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WISCONSIN BANKERS' ASSOCIATION

A Little Journal of Agricultural Information for the Farmer

BANKER-FARMER EXCHANGE

BULLETIN No. 16

DECEMBER, 1921

KNOW YOUR PROFITS

BY

PROF. D. H. OTIS

Director, Banker-Farmer Exchange

"THE PROOF OF THE PUDDING"
Farm Records not only show the farmer what his profits are, but reduce "wear and tear" at Income Tax time.

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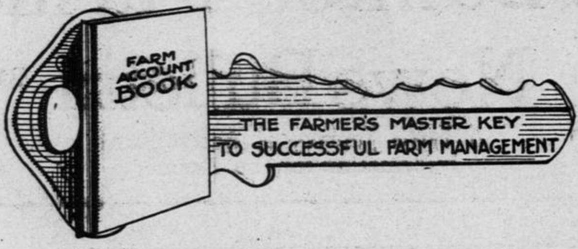

KNOW YOUR PROFITS

By D. H. OTIS

Director, Banker-Farmer Exchange

From the standpoint of business management, farm profits depend upon:

Size of the farm business.
Investments in machinery, equipment and livestock.
Distribution of farm activities and farm income.
Amount of improved blood in livestock.
Income per acre and receipts per cow.
Adequate records to show the source and amount of farm profits.

SIZE OF THE FARM BUSINESS

This is indicated by such factors as the number of acres, the number of livestock investments and farm operating expenses. From 1,633 farm records gathered in Wisconsin, the average size of the farms was 148 acres. Under Wisconsin conditions the medium sized dairy farm with from 120 to 160 acres offers abundant opportunity for first class incomes.

Records show that farms with a total investment of $30,000 to $40,000 show much larger profits than farms with an investment of $15,000 to $20,000. The wisdom of increasing the investment, even though the need is apparent, depends upon the ability of the farmer. If he is efficient in handling a limited investment he may be reasonably hopeful that he will succeed with a judicious increase. If he is not efficient in handling his present investments, the reasons for this inefficiency should be discovered before the increase is made.

INVESTMENTS IN MACHINERY, EQUIPMENT AND LIVESTOCK

The investments in machinery and equipment should be ample to meet the farm needs but not excessive. The number of cows kept per farm has an important bearing on farm profits as shown in the following table, taken from records computed by the author.

Group	Number of Farms	Number of Cows per Farm	Profits per Farm
I	98	Below 10	$ 547.00
II	214	10 to 20	706.00
III	97	20 to 30	1,257.00
IV	16	Over 30	2,939.00

There is a marked increase in profits with the increase in the number of cows per farm.

DISTRIBUTION OF FARM ACTIVITIES AND FARM INCOME

From 1, 633 farm records the distribution of farm income is as follows:

Income from crops.............................19.3 per cent
Income from livestock ....34.7 per cent
Income from dairy products..................38.6 per cent
Income from miscellaneous sources........... 7.4 per cent

It will be noted that about one-fifth of the total farm income is from crops, over two-thirds from livestock and livestock products and only a small percentage from miscellaneous sources. It is worthy of note that the income from livestock and the income from dairy products tend to approximate each other.

AMOUNT OF IMPROVED BLOOD IN LIVESTOCK

Does improved blood affect farm profits? The following table tells:

Group	Number of Farms	Number of Cows per Farm	Total Income per Cow	Profits per Farm
I—Grade Cows only......	70	18	$ 95	$ 819
II—Grades and purebreds.	42	19	124	1151
III—Purebreds only	8	20	189	2157

The farms having purebreds only show a profit of $1,006 over those having part grades and part purebreds, and $1,338 per farm over those having only grades. This is a good showing for improved blood in dairy cattle and indicates that where one is equipped and sufficiently experienced to handle them judiciously, investments in high quality dairy cattle will not only pay the interest on the investment, but much more.

INCOME PER ACRE AND RECEIPTS PER COW

It is not difficult to see that farm profits will increase directly with increased income per acre. That the profits also vary directly and decidedly with the receipts per cow is not always appreciated. The following table is instructive.

Group	Number of Farms	Receipts per Cow for Dairy Products	Profits per Farm
I	24	Below $52	$ 258
II	25	$52 to 65	755
III	24	65 to 80	882
IV	25	80 to 95	1,516
V	24	Above 95	1,865

These figures show the importance of securing cows that are heavy producers.

ADEQUATE RECORDS TO SHOW THE SOURCE AND AMOUNT OF FARM PROFITS

How is the farmer to know whether his farm ranks with the average or with the best in regard to size of business, investments, distribution of farm income, receipts per cow, etc.? The answer is easy. **KEEP FARM RECORDS.**