



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, 23 Sows Farrow-To-Finish, and 25 Milk Cows²
- 2010 Yields: Corn - 189 Bu./Ac., Soybeans - 51 Bu./Ac., Corn Silage - 24 Ton/Ac., and Alfalfa Hay – 5.6 Ton/Ac.
- In 2010: Farmer farrows 1.84 Litters Per Sow Per Year, Sells 7.85 Pigs Per Litter, And Feeds 75 Bu. Of Corn Per Litter.
- Farmer Feeds 60 Bu. of Corn, 8 Tons Corn Silage, and 5 Ton Alfalfa Hay Per Cow Per Year.
- Farmer Has No Debt To Re-pay. Net Return Per Unit of Commodity Sold Includes Government Payments.
- In This Minnesota County There Are No Income Taxes, No Social Security Taxes, and No Real Estate Taxes.
- Family Size Is 3.1 Persons.
- Actual 2009 Household and Personal Living Expenses Were \$84,378¹ (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 \$70,361.00 for 2010.

CALCULATIONS:

Net Income Per Farm Unit:

Corn:	85 Acres x \$269.19/Ac. ¹	=	\$ 22,881.15
	(17 Acres to feed hogs)	=	- 0 -
	(17 Acres to feed cows)	=	- 0 -
Soybeans:	119 Acres x \$183.55/Ac. ¹	=	\$ 21,842.45
Hay:	(23 Acres to feed cows)	=	- 0 -
Hogs:	332 Hogs x \$3.03/Hog ¹	=	\$ 1,005.96
Dairy Cows:	25 Cows x \$177.25/Cow ¹	=	\$ 4,431.25
	Total Net Income		\$50,160.81

Expenses:

Family Living		=	\$70,361.00
Principal & Interest Payments		=	- 0 -
Income, Social Security, & Real Estate Tax		=	- 0 -
	Total Expenses		\$70,361.00

NET RESULTS: (Income Minus Expenses) - \$20,200.19

OFF-FARM INCOME:

Assume one family member decides to work off the farm in order to make up the \$20,200.19 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 \$8.00/hour	=	\$16,640.00
2,080 hours x \$9.00/hour	=	\$18,720.00
2,080 hours x \$10.00/hour	=	\$20,800.00

After the calculations, we see that one family member would have to work full-time and receive \$10 per hour to make up the household and personal living expense shortfall of \$20,200.19.

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Date Source: 1) 2010 MnSCU Farm Business Management Program, North Mankato, Jackson and Austin, MN.
2) 1974 United States Census of Agriculture