ECONOMIC FARM UNITS IN OREGON

Extension Circular 443

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December 1944

Federal Cooperative Extension Service
Oregon State College
Corvallis

Cooperative Extension Work in Agriculture and Home Economics
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Oregon State College and United States Department of Agriculture Cooperating
Printed and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914
To be classed as an "economic family farm unit" a farm in Oregon must afford an adequate net farm income for the farm family. Net farm income as used in this paper means the net return to the family for both interest on the investment in the farm business and the labor of the operator and the unpaid family labor, and includes such noncash items as the value of housing, food, fuel, etc., furnished the family by the farm.

To produce an adequate net income a farm must provide reasonably full employment for the farm family. Farms that do not offer employment for more than a part of the time of one man are usually designated either as "part-time farms" or as "rural residences." Farms that cannot be made to yield a reasonably adequate net farm income despite the year-around efforts of the farm family are called "subsistence farms." Farms that require a large amount of year-around hired labor in addition to that of the operator and family are called "large-scale" farms.

Economic family measured in terms of acres, economic family farm units in Oregon vary tremendously in size, owing to the great variety of soils, climate, and types of farming. Some farms with comparatively few acres afford as much employment and net farm income as other farms with several times as much land.

As a minimum an economic family farm unit must be large enough to provide at least year-around employment for one able-bodied man. A more desirable minimum is a farm that will provide year-around employment for the operator and about as much more for other family workers or hired help, not including short-time seasonal hired workers.

U. S. figures are helpful. In 1939, according to U. S. Department of Agriculture estimates and U. S. Census data, the gross farm income in Oregon was about 22.7 per cent of the farm evaluation, and net farm income about 8.1 per cent. As has been stated this net farm income was not only for interest on the investment of the farm family but also included the returns for the labor of the operator and the unpaid family workers and the value of the farm-produced food and fuel and the rental value of the home. The farm evaluation includes land, buildings, machinery, equipment, and livestock.

Oregon farm management data. A farm management survey of 333 Willamette Valley farms made by the Oregon Agricultural Experiment Station for the year 1938, provided valuable information bearing on the subject of this paper. The average total farm investment of the 333 farms was $21,406 in that year when land prices were less than two-thirds of the 1914 land price level.

It required, as an average, about 475 days of man labor each to operate these farms, or the time of 1.7 men per farm working 275 days per man per year. The gross farm income was $5,018, or about 21.2 per cent of the total investment. The "family farm earnings" averaged $1,136 per farm. Of this amount $370 was noncash income from the farm and $766 cash.

* Prepared by L. R. Breithaupt, Extension Agricultural Economist, OSU Extension Service and D. Curtis Mumford, Professor of Farm Management, Oregon Experiment Station, November 1944. The Farm Credit Administration of Spokane cooperated with the Oregon Experiment Station in the farm management survey of Willamette Valley farms.
The average family farm earnings of 64 of these Willamette Valley farms having less than $6,000 of investment was only $1,62. A group of 95 with investments from $7,000 to $10,000 had family farm earnings averaging $778; 89 with $10,000 to $17,000 of investment averaged $1,221; and 85 with more than $17,000 of investments averaged $2,383 of family farm earnings.

The term "family farm earnings" corresponds with the term "net farm income" and includes the net income from the sale of farm products plus the value of housing, food, fuel, etc., supplied by the farm. The "family farm earnings" on the 333 farms surveyed in 1938 averaged about 7.9 per cent of the total farm investment. Thus, the survey data check closely with the U. S. figures on the net returns to the family for their labor and investment. The average mortgage debt was about 25 per cent of the farm investment.

Data in the Census of 1939 indicate that farm income in Oregon equals other states in relation to the total evaluation of the farms did not vary greatly in the different type-of-farming areas that year, and that the returns in Oregon in percentage of the evaluation averaged about the same as in the western states as a group and about the same as the National average.

On the basis of the available figures, 20 to 25 per cent of gross farm income with 8 to 10 per cent net on the normal farm evaluation would be a practical basis for estimating the returns from farming, generally. This net farm income is the amount of cash, housing, food, fuel, etc., available to the farm family in return for the labor of the operator and unpaid family workers and the capital invested in the farm business by the farm family. The difference between the gross income and the net income is the farm expenses, which include mortgage interest, taxes, depreciation or maintenance, hired labor, and other farm operation expenses. Obviously, heavy farm debts increase the expense and reduce the net income. In 1939, the farm mortgage debt in Oregon averaged approximately 20 per cent of the total value of all land and buildings. About one-half of the farms were not mortgaged.

It is doubtful that any farm can be considered a sound economic unit if the debt is much in excess of 50 per cent of the normal evaluation. With a debt of 50 per cent of the evaluation it may be difficult to obtain an average net income of 8 per cent for family needs over a period of years, for their labor and investment. However, assuming this rate, a farm that is evaluated at about $15,000 normally would return about $1,200 a year in cash, housing, food, fuel, etc. Farms that were evaluated at $15,000 in 1938 and 1939 are now generally priced 50 per cent or more higher. (See OSC Extension Service memorandum on "The evaluation of farm real estate," October 1944.)

The following bulletins by the Oregon Agricultural Experiment Station and Extension Service contain valuable information and data related to economic farm units in Oregon:

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