

# Where Does the Kentucky Farmer's Dollar Go—?

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The decade of the 1950's saw agriculture's gross income remain about steady while soaring costs to farmers brought generally lower net incomes. Kentucky farmers shared in this decline with the rest of the nation's farmers. The increasing total cost situation brought changes in various categories of farm costs for Kentucky farmers during the last 10 years.

Farmers' production expenses fall in two classes: fixed expenses and current operating expenses. Fixed expenses are those costs which are incurred regardless of the level of production, while current operating expenses vary with the level of production. Items like taxes, depreciation, and interest on farm mortgage debt are viewed as fixed expenses, while outlays for hired labor, feed, or fertilizer and the like are considered as operating expenses. Whatever remains of gross income after covering fixed and operating expenses, then, is net income and includes the returns

Current operating expenses are the largest item of farm production outlay here and nationally

to family labor, management, and the land and capital plant of farming.

## Production Expenses Compared with Gross Income

The proportion of the gross income used for operating expense is generally lower for Kentucky farmers than the national average, reflecting the use of more family labor in specialty crops like tobacco on Kentucky farms. Fixed expenses also average lower as a proportion of gross income for Kentucky farmers than for the nation mainly because of the lower capital investments in Kentucky agriculture. Total production expenses in Kentucky have averaged about 13 percent less of the gross income than for the nation. Both Kentucky and the nation's farming show about the same effects of the last decade's climbing prices of items used in farming as well as the larger amounts of off-farm purchases of production items (Fig. 1). Fixed and current expenses each take about 6 percent more of the gross today than at the beginning of the 1950's.

OPERATING EXPENSES AS PERCENTAGE OF GROSS FARM INCOME  
KENTUCKY AND UNITED STATES, 1949-58\*

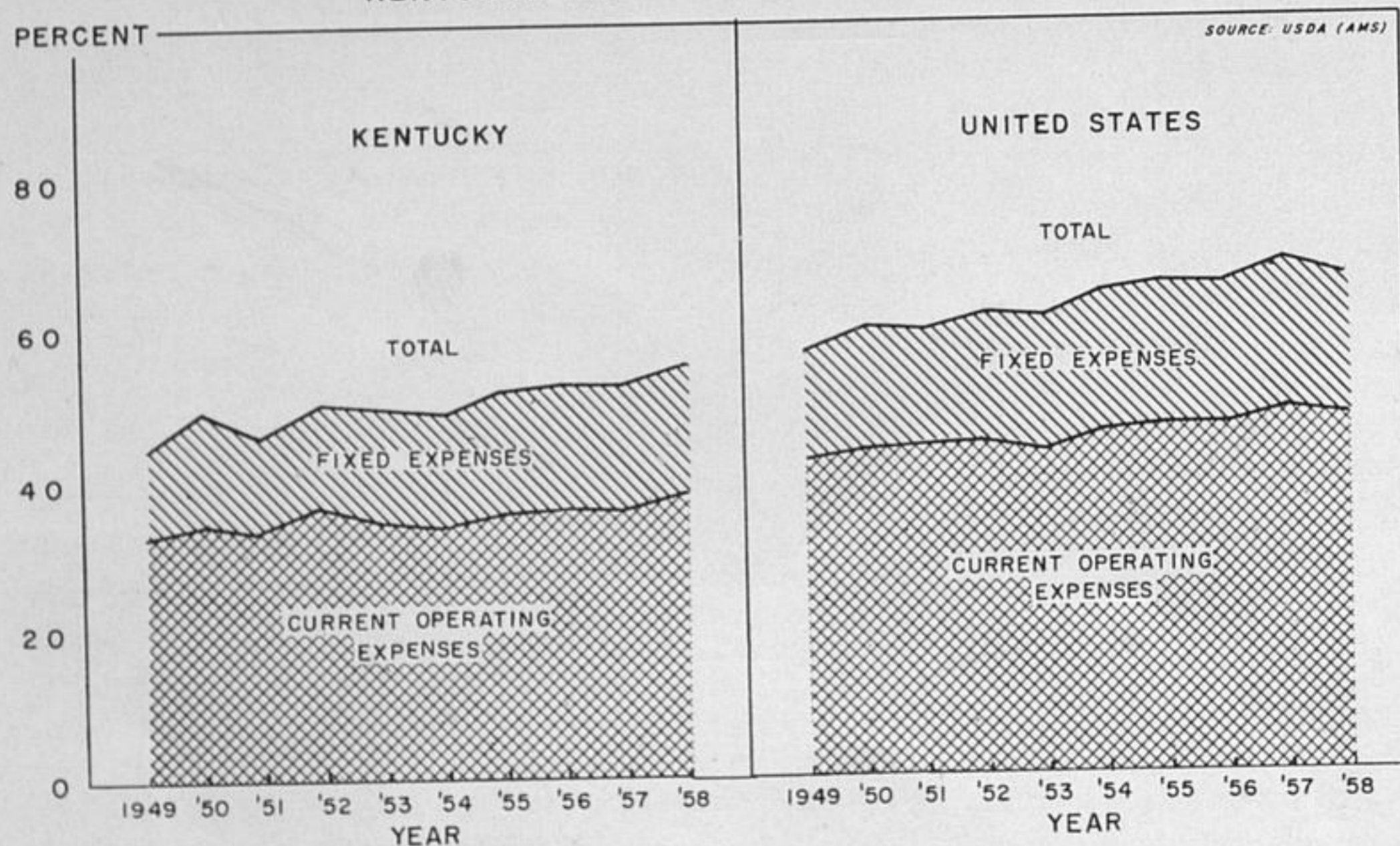


Fig. 1.— These graphs show operating expenses as a percentage of gross farm income in Kentucky and the United States for the decade 1949-58.

\* EXPENSES DO NOT INCLUDE PAYMENT FOR FAMILY LABOR AND INTEREST ON INVESTED CAPITAL