AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Waite Memorial Book Collection
Division of Agricultural Economics
LIBRARY USE ONLY

MINNESOTA
farm business
NOTES

NO. 459 ST. PAUL CAMPUS, UNIVERSITY OF MINNESOTA FEBRUARY 1964

PLANNING THE FARM FOR 1964

S. A. Engene

The general agricultural outlook for 1964 is for slightly lower sales and higher expenses. Net agricultural income for the nation may drop as much as 5 percent below 1963. However, there will be fewer farmers so average net income per farm may hold fairly steady. The prospect for Minnesota appears a little higher than this.

Prospects for Crops

Corn continues to be the outstanding crop in the southern half of Minnesota. Prospects for 1964 are about the same as in the past. Changes in the 1964 feed grain program may make it profitable for some farmers to cut their acreage below the 1963 level. Each farmer should get the program details for his farm and then figure carefully, considering changes in income and costs.

Supplies of feed grains for the current feeding season are near last year's level and about 5 percent below the 1960 record level. Utilization will exceed previous years. This will reduce carryover stocks but leave them at a high level. Support and loan programs will give steady to stronger prices.

The soybean outlook continues good. Domestic consumption and exports continue to rise. However, future use will partly depend upon continued support of oil exports by the government. Farmers with land available can increase the soybean acreage.

Wheat is the most uncertain part of the crop picture. With present government programs, prices will be lower in 1964. But this may change. Even with the present program, farmers in northwestern counties may want to expand their acreage, selling part of the crop on the futures market. Many Corn Belt farmers may profitably reduce or cut out the small wheat acreage that they raised in recent years.

The new sugar beet processing plant at Drayton will allow some Kittson and Marshall County farmers to add sugar beets. Farmers in other areas will want to investigate getting a contract but the possibility is slight.

Hay continues to be a low-return crop for fairly level tillable land except in the northeast and north-central counties. There is no justification for any increase except to permit more cattle on a few farms.

Opportunities for Livestock Changes

Dairy production dropped slightly in 1963 and demand continues to fall. Five to 10 percent of the production is being bought by the Commodity Credit Corporation (CCC). This program now sets the market price and probably will do so for some time. No change in prices is expected.

The longrun increase in population will tend to increase demand for solids-not-fat. Because a large volume of these products is now purchased by CCC, the demand change will not affect prices for some time. With a steady increase in the acceptance of vegetable fat margarines, selling at a relatively low price, it will be difficult to sell butterfat at a price that will hold up the whole milk price. So there is no justification for immediate expansion in dairy cow numbers. Efficient dairymen may expand but the inefficient should consider other alternatives.

The beef outlook is fair for the next few years. The number of beef cows and the production of beef per cow are up. Production per capita increased from 83 pounds in 1955-59 to 95 pounds in 1963; it may go to 97 pounds in 1964.

Fortunately, the demand for beef has increased due to the increase in population, the increase in income per person, and possibly a shift in preference toward beef. Some opportunity may therefore exist to shift gradually toward beef production, both with breeding herds and by feeding cattle.

Interest in beef breeding herds is increasing in Minnesota and there may be a place for them. More information is needed. The beef breeding herd will probably fit best on farms where: (1) topography or soil type makes it desirable to use a substantial proportion of the land for pasture or hay crops, and (2) labor is scarce or has other good alternatives.

Cattle feeding has increased in popularity in Minnesota; this will probably continue. Many southern Minnesota farmers will be able to feed enough animals to utilize their family labor and make efficient use of other inputs. The efficient family-size feeding operation probably will be able to compete successfully with large operations.

Hog production continues to be profitable. Records kept by farmers show that men with slightly above average managerial capacity obtained a return of about $150 for each $100 of feed fed. A return of $130 generally will pay for all inputs, including market prices for feed and hired man's wages for workers. Prices in 1964 should be higher than in 1963 because marketings will be down by about 5 percent. However, the effect of this decreased supply will be partly offset by larger beef supplies. It is not wise to greatly expand hog production.

Sheep may be a profitable enterprise on a few farms. With a decrease in the total number of sheep in the United States, prices should hold firm. In general, the sheep farmer must be skilled in the handling of sheep and have land which is primarily suitable for forage.

There is no prospect for much increase in egg production profits. Prices may be below last year during the first half of 1964 and may rise to 1963 levels in the latter months.

Longrun prospects for profits in egg production are not bright. A successful operator must have efficient production and a unit large enough to give efficient use of buildings, equipment, and labor.

And, even more important, large volume and good production practices are needed in order to obtain favorable prices. The farmer with the small flock must study his situation carefully; a few should probably expand and many should drop the egg enterprise.

The modern supermarket operator wants to offer a uniform egg quality at all times. He will pay a premium price for this quality and dependability of supply. In order to obtain this large volume of quality eggs, most egg producers must expand their operations greatly. Or, a group of farmers must be willing to band together, to follow a uniform management and feeding program, and to plan a coordinated hen replacement schedule. This can be done but each farmer must sacrifice part of his independence of action and must abide by the group's decisions.

Broiler production has not been important in Minnesota. With continued strong competition from other areas, it probably will not be profitable to expand in the near future.

Minnesota has been a leading turkey-producing state. But profit prospects for the immediate future are not sufficiently bright to justify any marked production increase. Production probably will continue in the hands of rather large specialized producers. Here, too, there is an advantage in product uniformity.

Efficiency Important

Some farmers will be able to increase their earnings by changing kinds or amounts of crops or livestock. Many farmers will have to improve efficiency in order to increase earnings. But they will be handicapped by a small rise in the price of many things which they buy—feed, fertilizer, machinery, and labor—and in taxes. They will have to more effectively use what they have.

MINNESOTA

farm business

NOTES

Prepared by the Department of Agricultural Economics and the Agricultural Extension Service.

Published by the University of Minnesota, Agricultural Extension Service, Institute of Agriculture, St. Paul, Minnesota 55101.

The first place for improvement is to increase rates of output. Many farmers have not yet adopted profitable practices, and new practices are constantly being developed. Records kept by the approximately 300 farmers in the Southeast and Southwest Minnesota Farm Management Services show that differences in the value produced per acre were the biggest factors explaining differences in earnings.

Differences were large; the top fifth of this group had labor earnings almost $10,000 higher than the bottom fifth. In the Southeast Farm Management Service the fifth of the farmers with top earnings produced $83 of income per acre as an average for the 5-year period of 1958-62. The bottom fifth produced only $50, or less than two-thirds as much.

The values produced per acre were $9 less for each group in the Southwest area. About one-third of this difference was due to variations in the value of crops produced; the rest was due to differences in the value of livestock produced.

Each farmer also must study his expenses to find opportunities for increasing efficiency. He must know where his money is going—a good set of records will help. And he must ask himself some pointed questions about those expenses:

1. What is the purpose of this expense? Is all of it necessary? Would a bigger input, as for fertilizer, increase net income?

2. Would some other item serve the same purpose and at a lower expense?

3. Is there a better place to buy this item?

4. Can I use this input in such a way that it will reach farther?

These questions are difficult to answer honestly. Each farmer should get a competent person to help study his farm with him.

Some farmers must seriously consider enlarging their farms. This will increase their gross income and help to make more efficient use of machinery and labor.

Off the Farm

The suggestions above can help many farmers. But others will have to face realistically the question as to whether they should stay on the farm. Opportunities elsewhere may be better. Young people, especially, must look carefully at other jobs. Some people can find part-time work off the farm.

Cash Farm Receipts Down Slightly in 1963

W. Keith Bryant

In 1963 total sales of Minnesota farm products declined slightly for the 2nd straight year. Preliminary estimates indicate that cash receipts from farm marketings went from $1,458 million in 1962 to $1,417 million in 1963.[1] Decreases in cash receipts from livestock sales were the main factors in the decline.

Crop Production—A Record

Minnesota farmers had a record crop year in 1963. The total crop production index for 1963 was 115—up 12 percent from 1962. Cash receipts from marketing all crops were about $391 million in 1963 (table 1).

Minnesota's two most important cash crops are corn and soybeans. In Minnesota 1963 corn yields reached a record high of 69.0 bushels. These yields and a slightly higher number of acres harvested combined to produce a record corn crop of 354 million bushels. Corn prices were also higher in 1963 than in 1962.

Soybeans, too, had a record year. A record yield of 24.5 bushels per acre and a few more acres harvested than in 1962 gave a record crop of 58 million bushels. Soybean prices also were higher. A somewhat lower volume of 1963 marketings probably resulted in cash receipts from soybean sales being about the same as in 1962.

1963 Livestock Receipts Down

The sale of livestock and livestock products returned $1,026 million in cash receipts to Minnesota farmers in 1963—4 percent below 1962 returns. Gross incomes of livestock and milk producers decreased while turkey producers increased their cash receipts.

The number and weight of cattle marketed by Minnesota producers increased in 1963. Cattle prices dropped about 10 percent in response to heavy cattle marketings throughout the United States. The price decline more than offset the increased marketings in Minnesota, so cash receipts from cattle de-

[1] All 1963 data are preliminary estimates derived from government sources.

Table 1. Annual cash sales of agricultural products by Minnesota farmers, selected years, 1940-63

Product	Average 1940-44	Average 1945-49	Average 1950-54	Average 1955-59	1960	1961*	1962*	1963†
	million dollars							
Crops	134	317	338	382	397	399	393	391
Livestock and livestock products	508	832	919	954	1,040	1,070	1,065	1,026
Cattle and calves	97	173	238	289	349	335	358	341
Hogs	162	240	256	219	210	230	222	212
Sheep and lambs	11	14	15	16	17	17	17	14
Total livestock	270	427	509	524	576	582	597	567
Dairy products	139	228	239	270	299	326	318	311
Eggs	58	111	107	93	77	76	68	61
Turkeys	12	24	30	39	57	51	49	53
Chickens and broilers	22	30	15	10	9	11	10	11
Other livestock products	7	12	19	19	22	24	23	23
Total livestock products	238	405	410	431	464	488	468	459
Total	642	1,149	1,257	1,336	1,437	1,469	1,458	1,417

* Revised † Preliminary

Table 2. Percentage distribution of cash sales of agricultural products by Minnesota farmers, selected years, 1940-63

Product	Average 1940-44	Average 1945-49	Average 1950-54	Average 1955-59	1960	1961*	1962*	1963†
	percent							
Crops	21	28	27	29	26	27	27	28
Livestock and livestock products	79	72	73	71	74	73	73	72
Cattle and calves	15	15	19	22	25	23	25	24
Hogs	25	21	20	16	15	16	15	15
Sheep and lambs	2	1	1	1	1	1	1	1
Total livestock	42	37	40	39	41	40	41	40
Dairy products	22	20	19	20	21	22	22	22
Eggs	9	10	9	7	5	5	5	4
Turkeys	2	2	2	3	4	3	3	4
Chickens and broilers	3	2	1	1	1	1	1	1
Other livestock products	1	1	2	1	2	2	1	1
Total livestock products	37	35	33	32	33	33	32	32
Total	100	100	100	100	100	100	100	100

* Revised † Preliminary

creased. Total cash receipts from cattle and calves declined from $358 million in 1962 to $341 million in 1963—a decline of about 5 percent.

Minnesota hog producers also suffered a 4-to 5-percent decrease in cash receipts. Particularly heavy hog marketings in the first 6 months of 1963, coupled with increased competition from lower priced beef, pushed hog prices below 1962 levels in the same 6 months.

The average 1963 price of hogs was about 8 percent below the average 1962 price of $16.04 per cwt. The total volume of hogs marketed in Minnesota was only slightly above that in 1962.

Marketings of Minnesota sheep and lambs dropped from 955,000 head in 1962 to about 732,000 in 1963. Sheep and lamb prices responded to lower marketings throughout the United States and averaged about 4 percent higher in 1963 than in 1962. However, the reduction in numbers of sheep and lambs marketed more than offset the price rise; cash receipts from sheep and lambs declined.

The total volume of milk produced in Minnesota decreased slightly in 1963. August was the 1st month in which production was above the 1962 level. Average prices of milk in Minnesota also declined. So, Minnesota milk producers experienced a 2-to 3-percent decrease in cash receipts from milk products in 1963.

Cash receipts from egg sales brought Minnesota egg producers $61 million in 1963, a decrease of about 10 percent from 1962. Minnesota egg production decreased about 11 percent in 1963 from 1962 levels. This was the 8th consecutive year that egg production declined.

Minnesota, ranking second only to California in turkey production, produced 15,125,000 turkeys in 1963—about the same as in 1962. The proportion of heavy breeds increased and 1963 production probably went to market earlier than usual. Higher prices along with the higher proportion of heavy breeds resulted in about a 10-percent increase in cash receipts to Minnesota turkey producers.

The relative importance of various enterprises did not change significantly from 1962. Cattle and calves and milk products remained the most important sources of cash receipts.

Government Payments Add to Income

Direct government payments to Minnesota farmers in 1963 were $101.4 million, about the same as the year before. Since production expenses probably continued their upward trend, direct government payments to Minnesota farmers did not overcome the decline in total realized net income. However, continued declines in the number of Minnesota farmers probably counteracted the decline in total realized net income; this helped maintain individual farmers' net incomes.

Table 3. Cash receipts from farm marketings, gross farm income, and realized net farm income, Minnesota, 1950-62*

Year	Cash receipts from farm marketings	Gross farm income	Realized net farm income
	million dollars		
1950	1,180	1,312	552
1951	1,289	1,442	555
1952	1,280	1,430	517
1953	1,280	1,422	532
1954	1,237	1,372	467
1955	1,237	1,370	457
1956	1,266	1,421	451
1957	1,337	1,501	507
1958	1,461	1,635	537
1959	1,389	1,549	407
1960	1,437	1,600	462
1961	1,469	1,675	519
1962	1,458	1,669	501

* Gross farm income includes: cash receipts from farm marketings, government payments, value of farm-produced commodities at home, and rental value of farm dwellings. Realized net farm income is gross farm income less cash production expenses.
Source: USDA, *Farm Income Situation*, July 1963 (Supplement). 1963 data not available.

THE OUTLOOK CORNER

Shifts in Farm Employment*

Kenneth H. Thomas

Longrun Pattern

The longrun trend in farm employment in Minnesota is following a pattern typical of rapidly developing economies. The relative proportion of the state's total labor force employed in farming has declined throughout most of its history. Farm employment was 40 percent of total employment in 1900; it fell to only 14 percent in 1960 (table 1).

But only in the last 20 to 30 years has farm employment declined in absolute terms. Total farm employment continued to increase until the 1930 period. It has since declined sharply, reaching a level of 177,394 employees in 1960—42 percent below the peak census year of 1930.

Moreover, composition of this farm labor force has changed. Farmers and farm managers now represent 73 percent of the farm work force compared to 61 percent in 1930; unpaid family workers have declined from 14 to 10 percent; and hired workers have declined from 25 to 17 percent. Farming in Minnesota is becoming more of a family enterprise with less dependence on hired labor.

Changes By Area

The rate of decline in farm employment since 1930 has varied considerably by state areas (table 2). Farm employment declined by about two-thirds in the northeast, the Twin Cities, and St. Louis County. Numbers of farm workers declined only half as fast in the western, central, and southeast areas.

The relative importance of farming as a source of employment also varies markedly by state areas. In the western and central areas, farming still provides employment for more than one-third of the workers. In the southeast area, one-fourth of employed workers are on farms. In the northeast this is down to one worker in seven, while in the five metropolitan counties the proportion of farm workers is very small.

Outlook

Study of entry and withdrawal patterns over the past few decades indicates that large decreases in farm employment are due primarily to small numbers of young people entering farming relative to many more older farmers retiring.

The number of farmers retiring will remain large during the next decade, so many farms will be available. However, continued pressures for farm enlargement will severely limit the number of farms available to young farmers. Also, the attractiveness of nonfarm incomes will reduce the number of youths attempting to make farming a career.

Table 1. Trends in farm, nonfarm, and total employment, Minnesota, 1900-70

Year	Farm employment	Nonfarm employment	Total employment	Farm employment as percent of total
	thousands			
1900	258.9	386.9	645.8	40.1
1910	261.5	573.9	835.4	31.3
1920	293.8	613.2	907.0	32.4
1930	303.8	689.0	992.8	30.6
1940	282.2	649.3	931.5	30.3
1950	259.6	884.2	1,143.8	22.7
1960	177.4	1,056.0	1,233.4	14.4
1970*	132.2	1,327.0	1,459.2	9.1

* Based on preliminary estimates of Minnesota Department of Employment Security, Research and Planning Section

Table 2. Trends in farm employment by areas of state, Minnesota*

Area	Farm employment 1960	Percent change 1930-60	Farm employment as percent of total in 1960
State	177,394	—42	14
Western and central	97,819	—38	36
Southeast†	63,119	—34	24
Northeast‡	8,823	—64	14
Metropolitan§	7,633	—69	1

* Source: Census of Population
† Excludes Anoka, Dakota, Hennepin, and Ramsey Counties
‡ Excludes St. Louis County
§ Includes Anoka, Dakota, Hennepin, Ramsey, and St. Louis Counties

A further sizeable decline in farm employment will likely occur during the 1960's.

Projections by the U. S. Department of Labor indicate that a decline of 15 to 20 percent in the U. S. farm labor force will occur between 1960 and 1970. Preliminary estimates by the Minnesota Department of Employment Security predict a decline of 25.5 percent in the farm work force for Minnesota. A decline of this magnitude would result in a Minnesota farm labor force of 132,000 to 145,000 by 1970 compared to 177,394 in 1960.

Analysis of trends in numbers of farm operators tends to substantiate these estimates. Through use of a statistical technique developed by D. Kanel of Nebraska, the number of farm operators in Minnesota was projected to decline to 100,000 to 105,000 by 1970, a decline of 18 to 22 percent from 1960 levels. Assuming that farm operators will represent 75 percent of the total, this would project to a total farm work force of 133,000 to 140,000 by 1970.

* Statistics used herein were gathered primarily from U. S. Census of Population reports for the decades 1900 to 1960. Data are based upon the major source of employment of persons 14 years old and over during the week prior to census enumeration.

Agricultural Extension Service
Institute of Agriculture
University of Minnesota
St. Paul, Minnesota 55101

Roland Abraham, Acting Director

Cooperative Agricultural Extension Work
Acts of May 8 and June 30, 1914

OFFICIAL BUSINESS

1-64 2,580

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300