

LABOR INCOMES

ON

COST-ACCOUNT FARMS

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During the past five years, 1935 to 1939, the farmers who have kept cost accounts in cooperation with the New York State College of Agriculture have made \$1.102 per year as pay for their year's work (table 1). In addition to the labor income, these farmers had the use of the farm house and milk, eggs, and other privileges for use in the house. The poorest year was in 1937, when these farmers made a labor income of only \$1 a day. The best year of the five was in 1936, when the average labor income was about twice as high as the average for the period.

Table 1. Labor incomes on cost-account farms

	1935	1936	1937	1938	1939	Five-year average
Number of farms	95	82	82	75	75	82
Cash receipts	\$8,334	\$10,158	\$10,807	\$10,234	\$11,064	\$10,119
Cash expenses	6,920	7,597	8,850	8,468	9,049	8,176
Difference	1,414	2,561	1,957	1,766	2,015	1,943
Increase in farm capital	1,055	1,257	144	1,165	870	898
Value unpaid labor	215	236	223	271	232	235
Value board furnished labor	108	130	120	131	172	132
Farm income	2,146	3,452	1,758	2,529	2,481	2,474
Interest on farm capital	1,246	1,338	1,393	1,422	1,459	1,372
Labor income	900	2,114	365	1,107	1,022	1,102

An important part of the returns for the work of these farmers has consisted of the increased value of their farms. They have been increasing the size and the investment in their farm businesses. In each year there was a net increase in the capital invested in the farm, varying from \$144 in 1937 to \$1257 in 1936. On the average during the five-year period, these farmers increased their investment in their farm businesses by almost \$900 per farm per year.

Sometimes it is said that a person who buys a farm does so to get a job for himself and his family. If the farm labor performed by members of the family other than the operator had been hired, it would have cost about \$235 a year. This labor was considered as an expense in calculating the labor income.

When the housewife buys groceries and meat, she does not distinguish between the amount to be eaten by the hired man, if he eats at the family table, and the amount to be eaten by the family. The cost of boarding hired help cannot be determined from day to day, but must be estimated. The cost of board for hired help averaged \$132 for the year.

Farmers are capitalists as well as laborers. The average investment in these farm businesses was almost \$30,000. Returns for the use of this capital and for the operator's labor in 1939 were \$2481, or at the rate of a little more than \$200 per month (table 2). If 5 per cent interest is regarded as a reasonable rate of return

Table 2. Returns from cost-account farms, 1939

Return for capital and operator's labor (farm income)	\$2,481
Interest on \$29,182 at 5 per cent	1,459
LABOR INCOME	1,022
Value of house rent and privileges of operator	566
LABOR EARNINGS	1,588
Value of operator's time	885
RETURN ON CAPITAL	1,596
PER CENT RETURN ON CAPITAL	5.5

on capital, \$1022 would be left as pay for the operator's year's work in 1939.

The cost of maintaining the house in which the operator lived and the value of the milk, eggs, and other farm produce used in the household of the operator, amounted to almost \$50 a month. These farm privileges are considered as part of the pay of the farm operator and are added to labor income to calculate the labor earnings, or \$1588 per farm for the year.

These farmers estimated that if they had worked for other people they would have received an average of \$885 per year in addition to farm privileges. Although this represents the averages of estimates that cannot be very accurate, the tendency is to underestimate rather than to overestimate the value of the operator's time and management. The difference between the farm income and the value of the operator's time, or \$1596, is the amount these farmers received as pay for the use of the capital, or at the rate of 5.5 per cent on the \$29,182 investment.

Not all farms made the same labor income. Labor incomes varied with the ability of the manager, kind of farm, size, and so forth. The difference in the relative profitability of important enterprises also accounts for much of the difference in labor incomes. Each dot on the diagram represents the labor income from one farm (figure 1). The farther to the right, the higher the labor income. The length of the bar represents the average for all farms with similar important enterprises.

Farms on which vegetables were an important part of the business, either alone or in combination with animal enterprises, paid relatively well in 1939 (table 3). The two specialized poultry farms each made about \$900. Not one of the 15 specialized dairy farms made as much as \$2500, but the biggest loss on this type of farm was less than \$1500. Each of the five specialized fruit farms lost money.

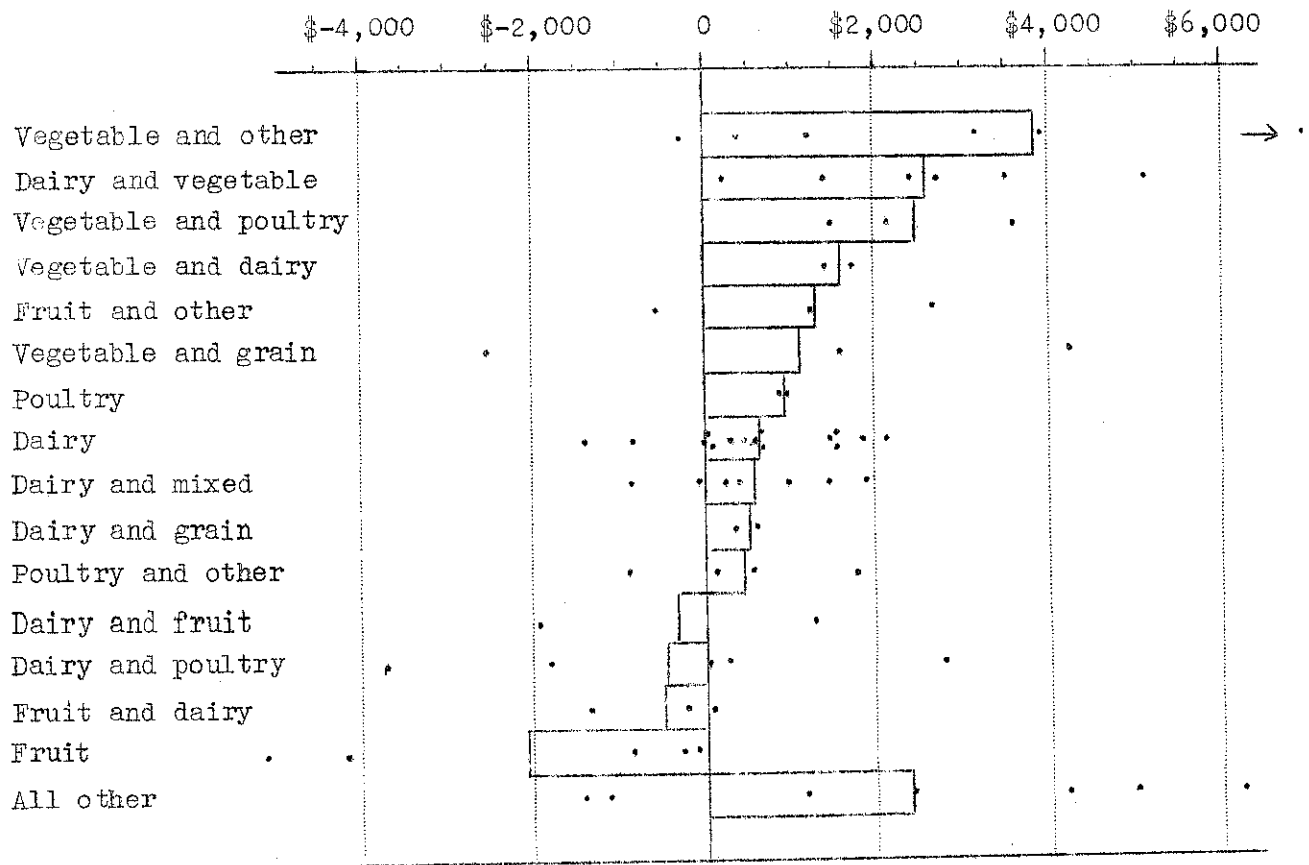


Figure 1. Important enterprises and distribution of labor incomes, 1939

The length of the bar represents the average labor income for the farms with the important enterprises listed at the left. Each dot represents the labor income of one farm.

Table 3. Important enterprises and labor income, 1939
(Arranged by average labor income)

Important enterprises	Number of farms	Average labor income
		dollars
Vegetable and other	6	3,858
Dairy and vegetable	6	2,598
Vegetable and poultry	3	2,433
Vegetable and dairy	2	1,590
Fruit and other	3	1,303
Vegetable and grain	3	1,120
Poultry	2	915
Dairy	15	636
Dairy and mixed	7	596
Dairy and grain	2	515
Poultry and other	4	425
Dairy and fruit	2	- 305
Dairy and poultry	5	- 468
Fruit and dairy	3	- 470
Fruit	5	-2,070
All other	7	2,370
All farms	75	1,022

Cash receipts

"If I could just keep half the money I take in during a year, I wouldn't need to worry", is the typical reaction of a farmer who has summarized his year's books. Cost-account farmers received an average of about \$10,000 during the year (table 4). About one-third of the money came from the sale of crops, one-third

Table 4. Cash receipts

	1939	Five-year average 1935-39	
	dollars	dollars	per cent of total
Current year's crops	3,125	2,871	28.4
Past year's crops	760	717	7.1
Milk	2,178	2,160	21.3
Sale of livestock	1,038	977	9.7
Eggs	1,175	1,177	11.6
Baby chicks	75	116	1.1
Poultry	253	270	2.7
Wood and lumber	27	46	0.5
Sale of purchased goods and miscellaneous	2,433	1,785	17.6
Total	11,064	10,119	100.0

from the sale of milk and animals, one-sixth from the sale of poultry and poultry products, and one-sixth from the sale of goods bought for resale.

Cash expenses

About 80 cents out of every dollar these farmers received was paid out in the operation of the business. Hired labor took the largest part, or 18 cents out of each dollar spent (table 5). Purchases, repairs, and gasoline and oil to operate equipment are becoming increasingly important, and amounted to 12 per cent of the total cash expenses. Eight cents out of every dollar was spent on the maintenance of real estate. Taxes averaged \$256 per year, or 3 per cent of the expenses. Fertilizer, lime, seed, and other expenses directly connected with crop production averaged \$743 per year. Feed and other direct expenses for livestock made up the largest group of expenses, amounting to more than one-fourth of the total. Direct expenses of marketing accounted for 5 cents per dollar.

Table 5. Cash expenses

	1939	Five-year average 1935-39	
	dollars	dollars	per cent of total
Labor	1,627	1,441	17.6
Equipment	1,074	1,008	12.3
Real estate	924	683	8.4
Taxes	278	256	3.1
Crops	820	743	9.1
Livestock	2,231	2,334	28.5
Marketing	424	406	5.0
Miscellaneous	1,671	1,305	16.0
Total	9,049	8,176	100.0

Equipment

Fuel and oil for automobile, truck, and all farm equipment cost \$288 per farm in 1939 (table 6). Repairs, insurance, replacements, and other direct costs of motor trucks amounted to \$170 per farm, but since only 57 of the 75 farms had trucks, the cost per farm on which trucks were used was \$216. Farmers who used automobiles in the operation of their farm businesses spent \$73 per year for the share of the automobile expenses which are estimated to have been incurred because of the farm business. Farmers who bought new equipment in 1939 spent \$453 in addition to the value of the equipment traded in on the new machines. Repairs and rent of equipment cost about one-half as much as new equipment.

Table 6. Equipment Costs

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Gasoline, oil, grease, coal	288	221	308	232
Motor truck	170	166	216	218
Automobile (farm share)	52	63	73	85
Other equipment:				
Net purchases	338	376	453	424
Repairs, rent	226	182	229	184

Real estate

Insurance premiums amounted to about \$80 per year (table 7). Repairs to buildings and fences cost \$433. The 13 farmers who built new buildings in 1939 spent \$998 per farm. The six who bought additional real estate paid an average of \$2751.

Table 7. Real estate expenses

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Fire insurance	78	80	81	82
Repairs	433	300	433	301
New buildings	173	161	998	498
Real estate bought	220	118	2,751	2,338
Lumber sawing	5	9	24	40
Drains	4	3	33	29
Fences	11	12	18	19

Taxes

Town and county taxes, the most important type of direct taxes paid by cost-account farmers, averaged \$202 in 1939, or more than twice as much as school taxes (table 8). The two farmers who had part or all their farms in incorporated villages paid an average village tax of \$66 in 1939.

Table 8. Taxes

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
County and town	202	182	202	182
School	74	72	75	73
Village	2	2	66	75

Crop expenses

The most important crop expense was for fertilizer and lime (table 9). Some of the materials were purchased at reduced prices through the government soil conservation program. Materials for pest control cost almost as much as seeds and plants.

Table 9. Crop expenses

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Grass seed	54	53	66	67
Other seed, plants, trees	140	156	142	157
Spray, dust, seed treatment	173	158	231	211
Fertilizer and lime	395	327	412	346
Twine	6	7	8	9
Threshing and combining	31	27	43	40
Baling	7	7	50	47
Silo-filling	3	2	21	22
Other machine work	11	6	42	24

Livestock expenses

Feed for dairy cattle, hens, and other livestock is one of the big expenses on New York farms, averaging \$1657 per farm buying feed (table 10). The purchase of cows, heifers, pullets, and animals to be fattened and sold is also important, accounting for \$671 in cash paid out per farm. Most of the bedding was produced on the farm.

Table 10. Livestock expenses

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Livestock bought	583	588	653	671
Feed and feed grinding	1,557	1,607	1,622	1,657
Bedding	22	24	46	53
Pasture rental	2	4	58	43
Registration and transfer fees	8	7	24	22
Medicine and veterinarian	26	29	32	33
Horseshoeing	11	9	19	16
Milk hauling	2	38	58	166
Dairy supplies	3	13	28	47
Cow Testing Association dues	17	15	39	36

Marketing expenses

The purchase of baskets and boxes is an important item of expense, especially on fruit farms (table 11). Trucking and freight paid by farmers amounted to \$76 per farm. Cold storage charges for farmers using these facilities averaged about \$500 per farm.

Table 11. Marketing expenses

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Containers	215	222	424	353
Transportation of farm produce	27	26	121	76
Storage	132	91	548	471
Commissions	36	57	100	173
Inspection and certification	14	10	93	91

Miscellaneous expenses

An increasing number of cost-account farmers have added some enterprise of a commercial nature to their farm businesses. These farmers have paid more than \$4000 per year for goods for resale (table 12).

Table 12. Miscellaneous expenses

	All farms		Farms having this expense	
	1939	Five-year average	1939	Five-year average
	dollars	dollars	dollars	dollars
Goods bought for resale	1,257	980	3,238	4,349
Telephone (farm share)	23	23	27	26
Electricity (farm share)	92	78	101	91
Miscellaneous	299	224	1,165	514

Farm capital

Farming, as conducted by cost-account farmers, is a big business. The average investment was almost \$30,000 (table 13). Two-thirds of the total investment was in real estate. Although an attempt was made by each farmer to value his farm at its sale price, real estate changes hands so infrequently that the estimates may not be accurate. Probably the inventory values of real estate on many of the farms are above the present market value. Furthermore, these successful farmers have made many improvements on their farms which are worth all they cost to the owners but which probably did not add that much to the market value of the farms.

Market values of personal property are easily determined. The value of each cow and of each bin of oats was estimated on the basis of what buyers would pay. The average investment in livestock, equipment, feeds, growing crops, and the like, was almost \$10,000.

Summary

This report is based on records kept by 75 New York farmers.

The farms are larger and more productive than the average for the State. They are typical of good farms operated by educated men who have had years of experience farming.

Labor incomes on these farms have averaged \$1102 per farm during the five-year period, 1935 to 1939. In 1939 the labor income was \$80 below the five-year average, or \$1022 per farm.

Vegetable and dairy farms paid better than poultry and fruit farms in 1939.

Most of the \$10,000 received by these farmers during the year came from the sale of crops, milk, eggs, and livestock.

One-third of the expenses consisted of feed and labor.

About \$30,000 was invested per farm. The farm businesses have made interest on the investment and paid a little more than hired men's wages to the operators.

In each year there was a wide variation in the labor incomes made by these farms. In 1939 the high 10 farms made an average of \$5384, compared with minus \$2425 for the low 10 farms.

Farm Capital, 1939
(Values at the end of the fiscal year)

	Value	Percentage of total
	<u>dollars</u>	<u>per cent</u>
Average per farm:		
Buildings and improvements	10,980	37.1
Land and trees		
107.1 acres crop land at \$49 per acre	5,220	17.5
11.4 acres commercial orchard at \$167 per acre	1,899	6.4
0.2 acre home orchard at \$90 per acre	18	0.1
4.2 acres non-bearing orchard at \$148 per acre	621	2.1
44.3 acres pasture at \$14 per acre	639	2.2
31.6 acres woods at \$17 per acre	530	1.8
10.8 acres farmstead, lanes, fence rows, waste	---	---
<u>0.8 acre miscellaneous</u>	<u>46</u>	<u>0.2</u>
210.4 acres at \$43 per acre	8,973	30.3
Personal property (farm)		
Livestock	3,618	12.2
Farm share - automobile and truck	378	1.3
Tractor	593	2.0
Other equipment	2,118	7.2
Feeds and supplies	1,883	6.4
Fall plowing, growing crops, manure	1,047	3.5
Total personal property (farm)	9,637	32.6
Total farm capital	29,590	100.0