163	176	183	198	201	202	209	202	
Cash receipts	\$4464	\$5043	\$4476	\$3804	\$2754	\$2936	\$4192	\$4799	
Cash expenses	2266	2614	2390	2177	1669	1510	2027	2785	
Net cash income	2198	2429	2086	1627	1085	1426	2165	2014	
Operator's labor earnings	1277	1857	243	-622	-768	986	1855	1364	
	Stevens				Carlton, Itasca and St. Louis*				
	1932	1933	1934	1935	1931	1932	1933	1934	1935
Number of farms	24	22	22	15	55	44	30	20	16
Total acres per farm	352	374	372	395	199	184	182	198	156
Cash receipts	\$2518	\$2506	\$2617	\$3315	\$1822	\$1279	\$1656	\$2139	\$1568
Cash expenses	1536	1344	1690	2749	1071	729	861	993	718
Net cash income	982	1162	927	566	751	550	795	1146	850
Operator's labor earnings	-1153	-197	-561	761	56	-205	349	584	323

*Prior to 1935, farms in Beltrami, Clearwater, Hubbard, Koochiching, Polk and Wadena were included in addition to those in these three counties.

Farm earnings also vary from year to year on the same farm or the same group of farms. For three of the areas included in Tables 1 and 2, earnings data for several years are available. These are shown in Table 3. There are some differences in the farms included in succeeding years as is indicated by changes in acreages. However, there was no change in the type of farms and these differences indicate the variability that might be expected from year to year in the area. Drouth reduced the income sharply in Stevens County from 1932 to 1934. It also affected the other areas in 1931 and 1934 but not as seriously. The other important factor causing these variations from year to year was variations in the prices of farm products and to a lesser extent in the prices of things the farmer buys.

These data suggest rather pointedly that the average farm income or farm earnings for a state do not indicate very accurately what is happening in a particular part of the state or on individual farms. Weather conditions vary in different parts of the state and price variations from year to year affect different areas differently. Within a given area, however, differences in the managerial ability of different farmers is the most important cause of differences in earnings.

MINNESOTA FARM PRICES FOR MAY 1936
Prepared by W. C. Waite and W. B. Garver

The index number of Minnesota farm prices for the month of May, 1936 was 79.2. When the average of farm prices of the three Mays 1924-25-26 is represented by 100, the indexes for May of each year from 1924 to date are as follows:

May 1924 - 84	May 1931 - 64
" 1925 - 106	" 1932 - 43
" 1926 - 110	" 1933 - 49
" 1927 - 109	" 1934 - 53
" 1928 - 113	" 1935 - 86*
" 1929 - 113	" 1936 - 79*
" 1930 - 98	

*Preliminary

The price index of 79.2 for the past month is the net result of increases and decreases in the prices of farm products in May, 1936 over the average of May, 1924-25-26 weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index,
May 15, 1936, with Comparisons*

	May 15, 1936	Apr. 15, 1936	May 15, 1935	Av. May 1924-25- 26	% May 15, 1936 is of April 15, 1936	% May 15, 1936 is of May 15, 1935	% May 15, 1936 is of May 15, 1924-25-26
Wheat	\$.83	\$.91	\$1.01	\$1.31	91	82	63
Corn	.44	.45	.77	.65	98	57	68
Oats	.19	.20	.45	.35	95	42	54
Barley	.38	.41	.70	.59	93	54	64
Rye	.39	.38	.49	.75	103	80	52
Flax	1.50	1.52	1.57	2.32	99	96	65
Potatoes	.55	.55	.36	.83	100	153	66
Hogs	8.80	9.70	8.10	9.60	91	109	92
Cattle	6.10	6.50	7.20	6.38	94	85	96
Calves	7.60	7.70	7.30	8.07	99	104	94
Lambs-sheep	8.57	8.67	6.99	11.39	99	123	75
Chickens	.146	.145	.136	.189	101	107	77
Eggs	.18	.16	.21	.22	112	84	80
Butterfat	.29	.33	.29	.40	88	100	73
Hay	4.52	4.90	16.84	11.49	92	27	39
Milk	1.52	1.62	1.57	1.95	94	97	78

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

Indexes and Ratios of Minnesota Agriculture*

	May 1936	April 1936	May 1935	Av. May 1924-26
U.S. farm price index	74.6	75.5	78.3	100.0
Minnesota farm price index	79.2	84.2	86.1	100.0
U.S. purchasing power of farm products	96.8	97.9	96.1	100.0
Minnesota purchasing power of farm products	102.7	109.2	105.6	100.0
U.S. hog-corn ratio	14.3	16.4	9.3	12.1
Minnesota hog-corn ratio	20.0	21.6	10.5	15.1
Minnesota egg-grain ratio	17.8	14.9	14.0	14.4
Minnesota butterfat-farm-grain ratio	42.0	45.4	20.5	34.5

*Explanations of the computation of these data are given in Farm Business Notes No. 144.