



UNIVERSITY OF MINNESOTA
EXTENSION

Ag Business Management

*Informing farm families and ag
businesses about management issues.*

“WHAT DOES IT TAKE TO EARN A LIVING ON THE FARM?”

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Information / Data Source:

**Extension Southwestern Minnesota Farm Business
Management Association**

**MnSCU South Central/Minnesota West Farm Business Management Program
South Central Technical College
North Mankato & Jackson, MN.**

**MnSCU Southeastern Farm Business Management Program
Riverland Community College
Austin, MN.**

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Introduction:

Agriculture is an integral part of Minnesota's economy. The production, processing, marketing, and distribution of agricultural products accounts for billions of dollars of state revenue. Agricultural production, processing and distribution employ thousands of workers in Minnesota as well. The agricultural industry has changed drastically in the past several years, including the farms where raw agricultural products are produced.

As input costs increase and commodity prices farmers receive fluctuate, profit margins change over time. As these changes occur, farmers have had to change their businesses. Some farmers have gone out of business. Some are farming part-time and work off the farm to supplement their income. Others have gone to alternative farming methods in order to remain in farming. Yet others still farm full-time and they have increased the size of their farms in order to remain profitable. Whether we agree or disagree with these changes, the changes are a function of the changing agricultural industry.

The following data is presented not to justify or support the changes in agriculture. Rather, it is put forth as one approach to quantifying and explaining what is happening. The numbers presented are real numbers from hundreds of real farm families throughout the southern one-third of Minnesota. These families have kept records on their farm business as well as their household and personal expenses. As you study the data, it becomes clear that agriculture is changing.

Data Sources:

The data used in the comparisons originates from the data recorded by farm families who are members of the MnSCU Adult Farm Business Management Program and the Extension Southwestern Minnesota Farm Business Management Programs. These are real numbers from real farm families as a result of operating their farm businesses.

The introduction for each set of regional data gives an explanation of data size, average household and personal expense, family size, what the family living expenditures cover, which counties are involved in the comparison, and a short description of what the enterprise data calculation includes. The data includes the average numbers for the 2003-07 production years. All data is presented on a per acre or per head of livestock basis.

Note: The data listed is an average of all the farm families reporting. Keep in mind that there are farm families performing above as well as below the numbers shown here.

**MnSCU SOUTH CENTRAL/MINNESOTA WEST ADULT FARM BUSINESS
MANAGEMENT PROGRAM**

In 2007, a total of 850 farm families from the MnSCU South Central/Minnesota West Adult Farm Business Management Program kept household and personal expense records. Their average household and personal expense for the year was \$74,804 with an average family size of 3.4 persons. This family living expense includes: food, medical care, charitable donations, supplies, furnishings, clothing, educational costs, recreation expenses, gifts, utilities, child care, house rent and upkeep of the house. Also included are expenses for the purchase of non-farm vehicles, investments, savings, life insurance premiums, income/social security taxes, and non-farm capital purchases.

This MnSCU Adult Farm Business Management Program data includes farm business numbers from farm families in twenty-four South Central and Southwest Minnesota counties. The following calculations include actual numbers reported by those farm families.

The chart below illustrates how many acres of crop or number of livestock units needed to earn the 2007 average family living amount of \$74,804. The calculations are based upon five year average net return values for the crop and livestock enterprises listed. The net return values are dollars remaining after all farm expenses are paid, **excluding** a charge for labor and management. The numbers are an average of all farm records included in the MnSCU South Central/Minnesota West Adult Farm Business Management Program for the 2003-07 years. Also, there are three assumptions related to the calculations. The first assumption is that all income to earn the family living amount would come from one enterprise. That is, to earn \$74,804 from raising corn only, the farm family would have to have 890 acres of corn. To earn all family living expenses from contract finishing pigs only, the family would have to market 16,586 hogs annually. The second assumption is that all family living income would come from the farm and there is no off-farm income included in the calculation. The third assumption is that the net return values for corn, soybeans, and alfalfa hay are for cash rented land (most producers rent more land than they own) and the values include government payments.

<u>Enterprise</u>	<u>5 Yr. Ave. Net Return</u>	<u>Units Required To Earn Living</u>
Corn/Ac. (incl. govt. payments)	\$ 84.03	890 Acres
Soybeans/Ac. (incl. govt. pmts.)	\$ 77.15	970 Acres

Note: If a farmer plants a 50/50 corn & soybean rotation, here is the approximate number of acres required to meet family living expenses. Using the net return numbers and the 2007 family living cost of \$74,804, a farmer would have to have approximately 464 acres of corn and 464 acres of soybeans or a total of 928 acres to earn the family living amount.

Alfalfa Hay/Acre	\$ 202.77	369 Acres
Farrow to Finish Hogs/Head	\$ 17.08	4,380 Head
Hogs, Weaning to Finish/Head	\$ 6.98	10,717 Head
Finish Feeder Pigs/Head	\$ 11.62	6,438 Head
Contract Finish Hogs/Head	\$ 4.51	16,586 Head
Beef Finish Calves/Head.	\$ 89.98	831 Head
Beef Cow-Calf/Cow	\$ 78.94	948 Cows
Dairy Cows/Cow	\$ 590.86	127 Cows

SOUTHWESTERN MINNESOTA FARM BUSINESS MANAGEMENT ASSN.

In 2007, a total of 107 farm families from the Extension Southwestern Minnesota Farm Business Management Association kept household and personal expense records. Their average household and personal expense for the year was \$98,388 with an average family size of 3.1 persons. This family living expense includes: food, medical care, charitable donations, supplies, furnishings, clothing, educational costs, recreation expenses, gifts, utilities, child care, house rent and upkeep of the house. Also included are expenses for the purchase of non-farm vehicles, investments, savings, life insurance premiums, income/social security taxes, and non-farm capital purchases.

The Extension Southwestern Minnesota Farm Business Management Association includes farm families from Brown, Cottonwood, Faribault, Jackson, Lincoln, Lyon, Martin, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, Yellow Medicine, and Watonwan counties. The following calculations include actual numbers reported by those farm families.

The chart below illustrates how many acres of crop or number of livestock units needed to earn the 2007 average family living amount of \$98,388. The calculations are based upon five year average net return values for the crop and livestock enterprises listed. The net return values are dollars remaining after all farm expenses are paid, **excluding** a charge for labor and management. The numbers are an average of all farm records included in the Southwestern Farm Business Management Association for the 2003-07 years. Also, there are three assumptions related to the calculations. The first assumption is that all income to earn the family living amount would come from one enterprise. That is, to earn \$98,388 from raising corn only, the farm family would have to have 814 acres of corn. To earn all family living expenses from contract finishing hogs only, the family would have to market 18,322 hogs annually. The second assumption is that all family living income would come from the farm and there is no off-farm income included in the calculation. The third assumption is that the net return values for corn, soybeans, and alfalfa hay are for cash rented land (most producers rent more land than they own) and the values include government payments.

<u>Enterprise</u>	<u>5 Yr. Ave. Net Return</u>	<u>Units Required To Earn Living</u>
Corn/Ac. (incl. govt. pmts.)	\$ 120.88	814 Acres
Soybeans/Ac. (incl. govt. pmts.)	\$ 97.70	1,007 Acres

Note: If a farmer plants a 50/50 corn & soybean rotation, here is the approximate number of acres required to meet family living expenses. Using the net return numbers and the 2007 family living cost of \$98,388, a farmer would have to have approximately 450 acres of corn and 450 acres of soybeans or a total of 900 acres to earn the family living amount.

Alfalfa Hay/Acre	\$ 142.28	692 Acres
Farrow to Finish Hogs/Head	\$ 3.97	24,783 Head
Hogs, Weaning to Finish /Head	\$ 15.85	6,207 Head
Contract Finish Hogs/Head	\$ 5.37	18,322 Head
Beef Finish Calves/Head	\$ 28.76	3,421 Head
Beef Cow-Calf/Cow	\$ 27.89	3,528 Cows
Dairy Cows/Cow	\$ 770.99	128 Cows

MnSCU SOUTHEASTERN MINNESOTA FARM BUSINESS MANAGEMENT PROGRAM

In 2007, a total of 464 farm families from the MnSCU Southeastern Minnesota Farm Business Management Program kept household and personal expense records. Their average household and personal expense for the year was \$65,867 with an average family size of 3.1 persons. This family living expense includes: food, medical care, charitable donations, supplies, furnishings, clothing, educational costs, recreation expenses, gifts, utilities, child care, house rent and upkeep of the house. Also included are expenses for the purchase of non-farm vehicles, investments, savings, life insurance premiums, income/social security taxes, and non-farm capital purchases.

The MnSCU Southeastern Farm Business Management Program includes farm families from Dodge, Dakota, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Steele, Wabasha, Washington and Winona counties. The following calculations include actual numbers reported by those farm families.

The chart below illustrates how many acres of crop or number of livestock units needed to earn the 2007 average family living amount of \$65,867. The calculations are based upon five year average net return values for the crop and livestock enterprises listed. The net return values are dollars remaining after all farm expenses are paid, **excluding** a charge for labor and management. The numbers are an average of all farm records included in the Southeastern Farm Business Management Association for the 2003-07 years. Also, there are three assumptions related to the calculations. The first assumption is that all income to earn the family living amount would come from one enterprise. That is, to earn \$65,867 from raising corn only, the farm family would have to have 613 acres of corn. To earn all family living expenses from contract finishing hogs only, the family would have to market 15,462 hogs annually. The second assumption is that all family living income would come from the farm and there is no off-farm income included in the calculation. The third assumption is that the net return values for corn, soybeans, and alfalfa hay are for cash rented land (most producers rent more land than they own) and the values include government payments.

<u>Enterprise</u>	<u>5 Yr. Ave. Net Return</u>	<u>Units Required To Earn Living</u>
Corn/Ac. (incl. govt. pmts.)	\$ 107.42	613 Acres
Soybeans/Ac. (incl. govt. pmts.)	\$ 68.91	956 Acres

Note: If a farmer plants a 50/50 corn & soybean rotation, here is the approximate number of acres required to meet family living expenses. Using the net return numbers and the 2007 family living cost of \$65,867, a farmer would have to have approximately 373 acres of corn and 373 acres of soybeans or a total of 746 acres to earn the family living amount.

Alfalfa Hay/Acre	\$ 110.78	595 Acres
Farrow to Finish Hogs/Head	\$ 8.65	7,615 Head
Hogs, Weaning to Finish/Head	\$12.68	5,195 Head
Contract Finish Hogs/Head	\$ 4.26	15,462 Head
Beef Finish Calves/Head	\$ 23.01	2,863 Head
Beef Cow-Calf/Cow	\$ 37.30	1,766 Cows
Dairy Cows/Cow	\$ 676.92	97 Cows