FUR FARM ACCOUNTING: ANALYZING THE RECORDS

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A farm accountant, unfamiliar with the problems of fur farming, may ask questions which seem unnecessary. An accountant always wants to know why. Men in established lines of business usually try to keep things as they are. In fact, this strife between "things as they are" and "constant change" largely explains the turmoil in all lines of business activity.

Fur farming is of such recent origin, from a comparative viewpoint of age, that its operators are aware of change, alert to the need for accurate information to aid in making their business safe and reasonably secure. It is an interesting fact that the uncertainties of the business have attracted a high type of operator.

The managers of fur farms study their business as do the managers of any successful business. They recognize that failure to make such a study largely accounts for the large proportion of failures in any line of business. Hayney¹ says that the chief causes for the reorganization of a business, under the head of mismanagement, are:

(1) Failure to maintain adequate safeguards, (2) unprofitable investments, and (3) neglect to observe costs. These are vital points in the operation of the fur farming business. They can be used as starting points in making a poor business good or in making a good business better.

Records are an economy of effort and a release of brain power from the burden of trying to carry everything in one's head. Records assist in following the variations in one's business from year to year, and in disclosing the reasons for these variations.

Some of the important variations in the fur farming business come under the following heads:

1. Pups per litter, ranging from nothing to six or more. Are these differences hereditary or unpredictable?

2. Feed costs—affected by the number of pups, the ration, feeding practices, and feed prices.

3. Grade and value of pups—USDA Circ. 460 shows a difference of approximately $30 per pelt between sale price of full silver and one fourth silver grades of pelts. The pen records of C. F. Ekstrom show variations of as much as 500 percent between the lowest income per pen (used as 100 percent) and the highest income per pen.

4. Thrifty growth conditions and causes of death loss. USDA Circ. 460 shows data that indicate over 20 percent death loss among pups. A record of one Colorado fur farm shows a pup death loss of less than 2 percent.

5. Labor expense which, in turn, is affected by the number of men needed, the seasonal demand for men and the wages paid.

6. General overhead, which may be small or which may assume alarming proportions.

7. Fixed and variable expenses. Who can quickly and actually determine these expenses for his business? Who can show how to make the best use of each?

**Basis for analysis of cost.** — The totals which have been made from the yearly records should be reduced to some "unit basis" as explained at the 1937-38 meeting of this association. What unit shall be used? Most operators will choose the pup raised as the most satisfactory unit. Some of the records that we have had the privilege of inspecting have been incomplete in information on pup production. In
order to make a comparison we have been forced to use "adult fox" as the basis for the following comparison for the same ranch.

<table>
<thead>
<tr>
<th>Year</th>
<th>Feed cost per adult fox</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>$13.45</td>
</tr>
<tr>
<td>1936</td>
<td>14.10</td>
</tr>
<tr>
<td>1937</td>
<td>10.95</td>
</tr>
</tbody>
</table>

This indicates considerable variation in feed cost per fox. Unfortunately, the number of pups produced was not stated, hence it is impossible to explain this cash figure. This emphasizes the need for complete records of production, and of quantities of feed consumed if any advantage is to be taken of the record as an aid in improving conditions next year. In the records of feeding livestock, the ration is found to have considerable effect upon feed costs per head. Accurate data will undoubtedly disclose the same situation in feeding fur animals.

Cornell\(^2\) states that success in business requires the handling of five unlike functions: (1) Financing, (2) engineering, (3) purchasing, (4) production, and (5) selling. Success in any one of these by no means guarantees success in the other four. Records are needed in connection with every one of these five subdivisions of business. Accounting is a tool to aid in improved management. It is not a rigid method to follow just because someone says so, except in matters of definition of terms and posting practice where standard procedure means accuracy and ease of interpretation.

The record previously used will offer an opportunity to show variations from year to year. Because of the lack of pup production

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records, this comparison will be made on a pen basis. This operator used an equal number of dogs and vixens so that the cash per pen will indicate the necessary income per pen in order to meet these pen costs.

<table>
<thead>
<tr>
<th>Costs per pen of foxes</th>
<th>1933</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed</td>
<td>$26.90</td>
<td>$28.20</td>
<td>$21.90</td>
</tr>
<tr>
<td>Other cash expense</td>
<td>18.42</td>
<td>31.12</td>
<td>25.18</td>
</tr>
<tr>
<td>Depr. on mach. and bldgs.</td>
<td>8.36</td>
<td>10.36</td>
<td>3.24</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$53.68</td>
<td>$71.68</td>
<td>$50.32</td>
</tr>
<tr>
<td>Interest on investment, 6%</td>
<td>15.84</td>
<td>21.94</td>
<td>18.12</td>
</tr>
<tr>
<td>Operator's labor estimated</td>
<td>25.04</td>
<td>25.32</td>
<td>19.56</td>
</tr>
<tr>
<td>Total</td>
<td>$94.56</td>
<td>$118.94</td>
<td>$88.00</td>
</tr>
</tbody>
</table>

The last line indicates the need for sales of 3 or 4 pelts per pen if sale prices were $30 per pelt. Another ranch in 1937 showed pen costs of $139 per pen which would require nearly 5 pelts per pen if $30 was the average sale price.

Use of records in planning for the future.—As suggested before, the use of records determines their value. The possibilities are many. Probably the most important use is in following the pedigree of each pen to determine the quality and grade of the furs produced. When prices can be doubled by the one thing of producing a full silver pelt rather than a one fourth silver pelt, pen production records loom as the outstanding need. Fur producers are fortunate in having a member of their organization who has developed a production record which makes such a study comparatively easy.

But the importance of quality in production should not cause operators to ignore the study of their records to find ways to reduce the annual operating costs. A dollar saved is just as important a
contributor to yearly profits as a dollar added to sale prices. It deserves just as close attention.

**What is the best size for a fur farm?** This is a controversial question. I raise it merely to suggest the possible use of records and the analysis of records in attempting to answer it.

If an operator felt that he should have $1,500 to pay him for his time above all other expenses, including 6 percent on investment, it would be possible to indicate approximately the size of business to pay this, based upon past experience. For example, if past records show that it cost $25 per pup to produce average litters of 3 pups when all costs except the operator’s labor were included, and the sale price of pelts was $30 each, then each pelt would furnish $5 toward paying the operator for his time. Fifteen hundred dollars divided by $5 results in 300 pelts as the necessary number of sales to furnish $1,500 for the operator’s time. If 3 pelts can be sold per pen, then 100 pens would be needed to meet these conditions.

Change any of the values used in this illustration and obviously the size of business would be different. This merely suggests a rough approximation by which one may estimate where his business is leading him. Men who hope to make a nice living from 10 or 20 pens of foxes would need some radical changes in costs or sale prices or in living standards if they keep their business at this size. We find the same problem in the cattle business. Men with 25 to 30 cows in their breeding herds wonder why life is so hard and cash so scarce. Records, and a little serious study of them, would show the narrow limits which size has placed upon their possibilities of income. Ranchers, like marksmen, should set their sights according to their target.