



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.*

AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

No. 98

January 20, 1931

Prepared by the Division of Agricultural Economics
University Farm, St. Paul, Minnesota

PLANNING THE FARM PROGRAM FOR 1931
Prepared by A. Boss

Bargain Counter Values

Agricultural goods are on the bargain counter. Those wanting agricultural commodities may satisfy their desires at very reasonable prices. Farm lands can be purchased in most communities at the lowest values of the current century. Price indexes on the staple cereal crops that enter into commerce are at the lowest level of the post war period. Feed crops are quoted at prices in sympathy with the cereals. Prices for fibre crops likewise are low notwithstanding the fact that the yields were seriously curtailed by climatic conditions in central territory. These price depressions have occurred in spite of the "greatly reduced farm production, due to the worst drouth ever recorded in this country".⁽¹⁾ Livestock and livestock products are likewise in relatively low demand. Price indexes for all classes of livestock have declined from indexes a year ago and are registered at the lowest point in several years. Lower prices than a year ago are offered for butterfat, milk, eggs, and wool, which are the major livestock products sold by Minnesota farmers. It must be conceded that the picture is not bright. But to build a good farm program for 1931, we must recognize the facts. The hopeful feature of the case is that our farmers are meeting the situation with courage and that many authorities on business conditions predict an early upturn in industrial activity. There is further satisfaction in the knowledge that business conditions in the Northwest compare favorably with conditions in any other section of the United States.

How Can Sales Be Made?

For five or six years, the importance of a high degree of industrial activity in making a good market for farm goods has been pointed out in these annual forecasts. This year we have a demonstration of the converse corollary, i.e., that low business activity results in a slow market for agricultural products.

There was no serious overproduction in 1930. Only eight crop commodities, out of 29, show any increases over a five-year average for the commodity. On the whole, production was less than usual. The low prices this year are not so much due to overproduction as they are due to poor distribution, low buying power and under consumption. Low production, even to the point of under production for actual physical needs, has not helped those in the drouth stricken territory to better prices for what they have to sell. It is quite possible that the

(1) Secretary of Agriculture Report for 1930.

effect of this curtailed production on prices is offset by the reduced buying power of those losing their crops. The real difficulty is that both foreign and domestic demands are weaker than they have been for some years. The effect of curtailed commercial production, closed factories and part time employment is reflected in the municipal bread lines and in proposals for Federal and State appropriations for human relief. The old adage that "If you don't work, you can't eat", is being amended to read, "If you can't find employment, you can't buy". In this commercialized age, one who cannot buy cannot eat. The remedy therefore seems to be in building back into industrial activity as rapidly as possible. The Federal proposals for large building construction enterprises, for road work, and other employment giving activities will no doubt improve the domestic markets temporarily at least. Similar activities by state and municipal governments will further distribute available wealth and should help to give better financial conditions when the 1931 crops or products are ready for market. If there is improvement in the demand for agricultural products, it is likely to arise in domestic demand. While the higher tariffs now operating have been effective in keeping out some classes of products, note must be taken of the fact that other countries also are imposing higher tariffs and that these are effective in keeping American goods out of foreign markets. The 1931 production program may well be shaped toward the probable domestic demands.

What Will the Program Be?

The most troublesome problem in making a farm program is to prophesy accurately which of many alternative commodities will be in strongest demand when ready for market. It is not safe for a prophet who values his reputation to advise individual farmers what or how much to produce. What may be a perfectly safe generalization in the large may not apply at all to an individual farm. No one so well as the operator can decide what can best be done under the conditions prevailing on his individual farm. Since he is obliged to take the consequences for the decision in any event it is only appropriate that he take the responsibility for making the decision. An attempt will be made, however, to point out the agricultural commodities which are expected to be in greatest demand and for which the greatest returns are likely to be received. From the commodities offering the greatest returns, each farmer must choose those best suited to his farm and market and build a program that will most effectively employ the resources at his command. The commodities out of which to build a farm program in Minnesota change but little from year to year. New commodities come in but slowly and established ones go out just as slowly. The commodities from which choice must be made are presented in a classified list.

Livestock	:Livestock :Products	:Feed Crops :	:Cash Crops :	:Outside :Employment
Hogs	:Butterfat	:Pastures	:Wheat and rye	:Road work
Dairy cattle	:Liquid milk	:Forage crops	:Barley	:Construction
Beef cattle	:Cream	: Hay	:Oats	:Trucking
Sheep	:Wool	: Fodder	:Flax	:School bus
Veal	:Eggs	: Silage	:Buckwheat	:Clerical
Poultry	:	:Corn	:Beans	:Other
(a) Turkeys	:	:Barley	:Potatoes	:
(b) Chickens	:	:Oats	:Sugar beets	:
Horses	:	:Roots	:Tobacco	:
	:	:	:Canning crops	:
	:	:	: Reas	:
	:	:	: Sweet corn	:
	:	:	:Truck crops	:
	:	:	: Cabbages	:
	:	:	: Rutabagas	:
	:	:	: Onions	:
	:	:	: Table vegetables	:
	:	:	: Berries	:

For several years past, livestock and livestock products have commanded better prices than feed crops and cash grain. The balance is still in favor of livestock, tho the margin of advantage is narrower. The year's program should again be centered about the livestock enterprises. Extreme caution should be exercised, however, against undue expansion in the aggregate of any of the major livestock enterprises. Several of these are approaching dangerously near the saturation point, which when reached may result in disastrously lower prices than now prevail. While acreage substitution for cash crops and particularly for wheat is advised broadly, farm operators should keep in mind the fact that livestock and livestock products are more expensive in labor and material than cash crops and that livestock surplusses in the major enterprises inflict greater losses upon producers than do low cost cash crop surplusses.

The Livestock Commodities

Among the livestock enterprises, hogs seem to hold the advantage. The short corn crop for 1930 has postponed for a year or more an intended increase in hog production. This should have a favorable influence on the market demand for hogs and it is probable that price levels may be maintained at nor near the levels of the last year. Low prices of other feed grains during the fall and early winter, however, have stimulated holdings of breeding stock with the result that the spring farrowings are likely to be increased over first expectations. This same factor has also encouraged feeding to greater weights, which will also increase the amount of pork reaching the market. If the expected increase in industrial activity is realized, it is probable that the demand will be increased sufficiently to absorb the additional marketings without lowering price levels. The December pig survey report of the U. S. Department of Agriculture indicates that the pig crop of 1931 will probably be somewhat smaller than that of 1930. Regardless of fluctuations in the crop produced and in market prices, the hog enterprise is well adapted to the grain surplus section of Minnesota and it is doubtful whether, year in and year out, any other enterprise will make greater returns for feed and labor expended. Hog production in Minnesota should be increased for the year 1931.

Prices for beef cattle are thought to be past the top of the price cycle. How long they can be kept at present levels depends on the rapidity with which farmers can increase their offerings. Present prospects indicate another fairly satisfactory year for beef producers. Numbers of beef cattle are increasing but slowly and should there be a revival in industrial activity, declines may be deferred for a time. With present low prices of grain favoring abundant pasturage and finishing feeds, it should be possible for farmers to make beef at very low prices. Producers of dual purpose cattle will this year do well to turn their attention to the beef side of the enterprise. This will not only bring them as good returns but it will relieve to some extent the dairy branch of the enterprise, thus resulting in better prices for dairy products.

Those established in the dairy business have no reason as yet for getting out of it. Increasing numbers of dairy cows, together with higher production and better feeding and management, coupled with a slackening demand have resulted in depressing prices for dairy products. It is becoming increasingly difficult to make large returns on the dairy enterprise. There should be no general expansion of dairying on Minnesota farms at the present time. Those engaged in the business, however, can still make as good returns by close culling, wise feeding and good management, as they can by shifting to some other enterprise.

There is little prospect for increased returns from the poultry and sheep enterprises this year. Production in both lines has been increasing for several years and has now reached the stage where supply has run ahead of demand. There

has been a corresponding increase in the consumption of poultry and eggs and in the demand for lamb and mutton. The present indications point to the desirability of a reduction rather than to an increase in each of these lines. Those firmly established for the production of these commodities, however, should not overlook the discouragement likely to fall upon producers not so well established and guard against unnecessary sacrifices. There is still a probability of satisfactory returns for those raising turkeys and in favorable positions to produce chickens and eggs on a low cost basis,

The Feed Crops

Abundant pasturage is the first step toward economical livestock production. At this time land for such pasturage can well be afforded. Unfortunately, last season was not favorable to the establishment of grass stands and many old pastures and meadows also were injured by the scarcity of moisture. There is grave danger that pasturage may be short the coming season unless special attention is given to providing new sources. Where new seedings have failed or old pastures have been injured, it may be desirable to provide a reasonable acreage of early seeded grain mixtures for pasture purposes. A combination of fall rye, oats and barley, seeded as early as possible, will provide good pasturage for six or seven weeks during the early part of the year. In the meantime, other forage crops can be planted for supplying fall feed. Sweet clover sown with the early spring grains will supply fall pasturage. Full season pasturage can be made out of the annual crops, if necessary. Carrying the stock on spring grown grains, fall rye, or other pasturage for three or four weeks in the spring often gives the established pastures a chance to make growth and accumulate reserve which will carry them through the balance of the season. Close pasturing during the early part of the season results in small pasture yields for the year. Protecting the pastures so far as possible from over grazing, top dressing liberally, and treating as any other productive crop will result in greatly increased returns from them. A good supply of cured forage is another essential to economical livestock production. Ample acreages of hay and other cured forages should be grown. Liberal provision should also be made for the silage crop. Since cattle in Minnesota must be stable fed for about half of the year, this is quite as important as the pasture problem. An abundant supply of alfalfa hay and a silo full of good corn silage provides the basis for economical rations for either dairy or beef cattle. Land used for the production of these crops is taken out of competition for the production of surplus cash crops. The chances are that it will give much greater returns.

Corn, barley, and oats, with the root crops, make up the rest of the feed crops. Choice among these must depend on the soil and climatic conditions and the resources of the operating farmer. Corn is the universally accepted feed crop. It goes particularly well with hog and beef production. Barley is becoming increasingly popular as a feed crop and replaces corn effectively in rations for most classes of animals. Where it can be produced at a lower cost per pound than corn, it may well be given consideration as a cheap feed crop. All of these crops should be produced in abundance on good livestock farms this year. It is probable that surpluses can be sold to quite as good advantage as most of the cash grain crops.

The Cash Grains

A "Now Wanted" sign has been hung on most of these commodities. Notwithstanding this fact, some of these crops must be grown on most farms. Last year flax seemed to hold a decided advantage over any other cash grain crop in the list. This year that advantage has largely disappeared. The present indications are, however, that flax will command a somewhat better price than wheat,

relatively, and that in such territory as usually gives good yields of flax that crop may well be put at the head of the list. In spite of low prices, no cash grain crop can be offered which will take the place of wheat in west central and north central Minnesota. On the farms of large acreage in this territory, it is probable that a good acreage of wheat must again be grown. Those engaging in wheat production, or in cereal production of any kind, must give consideration to low cost production. There is no probability of materially increasing price levels of any of the grains except in the event of a broad stretched calamity, such as the drouth of last year. In view of prospective crop conditions in other parts of the world and of large seedings of wheat made last fall, it will not be best to count on such calamity. The production of cash grain crops therefore should be kept at the lowest possible figure. The choice will again lie between wheat and flax, with corn, barley and oats following as the major cash crop enterprises.

In limited areas there will be the usual opportunities for good returns from potatoes, sugar beets and tobacco production. These crops, where adapted and properly handled, have been yielding good returns for labor and materials expended. It is probable that the price of sugar beets will be depressed to some extent this year. A large production of sugar crops in other areas and the introduction and manufacture of corn sugar will have a depressing effect. Those farmers engaging in tobacco production in certain parts of Minnesota are finding it a profitable crop. In view of the fact that tobacco has been in the surplus crop class for the past few years, it is doubtful if there should be any expansion of the tobacco acreage. However, that is a matter for individual farmers to decide. Attention can well be given to the production of canning crops in many parts of the state where factories are available. There is room also for certain of the truck crops in limited quantities or near favorable markets. The list is presented in full simply to call attention to possibilities, not with the idea of advocating large increases in these crops.

Outside Labor

As a matter of policy, most farmers will do well to confine their energies to the development and management of their own farms. On small farms, and sometimes on large ones, however, there are opportunities to add to the income by doing emergency outside labor. There are periods of the year when teams, equipment or hired help may not find profitable employment on the farm. At such times opportunities for road work, trucking or other similar work may offer ways of adding to the net income. In view of the large amount of unemployment in the industries at the present time, it would seem wise to turn attention to developing new forms of productive work on the farm rather than to contribute to unemployment in the industries by taking work off the farm. Since the increased industrial activity results in better markets for farm products, farmers will gain in the long run by confining their efforts to the farm business, thus improving the quantity of their product and often the quality as well.

Premium on Good Management

Good management is always a large factor in successful farming. It will be one of the absolute essentials this year. As margins between market prices and production costs narrow only the best of management can yield a profit. Those having heavy interest charges and tax assessments or other obligations to meet must observe the closest of economy in their expenditures. It will be difficult to make profits on hired labor this year unless there is full employment for it on highly productive enterprises. On many farms it will be best to cut the production program down to what the family labor can handle comfortably rather than to try to expand it to cover the wages of hired help. This, however, is a matter of judgment for each individual operator. The point is that it is important to keep the

cash expenditures at the lowest possible amount consistent with a well cared for farm business. In any event, they must be kept within the receipts and the receipts accumulate slowly at the present price levels for farm products.

Emphasis should be put on the provision of abundant low cost feed supplies for both summer and winter feeding. Prices for livestock and livestock products are still high enough to permit profits on low cost production. The basis of low cost production is in abundant pastures and cheap farm grown roughages and feed grains. These, fed to closely culled herds and flocks of high productive power, offer the best prospects in sight for receipts above expenses in 1931.

Unnecessary risks should be avoided. Full yield crops and high production herds and flocks add greatly to the receipts and but little to the expense. Yields and production can be improved by foresight and good management. High quality seed, disinfected and inoculated if and when called for, is good insurance against crop losses. Sanitary measures for the control of menacing livestock diseases is likewise good insurance against low returns from livestock. These precautions cost but little and add immensely to the chances for profitable production. Why take the risk?

Work the best land, milk the best cows, feed the best hens, and shear the best sheep. This is no time to till marginal land or to board marginal livestock. Such lands should be carried in pastures until again needed and low producing livestock should make an early trip to the stock yards. Figure the costs before a new venture is made. Keep a record of the farm business. It helps to tell which are the productive enterprises. Keep the receipts as high as possible and the cash expense as low as possible. It is always pleasanter to spend a surplus than to make up a deficit.

MINNESOTA FARM PRICES FOR DECEMBER 1930
Prepared by D.D. Kittredge and A.E. Erickson

The index number of Minnesota farm prices for the month of December 1930 was 72.1. When the average of farm prices of the three Decembers of 1924-25-26 is represented by 100, the indexes for December of each year from 1924 to date are as follows:

December 1924	-	92.3
"	1925	- 104.0
"	1926	- 104.3
"	1927	- 95.0
"	1928	- 95.2
"	1929	- 96.8*
"	1930	- 72.1*

*Preliminary

The price index of 72.1 for the past month is the net result of increases and decreases in the prices of farm products in December 1930 over the average of December 1924-25-26 weighted according to their relative importance. These increases ranged from approximately 9 per cent to 3, and the decreases from 66 per cent to 21. The products ranked according to the size of their percentage increases or decreases in this comparison are shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases
in December 1930 when Compared with Average Prices in
December 1924-25-26
(arranged in descending order of percentage change)

<u>Increases</u>	<u>Decreases</u>	
Cattle	Rye	Butterfat
Calves	Wheat	Potatoes
	Eggs	Hogs
	Lambs-Sheep	Corn
	Barley	Chickens
	Flax	Hay
	Oats	

Although the Minnesota index for December 1930 does not measure price changes from November 1930, a comparison of month to month changes in price has been made. The increases range from 14 per cent to 2, and the decreases from 15 per cent to 2. The products ranked according to the size of their percentage increase or decrease in December 1930 over November 1930 are shown in the following list:

Principal Farm Products which Showed Price Increases and Decreases
in December 1930 when Compared with November 1930
(arranged in descending order of percentage change)

<u>Increases</u>	<u>Decreases</u>	<u>No Change</u>
Rye	Eggs	Flax
Oats	Butterfat	
Wheat	Hogs	
Barley	Potatoes	
Lambs-Sheep	Calves	
Corn	Chickens	
Cattle	Hay	