



Ag Business Management

Informing farm families and ag businesses about management issues.

“WHY CAN’T AGRICULTURE BE LIKE IT WAS IN THE 1950's?” COMPARING A 1950's FARM WITH CURRENT FARM RETURNS / COST OF LIVING

ASSUMPTIONS:

- Average Size South Central Minnesota Farm In 1954 Was 190 Acres, 30 Sows Farrow-To-Finish, and 12 Milk Cows²
- 2006 Yields: Corn - 177 Bu./Ac., Soybeans - 53 Bu./Ac., Corn Silage - 20 Ton/Ac., and Alfalfa Hay - 4.9 Ton/Ac.
- In 2006: Farmer Farrows 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.
- Actual 2006 Household and Personal Living Expenses Were \$73,196¹ (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).

CALCULATIONS:

Net Income Per Farm Unit:

Corn:	50 Acres X \$64.25/Ac. ¹	=	\$ 3,212.50
	(25 Acres to feed hogs)	=	- 0 -
	(12 Acres to feed cows)	=	- 0 -
Soybeans:	80 Acres X \$56.09/Ac. ¹	=	\$ 4,487.20
Hay:	(15 Acres to feed cows)	=	- 0 -
Oats	(10 Acres to feed cows)	=	- 0 -
Hogs:	480 Hogs X \$16.97/Hog ¹	=	\$ 8,145.60
Dairy Cows:	12 Cows X \$472.52/Cow ¹	=	<u>\$ 5,670.24</u>
	Total Net Income		\$21,515.54

<u>Expenses:</u>	Family Living	=	\$73,19600
	Principal & Interest Payments	=	- 0 -
	Income, Social Security, & Real Estate Tax	=	<u>- 0 -</u>
	Total Expenses		\$73,196.00

NET RESULTS: (Income Minus Expenses) = < \$51,680.46 >

OFF-FARM INCOME:

Assume one family member decides to work off the farm in order to make up the \$51,680.46 shortfall needed to meet household and personal living expenses. How many hours would the person have to work and what wage would they have to receive in order to make up the shortfall? **Note:** 2,080 hours is considered a full-time, 40 hour per week job.

2,080 hours X \$18.00/hour	=	\$37,440.00
2,080 hours X \$20.00/hour	=	\$41,600.00
2,080 hours X \$25.00/hour	=	\$52,000.00

After the calculations, we see that one family member would have to work full-time and receive \$25 per hour to make up the household and personal living expense shortfall.

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