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AGRICULTURAL EXTENSION DIVISION  
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

No. 110

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

PLANNING THE FARM PROGRAM FOR 1932

Prepared by A. Boss

Fire Sale Values Prevail

This is not going to be a popular discussion. No one likes to look at a dark picture. But one must be an optimist indeed to paint anything but a dark picture out of the materials in sight. There are sometimes bright spots in dark pictures. You are requested to read thru to the end before drawing conclusions. A year ago the statement was made in this publication that agricultural goods were on the bargain counter. It seemed at that time that the bottom had been reached. But it proved to be only the ground floor. Prices have continued to recede. The present farm commodity price index is at 70 or less. A year ago it was 101, as compared with the pre-war five-year period. The current price index of farm commodities indicates fire sale values beside the index of a year ago. Prices for farm lands are still dragging bottom with no prospects for early improvement. All commodities are selling at lower prices than a year ago. If agricultural goods were on the ground floor a year ago, they are in the cellar now. In October, chickens, eggs and butter were the only commodities selling above the pre-war index. These were not selling far enough above the index to permit expansion in any significant degree.

Drouth and excessive summer heat over much of the Northwest resulted in partial or total failure of many crop commodities. Shortage of feed has curtailed production of dairy and livestock products to an appreciable extent in much of the territory where feed crops are usually produced in abundance. This has added greatly to the distress of farmers operating in that territory. In the view of many, the calamity may have been offset to some extent by the upswing in prices for dairy products resulting from dry pastures and feed shortage. It is difficult, however, for farmers who have to buy feed or reduce production and perhaps sell foundation stock to see the validity of this argument.

In spite of the discouraging experiences of the past year and the dismal outlook just ahead, the knowledge that the industrial, financial and business groups are also having difficulties has had a sobering effect in agricultural circles. The increasing ranks of the unemployed in cities who face hunger and exposure serve as a reminder that those who are able to stay on the land eat first and can wear rough clothes if they must. The migration from farms to cities has been noticeably retarded by the difficulty in finding employment. The movement, in fact, appears now to be in the other direction.

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## Where Can Customers be Found?

The all-pervading agricultural problem is to find customers who are able to buy and pay for agricultural goods. Depressed buying power and high tariffs are largely effective in keeping American products off European markets. Unemployment, falling price levels and financial disturbances in countries formerly buying freely have reacted disastrously on both foreign and domestic markets and industries. Reduced industrial exports are reflected in reduced domestic buying power as well. Agriculture keenly feels the shock because both its domestic and foreign markets are impaired. The situation indicates that this year's program must again be built upon probable domestic demand and low domestic buying power.

That farmers are at a disadvantage in the domestic market is indicated by the prevailing wide disparity in price levels in the various commodity groups. As given by the United States Department of Agriculture, the wholesale price level of all commodities stands practically at the pre-war level, or 100. The industrial wage level is, roughly, twice that figure, or 200. The index for farm taxes exceeds 250. Farm wages are at about 120. Perhaps the situation is best summarized in the statement that prices of things bought by farmers stand at 125 while the prices received by farmers for their products average about 70. The exchange value of farm products on the domestic market, therefore, is slightly over half of what it was before the war, standing now at 56. Prices for all commodities have receded during the past year. Prices of farm commodities have receded faster than others. Farmers are facing a poorer rather than a better market than they faced a year ago. The bright spot in the picture is the probability that the gap will be lessened within the year. Either agricultural commodities will reach a higher price level or other commodities will fall. Either event will increase the farmers' purchasing power.

## Planning the Farm Program

The most delicate problem in making a farm program is to select from the commodities that it is possible to grow in the locality those which promise to be in best demand and to bring the highest prices when ready for market. No one so well as the individual operator of a farm can tell which commodities he can most effectively produce. The list of commodities from which to build a farm program changes but little from year to year. Occasionally, a new commodity may be introduced that can replace entirely or partially one of the old ones. On most farms, however, the same commodities can best be produced year after year, varying only in the proportions of each as experience and market prospects appear to indicate will be wise and profitable. The alert operator will consult federal crop reports, livestock production and marketing reports and such other data as may be available that will throw light on existing supplies, trends in production and probably future market demands. From the commodities offering possibilities for the greatest returns the individual farmer must choose those best suited to his particular farm and market and proportion them to the resources at his command. The commodities from which a choice must be made for Minnesota farms are presented in a classified list. These are numbered in the order in which it is believed they will stand in yielding profits on Minnesota farms this year.

| Livestock        | :Livestock<br>:Products | :Feed Crops       | : Cash Crops       | :Outside<br>:Employment |
|------------------|-------------------------|-------------------|--------------------|-------------------------|
| (4) Hogs         | :(2) Butterfat          | :(1) Pastures     | :(6) Corn          | :Road work              |
| (1) Dairy cattle | :(2) Liquid milk        | :(2) Forage crops | :(4) Wheat and rye | :Construction           |
| (3) Beef cattle  | :(2) Cream              | : Hay             | :(7) Barley        | :Trucking               |
| (5) Sheep        | :(4) Wool               | : Fodder          | :(8) Oats          | :School bus             |
| (6) Veal         | :(1) Eggs               | : Silage          | :(5) Flax          | :Clerical               |
| (2) Poultry      | :(3) Cheese             | :(3) Corn         | * Buckwheat        | :Other                  |
| (a) Turkeys      | :                       | :(4) Barley       | :(5) Beans         | :                       |
| (b) Chickens     | :                       | :(5) Oats         | :(3) Potatoes      | :                       |
| (7) Horses       | :                       | * Roots           | :(2) Sugar beets   | :                       |
| :                | :                       | :                 | * Tobacco          | :                       |
| :                | :                       | :                 | * Legume seeds     | :                       |
| :                | :                       | :                 | :(1) Canning crops | :                       |
| :                | :                       | :                 | : Beans            | :                       |
| :                | :                       | :                 | : Sweet corn       | :                       |
| :                | :                       | :                 | * Truck crops      | :                       |
| :                | :                       | :                 | : Cabbages         | :                       |
| :                | :                       | :                 | : Rutabagas        | :                       |
| :                | :                       | :                 | : Onions           | :                       |
| :                | :                       | :                 | * Table vegetables | :                       |
| :                | :                       | :                 | * Berries          | :                       |
| :                | :                       | :                 | :                  | :                       |

\*Crops largely of local importance.

Livestock and livestock products still appear to command a slight advantage over feed crops and cash grains. The margin of advantage, however, has grown to be extremely narrow. Livestock production programs should be expanded only with great caution. The saturation point in hog production has been reached or passed. Sheep production has been on the low-profit basis throughout the past year. Dairy products, beef cattle and poultry and poultry products have held up better than most other commodities. It would seem that the program for the year may best be centered around the livestock enterprises with attention given to strict economy, efficient production, and the avoidance of all possible cash expense. More abundant pasturage, home grown forages and feeds, and the minimum use of labor and feed per unit of product gives the only insurance possible of profitable returns. Those stocked and equipped for livestock production and experienced in it may well continue to give their chief effort to these commodities. Others with less experience, or who would have to purchase stock and provide shelter and equipment should enter into production with caution and only after fully considering its advisability in building a long time program. There is little prospect for gains on short time speculative livestock ventures. Those accustomed to securing their incomes from cash grain crops and who are equipped for that line of production will, in all probability, find it more profitable to stay in that line of business than to attempt to get into livestock production at a time when margins between feed cost and income are so close.

### The Livestock Commodities

#### Dairy Products

Dairy cows and dairy products hold a large place in the production program on many Minnesota farms. There is as yet no reason for those well established in the dairy business to get out of it. There are several reasons, however, why they should avoid further expansion. The first is that there are

more dairy cows in milk and more heifers coming into milk than in previous years. Because of the low price for dairy cows and for low grade beef cattle farmers have been slow to market cull or aging cows and many have been retained in herds that should have gone to market. The addition of heifers that grow into cows is permissible if they replace some of the poorer cows already in the herd or some of the old cows. A second reason for limiting dairy production may be found in the general business depression. This has resulted in much unemployment and indicates a possible further curtailment in demand for dairy products. Those forced to live on limited incomes will forego cream, butter, and in many instances milk, before they give up potatoes, bread and meat. It is possible that there will be some restriction in dairy production due to shortage of pasture and feed crops. Should butterfat prices go lower than at present, it will be difficult indeed to make dairy products profitable on purchased feed. New seedings were killed out by the drouth in much good dairy territory and good pastures before midsummer will be rare under even the best of conditions. Stall feeding for a longer period than usual will therefore be necessary this spring on many farms. Those wishing to continue in dairy production should give attention to the provision of abundant pasture, good quality forage crops and plenty of coarse feed grains as the best insurance for profitable production.

### Poultry

Poultry and poultry products have remained in a surprisingly good position. It is reported that there are fewer hens and pullets on farms, by 5 per cent, than there were a year ago, and  $2\frac{1}{2}$  per cent less than for the five-year average. Storage stocks also are below the five-year average. It would seem, therefore, that returns from the poultry enterprise next year are likely to compare favorably with returns the past year and that flocks may well be maintained on those farms where they can be made to round out the production program without materially increasing the expense. The poultry enterprise, however, does not hold a major place in the program of most farms and utilizes only a small part of the farm resources.

### Beef Cattle

Cattle values have declined steadily throughout the year. It is evident that they are on the downward swing of the cycle and that there is not much hope of improvement in the near future. Those farmers who raise their own feed and their own cattle, however, should take some comfort in the fact that relatively the economic position of the cattle industry compares favorably with most of the alternative agricultural enterprises. Altho prices are low, feed prices also are low and it is possible by low pressure processes to make beef cheaply. That offers the only hope for profitable production. While the present low prices are due to some extent to a liberal supply, the federal offices point out that the 1930 per capita supply of beef and veal from total slaughter was the smallest in 31 years. It is predicted also that the per capita supply for 1931 will not be materially larger.

### Hogs

The December pig survey made by the United States Department of Agriculture reports an increase of 15.6 per cent in the size of the fall pig crop for 1931 over that of 1930. While only 13.4 per cent more sows farrowed in the fall of 1931 than a year ago, a higher percentage of the litters were raised which has resulted in the increase in the size of the fall crop. This same survey indicates, for the United States, a fall pig crop 19.7 per cent greater than was farrowed a year ago. A spring farrow for the United States 13 per cent larger than was farrowed in the spring of '31 is also indicated. If the usual shrinkage between intentions and actual farrowings occurs, the increase

will be about  $5\frac{1}{2}$  per cent. It hardly seems necessary to advise farmers to apply the brakes on hog production. There is some evidence that they have already done so. This is the outgrowth of a continued low price period accompanied in many places in Minnesota by a shortage of feed, and especially of corn. That Minnesota farmers have anticipated the necessity for decreasing swine production is indicated by the report that only 95 per cent as many sows are to be bred for spring farrow in 1932 as were reported a year ago. Hog raising holds too large a place on Minnesota farms to be curtailed materially. In view of prospective low prices, however, plans must be made for low cost production. Farmers with good pastures, byproducts from the dairies and home-grown grains and corn will find the hog enterprise quite as profitable as any alternative one in spite of the rapidly narrowing corn-hog ratio.

### Sheep

So far as can be judged at the present time, there will be no immediate improvement in the sheep industry. This does not mean that sheep may not still continue to contribute materially to the net income on many farms. There is no reason as yet for disbanding flocks and on farms where they have been fitted into the production program they may well be retained in part to consume feed along fence rows and out of the way places that would not otherwise be utilized, but largely because they will round out the farm business and add to the income without greatly increasing the expense.

### The Feed Crops

Emphasis this year should be placed on the provision of good pasturage. It will be necessary in many cases to provide emergency pasture crops where now seedings were killed out last year. While there are few satisfactory substitutes for good grass pastures, it is possible to secure an abundance of feed through the use of annual crops. For the earlier pasture, where a substitute grass must be used, a seeding of a bushel and a half of oats, three-fourths of a bushel of barley and a half bushel of fall rye per acre sown just as soon as the ground can be worked will furnish good feed until the first or middle of June. In the southern part of the state, a follow-up pasture may be made by sowing 25 to 30 pounds per acre of Sudan grass at late corn planting time. This should be ready to pasture by the time the small grain mixture is eaten down. For fall pasture and for pasture the following year, seeding 12 to 15 pounds of biennial white sweet clover with 4 or 5 pounds of timothy in a thin seeding of early oats or barley offers the best solution. A seeding of this kind will be ready to supplement the Sudan grass and will carry the stock in the fall, if not pastured too closely. If a good stand is established, it should carry over and make the pasture of the following year. Old pastures can be improved by top dressing liberally with well rotted manure and by disking and seeding the bare spots. With land as abundant as at present, with a slow demand for cash grain crops, and with a desire to save labor, land is not misused if some pasture is wasted. Provide plenty of it.

Corn is preeminent among the feed crops. Many farmers in Minnesota are short of corn this year. Before another crop is harvested, cribs will be emptier than they have been for some years. It would seem therefore that the logical thing to do is to put in a liberal acreage of corn, to use an early maturing variety, give good culture and produce a good crop. It can be marketed as a feed crop in case the cash demand for corn is not strong enough to provide a satisfactory market. Those living in territory where corn is not a dependable crop must fall back on barley and oats. Where barley can be produced at a lower cost per pound than corn, it may well be given consideration as the chief feed crop. Choice among these crops must be dependent upon the suitability of the soil, climate and upon the resources of the operating farmer.

A good supply of cured forage is essential to low cost production. Alfalfa seedings should be enlarged, silage corn should be provided in liberal amounts in those sections where the silo is a part of the regular farm equipment. Hay and other rough forages should be provided in liberal quantity. The outlet for these crops will be thru dairy cattle, home grown beef cattle, hogs and sheep. They should not be grown with the expectation of finding a cash market for them.

### Cash Crops

While a preference is indicated in the column for cash crops, it is only because a choice must be made. None of the cash crops are in favorable position but the fact is recognized that farmers must grow something if they continue to operate. Canning crops in Minnesota were short last year. It is true that consumer demand has decreased but the pack was short and it is believed that canning crops next year will still be in demand and that a good price may be secured for peas, corn and such other crops as can be produced in the vicinity of a cannery.

Sugar beets promise to be one of the most profitable cash crops of the year as contracts will be offered by sugar manufacturers at only 50 cents per ton less than last year. It is a crop that requires a large amount of labor and should not be attempted unless the labor can be supplied. On land adapted to beets, however, and within shipping distance of a factory, the crop offers possibilities for profitable production to the limit to which it can be grown.

In spite of the fact that wheat bins are full and that there is a heavy carryover of wheat in storage, there seems to be no crop better suited to the program of farmers in wheat-growing territory. Many believe that wheat is selling below its real value at the present time and that prices will improve before another crop is harvested. Reports indicate a somewhat smaller wheat crop in the Argentine this year than a year ago and a shrinkage of some 43,000,000 bushels in the Australian crop. Spring wheat growers may take heart in the fact that winter wheat seedings last fall were somewhat less than previously and it may be noted that the condition of the winter wheat crop at last reports was somewhat below average. The chances are that wheat prices next fall will be better rather than worse as compared with this year's prices.

Flax has lost most of the advantage it held over other cash crops because demand has slowed up and prices have declined. It still ranks high as a minor crop, however, and in territory well adapted a reasonable acreage may well be grown. It is believed that a large proportion of last year's supply has been moved to market and that there may be a shortage of seed this spring. Those wishing to raise the crop should secure their seed stock early.

Tobacco, white beans and certain other commodities deserve consideration in the programs of some farmers. They are not, however, of large enough importance, nor grown over a wide enough territory to permit generalization regarding them. Those who live in good potato-growing territory and who make a specialty of production have no good reason for departing from the usual acreages of this crop. But the uncertainty of the crop and of the market for it makes it an exceedingly doubtful crop in the hands of beginners. Minnesota potato growers can improve the demand for this commodity by growing acceptable, standard market varieties; by grading closely; and by offering only potatoes of desirable size and high table quality.

## Outside Employment

It is wise for most farmers to so develop their farm business as fully to occupy their time and energy. If it can at the same time give employment to the members of the family, so much the better. Only in emergencies and for short periods should a farmer look for work off his farm. There are periods of the year however, when teams, equipment or hired help can not be profitably employed on the farm. At such times, it is permissible to engage in nearby work that will not permanently interfere with keeping the farm in good order. Farmers will gain more, however, in the long run by confining their efforts to their own farm business rather than to developing interests outside.

### Good Business Management Imperative

#### Keep down expense

There is just one way to insure profits from farming. That is to keep the expenses below the receipts. That is a thing that is much easier to say than to do but it must be done if the operator is to survive. As aids in keeping down the expense, the following points are suggested.

1. Avoid purchase of new equipment, if possible. While little is gained in using obsolete machinery or equipment, often old equipment can be put in repair for much less than the interest cost on new. Even tho it may require somewhat more labor to use the old machinery, scarcity of cash and abundance of labor often dictate its use.
2. Postpone making any but the most imperative improvements unless ready money is available to meet the expense.
3. Expand the garden. Introduce new crops, if necessary, and provide more of the family living from the farm.
4. Dress and cure your own meat products. They will be cheaper and can be made quite as palatable as purchased meats. Can or cure enough for summer use.
5. Join your neighbors if necessary and purchase indispensable supplies in quantity. Often money can be saved by paying cash for the purchase.
6. Buy only what you can pay cash for and avoid interest payments, so far as possible.
7. Hire labor only when a careful estimate indicates clearly that it will add more than its cost to the income from the farm.

#### Build up receipts

1. Cash receipts accumulate but slowly in this period of low prices. High yields per acre from land tilled and high production per animal fed have proven one of the best ways in which to build up receipts. The safety of the farm business lies in more than average results. This means farming only the best land, feeding only the best animals and taking better than usual care of both.

2. Where the resources of the farm and the farmer are not fully utilized because the farm business is too small, receipts can often be increased by enlarging the plant. This may be done by renting additional land, getting more productive livestock or enlarging the acreage of intensive crops on the present farm area.



3. Maximum utilization of labor. Idle labor, whether hired or family labor, is an expensive item. Even tho it is employed on enterprises paying a low return per hour, such employment will add to the income from the farm without adding to the expense. The cropping system and the livestock program, therefore, should be so organized and planned as to employ and utilize to the fullest possible extent all available labor.

4. This is a period when the most acute business sense is required to successfully operate a farm. While prices of farm products are of major importance, alertness in following the markets and in meeting marketing and business opportunities, exercising good judgment in business transactions, and skillful planning and management greatly influence the gains or losses in farming.

The situation is not without hope. Prices for agricultural commodities can not go much lower and there is some evidence that they are swinging upward, tho slowly. Prices of commodities that farmers must buy have been declining and may continue to do so. Such leveling up will result in greater buying power on the part of farmers. Short stocks in the hands of distributors and manufacturers is likely to result in active demand when the turn does come and confidence is restored. Farmers have courageously settled down to the task of reducing production and overhead costs which in itself is good business practice.

MINNESOTA FARM PRICES FOR DECEMBER 1932  
Prepared by A.E. Erickson

The index number of Minnesota farm prices for the month of December 1931 was 49.5. 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 -        | 96.1  |              |
| " 1930 -        | 72.1* |              |
| " 1931 -        | 49.5* | *Preliminary |

The price index of 49.5 for the past month is the net result of increases and decreases in the prices of farm products in December 1931 over the average of December 1924-25-26 weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index,  
December 15, 1931 with Comparisons\*

|             | Dec. 15,<br>1931 | Nov. 15,<br>1931 | Dec. 15,<br>1930 | Av. Dec.<br>1924-25-<br>26 | % Dec. 15,<br>1931 is<br>of Nov.<br>15, 1931 | % Dec. 15,<br>1931 is<br>of Dec.<br>15, 1930 | % Dec. 15,<br>1931 is of<br>Dec. 15,<br>1924-25-26 |
|-------------|------------------|------------------|------------------|----------------------------|--|--|--|
| Wheat       | \$.55            | \$.58            | \$.61            | \$1.43                     | 95   | 90   | 32   |
| Corn        | .36              | .36              | .52              | .67                        | 100  | 69   | 54   |
| Oats        | .21              | .20              | .26              | .38                        | 105  | 81   | 55   |
| Barley      | .36              | .34              | .35              | .60                        | 106  | 103  | 60   |
| Rye         | .33              | .38              | .33              | .96                        | 87   | 100  | 34   |
| Flax        | 1.22             | 1.25             | 1.42             | 2.31                       | 98   | 86   | 53   |
| Potatoes    | .30              | .30              | .70              | .96                        | 100  | 43   | 31   |
| Hogs        | 3.40             | 4.00             | 7.20             | 9.70                       | 85   | 47   | 35   |
| Cattle      | 4.10             | 4.40             | 6.00             | 5.49                       | 93   | 68   | 75   |
| Calves      | 4.60             | 5.20             | 8.40             | 8.18                       | 88   | 55   | 56   |
| Lambs-sheep | 4.34             | 4.63             | 6.42             | 11.33                      | 94   | 68   | 38   |
| Chickens    | .114             | .121             | .127             | .162                       | 94   | 90   | 70   |
| Eggs        | .23              | .24              | .23              | .44                        | 96   | 100  | 52   |
| Butterfat   | .30              | .30              | .34              | .49                        | 100  | 88   | 61   |
| Hay         | 9.06             | 9.50             | 9.84             | 12.45                      | 95   | 92   | 73   |
| Milk        | 1.50             | 1.57             | 1.80             | 2.32                       | 95   | 83   | 65   |

\*Except for milk, these are the average prices for Minnesota as reported by the United States Department of Agriculture.