

How to Buy a Farm

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More and more people are thinking of investing their funds in agricultural pursuits. It is, therefore, timely to give some definite advice on this question. Let us then first discuss the motives of these prospective buyers. Quite a number of them evidently look for an escape from the inevitable further loss in the purchasing value of the dollar and they intend to pick up land to rent it out for sharecropping or cash. The man who actually works the land will thus have not only to make a living for himself and for those dependent on him, but also to pay someone for the privilege of so doing. Few improvements can be expected under such conditions. On the contrary the tendency to industrialize agriculture develops, mono-cultures and forced production appear with exhaustion of the soil, erosion, dustbowls and final destruction of the organic living soil, humanity's most valuable inheritance. The following advice is, therefore, intended only for present or future farmers or people in close contact with farming. We believe that it may bring some help even to those of vast experience.

If you have practically no experience as a farmer, go out and get it for a year or two before you settle down in the country. By all means buy your farm meanwhile if you are convinced that the right opportunity has come your way, but do not do it unless you have had absolutely competent and reliable advice. Be careful, however, not to start on too large a scale for your cash resources. You can almost always enlarge your place later on if need be.

Buying a farm is quite an art and requires much wisdom, since there are many questions involved besides the price of the land. Problems which are often overlooked when one sees the place first may become a burden or render impossible the entire project. We suppose that you want to make a living out of your farming. Forethought must, therefore, be your watchword. In selecting the proper site be led by reason rather than by sentiment. You will find troubles enough without the handicap of having to make an over-capitalized place pay its way.

The first question to consider is the *Quality of the Soil*, not only its actual condition but also its original, virgin producing capacity to which it may be restored if to some degree exhausted. This degree of exhaustion must be explored, of course. The soil may be in part or wholly run-down so that there is little chance to restore it to health. You must find out how many years it will take to effect necessary improvements and what the maximum production will then amount to. Otherwise you cannot know the proper basis for your investment.

The next matter to look into is the *Market and Transportation* situation which should be particularly well studied if you intend to grow specialties for sale, such as vegetables, fruit, etc.

Then you must consider the *Labor Situation* in all its details, the quality of the help available in the particular region, steadiness of employment there,

wages, etc. If you need a farm manager, look for a reliable man with initiative, experience and intelligence. Near towns or industrial areas you will find less skilled and more "movable" labor; far away in the country you may have more difficulty to pick up a man, but he may have better standards of work.

Climate and Water Conditions are of great importance. An ample supply of good drinking water for men and animals is essential. You should find out all about the rainfall during the different periods of the year. The yearly rainfall may appear sufficient, but if there is regular drought in spring and early summer, you will find yourself up against it for good pastures, meadows and clover fields. You should also pay attention to *Winds* and available protection against them. Otherwise you may have to put in unusual crop rotations, hedgerows and additional cover crops instead of cash crops.

The state of *Living Quarters*, stable, barn and other dependencies must naturally have keen attention in order that you may judge the amount of repair needed. Do not forget details, such as repairs to gutters, drainage, roofing, plastering, new window-sills, painting, heating, light installations, road repairs, a deep well, etc.

You should find out about the state of *Health of the Livestock* belonging to the man who is turning over the farm to you. If he has had trouble, you are liable to inherit it. If you still should want the place, you would be wise to start with a cheap but healthy type of cattle.

Do not forget that a farm that has been abandoned or badly neglected will require considerable extra time and expense to be cleared of weeds and harmful insects. It also will require a much longer period for soil improvement.

Finally, make a preliminary check-up on your available capital in relation to the particular farm, the purchase of which you are considering. There is the money needed for the purchase itself; then money needed for repairs, etc., of buildings; money for roads, fences, hedgerows; for machinery, tools and materials; money for seeds, livestock and horses and, to start with, for feed and perhaps for fertilizer. Then you must have funds for the first periods of wages, taxes and general running expenses, until the income shows up. A good way is to use one-third of the available capital for purchase of the property, one-third for livestock and equipment and one-third for expenses and losses during the first years until things are running smoothly. If you can follow this golden rule, you should meet with ultimate success, but the farther you deviate from it, the nearer you will come to failure. You should not mortgage your farm in order to buy both cattle and equipment. Then you merely work for the benefit of the mortgage holder. The maximum mortgage should, if possible, not exceed 25% of the PRODUCTIVE land value.

Here it may be well to issue a few warning remarks. Do not purchase a "view" only. Make sure the view carries with it also good soil. On the top of a hill, the good soil is frequently washed out. It is an expensive undertaking to restore such a devastation. It takes years to produce a new fertile top layer. According to biological rules set forth in the writer's "Bio-Dynamic Farming and Gardening" a hilltop should be covered with trees in order to be protected. If that should not be the case, you are entitled to be suspicious as to the fertility of the land.

Also, never buy just because the land is cheap. There is almost always some specific reason for such cheapness that will take a great deal of time, work and money to cure. There is usually something wrong with a farm advertised for sale. The soil may be nearing exhaustion or erosion may be coming on fast; the buildings may need more repairs than the former owner could afford; market conditions may have changed for the worse; cattle diseases may have caused losses, etc., etc. I remember someone who bought land for \$10 an acre and spent \$150 per acre for the clearing of it. Even if the surrounding farms should be excellent, you have no guaranty that the soil you are investigating is a fair buy. The best chance of acquiring a good farm would be when the owner wishes to sell because of illness, old age, etc., or when the property has been inherited by people who have no interest in continuing the farming activity. In such cases you are likely to get your equipment at a reasonable price, too.

When you have taken all these things into careful consideration and still think that you have found a suitable property, it is time to go into further details—but do not be hasty.

For the preparation of the budget, consider the following points:

A. CAPITAL INVESTMENTS

Purchase of the Land. It has to be realized that the purchase value does not always indicate the productive value. For some such reasons as nearness to a town or suburban area, as very good farming country, etc., the price paid may be higher than the amount of money on which it could produce an average interest. The difference must be considered a loss unless the farm be resold at a higher price, but this is speculation and has nothing to do with farming. *Building Repairs* and eventually new buildings, road repairs, reforestation, drainage, reclaiming of land, the initial clearing of space, well digging, fencing and hedgerows are investments to be capitalized and added to the purchase price in order to arrive at the true capital investment.

Investment in Farm Machines and Tools may be capitalized except for small tools which wear out fast or get lost easily. Most of the farm machines should last for 10 or more years, but some wear out in considerably less time. Use good common sense in fixing the depreciation rate.

Investment in Livestock and Other Farm Animals. You have to decide whether you want a dairy or beef farm, a cattle ranch, a goat or sheep farm, a generally diversified farm, or whether you wish to specialize on the growing of some particular crop or crops (for example, 80 acres of celery).

The number of cattle necessary to stock a farm should be determined by the amount of manure needed and the amount of feed available, including hay, pasture and grass. The bio-dynamic method sponsors only the idea of a diversified, self-supporting farm. Once the organization of the farm is complete, all necessary manure and feed should be produced on the place. The calculation of these factors determines the amount of livestock. The local market conditions indicate whether a dairy is more advantageous than a beef herd. If you are a beginner, you should not start with a valuable breeding herd. Healthy grade animals will be to your advantage until you have acquired experience in breeding. And remember that no farmer willingly parts with his best cow, bull

or heifer. If he sells some of his animals he has a particular reason. The only exception is the sale of young livestock when the breeder has to dispose of his surplus. But even then he is liable to hold back the best specimens. In other words, home bred cattle are better than purchased cattle. As long as you continue to purchase cattle you cannot permanently improve your herd.

The value of a dairy is that it provides a steady income, but it is a complicated and troublesome business and needs a skilled dairyman. Beef cattle are easier to keep, especially when labor is scarce. However, this business is more speculative since it may take 12, 18 or more months before you have animals ready for sale. Also much experience is needed to judge whether calves may develop properly or will not even pay for their feed.

The type of cattle to be chosen depends entirely on local conditions and no general rules can be given.

The capital invested in livestock may be depreciated or included in the general turnover. We can count on about three years from cow to calf to cow again. Furthermore, not every calf is a heifer, so that probably only half your initial investment reproduces its value in three years while the other half merely yields a fair interest in the most fortunate cases.*

Estimate the number of horses you need and what other animals you would like to have, such as sheep, pigs and poultry. They belong to a diversified farm and should pay for themselves somehow. If you must specialize, do so only if you are an expert. You cannot just buy a hundred goats or a thousand pigs and make money. As soon as you have to buy feed, you are likely to run into a loss, particularly if you are inexperienced.

Size of Farm. Considered from the point of view of needed equipment, there are economical and uneconomical farm sizes. With one man and one tractor, you can till easily 50 acres but scarcely 100. Such a one-man and one-tractor farm is practical up to 60 or 70 acres but uneconomical for thirty acres and a really hard task for more than seventy. A two-man, one-tractor and one-team farm of 125 acres is practical, but uneconomical for only 70 acres because of the expensive equipment which is not fully utilized. With the same farm equipment you can work 30 acres or 150 acres. In the first case, you are proportionately over-invested, unless you make up through specialties which need intensive work on a small acreage (truck gardening, for example). You have to decide on the type of your farm, whether it is to be the one-man, two-man, or the three-man type, etc.; the one- or two-tractor type with one team or two teams of horses, mules or oxen, and so on. At Kimberton Farms we have about 690 acres, 550 of which are tilled. We first worked with two tractors and two teams, but have learned that a third team is needed. If you are a beginner, you had better start with a small property not larger than a two-man type, the hired man being one with plenty of experience. Personally I would prefer the two-man type of farm (as the work can proceed in case of illness) of 125-150 acres as the most economical size, considering the investment in equipment.

B. THE BUDGET

Now we are ready to work out the budget itself. The following calculations for a 100-acre farm can be used as a basis in budgeting any kind of farm. In

* A later article will be entirely devoted to this problem.

a dairy region about 60% of this 100 acre "unit" is used for pasture and hay and 40% for grain (supplementary feeding), straw, etc. In a grain growing region we would reverse the proportion and use 60% for tillage and 40% for pasture and hay, and could still be self-supporting as far as manure is concerned. This budget does not include any initial repairs but only the maintenance cost of buildings. It is presumed that the farm is "ready for use." Any initial repairs, new stable, milk house, new roof, etc., would have to be added at actual cost price to the purchase value of the land.

*The 100-acre Unit**

Assets: 1. Land and buildings	\$7000
2. Machinery	4740
Tools	500
3. Livestock	4050
Total investment	<u>\$16290</u>
Running expenses	\$4166
Capital interest	600
Depreciation, machinery and tools	570
	<u>\$5336</u>

The running expenses consist of:

Payroll (including seasonal help)	\$ 936 ¹
Taxes	50 ²
Insurance (fire, theft, liability)	150
Repairs, machinery, tools	250
Repairs, buildings	300 ³
Veterinary and medicines	125 ⁴
Insect and pest control	75
Fuel, heating, oil	290
Telephone	90
Electricity (minimum of \$40)	70
Household	900 ⁵
Tool replacement	100
Horseshoeing	50
Seeds	250
Rental of combine, thresher, etc.	80
Bio-dynamic methods	80
Miscellaneous	220
Total	<u>\$4166</u>

(No feed and fertilizer expenses are included, since it is presumed that the farm is self-supporting in these respects.)

* The prices used are those quoted in Eastern Pennsylvania in 1940/41. You may save by buying second hand or taking over the entire equipment at a reasonable price. These figures are subject to discussion, but may serve as a means of orientation.

¹ Some dirt farmers will say the payroll is too high. I think the beginner will find it O.K.

² Taxes may be too low.

³ The more repairs you can make yourself the better.

⁴ In a well-founded herd, you may reduce this to \$50.

⁵ Some wives can cut the household item in half.

Income:

Dairy type from milk	\$5475
(20 cows, 3.5 ct. per lb. milk, about 7802 lbs. average annual production.)	
Sale of pigs	150
Sale of field crops (soy beans, seed, flax and wheat) ..	176
Sale of vegetables	75
Cash crop (tomatoes and peas for canning)	300
Small calves	28
Freshening heifers	240
	<u>\$6444</u>

This gross income is high, but it can be produced under favorable conditions. If the land is very fertile you may be able to clear even about \$900 more in good years, but you should regard this rather as a blessing than a result to be expected. All the figures given here are based on actual facts. If the land is of medium or poor quality, or if you have bad luck with your cows, you would have to deduct a certain percentage. If your milk production or milk price differs, you can easily adjust your calculation. With a five-year crop rotation and a field unit of 12 acres per crop rotation unit, you may produce on this 100-acre unit all the grain and hay which is needed for feed, provided the average annual rainfall is at least 35 inches and occurs at favorable times during the growing season. In case you have to buy feed, you will encounter relatively higher expenses.

Inventory:

Livestock (20 cows)	\$3400
Bull	250
Horses	300
Pigs, poultry	100
	<u>\$4050</u>
Machines and tools (2nd hand prices 25% lower):	
1 tractor	\$600
Farm wagon	105
Hayflat	35
2nd wagon	105
Double tree	15
Manure spreader	140
Spraying machinery	250
Tractor plow	125
Walking plow	30
Sulky plow	50
Potato plow	15
Disk harrow	100
Cultipacker or roller	50
Grain drill	180
Corn planter	85
Horse mower	65
Side delivery rake	100

BROUGHT FORWARD—

Dump rake	50
Hay loader	100
Feed grinder	110
Ensilage cutter	270
One-quarter of combine	370
(Co-operative purchase)	
Milk cooler	210
Corn sheller	60
Circular saw	35
Pick-up truck	750
Miscellaneous materials	435
	<hr/> \$4740

The machine inventory is low and may run higher, especially if everything must be purchased new. We have listed the values as they would appear in the second year of their depreciation. Take the current catalogue prices and adjust the list to your actual needs.

This budget looks very tempting, but in order to obtain the given income and maintain the low expense level, skill, experience, good soil and some good luck are needed. In your particular case you can add or subtract wherever you discover a deviation such as on the payroll account or milk income, etc. In the beginning or on a run-down farm a considerable amount would have to be invested in manure, fertilizer, seed, feed and general improvements, which on this unit may easily total \$1000 to \$2000. Whether you want to capitalize such initial investment or write it off as a loss (the latter is wiser) depends entirely on your financial condition, e. g., whether you work with your own capital or with borrowed money. We would not advise taking a higher mortgage on this farm than the value of either the livestock or machinery, or the running expenses for the first year. Your available initial capital, if you want to buy this 100-acre unit, should be between \$16,000 and \$20,000. This sum may sound high, but experience has taught not to underestimate the task. If the purchase value of the land is higher than its productive value you would be wise to write off the excess amount immediately. This may seem hard, but outright speculation should be eliminated at the start. Farming is considered the best security for the future and we should know the conditions under which this security may be made real. We appreciate that the majority of farmers and farm buyers cannot or will not live up to the recommended procedure. They will have to contend with reduced income and to deliver increased personal labor and efficiency or they will run into debt which is likely never to be cleared up. That does not lead to security, but to a life of undue hardships, anxiety and disappointments.

These lines are written primarily as a warning, since hundreds of cases have been brought before the writer when it was too late or almost too late to do anything about it, and farming had become a burden and a nightmare instead of the royal profession which it really can and should be. We hope you are now better prepared to buy a farm. Good luck!