

Family farm managers earn less, but gain 'emotional' wealth

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After hours harvesting forage, managing livestock and milking cows, new Cornell University agricultural economic research shows family members who work on the family dairy farm make \$22,000 less annually than comparable hired managers, but are handsomely compensated with "socioemotional" wealth.

"While \$22,000 seems like a large penalty, there are nonfinancial rewards they experience working for the [family business](#)," said Loren Tauer, professor at Cornell's Charles H. Dyson School of Applied Economics and Management, who with lead author Jonathan Dressler of MetLife's Food and Agribusiness Finance, published "Socioemotional Wealth in the Family Farm," in a forthcoming *Agricultural Finance Review*.

There are roughly 5,400 dairy [farms](#) in New York, large and small. "Family members like to work for the family farm, as it brings prestige and satisfaction by working with siblings, cousins and parents," explains Tauer. "The socioemotional part is that these family members feel an attachment to the [dairy farm](#). It's a warm and fuzzy feeling."

Further, Dressler explained that socioemotional aspects of running a dairy farm "create a sense of pride and belonging, as collectively each family member is contributing an effort toward a common family goal."

Dressler and Tauer examined dairy farm income in 1999 through 2008 and showed that New York farm manager median salaries varied widely

from \$41,884 in 1999, to \$64,466 in 2004 to \$74,986 in 2005, all adjusted for inflation to 2008 dollars. While the family farm managers were paid on average about \$22,000 less, family members were compensated in other ways, such as with equity in the family business, which includes land values and the value of the operation - all of which have risen over time.

For [family](#) farms, Dressler and Tauer estimated a 5 percent current return to equity and asset appreciation of 10 percent, for a total return to equity of 15 percent. With "sweat equity," Tauer explains, children eventually inherit farms or are given an opportunity to purchase farms at a low estimate of the farms' value. That future ownership opportunity and the chance to work with [family members](#) offset reduced annual compensation.

Provided by Cornell University

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