



Do not over-capitalize the farm. Bulletin no. 29 December 1915

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WISCONSIN BANKERS' FARM BULLETIN

Do Not Over-Capitalize The Farm

By

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"ENOUGH IS ENOUGH AND TOO MUCH IS TOO MUCH."

This is as true with farm buildings as it is with everything else.

File this bulletin where you can find it

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Wisconsin Bankers' Association

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Mosinee

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Pabst Building, Milwaukee

Farm Investments that Bring Returns

The farmers of the state who are really getting the most, both in money and pleasure, out of their farms are the farmers who have made careful investments in:

- (1) Just enough land,
- (2) Just enough equipment, and
- (3) Bred-for-production live stock.

Money that is put into land which, for any reason, is not profitably producing crops or that is invested in buildings more than is necessary for convenience and comfort is dead capital, and brings no returns.

HAD TOO MUCH EQUIPMENT.

Just a little while ago we co-operated with the owners of 80 dairy farms in this state in trying to find the relation of investment to farm profits. Of the 80 farms 36 averaged 136 acres in size and had on the average a total investment of \$18,500. The average profit on these farms after all farm bills were paid was \$1,261 a year. Forty-four of the farms averaged 204 acres in size and these had an average investment of \$33,200. The net profit on these farms was but \$806 a year. The difference in investment in these two groups of farms is due, mainly, to more acres and to larger and more elaborate buildings.

These comparisons showed all of us that the too-large farm does not pay as well as the smaller and better managed place. We were also convinced that it does not pay to build larger and better buildings than are required to provide the necessary comfort and convenience.

INVEST IN THE HOME.

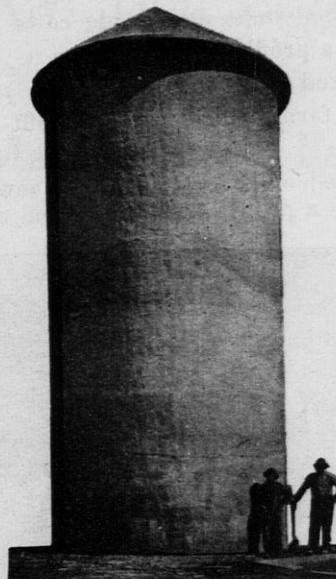
Of course, every one will be willing to make one exception when he tries to make all investments productive. He is willing to invest money in the home and home grounds which while it may not give him a direct money return does add to the health, happiness and contentment of all. It costs to have running water in the kitchen but it is worth the expense and most of us are willing to make this expenditure as soon as we can afford it. Money spent in improving the farm home is well spent.

INVESTMENTS IN SILOS PAY.

During the past two years, through the farm management contests, we have secured financial records from 390 farms which have silos and 141 which do not. We found that for the year the net profit

On the 390 farms with silos was \$875 a farm and

On the 141 farms without silos was \$535 a farm.



A SILO IS A GOOD INVESTMENT.

It has been found that the net profit last year on 390 farms with silos was \$875 a farm, while the net profit on 141 farms without silos was but \$535 a farm.

The difference in favor of farms with silos is \$340 a farm. This difference is enough to pay for a good silo once a year.

KEEP WORKING CAPITAL LARGE.

Operating or working capital includes investments in such things as machinery, equipment and live stock. Of the 80 dairy farms mentioned 55 have an average of \$3,515 invested in operating capital, or 15.5 per cent of the total capital. These farms made a profit of \$418 a farm a year. The other 25 farms had an average of \$10,475 invested in operating capital, or 29.5 per cent of the total capital. These farms made a profit of \$2,312 a farm a year.

From what we have seen we would say that the Wisconsin dairy farms where the operating or working capital is less than 15 to 20 per cent of the total capital the farms are usually making poor incomes, while the farms with 25 per cent or more, when

wisely invested in live stock and the necessary equipment, are usually getting good results.

INVEST IN GOOD LIVE STOCK.

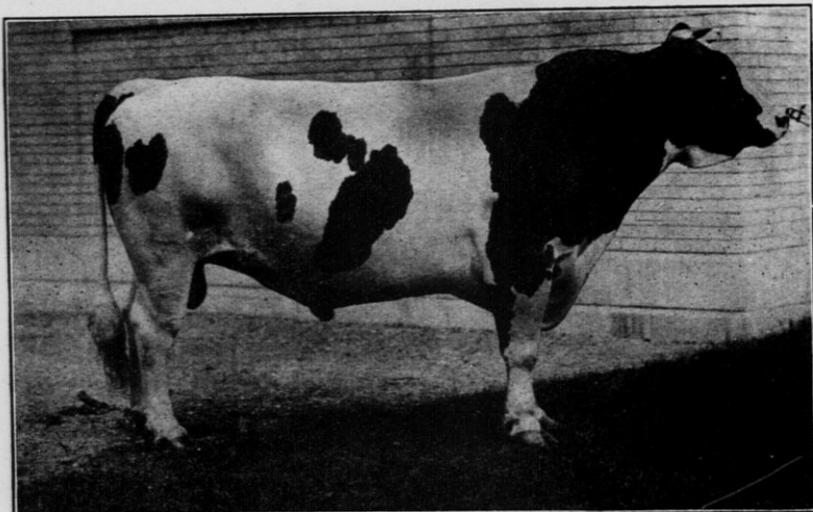
Of these 80 farms there are:—

27 with grade bulls and grade cows, valued at \$744 a farm, which made a profit of \$439 a farm a year;

28 with pure bred bulls and grade cows valued at \$1,350 a farm, which made a profit of \$398 a farm a year;

11 with pure bred bulls and both grade and pure bred cows valued at \$4,521 a farm, which made a profit of \$1,266 a farm a year; and,

14 with pure bred bulls and pure bred cows valued at \$8,960 a farm, which made a profit of \$3,135 a farm a year.



GOOD Sires ARE MONEY MAKERS.

The net profit for a year on 70 farms with grade cows was \$819 a farm. The net profit for a year on 42 farms with grade and pure bred cows was \$1,151 a farm. The net profit for a year on 8 farms with pure bred cows was \$2,157 a farm.

With the exception of the second group, the profits seem to be closely related to the investment in cows. This is due both to increase in number of cows and to increase in value of cows. As this investment increases in going from grades to pure breeds the profits increase.

The slogan, "More and Better Cows," followed by many Wisconsin farmers is certainly a good one.

While the profits in farming do not depend alone on amount invested in live stock, equipment, etc., this is one of the important parts to successful farm management. It pays to study and make the farm investments which bring returns.