AGRICULTURAL EXTENSION DIVISION
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MINNESOTA FARM BUSINESS NOTES

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FARMER ELEVATOR MOVEMENT IN MINNESOTA

Farmers' elevators are among the oldest and most successful cooperative marketing associations in Minnesota. At the present time they rank along with creameries and livestock shipping associations as one of three lines of chief importance in cooperative marketing of farm products.

The present importance of the farmers' elevators in Minnesota and the grain belt is not an accident. Only trial, error and study of elevator operation have made it possible for farmers to bring the movement to its present stage of development. The elevators established in the 70's and 80's, largely in connection with the Granger movement, in almost every instance failed. Keen and at times unfair competition of line and independent elevators together with a hostile attitude among dealers in the central markets were the rocks upon which these newly formed crafts foundered. These conditions were slowly changed by legal and economic forces, however, and the movement was permitted to develop in an orderly manner.

Elevator Problems

New problems, relating chiefly to organization and operation of elevators, have become of major importance in the latter stages of the movement. Proper size, best economic set-up, financing methods, type of manager, and other similar questions of internal organization are now largely occupying the attention of members and officers of farmers' elevators.

Minnesota farmers are handling these problems variously and with different degrees of success. A comparison of elevators in any section where elevators are marketing similar kinds of grain and operating under similar circumstances shows a wide range in accomplishment, when efficiency is measured either by cost, operating profit, service, or price paid for grain. The elevators in the corn and oat section of southwestern Minnesota had total costs ranging from one to eleven cents per bushel last year and the costs in the spring wheat section of the Red River Valley were practically the same. It is true that most elevators operated at three to six cents, as shown in the accompanying figure, but this is a range of efficiency of 100 per cent.

Why Costs Vary

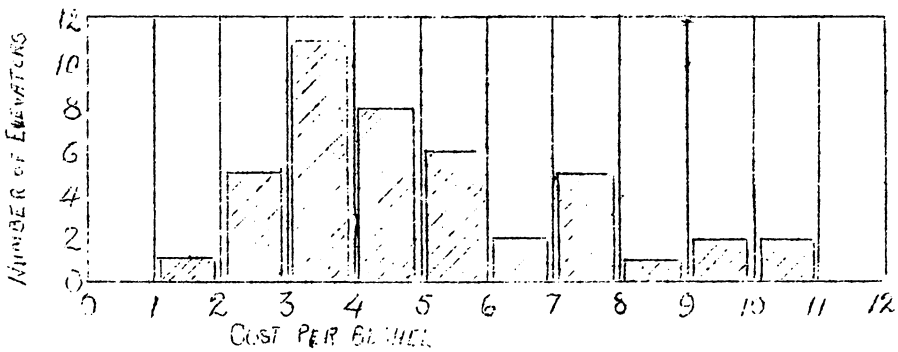
All elevators do not have the same costs for various reasons and the conditions causing variations in costs are not the same in all instances, but in general the following seem to account for most of the variations.

Published in Furthance of Agricultural Extension Act of May 8, 1914, F. W. Peck, Director.

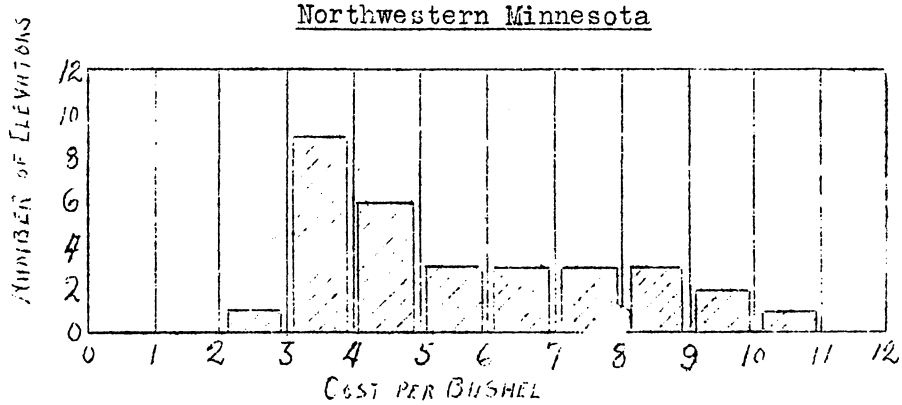
Volume of Business. Cost decreases rapidly between elevators as the volume of business increases. Generally speaking, the advantage of a larger business is very significant up to 125,000 or 150,000 bushels in Minnesota. The cost of operati is still lower for larger businesses but the chief advantages that are obtained from better utilization of building, equipment and management are generally realized at smaller volumes.

Number of Elevators Operating at Different Costs in Minnesota - 1927-28

Southwestern Minnesota



Northwestern Minnesota



Labor and Management. Costs also vary widely between elevators of the same volume of business. The chief reason for the variation is found in the labor and management policy. Both the quality of labor hired and the wages paid vary. The amount of extra labor employed is by far the principal cause of the variable costs of this factor and the maladjustments discovered in this connection are due chiefly to the failure to dispense with extra labor in years and in seasons of light receipts

Equipment. Equipment is the next most important factor affecting costs and the chief reason for variation in this cost is the amount of equipment on hand. The requirements for cleaners, motors and other pieces of equipment are not the same for all elevators and consequently all elevators can not be expected to have the same cost, but judging by the amount of idle pieces that exist (16 cleaners in 50 elevators in one season for example), unnecessary expenses are often incurred for this item.

Building. Buildings are much better adjusted to volume than labor or equipment, although there are occasional misfits particularly where commercial grain farming is on the decline and the future business anticipated at time of building the elevator did not materialize.

How Farmers Can Increase Efficiency of Their Elevators

Plan carefully. A farmers' elevator, like any other business, succeeds only when it is well conceived. This involves, (1) reasonable certainty of adequate future business for economical operation, and (2) construction of an efficient plant of the right size and at the best prevailing prices.

Study the Business. No business is likely to succeed without the continuous direction of the owners. The first essential to formulating a sound elevator policy is adequate information about the operating, buying and selling problems supplied freely and regularly. This means a good system of accounts supplemented by frequent reports of auditor and manager to the directors and, at least annually, to the full membership. The second essential is to understand the principles of grain marketing and particularly the requirements of the local elevator business.

Hire a Good Manager. A manager who understands the grain business, who appreciates the problems peculiar to cooperative organizations, and who is willing to have the members formulate the elevator policy, is a valuable asset to any farmers elevator. Liberal payment for the services of a manager with these qualifications will generally be rewarded by satisfactory financial and operating returns.

Participate in Management. Centralization of responsibility for management is necessary but this does not prevent even the most humble member of a cooperative association from indirectly participating. Attendance at stockholders meetings; taking part in election of officers and in discussions of marketing policies are effective means of obtaining more intelligent elevator policies and of making the elevator business an effective adjunct to the production of grain.

Recent Progress

The trend of cost of farmer elevator operation in the principal grain sections has been upwards in recent years, as may be observed in the accompanying table. Volume of grain marketed has declined at the same time. To what extent this decline is due to reduced yields and to shifts to less commercial grain farming we can not say, but it is a very significant trend which should cause farmers to consider the advisability of adding side lines or other supplementary enterprises to the grain business of their elevators. Gross income per bushel has also increased.

Summary of Farmers Elevators in Minnesota
Southwestern District

Year	Expense	Gross income	Net income	Volume	Net worth
	(cents)	(cents)	(cents)		
1923-24	3.1	3.5	0.4	308,630	16,638
1924-25	3.2	4.2	1.0	262,515	18,126
1925-26	3.1	4.1	1.0	314.442	23,470
1926-27	5.0	6.5	1.5	152,384	21,220
1927-28	6.0	8.4	2.4	149,266	23,416
5 year average	4.1	5.3	1.2	237,447	20,574

Northwestern District

Year	Expense	Gross income	Net income	Volume	Net worth
1923-24	6.0	7.0	1.0	99,655	14,490
1924-25	3.1	7.0	3.9	236,480	20,697
1925-26	4.6	7.5	2.9	202,185	26,300
1926-27	5.0	7.5	2.5	145,045	24,623
1927-28	5.8	8.9	3.1	135,198	22,776
5 year average	4.9	7.6	2.7	163,713	21,777

and somewhat more than costs so that net income was slightly larger at the close of the five-year period. The financial position has also improved, as is indicated by the much larger average net worth of farmers' elevators in 1928 as compared to the situation in 1923. One explanation of this is that the surplus has been allowed to accumulate instead of all being paid out as patronage dividends at the close of each year. This procedure improves the financial condition of the organization and reduces the outlays for interest.

H. Bruce Price

PRICE INDEX NUMBER FOR APRIL 1929

The index number of Minnesota farm prices for the month of April 1929 was 111.3 as compared with 100, which represents the average of the prices prevailing in the three months of April 1924-25-26. The corresponding index for April 1928 was 105.9 and for April 1927, 110.4

The price index of 111.3 for the past month is the net result of increases and decreases in the prices of farm products in April 1929 over the average of April 1924-25-26, as shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases in April 1929 when compared with average prices in April 1924-25-26

Increase in April 1929		Decrease in April 1929	No Change
Corn	Beef Cattle	Wheat	Eggs
Oats	Veal Calves	Barley	
Rye	Lambs-Sheep	Flax	
Hogs	Chickens	Potatoes	
Milk	Butterfat	Hay	

The April 1929 prices of these products have also been compared with the prices of March 1929 for increases and decreases. The products are shown according to this comparison in the following table:

Principal Farm Products which Showed Price Increases and Decreases in April 1929 when compared with March 1929

Increase in April 1929	Decrease in April 1929	
Oats	Wheat	Veal Calves
Hogs	Corn	Eggs
Beef Cattle	Barley	Butterfat
Lambs-Sheep	Rye	Hay
Chickens	Flax	Milk
	Potatoes	

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