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Facts for Prospective Farmers and Ranchers in South Dakota

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Facts for Prospective **Farmers and Ranchers** In South Dakota

Greater success normally comes to the farmer or rancher who operates a full-time going unit. It is better to rent a good farm than to buy a unit lacking in necessary size and resources . . .



**SOUTH DAKOTA AGRICULTURAL EXPERIMENT STATION
SOUTH DAKOTA STATE COLLEGE . . . BROOKINGS**

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Facts for Prospective Farmers and Ranchers in South Dakota

By C. R. HOGLUND¹

South Dakota farming varies from the most intensive corn belt type of farming in the southeastern part to the most extensive ranching type in the northwestern part of the state. Irrigation farming is found to a limited extent in the western part. These extreme variations in types of farming have been greatly influenced by such factors as rainfall, length of growing season, topography and soils. The longtime average rainfall varies from somewhat over 25 inches in the southeastern part to under 14 inches in the northwestern part of South Dakota. About two-thirds of the precipitation falls during the growing season. The number of

frost-free days ranges from about 160 days in a few of the extreme southeastern counties along the border to about 130 days in the extreme northern counties.

The purpose of this publication is to provide information about the agriculture of South Dakota and to give some of the factors that contribute to farm success. It is extremely important that the prospective operator know the pertinent facts about farming and ranching before he makes an actual decision. Most established operators could profit by making a complete analysis of their farm business.

Farming as a Business

Farming has often been referred to as a "way-of-life" as well as a business. This is partially true, since the farm home is so closely associated with the farm business. The entire farm business centers around the home and family, in contrast to the complete separation of home and business in towns and cities.

However, the beginner should consider farming and ranching in South Dakota as a full-time business proposition and not as a part-time or subsistence venture. Opportunities for supplementary sources of income for farmers are almost non-existent in most parts of the state. This factor makes it extremely important that a beginner choose a farm or ranch sufficient in size and with adequate resources to provide a reasonable level of income. The prospective farmer or rancher who has too little capital and credit

to purchase or rent a full-time unit might well consider working as a hired hand or in a farm service business until he has acquired the necessary capital.

The prospective farmer or rancher who expects to start at wartime prices should proceed with caution. He may have considerable difficulty in paying for high-priced livestock, equipment and land if he goes heavily in debt. This would be particularly true if prices of farm products declined rapidly after the war. In May, 1945, the general level of prices received by South Dakota farmers reached the highest point since 1920. Price changes that took place during and after World War I and during World War II suggest that lower prices may be expected after World War II (Fig. 1).

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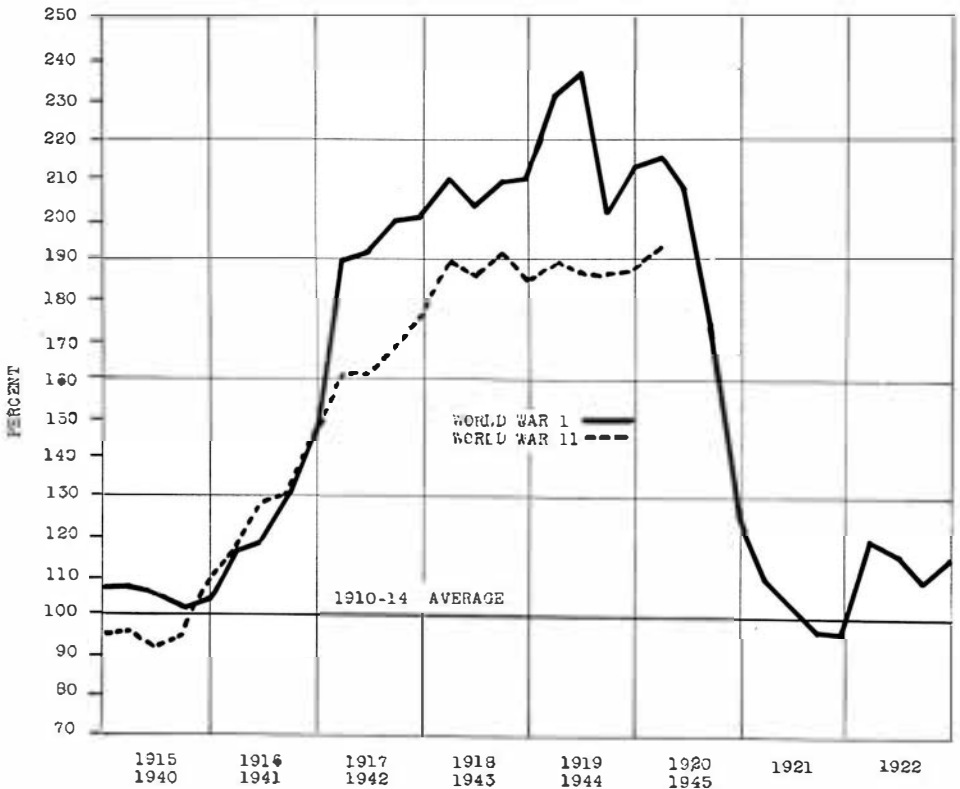


Fig. 1. Index of prices received by South Dakota farmers, World War I and World War II, (1910-14=100)

Desired Qualifications of a Farmer

Liking for farm life. The fact that farm life is so completely centered around the farm home and family makes it desirable for a prospective farmer, lacking in experience, to make an honest appraisal of himself and his family. He should find out whether an adjustment can be made from urban to farm life. Successful farming requires full cooperation and understanding between the members of the family. Many farm failures have been traced to a dislike of rural life by

one or more members. Farm families are partially dependent on their neighbors both for their social life and for help in their farming operations.

Common misconceptions of farm life are that the farmer can work when he pleases and that he is his own boss. It is true that a farmer does not punch a time clock and often finds it easier to leave his work than does a city person. However, if he is to succeed, he must keep a regular schedule in

feeding and caring for livestock and poultry and in growing crops. The average farmer probably spends 10 hours per day at his farm work. During the busy seasons he may spend more time, and during the winter season considerably less time, per day.

Sufficient farm experience. The prospective farmer who has had no previous farm experience should proceed with caution. Farming is a highly specialized and diversified business. The beginning farmer could gain part of the needed experience by working as a hired hand, thereby reducing the likelihood of an unsuccessful farming venture.

Skill in farming. Many farming tasks are highly skilled. For example, the operation and adjustment of tractors, combines, corn pickers and other modern machinery requires much knowledge and experience. The breeding, management, feeding and marketing of livestock for profitable returns are highly skilled operations. The beginning farmer can acquire much of the necessary skill or knowledge by observing and talking with successful neighbors, by contacting county agents and the State College of Agriculture, and by reading reliable bulletins, magazine articles and books on the subject.

Farming Opportunities in South Dakota

Retirement of farmers. The most realistic possibility of providing farms for prospective operators is through the retirement of present farmers. Many farmers, because of wartime conditions, have continued to farm beyond their expected retirement age. Some of these expect to rent or sell their farms after the war. A recent survey of farming opportunities in South Dakota indicates that about eight percent of the farmers plan such retirement.²

Farm Units Larger. Opportunities for the settlement of large numbers of new farmers in South Dakota are not promising. A few new farms might be made available through the division of some of the extremely large farms in the state. However, most of these farms would not be provided with a set of buildings. Further improvements in crop production technique, accompanied by an even greater mechanization of South Dakota farms, may be expected when tractors and machinery become available in quantities. This increased mechanization will make it possible for the same number of

farmers to do the job with less effort or for fewer farmers to do the same job. More efficient methods of livestock production also may be expected to reduce labor requirements.

The demand for most farm products is expected to be reduced during the postwar period. In South Dakota this will be particularly true for such crops as wheat and flax, and for most livestock products except milk.

Place for better farmer. An energetic young man who is considering farming as a life work need not become discouraged at the somewhat limited opportunities. There is always a place for the beginner who is willing to expend the effort necessary to become a skilled operator. There is a continual year-to-year retirement of farmers, which provides opportunities for beginning farmers. Also, many landlords in the state are in the market for better tenants.

²Post War Farming Adjustments and Opportunities in South Dakota, Agricultural Economics Pamphlet No. 14, November, 1944.

Table 1. Typical Farm Organizations in Central and Eastern South Dakota*

Area	Southeastern intensive live- stock-grain farm	General live- stock-grain farm	Dairy-general livestock farm	Northern cash grain farm	Central beef-grain farm
	1	4, 5, 6 & 7	4, 5, 7 & 8	3, 4 & 5	3 & 6
Acres operated	200	320-800	185-400	350-900	1,400
Acres cropland	160	200-350	150-250	280-550	570
Number of					
Beef cows		10		8	50
Milk cows	8	7	13	4	5
Cattle on feed	25	†	†		†
Ewes		20	12	14	50
Sows	18	7	8	4	12
Hens	200	150	200	120	150

*This information was obtained by an intensive study of farm and ranch organizations in 22 counties of the state.
 †A few head of cattle may be fed out on these farms, depending on the supply of feed and the profitability of feeding.

Typical Farm and Ranch Organizations

The amounts and kinds of livestock kept and the acreages and kinds of crops grown per farm vary greatly from area to area and even from one farm to another. The prospective farmer or rancher should become familiar with the principal types of farms or ranches in the area in which he expects to start.

A few typical farms and ranches, representing the various agricultural areas, will be described here. The location and description of the eight agricultural areas will be found on pages 8 and 9.

Farm Organizations. Most of the farms in the central and eastern agricultural areas of the state could be grouped into five more or less distinct kinds, as shown in Table 1.

(1) **On intensive livestock-grain farms,** hogs and beef cattle feeding are the major sources of income. Dairy and poultry are important livestock enterprises. Corn, oats and alfalfa are the chief feed crops produced. Additional corn is often purchased to feed out cattle. This type of farm is concentrated in the Southeastern Area of the state. (See pages 8 and 9.)

(2) **General livestock-grain farms** are more numerous and more widely scattered than intensive livestock-grain farms. More beef and sheep production and less of feed-

ing and hog production are carried on. The milk cows are likely to be more of dual-purpose type than the strictly dairy type. The kinds and acreages of crops vary considerably. Sale of grain provides considerable income.

(3) **Dairy-general livestock farms** are quite numerous in the eastern four areas of the state. Dairying is a major enterprise. Hog and poultry production are important on most farms. From 25 to 60 ewes are kept on about a third of these farms. Most farmers milk from 12 to 20 cows and keep about 8 sows and 200 hens.

(4) **The Northern cash grain farms** are concentrated chiefly in the north central and northeastern areas of the state. These farms tend to be larger than other types of farms in the same area. Wheat, flax, oats and barley are the chief crops grown. About half or more of the income comes from the sale of crops. Most farmers produce cattle, sheep, hogs and poultry. Considerable numbers of cows are milked on some cash grain farms.

(5) **Beef-grain farms** are of major importance in central South Dakota. Some of these are quite similar to the cattle ranches in the Range Area. The trend in recent years has been away from dairy and mixed cattle to beef cattle in this part of the state. On an

average, about 50 beef cows, 5 milk cows, 12 sows and 150 hens are kept. A flock of 50 to 100 ewes are kept on about one-fourth of these farms.

Ranch Organizations. Cattle ranches, sheep ranches, general livestock-grain farms and cash grain farms are the chief types in the western part of the state. The acreages and the kinds and numbers of livestock on typical ranches and farms are given in Table 2.

Table 2. Typical Ranch Organizations in the Range Area*

	Cattle ranch	Sheep ranch	General livestock-grain farm	Cash grain farm
Acres				
Operated	2,900	2,900	1,400	1,400
Cropland ..	400	400	400	600
Grassland ..	2,300	2,300	900	600
Numbers of				
Beef cows ...	90	—	30	12
Milk cows ...	2	2	5	3
Ewes	—	650	25	30
Sows	2	2	4	4
Hens	100	100	100	100

*This information was obtained from an intensive study of ranch and farm organizations in 7 counties in the western part of the state.

(1) Cattle ranches vary considerably in acres operated and numbers of livestock kept. A typical cattle ranch would average about 2,900 acres, of which at least 2,300 acres would be in grassland. It is customary for most ranchers to rent a considerable acreage of the grassland. An average of 90 beef cows, plus other cattle, would be considered a full-time unit. A cattle rancher ordinarily milks enough cows and keeps

enough chickens to supply the family needs for milk and eggs. Many ranchers keep one or more sows.

(2) Sheep ranches average about the same size as cattle ranches. However, many sheep ranches tend to be much larger than cattle ranches in order to utilize labor to better advantage. A sheep herder usually cares for a band of 1,000 or more sheep. About 600 to 700 ewes are needed to provide an income equivalent to that from 90 beef cows. A sheep rancher keeps about the same number of milk cows, sows and hens as a cattle rancher.

(3) General livestock-grain farms are about half the size of cattle or sheep ranches and usually have a higher proportion of land suited to crop production. Beef cattle, sheep and hogs are the major enterprises. Cash grains such as wheat and barley are also important. Most of the crops produced are marketed through livestock. This type of farm is subject to greater fluctuations in income than is either the cattle or sheep ranch.

(4) Cash grain farms are most numerous in the northeastern and southeastern parts of the Range Area. This is particularly true in the counties of Corson, Perkins, Bennett, Todd, Jones and Lyman. Large-scale wheat farms are most typical. Considerable acreages of barley and oats are also grown on many farms. Sorghum is an important crop in the southern counties. A few beef cattle or a small flock of sheep are kept on most cash grain farms. Sufficient numbers of milk cows and hens are kept to supply the family needs for milk and eggs.

Desirable Size of Farm or Ranch

How large a farming or ranching unit is needed to provide a satisfactory level of income? The minimum and optimum acreage of farms or ranches varies greatly from the eastern to the western part of the state. The topography, the productivity of the

soil, and the type of farming affect the size of farm within an area.

Provide year-around work. A beginning farmer will need a farm or ranch of sufficient size to provide the operator and family labor with year-around work. In a livestock

Types of Farming and Ranching in South Dakota

The principal types of farming and ranching in the eight agricultural areas of the state are described briefly on these two pages. The location of the areas is shown on the accompanying map.

1. Black Hills Area—This includes the Belle Fourche irrigation area, together with irrigated valley and dry-land farming adjoining the Black Hills. This is a rather specialized area in which sugar beets, fruits, vegetables, lamb and cattle feeding, dairy and mixed farming and ranching are carried out. Alfalfa hay is grown extensively. Rainfall averages from 18 to 24 inches. The farming units range from 160 to 400 acres.

2. Range Area—Cattle and sheep are the chief enterprises, particularly in the northwest and southwest parts. A considerable amount of mixed livestock and small grain farming is found in many parts of the area. Ranches and farms average well over 1,000 acres, with many ranches covering several thousand acres. Most parts of the area are best suited to an extensive grass-range livestock system of farming. Except during severe storms and heavy snowfall, cattle and sheep graze the range almost the entire year. Rainfall averages less than 16 inches in most of the counties.

3. North Central Area—This is a transition area between the more intensive farming area to the east and the range area to the west. About 60 percent of the farmland is grazing and wild hay land. Wheat is still an important cash grain crop, particularly in the northern part. However, beef cattle and sheep production are becoming more important enterprises, with annual hog production fluctuating considerably. The southern and western parts of this area are somewhat more rolling and better adapted to ranching. Considerable numbers of cows are milked in the northern four counties. Turkey production is an important enterprise, particularly in the southern part of the area. Size of farm varies considerably, ranging from an average of about 650 acres in the northern part to 960 acres in the southern part. Rainfall averages about 16 to 20 inches.

4. North James River Area—This is the major wheat and cash grain area of the state. Corn occupies less than 25 percent of the crop area. Beef cattle, dairying, hogs, sheep and poultry contribute greatly to the cash income of farmers. Turkey production is important in some parts. A major portion of the small grain is harvested by combines. Average size of farms is about 420 acres. Rainfall averages about 20 to 22 inches per year. The proposed Missouri River irrigation project would fall within this and the South James River Areas.

5. Northeastern Area—Wheat, flax, and potatoes are important cash crops. Corn, oats, and barley are the chief feed grains produced. Dairying, hogs and poultry are more important sources of income than in Area 4. Beef cattle and sheep production have been increased in recent years. Production of certified seed potatoes is important in Codington and adjacent counties. The higher proportion of hilly land in this area makes it important to utilize more of the farmland in pasture and hay crops. Alfalfa production is becoming more important. Farms average about 300 acres in size. Rainfall averages about 22 to 24 inches.

6. South Central Area—The farming here is a transition between the moderately intensive crop and livestock area to the east and the more extensive range area to the west. About one-third of the farmland is in cropland. The kinds of farming are rather varied. Although beef cattle production is the major livestock enterprise, hog, sheep and dairy production are also carried on. Turkey production is important in some parts of the area. Ranching is becoming more important. Corn, sorghum, barley and wheat are the chief crops grown. Considerable quantities of barley and wheat are sold on many farms. Farms average about 570 acres in size. Rainfall averages about 18 to 20 inches.

7. South James River Area—This is a moderately intensive crop and livestock area between the intensive production area on the east and the more extensive farming area on the west. The types of farming vary considerably. General livestock-grain farms predominate. Hogs, dairy, beef, livestock fattening and poultry are the major sources of income. Corn, barley and oats are the principal feed crops grown. Most feed crops are marketed through livestock. Average size of farms is about 320 acres. Rainfall averages 20 to 24 inches.

8. Southeastern Area—The most intensive system of livestock feeding, hog, dairy, and poultry production is centered in this area. Beef cattle production is an important enterprise on many farms. Corn is the principal crop grown, with oats and alfalfa the other major crops. Flax is an important cash crop on some farms in the northern part of this area. Soybeans are grown to a limited extent. Most of the crops are marketed through livestock. The proportion of farmland in crops is the highest in the state. Farms average about 220 acres in size. Rainfall averages 24 to 26 inches.

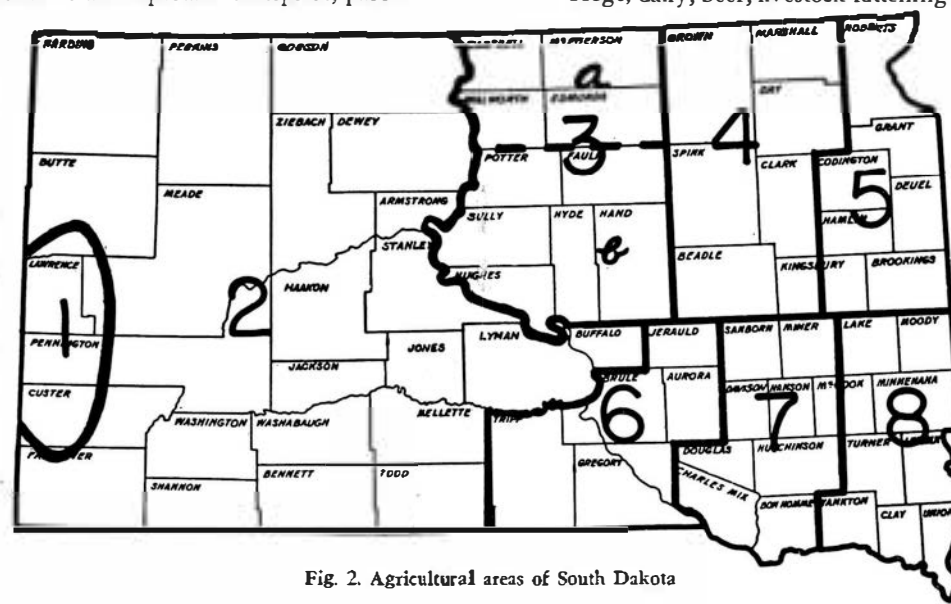


Fig. 2. Agricultural areas of South Dakota

area this will mean that a unit must be large enough to produce adequate feed grains, roughage and grazing for the minimum amount of livestock kept. On the cash grain farm the acreage must be sufficient to provide the total annual production necessary for a satisfactory level of income. A high proportion of farms and ranches in the western two-thirds of the state are too small to provide an adequate income.

Suggest minimum-sized units. The prospective farmer should attempt to obtain a full-time going unit when he starts farming. The operator will need an adequate cash income to meet interest and mortgage payments if he is a purchaser, or cash rent and other expenses if he is a tenant. These payments are usually most difficult to meet the first few years, until the operator becomes fully established. A study of representative farms and ranches in the eight agricultural areas of the state suggests that the minimum size of unit should be not less than 160

acres in the Southeastern Area. A 240-acre unit would be an optimum size in many parts of this area. Although some 80-acre farms provide the operator with an adequate income, these are the exception. The range in size of farms and ranches suggested as desirable goals is shown in Table 3.

Table 3. Suggested Minimum Size and Present Average Size of Farms and Ranches in the Eight Agricultural Areas of South Dakota

Area	Suggested size (acres)	Present average size (acres)
1 Black Hills	240-400	320
2 Range	1,400-3,000	1,531
3a North Central (north half)	480-720	657
3b North Central (south half)	640-1,280	960
4 North James River	400-640	420
5 Northeastern	240-320	294
6 South Central	400-640	587
7 South James River	240-320	320
8 Southeastern	160-240	218

Choosing the Farm or Ranch

When the prospective farmer or rancher has decided on the general area in which he wants to farm and the kind of farming he expects to follow, he will be confronted with the task of actually choosing his farm. This is not easy, particularly when the demand for farms is great. The following are some of the factors that should be taken into consideration in choosing a farm or ranch:

Check physical characteristics. The kind of soil and the lay of the land are extremely important factors to consider. The cash grain farmer needs good soil and proper drainage if he is to have high yields. Likewise, the livestock farmer is dependent on the soil for adequate feed crops and grazing. The prospective farmer should determine the kind and depth of top soil, how much soil has been lost through erosion, how adequate the drainage is, and the topography or lay of the land.

Need adequate buildings and fences. The livestock farmer will need to determine the condition and adequacy of the buildings and fences on a farm. This is especially important to a buyer. A prospective owner should attempt to obtain a place on which the buildings and fences will need relatively small cash outlays for repairs or additions. Most beginning farmers will find that they will have little or no cash left over to pay for repairs or new buildings and fences the first few years.

Water supply important. A farmer or rancher is very dependent on water for the livestock and home. An adequate, safe water supply will add considerable value to a farm. A new well often costs as much as \$1,000 or more in some parts of the state. A convenient location of the water supply will reduce labor requirements in caring for livestock. The health of the farm family is

dependent on a safe source of water. Stock watering dams are valuable in the western part of the state. This is particularly true if the dams or ponds are large enough to hold a reserve water supply for one or more years.

Look for noxious weeds. Many a careless farm purchaser has learned too late of a serious weed infestation. The farm tenant, as well as purchaser, should determine the kind and extent of weeds on the farm he is considering. Heavy infestations of field bindweed (creeping jennie), leafy spurge and Canadian thistle are difficult and expensive to eradicate and may reduce crop yields to almost a failure.

Location affects value. The prospective tenant or buyer should determine the location of a farm or ranch in relation to the kinds of roads, the nearness to markets, school and church, and the kind of neighbors in the vicinity. The farmer who must take produce to market several times a week can afford to pay more for a farm located on a hard-surfaced road than can a cash grain farmer who hauls produce to market only seasonally. The location of schools and of churches is an important consideration to many families. The character of neighbors is well worth knowing.

Buying or Renting

Should a beginning farmer buy or rent a farm? The answer to this question will depend on such factors as the capital available, the past farm experience of the beginner, and the availability of farms for rent or sale. Obviously the prospective operator who has had little or no farm experience and who lacks sufficient capital to purchase and adequately stock a farm should either rent one or work as a hired man until he has acquired sufficient capital and experience.

Advantages in renting. There are several distinct advantages in favor of renting a farm. This is particularly true for the first few years.

- (1) Less capital is required in getting started. The cost of land and buildings is usually as much as or more than the total cost of all livestock, machinery, equipment and other items of farm production.
- (2) It is easier to rectify a mistake in choosing a farm. When a farm purchaser makes a mistake in judgment, he finds it difficult and expensive to make a change.
- (3) The renter can gain knowledge in farming from the landlord and from experi-

enced farm operators in the neighborhood before he actually buys a farm.

- (4) It is more desirable to rent a larger, full-time unit than to buy an inadequate unit. The beginning farmer usually does not have sufficient capital to purchase the kind and size of farm he wants.

Advantages in owning. There are also distinct advantages in the owner-operation of a farm or ranch. In fact, most tenants probably expect to become owners in the future.

- (1) An owner is assured of longer and more secure tenure. This is not always the case, as many tenants have been on the same place for a long period of years.
- (2) The owner benefits directly from the improvements he makes in soil fertility, fences and buildings.
- (3) The owner is free from the influence of the landlord. This makes it possible to work out a longtime farming plan that will fit the farm needs rather than the landlord's plan. However, many farm operators would be assured of greater success if they had an experienced landlord to give them advice.

Table 4. Capital Investment in Typical Farms and Ranches
(Based on 1945 price level)

Kind of farm or ranch	Capital investment of both tenant and owner				Capital investment of owner	
	Machinery and equipment	Productive livestock	Feeds, seeds and supplies	Total	Land and buildings	Total
Intensive livestock	\$2,500	\$3,000	\$1,500	\$7,000	\$12,000	\$19,000
General livestock	2,500	2,500	1,500	6,500	12,000	18,500
Dairy-general livestock	2,500	2,500	1,500	6,500	12,000	18,500
Beef grain	2,500	3,500	1,500	7,500	12,000	19,500
Cash grain	3,500	1,500	1,500	6,500	12,000	18,500
Cattle ranch	1,500	5,500	1,500	8,500	14,000	22,500
Sheep ranch	1,500	4,500	1,500	7,500	14,000	21,500

Capital Required to Start Farming

The beginning tenant should have sufficient capital to purchase the necessary livestock, machinery, power, and equipment, as well as a reserve fund to cover operating expenses until farm products are produced and sold. In addition to this capital, the prospective farm purchaser will need sufficient money to make a down payment on a farm. This initial payment may vary from as low as 20 percent up to 50 percent or more of the total cost of the farm.

Typical farm and ranch investment. The capital investment in typical farms and ranches is given in Table 4. A tenant on an intensive livestock farm has at least \$7,000 invested in machinery, equipment, livestock, and feeds, seeds and supplies at 1945 prices. The owner-operator has at least an additional \$10,000 to \$12,000 invested in real estate. The total capital investment for the various types of farms does not differ greatly. However, there is considerable variation in how this capital is used. For example, the machinery and equipment in-

vestment in cash grain farms is greater and the productive livestock investment is much less than for other types of farms.

Although it is desirable for a beginning farmer or rancher to start out on a full-scale operation, it is not always possible to do so. The beginner may find it necessary and desirable to purchase a minimum of machinery and equipment and hire certain farming operations done on a custom basis. It also may be desirable for the beginner to purchase part of the breeding livestock as young animals and grow into the business. This is particularly important in getting started with beef and dairy cattle.

A tenant would need at least \$4,000 to \$6,000 in cash and credit to purchase machinery, equipment, livestock, feed, seed and supplies at the 1945 level of prices. A minimum of \$14,000 to \$16,000 in cash and credit would be needed by a prospective owner to purchase and adequately stock and operate a farm or ranch.

Financing the Farm or Ranch

Most farmers and ranchers use credit in one form or another. In fact, very few could get a start unless they did borrow part of their capital requirements. The profitable operation of a farm or ranch often hinges

on the wise use of credit. However, the danger lies in overborrowing or in contracting for loans that exceed the repayment abilities of the borrower.

Financing the tenant. It is very doubtful

if a beginner should attempt to start farming until he has acquired at least half of the capital needed to pay for livestock, machinery, equipment, feed, seed and other production outlays.

The beginning tenant frequently is confronted with the problem of obtaining additional funds to purchase the necessary livestock, tractor, horses, machinery, seed and feed. Loans for production and operating expenses usually are made for a period of one to five years. Commercial banks located in the various agricultural areas are the major sources of such credit. Local Production Credit Associations, the Farm Security Administration, and individuals also make loans to farmers and ranchers for production purposes.

Financing the purchaser. Most prospective purchasers should postpone buying a farm or ranch until they have saved sufficient capital for a substantial down payment and until they have liquidated their other debts. Too many operators have spent all their money for land and buildings, leaving little or none for livestock, machinery, seed, and operating expenses. The farm or ranch purchaser will need a longer term loan than is customarily made for production purposes.

The type of loan which best seems to fit the needs of the land purchaser is a mortgage loan amortized over a 20- to 40-year period. It is desirable to have the loan contract contain a pre-payment privilege.

Farm Loan Divisions of Life Insurance Companies, the Federal Land Bank and commercial banks are the chief sources of commercial long-term credit in South Dakota. The Farm Security Administration usually makes a limited number of tenant-purchase loans available each year.

Years to pay for farm. Most farm operators must depend on savings from farm earnings to pay for a farm. The length of time required to pay for a farm is determined by the total indebtedness against the farm and by the annual amount of earn-

ings available for debt and interest payments. The prospective owner should make an estimate of his expected income and expenses to arrive at the amount of money he might have left annually for debt and interest payments. A farm or ranch buyer should be conservative in estimating the amount of annual payments he can expect to make the first few years. Until a farmer or rancher becomes fully established, cash income may meet only operating and living expenses.

A prospective owner who expects to save \$400 annually to pay on a \$12,000 farm would need to pay down 40 percent or more of the purchase price if he were to pay for a farm in his lifetime, Table 5. With annual savings of \$600, a farmer could pay for such a farm in 17 years, if he paid 40 percent at time of purchase.

Table 5. Years Required to Pay for a \$12,000 Farm Out of Farm Earnings with Varying Down Payments and Annual Payments (4% Interest Rate Charged)

Percent of down payment made	Annual amount of earnings left available for debt and interest payments				
	\$200	\$400	\$600	\$800	\$1,000
	Years required to pay for farm				
None	*	*	42	24	17
20	*	83	27	17	13
40	*	33	17	12	9
60	83	17	10	7	6
80	17	7	5	4	3

*Too low even to meet interest payments.

Down payment important. The prospective farm purchaser will need to consider two important factors before buying a farm: (1) The total cost of the farm, and (2) whether he will be able to meet the annual interest and principal payments due. The second factor will entail a careful estimating of annual savings available for debt retirement.

An important reason for waiting to purchase a farm until a substantial down-payment can be made is to reduce the size of annual payments. For example, a farmer

who buys a \$12,000 farm with no down payment, amortized over a 30-year period, at 4 percent interest, would pay \$640 annually on interest and principal. ● On the other hand, if 40 percent was paid down at time of

purchase, the annual payments would amount to only \$384. Obviously, a purchaser would be in a much safer position in contracting for the lower annual mortgage payment.

Factors Contributing to Success

Success in farming or ranching is not just luck but depends to a large extent on the operator himself. Farm record studies indicate that a close relationship exists between the efficiency with which a farmer operates his business and the amount of earnings. This does not necessarily mean that a farmer should attain highest efficiency in all phases of production. Most farmers do better in the crop and livestock enterprises they enjoy most.

Some of the more important factors contributing to success are the following:

- (1) **Size of business** must be large enough to provide full-time productive work for the operator and family labor if the earnings are to be high. Size of business, as measured in terms of amounts of livestock and acres in crops, is one of the most important factors affecting earnings.
- (2) **Efficiency in use of labor** also contributes to farm success. The beginning farmer or rancher will need to organize his crop and livestock enterprises so that labor will be used most efficiently throughout the season. The use of labor saving equipment and practices will also help.
- (3) **Successful crop selection** is a very important factor. The operator should consider the following: Crops that yield the highest feed value per acre, crops that have the highest cash value per acre, crops that build up soil fertility, and crops that do not need attention at the same time but help distribute the labor load over a longer period.

- (4) **High crop yields** contribute to successful farming. High yields tend to lower the per bushel or per ton cost of crops. High yields are dependent on use of adapted seed varieties and recommended cropping practices, including a regular rotation.
- (5) **The amount and kind of livestock kept** has an important relationship to earnings. This should be determined by the acreages in grassland, kinds of crops produced, available labor, other farm resources available on the farm or ranch, as well as by the managerial ability of the operator. Consideration should also be given to the selection of livestock enterprises which help distribute the labor load throughout the year.
- (6) **Efficiency in livestock feeding** contributes to high earnings. Since most feed grains are marketed through livestock, it is important that this feed be used efficiently. High production per unit, sanitation, balanced rations, adequate pasture, proper shelter, good management—all are important factors contributing to efficient livestock production.
- (7) **Low overhead expenses** increase prospects of high earnings. The beginning farmer can keep overhead expenses down by cooperative ownership of some of the less-used machines such as combines and corn pickers. Cash expenses also can be kept down by farmers doing much of the repair work on machinery, equipment, and buildings themselves during the less busy seasons.

Summary

The prospective farmer or rancher should make an honest appraisal of himself and his family before he invests his money. A liking for farm life and some previous farm experience are valuable assets. The beginner who has had no farm experience and lacks adequate capital would do well to work as a hired hand first.

The chief source of available farms and ranches may be expected through the retirement of present operators. There always is a place for the beginner who is willing to put forth the extra effort necessary to become a better farmer or rancher.

The kinds of farming in South Dakota vary from the most intensive corn belt farming to extensive cattle and sheep ranching. The prospective rancher or farmer should become familiar with the kinds of farming carried on in the areas in which he might be interested in settling.

Size of farm or ranch is an important factor. A beginning farmer or rancher will need a unit of sufficient size to provide the operator and family labor with year-around work. A minimum size of unit may vary from 160 acres in the Southeastern Area to 2,000 or more acres in the Range Area.

The job of choosing the particular farm or ranch the beginner is to settle on is extremely important. Such factors as soil, topography, erosion, condition and adequacy of buildings, water supply, weed situation, and location need careful consideration. It is both difficult and expensive to correct an error in judgment in choosing a farm. The beginner would do well to rely on the judgment of experienced farmers, county agents and the State College of Agriculture before a final choice is made.

The question as to whether the prospective farmer or rancher should rent or buy a place should be determined chiefly by the amount of capital he has and his previous farm experience. It is much more desirable for a beginner to rent a larger, full-time unit than to buy an inadequate unit.

The prospective tenant will find it much easier to succeed in agriculture if he has at least \$4,000 (at 1945 price level) available for the purchase of necessary machinery, equipment, livestock, and for other production outlays. The prospective purchaser will need a minimum of about \$14,000 (at 1945 price level) at his disposal if he is adequately to stock and operate a ranch or farm. The farm purchaser will find it much easier to pay for a farm if he waits until he has a substantial down payment. The prospective purchaser should have at least 25 percent, and preferably 40 to 50 percent, of the cost of the farm saved before he buys.

Most beginning farmers and ranchers will need credit to finance their operations. The wise use of credit helps to develop a successful business. The beginner will need to be cautious of two important factors: namely, over-borrowing, and contracting for debts which exceed the repayment possibilities of the borrower.

Greater success will be assured beginning farmers or ranchers who organize and operate their farms most efficiently. Such factors as size of business, labor efficiency, crop selection, crop yields, amounts of livestock, livestock feeding and management efficiency, and low overhead expenses are closely related to earnings.

FARM AND RANCH CHECK SHEET

Things To Look For	Good	Fair	Poor
Suitability of farm for: Kind of farming interested in Full-time farming Place to bring up family			
Location Kinds of roads Nearness to markets Schools Church and community centers Kind of neighbors Rural mail delivery Telephone line Electric power line			
Buildings Convenient arrangement Location to pasture and fields Condition (state of repair) Adequacy Suitability of farm home			
Water supply Adequate Convenient location Safe and good-tasting Condition of well			
Cropland Kind and depth of soil Topography or slope of land Extent of erosion Drainage Fertility Weeds Past crop yields			
Pasture or grazing land Carrying capacity Kind and condition of grass			