

# So You Want to Farm

## —What Does It Take?

## —What Can You Make?

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Farming means different things to different people. To some it is a commercial business where the farm manager employs his talents in producing food and fiber, thereby earning a return for his labor and equity. To others, it is a way of life—a good place to raise a family and escape some of the frustrations of urban living. While the farm need not provide the sole income for the family, it can supplement other income and greatly add to the family's living and enjoyment.

A great many people want to live in the country. They are attracted by the desire to be their own boss and to grow things. They enjoy sharing with their families the experience of working and living together on a farm.

Are these possibilities real or only a dream based on nostalgia? The answer to this question depends on the individual family. To be successful in farming, the family must (1) want to farm, (2) have sufficient resources, and (3) possess or be able to acquire adequate knowledge to develop a practical long-range farm plan and progress toward its achievement.

If you want to buy a farm, give careful consideration and determine why.

Are you changing jobs from what you are now doing and going into farming as a profession? Are you thinking about retiring with a small acreage for gardening and pasture? Are you wanting to get in as a part-time farmer? Is your objective to be an absentee landowner and lease to an operator?

Decide which of the above you are anticipating. They are different. They require different decisions. They all require investments but vary in size and objective.

### Nature of Farming

Farming today, whether commercial or part-time, has some exacting requirements. Numerous pitfalls are lurking for the unsuspecting person. Crop production varies widely because of weather conditions. Prices which farmers receive for both livestock and crops do drop to disastrously low levels. And, as farmers have switched to buying more of the inputs used in farming, farm costs have increased rapidly.

Some of the unique characteristics of farming with which a potential farmer is confronted and should consider are:

1. Farm land values are high and rising rapidly.
2. Large annual cash outlays are required to grow crops or raise livestock.
3. Farm income varies widely from year to year.
4. The knowledge and skills required to produce high yields of quality farm products are very exacting.
5. Farm families must pay more for many products and services than do urban people.
6. Living and working on a farm requires hard work and determination to be able to bounce back from the adversities of nature and economic conditions beyond your control.

### Producing Crops and Livestock

Many different enterprises can be produced on a Missouri farm. Each enterprise uses a different amount of resources (land, labor, buildings, machinery, etc.) and gives a different return. As a farm manager, one of the most important jobs is to determine the best mix of enterprises for the

TABLE 1. RESOURCES REQUIRED AND AVERAGE RETURNS FOR SELECTED ENTERPRISES

Enterprise	Unit	Resources required				Returns per unit to pay for labor & investment
		Land	Labor	Operating capital	Level of mgt.	
Sow and feeder pigs	1 sow, 2 litters pigs sold 60 lbs.	1 acre	26 hrs.	\$192	Very High	\$152
Sow and market hogs	1 sow, 2 litters hogs sold 225 lbs.	1 acre	38 hrs.	\$324	High	\$252
Beef cow	Cow, spring calf sold in fall	3-5 acres	7 hrs.	\$297	Medium	\$ 60
Summer pasture steer	Add 200 lbs. gain	1-2 acres	1 hr.	\$105	High	\$ 12
Corn	1 acre, 80 bu. yield	1 acre	4 hrs.	\$ 42	High	\$ 50
Grass Hay	1 acre, 3 T. yield	1 acre	6 hrs.	\$ 27	Medium	\$ 28

farm. A practical way to determine which enterprises and how much of each enterprise to produce is to prepare example plans on paper and then select the most desirable one.

Farm resources are limited on most farms. But, some resources are more limited than others. The most scarce resources are the most important to consider.

After listing the farm resources available, identify and rank the most limited ones. Examples of scarce resources are cropland acres; labor, especially during certain months; operating money; buildings and equipment; etc.

Each enterprise has specific resource requirements and an expected return can be figured. Table 1 lists the amount of scarce resources that would be required to produce a unit of the enterprise. Similar information on additional farm enterprises can be found in "The Missouri Farm Planning Handbook," available at University Extension Centers.

By estimating the number of units of each enterprise which can be produced from the available quantity of scarce resources, the family can determine the level of income to expect from the farm.

**Example:** This example illustrates how information in Table 1 can be used. A family is considering buying a 40-acre farm with about 15 acres in pasture and the rest in timber.

The father works in a nearby town. The mother is a busy housewife caring for four elementary school children. By selling their house in town, they can satisfactorily finance the purchase of the farm.

They want to know if the farm will add income or just increase their cost of living. By looking at the resource requirements of each enterprise, they decide feeder pig production is their opportunity. They would have adequate land and labor to care for several sows. The most limiting resources are capital to purchase sows, buildings, and equipment, and the knowledge and skills to successfully produce feeder pigs.

They decide to purchase two bred sows and grow into the business as they become more skilled in hog raising. They plan to build up to 10 sows. This size of enterprise would use about 10 acres of land, and hour of labor each day, and approximately \$2,000 operating capital. They could expect about \$1,500 added income each year for their labor and to pay for use of buildings and land.

### Full-time Commercial Farming

Many people would like to be full-time commercial farmers, but are unable to gain control of enough resources to provide adequate income for business and family expenses. It is difficult to give a meaningful estimate of the amount of resources needed by a full-time farmer. Families differ in the amount of income they spend for family living and some families own all their resources debt-free while others have to borrow all they can.

A useful guide, used by farm management specialists, is that each full-time worker needs to produce \$25,000 worth of farm production. For most family-type farms, this would mean total production of \$35,000-\$40,000 each year. Some examples of typical size enterprises that will produce this level of production are:

- 400-500 acres of grain crops
- 50 sows and market hogs, feed grown on the farm
- 150 sows and feeder pigs, buy all feed
- 40-50 dairy cows, feed grown on farm
- 200-300 beef cows, feed grown on farm

### Part-time Farming

For many families, part-time farming offers the best compromise to full-time commercial farming. The family can enjoy living in the rural area and off-farm employment can provide the major source of income. Farm enterprises can be selected that will provide for the family's needs—whether they be added income, youth educational projects, hobbies, or future investments.

### Absentee Landlord

Many people want to own land and rent it to others to farm. This permits the landowner to be involved in farming but not actually do the farm work.

In recent years certain factors have encouraged non-farmers to buy farm land. There has been a steady increase in farm land values as a result of inflation. Another factor of influence has been income tax laws permitting landowners to reduce the amount of income tax which they pay.

The following are some guidelines which potential farm land investors should consider. The farm land must be in a suitable unit for renting. While productive cropland can always be rented, poor cropland and pasture may be difficult to rent if it is in small tracts, isolated, or lacks certain improvements such as water or fences.

Even though the average value of Missouri farm land has increased at a rate of 5 percent per year, the value of each farm has not. It would be a serious mistake to expect the value of a particular farm to automatically increase.

A potential landlord should seriously consider the potential earnings from alternative investments besides land. These alternatives may earn more, offer greater tax advantages, and permit the person to invest varying amounts of money when it is available.

### Rural Living and Retirement

When planning for retirement and seeking an acreage in a rural area, it is important to keep your purpose in mind. You are retiring, not changing jobs. The size of acreage has little to do with the purpose. It may vary from five to several hundred acres, depending on its location and productivity. A small acreage is more desirable in most instances. A retirement acreage doesn't necessarily mean that some contribution can't be made to family living. A good garden contributes substantially to the food budget as well as to relaxation, recreation, and exercise. Three or four head of livestock may be desired. But, from a dollar point of view, the farm enterprises will provide very little cash income for the family.

Retirement farming is actually not farming from a commercial point of view but rather rural living. Other concerns are of equal or greater value than making money. The family, within its limitations of finances, health, and knowledge, can enjoy the aesthetic value and pleasant living and working with the soil without depending on making a livelihood.

Monetary return from the farm investment is of little importance. Risks and uncertainty become of less concern. Location, on the other hand, becomes much more important. Public and social services, and nearness to urban centers take precedence in importance for the retiree.

An individual who truly wants to live in the country in retirement should give more attention to location and services than to soil productivity or monetary return.<sup>1</sup>

<sup>1</sup>For more information on this subject, see UMC Guide 780.