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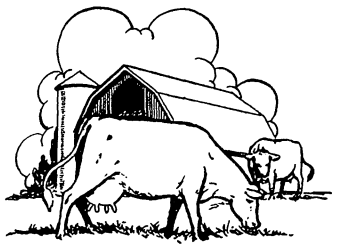
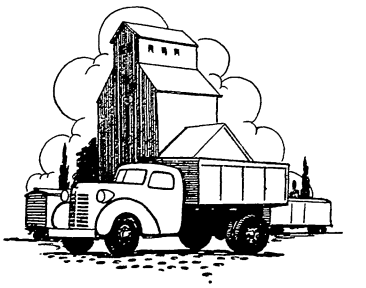


MINNESOTA farm business NOTES



NO. 335 UNIVERSITY FARM, ST. PAUL JANUARY 31, 1952

Minnesota Farm Incomes Hit Peak in 1951

Rex W. Cox

Cash receipts of Minnesota farmers from sale of farm products reached a peak of 1,391 million dollars in 1951. This exceeded the former peak of 1,329 million dollars in 1948 by 4 per cent and the sales in 1950 by about 14 per cent. The level of sales during the past year was about four times the prewar annual average and more than two times the 1940-44 annual average (table 1). The 1951 percentage increase of Minnesota receipts was slightly less than for the country as a whole.

Cash receipts from crops dropped sharply in 1951, but those from livestock, dairy, and other livestock products increased substantially. Prices of crops generally averaged higher in 1951, although the volume of marketings was less than in the previous year. The decline in marketings was partly due to the heavy demands for feed by the large numbers of livestock.

For the second consecutive year receipts from the sale of cattle and calves exceeded those of hogs. Marketings of cattle were down somewhat but with prices of cattle and calves averaging 31 per cent and 25 per cent higher respectively, the total cash receipts of cattle and calves were larger than in any previous year.

The total weight of hogs marketed was about 10 per cent higher and exceeded that of any year except 1943.

No significant decline in prices occurred, however, until the latter part of the year. Prices averaged 13 per cent higher than in 1950 and cash receipts were up almost 24 per cent. The cash sales of sheep and lambs were also higher in 1951 as a result of much higher prices.

Minnesota farmers produced about 8.1 billion pounds of milk in 1951 or one per cent less than in 1950. About two-thirds of the milk marketed was received by creameries as whole milk or cream which was used in the manufacture of butter. The total amount of butterfat in the cream and milk so received was 190 million pounds. While this was 10 million pounds less than in 1950, the price of butterfat averaged nine cents more per pound, resulting in cash receipts of 143 million dollars compared with 135 million in 1950.

The amount of milk sold for fluid consumption and to cheese factories and condenseries was 7 per cent above the previous year. Prices received for this milk averaged 55 cents more per hundred pounds. Cash receipts from these sales were 95 million dollars or 30 per cent above those of 1950.

The sale of 349 million dozen eggs was one per cent under 1950, but prices averaged 40 per cent higher resulting in an increase in the value of sales from 99 million dollars to 137 million dollars. The receipts from sales of both chickens and turkeys increased substantially in 1951. The rapid rise of the turkey enterprise in Minnesota is in part indicated by the six-fold increase in cash sales during the past 15 years. Production of poults by Minnesota

A STRONG DEMAND for most farm products is in prospect for 1952. Consumer incomes, currently at high levels, are likely to increase still further as the defense program expands. Prices of farm products in general will average at least as high as in the past year. Some products like hogs and good-quality corn and other feed grains may show substantial gains. Prices of some products may decline slightly. If acreage goals are realized and growing conditions are favorable, cash receipts of Minnesota farmers may reach a new peak. Rapidly rising costs, however, will limit net cash income.

Table 1. Annual Cash Sales of Agricultural Products by Minnesota Farmers, Averages 1935-39 and 1940-44, Annual 1945-51

Products	1935-39	1940-44	1945	1946	1947	1948	1949	1950	1951*
	million dollars								
Crops	80	134	191	245	373	416	375	337	304
Livestock									
Hogs	66	162	168	230	316	263	236	246	304
Cattle and calves	53	97	130	144	194	196	209	257	323
Sheep and lambs	7	11	13	15	16	14	14	14	19
Total livestock	126	270	311	389	526	473	459	517	646
Dairy products	83	139	184	242	242	260	210	207	238
Other livestock products									
Eggs	19	59	101	104	119	120	116	99	137
Chickens	10	22	41	38	31	27	24	21	24
Turkeys	5	12	20	28	24	24	25	25	32
Others†	4	7	11	10	10	9	9	8	10
Total other livestock products	38	100	173	180	184	180	174	153	203
Total	327	643	859	1,056	1,325	1,329	1,218	1,214	1,391

* Preliminary. † Includes mainly other poultry, wool, and honey.

MINNESOTA
farm business
NOTES

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hatcheries increased from 5.2 million in 1950 to 6.2 million in 1951 according to the State Federal Crop and Livestock Reporting Service. The proportion that was Beltsville breed was 21 per cent in 1951 compared with 3 per cent during the previous year.

In 1951 cash sales of livestock furnished more than 46 per cent of the total cash sales; crops more than one-fifth; dairy products about one-sixth; and other livestock products one-seventh of the total (table 2).

In the period 1935-39 and up through 1946, crops and dairy products furnished about the same proportion of the total cash sales, but in subsequent years, the income from crops has exceeded that from dairy products by substantial amounts. Among the poultry products, cash receipts from sale of eggs accounted for 9.8 per cent of the total receipts from all sources compared with 8.1 per cent in 1950.

Cash expenses increased in 1951 but at a slightly lower rate than the 14 per cent increase in cash receipts. It is estimated that the cash expenses were about 11 to 12 per cent above 1950, the previous high. Prices of all important groups of items used in production were higher than a year ago. With larger numbers of animals fed and feed prices up 20 per cent, the total cost of purchased feed was substantially higher, while higher prices of livestock purchased increased costs for livestock.

Taxes are up to meet increased costs of local government and interest payments have risen along with farm indebtedness, particularly short-term debt. A larger number of motor vehicles on farms and higher costs for fuel, tires, and especially repairs account for a rise in cost of operation of near 10 per cent. Prices of building materials were up 11 per cent and fertilizer about 7 per cent. The number of hired workers in 1951 was about the same as one year earlier, but wages per worker were 9 per cent higher in 1951.

Comparison of the index of prices paid for production and living items and the index of cash income indicates how changes in these costs affect the buying power of cash farm income. This comparison is shown in table 3, the final column of which gives the ratio of the index of cash income from sales to the index of prices paid. The ratio reached a high in 1947 of more than twice that of the base period.

Table 3. Comparison of Indexes of Minnesota Cash Farm Income and Prices Paid for Commodities and Services Used in Production and Living, Averages 1935-39 and 1940-44, Annual 1945-51 (1935 = 100)

	Index of		Ratio of index of cash income to index of prices paid
	Cash income	Prices paid	
1935-39	100	100	100
1940-44	197	121	163
1945	263	151	174
1946	323	165	196
1947	405	191	212
1948	406	207	196
1949	373	200	186
1950	371	205	181
1951	425	224	190

Table 2. Percentage Distribution of Cash Sales of Agricultural Products by Minnesota Farmers, Averages 1935-39 and 1940-44, Annual 1945-51

Products	1935-39	1940-44	1945	1946	1947	1948	1949	1950	1951*
	per cent of total								
Crops	24.5	20.8	22.2	23.2	28.2	31.3	30.8	27.8	21.9
Livestock									
Hogs	20.2	25.3	19.6	21.9	23.8	19.8	19.4	20.3	21.9
Cattle and calves	16.2	15.0	15.1	13.6	14.6	14.7	17.2	21.1	23.2
Sheep and lambs	2.1	1.7	1.5	1.4	1.2	1.1	1.1	1.2	1.4
Total livestock	38.5	42.0	36.2	36.9	39.6	35.6	37.7	42.6	46.5
Dairy products	25.4	21.7	21.4	22.9	18.3	19.6	17.2	17.0	17.1
Other livestock products									
Eggs	5.9	9.1	11.8	9.8	9.0	9.0	9.5	8.1	9.8
Chickens	3.1	3.4	4.8	3.6	2.3	2.0	2.0	1.7	1.7
Turkeys	1.6	1.9	2.3	2.7	1.8	1.8	2.1	2.1	2.3
Others	1.0	1.1	1.3	.9	.8	.7	.7	.7	.7
Total other livestock products	11.6	15.5	20.2	17.0	13.9	13.5	14.3	12.6	14.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Preliminary.

'52 Farmers' Program Calls for Preparedness

George A. Pond

Each year brings new problems to the farmer and 1952 will be no exception. The supply of farm products and demand for them are constantly changing. New techniques are being developed. Equally changeable are the prices and availability of the goods and services that the farmer uses. The national preparedness program greatly complicates the problem now and brings new uncertainties into the picture. Meeting these changes effectively and keeping farm business on an even keel will require careful advance planning and frequent adjustment as the future unfolds.

The net income of Minnesota farmers in the postwar period increased up to 1947 and then declined slowly through 1950. The farmer's cash receipts in 1951 increased 14 per cent (see first article in this issue). His expenses also increased but at a somewhat lower rate so that the net income was slightly higher than in 1950. With economic activity at a high level, the farmer may expect the price level for his products to be well maintained and perhaps increased somewhat. Even so, some prices may weaken.

Higher prices do not necessarily mean increased earnings for the farmer. Expenses, too, will rise—perhaps even more than income. Labor will be harder to find and will demand higher wages. There will be less machinery available for purchase. Supplies of some production goods such as fertilizers will be short. Only foresight and careful planning will enable us to keep our farm plant at the high level of production demanded by our national preparedness program.

Livestock Numbers and Feed Supply

One of the immediate problems confronting the farmer is restoring a balance between livestock numbers and our feed supply. Abundant harvests in 1948 and 1949 led to an increase in livestock to provide a market for the plentiful feed. Crop production went down in 1950 but livestock numbers continued to rise.

Since approximately two-thirds of the farm grains fed to livestock in Minnesota are provided by the corn crop, it is obvious that the reduced feeding value of the 1951 crop requires an adjustment in our livestock

program. Fortunately, many farmers have sealed corn that they can repossess. Commodity Credit Corporation holdings may be drawn upon. However, as we face a constant threat of the cold war developing into active hostilities, we cannot afford to deplete our feed reserves.

Our immediate problem in 1952 is to adjust our livestock so as not to draw too heavily on our reserve feed supply and then make every effort in 1952 to step up feed production to restore a safer balance between crops and livestock.

The Cropping Program for 1952

The Production and Marketing Administration has set up crop goals for Minnesota as a part of a national program to enable farmers to make the maximum contribution to the nation's preparedness. In general these goals call for about the same acreages of the major crops in 1952 as in 1951. The only significant changes called for in the major crops are an increase in the corn acreage and a decrease in oats. This suggestion is in line with the problem of building up our feed reserves. An average acre of corn in Minnesota will produce more than twice as many pounds of digestible feed per acre as will an average acre of oats and requires less than 25 per cent more labor.

Other costs are about the same. Oats feed is good and has a place in the cropping system but to transfer some of the oat acreage to corn should prove profitable in those sections of the state where corn is well adapted.

Cash crops should be profitable in 1952, especially on farms with a limited amount of livestock. Corn is the most profitable cash crop in southern Minnesota provided, of course, that it matures. Soybeans and flax also fit into the picture in this area. To increase both corn and soybeans may result in an excessive proportion of land in soil-depleting crops where soil conservation is an important consideration. Flax may be a better choice under those circumstances. For west central and northwestern counties, wheat and barley are cash crops to be considered together with flax. PMA goals call for little change in the acreage of soybeans, flax, wheat, and barley. Potatoes, sugar beets, and canning crops are important cash crops in limited areas where soil and climatic conditions are favorable and market outlets are available. Only under favorable conditions should these crops be increased.

The large hay crop in 1951 and the difficulties incurred in harvesting it may lead to a cut in the hay acreage. That would be unfortunate. New seeding made in 1951 generally resulted in good stands. These may make it possible to plow up existing poor stands but there should be no over-all reduction in acreage. In southern Minnesota a good stand of clover or alfalfa will yield more pounds of digestible feed per acre than will any other feed crop commonly grown except corn. Good hay and pasture will help to piece out concentrates in carrying our heavy livestock population. Hay is also an effective soil-building crop. It is essential that we conserve our soil resources since no one knows just how many years emergency demands may continue.

The Livestock Program for 1952

Livestock adjustments for 1952 will have to be planned on an individual basis. Each farmer has a different set of resources and problems. Generalizations will fit few specific cases. In southern Minnesota a primary problem is to get the soft corn fed up before thawing weather and then get along until next harvest with a minimum of grain feeding unless there are reserves of old corn to draw on. Maximum use of roughage and pasture and later-than-usual farrowings of spring pigs are partial solutions of the problem of stretching limited grain supplies till the new crop is ready.

Dairy product prices have improved, but there will be even less labor this year. Dairying isn't something that one can go into and get out of quickly. It takes a lifetime to develop a high-producing herd. Labor shortages may force some farmers to reduce or dispose of their dairy herds. However, anyone with a good herd and adequate facilities for handling it should be very cautious about selling out just because some other product seems to have an advantage at present. It is easy to get out of dairying and with the packers bidding unprecedented prices for dairy cows it looks like an attractive proposition. It is well to remember that it will be far more difficult to get back in again should prices turn the other way.

Cattle numbers in the United States are close to an all-time peak. Most of this increase has been in beef cattle. As long as cattle numbers are increasing, more calves than usual are retained as breeding stock. Should the cattle cycle turn the other way or even remain at the present level the number available for slaughter would increase relative to the total numbers. This might deprive beef of some of the price advantage it now enjoys. Beef breeding herds involve less risk than feeding purchased cattle. It will be less profitable in the years favorable for feeding operations but large losses will be avoided. Another advantage is that a breeding herd uses more hay and pasture and thus reduces costs and conserves the soil.

The corn-hog ratio has been relatively unfavorable recently. After the large hog crop of 1951 is marketed hog prices are likely to move back toward their normal relationship to corn prices. Indications point to a marked decrease in farrowing in 1952. These 1952 pigs should prove more profitable than the 1951 crop. Some producers whose corn is too soft to keep through the summer may have trouble in finding enough feed to carry the spring pigs till the 1952 crop is harvested. Late farrowing will help but for most producers it is too late to change. Good pasture will help to piece out limited grain reserves. Hogs require little labor except at farrowing time and any reduction in 1952 other than that dictated by short feed supplies seems questionable.

Poultry prices have picked up during 1951. Numbers are also increasing. Poultry use only concentrate feeds and require considerable labor. Where feed, labor, and the necessary "know how" are available, poultry should continue to be profitable in 1952. It is, however, a good time to be cautious about expansion especially where experience is limited and considerable new investments in housing and equipment must be made.

General Considerations for 1952 . . .

- Demand for farm products will be strong in '52.
- Farmers must watch expenses—costs will rise as fast as prices.
- Good farming will command a premium.
- There will be fewer industrial goods to buy. Now is the time to save.
- The emergency may last for years. We must keep our farm production up but conserve resources for the future.

Farm Prices for Nov.-Dec., 1951

Prepared by Jerry M. Law

Average Farm Prices for Minnesota, November and December 1951 with Comparisons*

	Nov., 1951	Nov., 1950	Dec., 1951	Dec., 1950
Wheat	$ 2.20	$ 1.96	$ 2.22	$ 2.06
Corn	1.42	1.27	1.40	1.37
Oats	.86	.76	.89	.80
Barley	1.33	1.30	1.32	1.38
Rye	1.63	1.25	1.76	1.39
Flax	4.12	3.18	4.28	3.64
Potatoes	1.40	.75	1.65	.75
Hay	14.90	14.00	14.70	14.50
Hogs	17.50	17.20	17.10	17.50
Cattle	27.90	26.60	26.90	26.20
Calves	31.30	29.40	31.50	30.20
Lambs-sheep	27.18	26.16	27.18	27.13
Chickens	.172	.163	.175	.165
Eggs	.490	.373	.412	.463
Butterfat	.77	.69	.82	.70
Milk	3.95	3.35	4.10	3.30
Wool†	.65	.60	.60	.62

* Average prices as reported by the USDA.

† Not included in the price index numbers given below for Minnesota.

The index of Minnesota farm prices represents the average of the increases and decreases in farm product prices in the given month of 1951 over the average of the five corresponding months of the period 1935-39. Weights for Minnesota indexes are the average sales in the five corresponding months of 1935-39. Weights for the U. S. indexes are the average sales of 60 months in 1935-39.

The feed ratios with exception of the butterfat-farm-grain ratio declined from November to December. Lower egg prices caused a marked drop in the egg-grain ratio. Higher butterfat prices resulted in a slightly higher butterfat-farm-grain ratio.

Indexes and Ratios for Minnesota Agriculture

	Nov. 15, 1951	Average Nov. 1935-39	Dec. 15, 1951	Average Dec. 1935-39
U. S. farm price index	282.9	100	284.5	100
Minnesota farm price index	266.0	100	264.7	100
Minn. crop price index	276.8	100	270.1	100
Minn. livestock price index	304.4	100	301.5	100
Minn. livestock products price index	203.1	100	211.3	100
Purchasing power of farm products				
U. S.	124.1	100	124.8	100
Minn.	116.7	100	116.1	100
Minn. farmers' share of consumers' food dollar	58.8*	47.1	58.8†	46.9
U. S. hog-corn ratio	11.11	14.4	10.41	13.5
Minn. hog-corn ratio	12.32	17.3	12.21	15.9
Minn. beef-corn ratio	19.65	15.1	19.21	14.0
Minn. egg-grain ratio	16.17	24.6	11.86	20.7
Minn. butterfat-farm-grain ratio	28.84	39.7	29.65	40.4

* Figure for August. † Figure for September.

The Outlook Corner — The Cattle Cycle

Total cattle numbers rise and fall in long swings, or cycles, of about 10 years from peak to peak (see table). Numbers are now increasing with a record high of 91 million expected in January, 1952. Based on past trends, the total may reach 103 million by 1955.

Shown also are the pounds of beef and veal available per person each year. Note especially the amounts for 1953, 1954, and 1955. Except for 1947, when people indulged heavily after wartime restrictions were removed, beef consumption per capita has not reached 64 pounds since 1918. *Lower beef prices may be expected if the indicated quantities of 1953-55 become available.*

Cattle on Farms, and Beef and Veal Consumed in United States*

Year	Number on farms Jan. 1	Meat per person†	
		Beef	Veal
	millions	pounds	
1928	57—Low	48	6.4
1934	74—High	63	9.3
1938	65—Low	54	7.6
1945	85—High	59	11.8
1946	82	61	9.9
1947	81	69	10.7
1948	78—Low	62	9.4
1949	78	63	8.7
1950	80	63	7.9
1951	84	58	6.7
Projections based on trends in past cattle cycles			
1952	91	62	7.8
1953	96	67	9.0
1954	100	68	10.4
1955‡	103—High?	71	12.1

* Livestock and Meat Situation, USDA, October, 1951, and Outlook Charts, USDA, 1951.

† Increases in population allowed for.

‡ Slaughter in 1955 based on a nearly stationary level of cattle numbers.

Increasing Numbers Restrict Supplies

During a period of rising numbers, slaughter supplies are reduced by the number held back. If the 7 million head retained in 1951 had been sent to market, the consumption per person would have been substantially higher.

When numbers start to decline, the current production is increased by the surplus animals. Sooner or later numbers must stop rising; almost certainly, when they stop rising they will start to decline. Slaughter supplies will then consist of current production plus supplies from herd reduction. Any large decrease in feed supplies, such as from drouth, would force cattle onto the market in even larger supply.

Warnings to Farmers

Go slow in building up a breeding herd of beef cattle now. Don't buy expecting present prices to continue.

If beef prices go down, the prices of cull dairy cows will follow, and dairy cow prices generally will be affected.

Cattle feeders will need to watch conditions more closely than ever. Even though they were able to buy feeders at low prices, large supplies could force sale prices down. This could be serious, especially with long-fed cattle.

Larger numbers of beef cattle and smaller numbers of hogs will move cattle prices into a less favorable position compared with hog prices.

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