



UNIVERSITY OF MINNESOTA
EXTENSION

Ag Business Management

Informing farm families and ag businesses about management issues.

“WHY CAN’T AGRICULTURE BE LIKE IT WAS IN THE 1970’s?” COMPARING A 1970’s FARM WITH CURRENT FARM RETURNS / COST OF LIVING

ASSUMPTIONS:

- Average Size South Central Minnesota Farm In 1974 Was 261 Acres owned, 23 Sows Farrow-To-Finish, and 25 Milk Cows²
- 2007 Yields: Corn - 166 Bu./Ac., Soybeans - 50 Bu./Ac., Corn Silage - 20 Ton/Ac., and Alfalfa Hay - 4.25 Ton/Ac.
- In 2007: Farmer Farrowed 2 Litters Per Sow Per Year, Sells 8.0 Pigs Per Litter, And Feeds 75 Bu. Of Corn Per Litter.
- Farmer Feeds 135 Bu. of Corn, 3 Tons Corn Silage, and 5 Ton Alfalfa Hay Per Cow Per Year.
- Farmer Has No Debt To Re-pay.
- In This Minnesota County There Are No Income Taxes, No Social Security Taxes, and No Real Estate Taxes.
- Family Size Is 3.4 Persons.
- Total 2007 Household and Personal Living Expenses Were \$74,804¹ (Includes expenditures for food, medical costs, medical insurance, supplies, gifts, charitable donations, clothing, furnishings, educational costs, recreation expenses, utilities, child care, transportation, house rent and upkeep, purchase of non-farm vehicles, investments, and life insurance premiums). Subtracting out taxes and social security payments, actual family living expense net of taxes was \$64,965.00 for 2007.

CALCULATIONS:

Net Income Per Farm Unit:

Corn:	63 Acres X \$225.66/Ac. ¹	=	\$ 14,216.58
	(21 Acres to feed hogs)	=	- 0 -
	(22 Acres to feed cows)	=	- 0 -
Soybeans:	105 Acres X \$238.63/Ac. ¹	=	\$ 25,056.15
Hay:	(30 Acres to feed cows)	=	- 0 -
Oats	(20 Acres to feed cows)	=	- 0 -
Hogs:	368 Hogs X -\$2.23/Hog ¹	=	-\$ 820.64
Dairy Cows:	25 Cows X \$854.61/Cow ¹	=	\$ 21,365.25
	Total Net Income		\$ 59,817.34

<u>Expenses:</u>	Family Living (net of taxes and social security)	=	\$ 64,965.00
	Principal & Interest Payments	=	- 0 -
	Income, Social Security, & Real Estate Tax	=	- 0 -
	Total Expenses		\$ 64,965.00

NET RESULTS: (Income Minus Expenses) = < \$ 5,147.66 >

OFF-FARM INCOME: The 2007 year was a very profitable year for this example Minnesota farmer. Assume one family member decides to work off the farm in order to make up the \$5,147.66 shortfall needed to meet household and personal living expenses. If the individual earned \$10 per hour, they would have had to work only 515 hours or 10 hours per week (2,080 hours being a full-time, 40 hour per week job) to make up the family living expense shortfall.

ACTUAL 2007 FARM FINANCE SITUATION: If this example farm included both taxes/social security payments and principal/interest payments, the outcome would be much different. This average farm would have borrowed \$50,885 more capital than was repaid in 2007. In addition, this example farm family paid \$9,839 in taxes and social security payments. Factored this in, the family living expense shortfall would have been \$65,871.66. The individual working off the farm would have had to work full-time and earn \$31.67 per hour to make up the shortfall.

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Date Source: 1) 2007 MnSCU Farm Business Management Program, South Central College, North Mankato, MN
2) 1974 United States Census of Agriculture