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Northwest Wheat Farm Income in a Decade of Change

Prepared by Agricultural Economists
Oregon State University, Corvallis

Rising receipts, expenses, and income are representative of the larger, more efficient wheat-fallow farm in Oregon and Washington. This typical commercial farm, as defined by the Economic Research Service, U. S. Department of Agriculture, is over 1,500 acres in size and harvests crops on about a third of this acreage. Wheat is the main crop and the primary source of cash receipts. During the past decade, the expansion of wheat acreage per farm has offset the decline in wheat prices, resulting in increased total wheat receipts. Wheat receipts in dollars per acre, however, have fallen for the typical farm.

Other sources of income are becoming increasingly important on wheat farms, indicating a greater degree of diversification. Sales of livestock and livestock products on the typical farm have risen \$1,700 (75 percent) over the past 10 years. A large increase in other receipts for the typical farm is due primarily to government payments. This category expanded from \$583 10 years ago to almost \$7,000 in 1968, reflecting the changes in the federal farm programs from relatively high wheat price supports to lower supports supplemented by certificate payments. Cash receipts from all sources rose 36 percent over the past 10 years. However, inflation has somewhat reduced the real increase in receipts, as indicated by the 21 percent increase in the consumer price index during this period.

The current breakdown on total cash receipts for the typical farm shows that of \$34,000, wheat sales receipts were over \$20,000. Other receipts, including government payments, were nearly \$7,000, and livestock sales amounted to \$4,000. Barley and other crops accounted for the remaining sales on the typical commercial wheat-fallow farm in 1968.

Although squeezed by rising costs, the typical farm operator in Washington and Oregon has man-

aged to increase net farm income by 29 percent during the past decade. Net farm income or the return to capital and the operator's labor and management stood at \$20,374 in 1968, an increase of \$4,600 during the decade. This increase can be attributed to several factors. The expansion of cropland harvested has resulted in more efficient utilization of machinery. Larger investments in machinery have also paid off in greater efficiency. Wheat yields have been sustained through increased fertilizer rates and improved cultural practices. The increase in government payments also has helped to offset the decline in wheat prices.

Much of the addition to net farm income represents a return to capital investment. The typical farm's capital investment increased by 58 percent during the decade. Subtracting a charge for the interest on this investment, a return to the operator's labor and management can be computed. During the 10-year period this return to the operator's labor and management has increased by only one percent (to \$8,000 in 1968) for the typical farm described. While net farm income has increased substantially over the decade, much of this gain resulted from a greater capital investment, leaving labor and management returns virtually unchanged.

The estimates of farm costs and returns are prepared and published annually by the Economic Research Service of the U. S. Department of Agriculture. The figures reported here represent a typical wheat-fallow farm located in Washington or Oregon. Individual producers may have experienced incomes which are higher or lower than these estimates because of the differences in farm sizes and organizations.

The receipts, expenditures, and income of a typical wheat-fallow farm are presented in the table on the following page.



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**A Typical Wheat-Fallow Farm, Washington and Oregon:
Receipts, Expenditures, and Income**

	1957-59 average	1966	1967	1968
Land in farm (acres)	1,352	1,520	1,550	1,570
Wheat harvested	309	392	511	500
Other crops harvested	168	128	71	97
Total farm capital, January 1 (dollars)	\$129,780	\$194,610	\$199,530	\$205,120
Total cash receipts (dollars)	24,641	33,346	34,961	33,632
Wheat	17,900	20,235	23,153	20,212
Barley and other crops	3,837	3,642	1,666	2,405
Livestock and livestock products	2,321	2,942	3,419	4,060
Other, including government payments	583	6,527	6,723	6,955
Total cash expenditures (dollars)	9,890	12,409	12,993	13,319
Feed and livestock expense	302	341	311	283
Crop expense	1,739	2,444	2,490	2,747
Machinery purchased	2,495	2,251	2,429	2,323
Other machinery expense	2,619	3,406	3,793	3,960
Labor hired	1,248	915	1,012	1,088
Taxes	970	1,976	2,085	2,354
Other	517	1,076	873	564
Inventory adjustments (dollars)	1,004	1,163	727	61
Net farm income (dollars) ¹	15,755	22,100	22,695	20,374
Interest on capital investment ²	7,787	11,677	11,972	12,307
Return to labor and management ³	7,968	10,423	10,723	8,067

¹ The calculation of net farm income assumes the farm is debt-free and producers are full owners.

² The calculation of the interest on investment assumes a 6 percent interest rate. This rate is based on the Federal Land Bank's contract rate for these years.

³ The return to the operator's labor and management is calculated as the residual after the interest on investment is subtracted from net farm income.

SOURCE: Adapted from *Farm Costs and Returns*, Agricultural Bulletin No. 230, Economic Research Service, USDA, Washington, D. C., Revised September 1969.