



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 2004-08 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 2008, a total of 345 of the 815 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 \$89,147 with an average family size of 3.3 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 2008 average family living amount of \$89,147. 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 2004-08 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 \$89,147 from raising corn only, the farm family would have to have 850 acres of corn. To earn all family living expenses from contract finishing pigs only, the family would have to market 20,447 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.

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<b><u>Enterprise</u></b>	<b><u>5 Yr. Ave. Net Return</u></b>	<b><u>Units Required To Earn Living</u></b>
Corn/Ac. (incl. govt. payments)	\$ 104.86	850 Acres
Soybeans/Ac. (incl. govt. pmts.)	\$ 97.01	919 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 2008 family living cost of \$89,147, a farmer would have to have approximately 442 acres of corn and 442 acres of soybeans or a total of 884 acres to earn the family living amount.**

Alfalfa Hay/Acre	\$ 224.74	397 Acres
Farrow to Finish Hogs/Head	\$ 13.81	6,455 Head
Hogs, Weaning to Finish/Head	\$ 1.31	68,051 Head
Finish Feeder Pigs/Head	\$ 8.54	10,439 Head
Contract Finish Hogs/Head	\$ 4.36	20,447 Head
Beef Finish Calves/Head.	\$ 27.94	3,191 Head
Dairy Steer Finishing	\$ 17.35	5,138 Head
Beef Cow-Calf/Cow	\$ 41.28	2,160 Cows
Dairy Cows/Cow	\$ 618.93	144 Cows

**SOUTHWESTERN MINNESOTA FARM BUSINESS MANAGEMENT ASSN.**

In 2008, a total of 62 of the 112 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 \$99,366 with an average family size of 3.0 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 Cottonwood, Faribault, Jackson, Lyon, Lac Qui Parle, Martin, McLeod, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, and Wabasha 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 2008 average family living amount of \$99,366. 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 2004-08 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 \$99,366 from raising corn only, the farm family would have to have 648 acres of corn. To earn all family living expenses from contract finishing hogs only, the family would have to market 19,072 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.

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<u>Enterprise</u>	<u>5 Yr. Ave. Net Return</u>	<u>Units Required To Earn Living</u>
Corn/Ac. (incl. govt. pmts.)	\$ 153.26	648 Acres
Soybeans/Ac. (incl. govt. pmts.)	\$ 113.82	873 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 2008 family living cost of \$99,366, a farmer would have to have approximately 372 acres of corn and 372 acres of soybeans or a total of 744 acres to earn the family living amount.

Alfalfa Hay/Acre	\$ 305.66	325 Acres
Hogs, Weaning to Finish /Head	\$ 11.72	8,478 Head
Contract Finish Hogs/Head	\$ 5.21	19,072 Head
Beef Finish Calves/Head	\$ - 9.83	?? ? Head
Beef Cow-Calf/Cow	\$ - 8.97	?? ? Cows
Dairy Cows/Cow	\$ 766.87	130 Cows

**MnSCU SOUTHEASTERN MINNESOTA FARM BUSINESS MANAGEMENT PROGRAM**

In 2008, a total of 152 of the 453 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 \$80,728 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 2008 average family living amount of \$80,728. 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 2004-08 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 \$80,728 from raising corn only, the farm family would have to have 670 acres of corn. To earn all family living expenses from contract finishing hogs only, the family would have to market 20,542 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.

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<u>Enterprise</u>	<u>5 Yr. Ave. Net Return</u>	<u>Units Required To Earn Living</u>
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Corn/Ac. (incl. govt. pmts.)	\$ 120.58	670 Acres
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Soybeans/Ac. (incl. govt. pmts.)	\$ 85.19	948 Acres
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**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 2008 family living cost of \$80,728, a farmer would have to have approximately 392 acres of corn and 392 acres of soybeans or a total of 784 acres to earn the family living amount.

Alfalfa Hay/Acre	\$ 153.88	525 Acres
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Farrow to Finish Hogs/Head	\$ 8.11	9,954 Head
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Hogs, Weaning to Finish/Head	\$9.14	8,832 Head
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Contract Finish Hogs/Head	\$ 3.93	20,542 Head
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Beef Finish Calves/Head	\$ - 6.99	? ? ? Head
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Beef Cow-Calf/Cow	\$ 1.04	77,623 Cows
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Dairy Cows/Cow	\$ 680.69	119 Cows
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