AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

No. 122 January 20, 1933

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

THE FARM PROGRAM FOR 1933

Prepared by Andrew Boss

The General Situation

Dense clouds still darken the horizon. The depression fog has settled over the business as well as over the agricultural world, obscuring the vision of those seeking a way through to brighter days. That the fog is dense and the clouds dark and that wise men are confused is clearly indicated by the multitudinous proposals made for farm relief. None of those so far offered have met with the spontaneous, whole-hearted, confident acceptance necessary for their adoption by the rank and file of farmers, or by united groups of their representatives. Fear that the conflict of opinion and proposals is only a repetition of age-long maneuvering of classes and groups for special advantage properly subjects each new proposal to rigid examination and analysis. Financiers, business men, statesmen, politicians, statisticians, economists, and farmers are alike groping in the dark for a rift in the clouds which holds promise of a return to better times.

There is nothing in sight to indicate early or rapid improvement in business conditions. The "corner" around which prosperity was said to be lurking has never appeared. Time has proved that there are no corners; that both agriculture and business have been for a long time spiraling down-ward into a sub-basement. Business is as yet two or more laps behind agriculture apparently headed for the same place. It is only a matter of time, of course, when the spiral upward will again begin, but how much time? That is the question. Straws in the wind showing feeble improvement are a slight increase in automobile output, rail shipments, and factory employment during the fall months. There are other straws, however, blowing in the opposite direction which offset these small gains to a large extent, leaving business in the same uncomfortable position that it has occupied for the past year. Small price gains for butterfat, eggs, and wool, with indications of firmer markets in several lines arouse a glimmer of hope that the ascent has begun.

There are many who still hold to the opinion that over-production has caused the agricultural distress and that, indirectly, it is the cause of the business depression. The fact is that agricultural production in the United States remained practically stable from 1923 to 1931 and since the latter date has decreased approximately ten per cent. In the meantime, prices for agricultural products have declined from an index of 135* in 1923 to approximately 54 in November, 1932, which is roughly 60 per cent. There is a growing conviction that reduced consumption demand, due to unemployment and inability to buy, is an even more fundamental and potent factor in price reduction than overproduction. Domestic under-consumption and the loss of foreign markets are, in all probability, more largely accountable than over-production for the continued price depression. Curtailment of production and artificial price raising are not going to give buying power to those who want food. Neither will high prices of specific commodities

*The Agricultural Situation, December, 1932.

Published in furtherance of Agricultural Extension Act of May 8, 1914, F. W. Peck, Director, Agricultural Extension Division, Department of Agriculture, University of Minnesota, cooperating with U. S. Department of Agriculture.

appreciably increase farm income if limited production is the only means employed unless the general price level rises. Some of the most efficient farmers in the state have pointed out the absolute necessity of increasing production with each price decline, if fixed charges and living expenses are to be met. Shifts from surplus commodities to commodities that are scarce are highly advisable, but just at present there is no scarcity of any of the products that can be grown in Minnesota in any large way.

The farm program for 1933 must be laid on conservative lines. Both rigid economy in expenditures and efficient management in operation must prevail on each individual farm, if further deficits or outright loss of property are to be avoided.

Which Commodities Hold the Advantage?

The advantage in purchasing power still lies with livestock products. Except in the event of a widespread and disastrous crop failure, it is likely to continue throughout the year. Even at prevailing low price levels it is possible because of still lower levels of prices of grain and feedstuffs to make something more than feed costs from most classes of livestock.

Dairy Products

Dairy products seem again to hold the advantage as a likely profit-bearing enterprise. The production of milk and butterfat should hold a large place in the year's program on farms suited to and equipped for dairying. The low prices at which butter has sold and is selling has had a tendency to induce light feeding and to keep down production. It has at the same time encouraged greater consumption. Consumption of other dairy products has decreased somewhat, but on the whole, demand for dairy products has been well maintained. The drop in production during the fall months, coupled with the storage situation with less than the five-year average quantity in store, tends to lend strength to the dairy market.

One should bear in mind, however, that abundant feed supplies are on hand, and that the number of cows and heifers have increased about 3½ per cent during the past year. Any significant increase in price for dairy products is likely to bring into action much latent productive power not now being used. Dairy production can easily be overdone. This is no time for general expansion.

Hogs

Hog prices are at a woefully low level, yet the corn-hog price ratio now prevailing permits hog production at a profit. Hogs at $2.50 per hundredweight will pay 23 cents a bushel for corn, figuring 11 bushels for 100 pounds of hog. Corn can be bought in southern Minnesota for 16 cents a bushel. In some localities, it is reported bought at 9 to 11 cents. At such ratios, money can be made in hog-raising. The worst that can be said about the situation is that a farmer has to care for too many hogs to get a little money. There is a possibility that hog prices will improve during the year. Herds have not been increased as rapidly as was expected. The survey conducted by the United States Department of Agriculture indicates that breeding herds to spring farrow have been increased only 1.6 per cent. Present low prices and a smaller than expected spring crop may stimulate early storage demand which should improve the market during the late winter and early spring months. Hog production should remain one of the large enterprises of the coming year on corn belt farms, not because it will pay well, but because it is difficult to uncover anything that will pay better. In view of the fact that an increase in the hog crop is likely, it will be wise to so time farrowing dates and finishing dates as to bring hogs on the market at some other time than the usual rush season.

Poultry and Poultry Products

There can be no assurance that eggs will hold the present advantage throughout the year. Storage holdings are smaller than usual, however, and flocks have been reduced to some extent because of low prices prevailing throughout last year. There is mild support for the belief that those who stay in the game may fare better than in the past year. One advantage that the poultry industry holds is that the capital investment is light and that the eneterprise is more elastic than most. It is therefore easier to increase or decrease production without assuming risk of great loss. The cheapest production is made from the farm flocks of those farms equipped with good poultry houses, farm grown feeds and family labor may well continue the enterprise as a wholesome and profitable filler in the farm business.

Beef Cattle

Prices for beef cattle have declined rapidly in the past few months. There is little prospect for improved prices in the immediate future. Beef raisers may as well shape their business for low returns during the year. Low cost farm production is the only kind of beef making that stands much chance of paying out. It is only through the medium of beef production that returns of any kind can be made from land unsuited to tillage or from the large quantities of unsalable forage and feed products that are available on most farms. Even tho the returns are low and the outlook gloomy, many farmers will find their income somewhat increased by continuing in beef production. Speculative feeding may be unprofitable, but farm grown cattle fed out on farm grown feeds under a low pressure, low cost system are still warranted.

Sheep

Sheep production in the United States now stands at one of the high points in history. This upward trend in production has extended particularly throughout the corn belt states. In this respect, Minnesota is no exception. In spite of this general trend upward in numbers, prices for sheep and lambs have remained relatively favorable throughout the past decade. While prices for sheep and lambs at the present time are not attractive and without promise of great improvement, demand for wool and wool prices is more favorable than it has been. In view of this fact and the further facts that sheep production on most farms is conducted at low expense, it is believed advisable to maintain the present rate of production on Minnesota farms. Mutton, like beef, can be made largely from cheap forages and waste products that would not otherwise yield income.

The Grains

Large surplusses of cash grains are known to exist. An abundant supply of feed grains also is in store. Under the circumstances, no one grain has a significant advantage over the other. Grain production for cash sale should be decreased, so far as possible. Grain for feed crops should be grown in sufficient quantities on every farm to supply the farm demand for feed products.

Flax, as usual, shows somewhat greater strength than the other grains ordinarily grown for the cash market. The crop, however, is adapted to minor areas and not suited to every farm. Those who can grow it successfully may well give it the leading place among their cash grain crops. Next to flax, barley at present is in best demand and may continue to hold that advantage. In planning the cropping program, farmers should give first consideration to feed needs and second consideration to such cash grain crops as the particular farm may be adapted to.

Spend Wisely

Rigid economy does not necessarily mean hoarding money, or the refusal to spend it. It means, rather, spending it wisely and only when it promises to bring in an amount larger than that paid out. Rigid economy is the same as Scotch thrift. Scotch thrift may be defined as paying out a dollar only when one sees more than a dollar coming back. That is the essence of good farm economy and is just as good practice for a Yankee, a German, or a Scandinavian farmer as it is for a Scothman. With the income as low as it now is from farming, every possible out-of-pocket cash expense must be avoided if the farm budget is to be balanced and a solvent farm business maintained. This calls for a "feed-your-own, help-yourself" attitude on the part of the farm operator and his family. Farmers should, so far as possible, adopt a live-at-home program. This is necessary, in part, for conserving the cash income for fixed charges, such as taxes and interest, and in part to meet the disparity between the prices for farm products and prices for products or commodities which farmers must buy. If one gets beat on every trade he makes he should stop trading. There are numerous ways in which out-of-pocket expense can be avoided. Some of them follow:

1. Provide home-grown feed for the livestock. Abundant pastures, home grown hay--legume if possible--silage, if a silo and equipment are available, a variety of grain feeds, including some high protein feeds such as soybeans or peas, adapted to the kinds of livestock kept. With such provision, only a limited amount of the most concentrated conditioning feeds need be purchased.

2. Provide for the family needs by dressing and curing farm-grown meats. Combine with these home breadmaking and cakemaking, if cake can be afforded; provide a man-sized garden, cared for by the men as a part of the farm job, from which fruits and vegetables may be secured for use, storing and canning. At prevailing prices, milk, butter, eggs, and poultry should be freely used in the family diet in the interest of health and family welfare. It will be a small factor also in reducing the surplus.

3. Most farmers have sufficient mechanical ability to replace broken window lights, put hinges on the stable doors, and nail planks on the yard fences. Not all of them do it. Carpenters must be paid if such work is hired done, and that means out-of-pocket expense. Ordinary repairs therefore should be made by the farmer and his help. This applies not only to fences and buildings but to implements as well. Parts must be bought, but replacement can quite often be as well made by the farmer himself as by the hired expert.

4. In spite of the best of management, feed shortages sometimes occur. Then comes the question whether stock should be sold or feed bought. The answer depends on whether or not buying feed and keeping the stock will add to the farm income something more than the cost of feed. Sometimes barn room is available, feed supplies are abundant and labor is adequate to care for some additional cows or other livestock. In such cases, the purchase of an additional cow may be advisable. If the addition does not increase the overhead and operating expense and if at the same time the purchase makes it possible to convert otherwise unused resources into cash, the expenditure will be wise. That will mean more coming in than going out.

5. It takes cash money, in most instances, to buy gasoline and oil for tractors. Horses can be fed on farm-grown feeds without cash outlay. Farmers who have horses in the pasture, or standing in the barn that are capable of providing the required power will find it a matter of economy to use them rather than the tractors, except in emergencies or for work which horses can not do.

Pointers on Efficiency in Management

1. Use the best land first, thus getting the largest possible returns from the labor applied and the materials used. Give first place to the crops usually yielding the highest profit for the particular farm. Grow intensively tilled crops, such as sugar beets, potatoes, and corn, on the best land to insure large yields which means low cost per unit of product.

2. On the second grade land of the farm, grow the less intensive feed and cash grain crops. Consider the possibility of reducing the number of operations in growing the crop as a means of reducing cash cost. Spring disking corn stubble land for a grain crop is cheaper than plowing and often gives quite as large yields.

3. Put the least productive and the land most difficult to till to uses demanding small outlay for labor or tillage. On farms devoted largely to livestock raising, it may well be devoted to a permanent hay crop which calls for labor only at harvest time, or it may be included in pasture. Where pasture use requires new fencing and where the pasture yield is low, as it too often is in Minnesota, it may be good economy to let the land lie idle. This should not be interpreted as an argument for poor pastures, but rather as an argument for the best use possible for land of poor quality. A larger acreage of poor land pasturage may be made to serve in place of a smaller acreage of good land.

4. The alfalfa acreage should be increased on most farms. As a measure of economy in feeding, less corn ensilage and more alfalfa hay is advisable. A half ration of ensilage and a full ration of alfalfa hay will in most cases prove the cheaper combination. If at the same time a liberal acreage of sweet clover pasture can be substituted for timothy and bluegrass, still higher profits will be made. And in the substitution soil building rather than soil depleting processes will be initiated.

5. The same principles of economy that apply to land use apply also to livestock production. Labor and material expense should be applied first to the most productive cows or other forms of livestock. To cull closely, must be the practice of amy farmer who desires to develop a herd that will pay its cost even at present low feed prices and leave anything over as a wage for the one supplying the labor. Livestock can not do anything toward keeping the farmer until it has first paid for its own keep. Reduction in numbers and increase in productivity within reason is the only way to insure economical production.

6. Keep the input at low pressure in livestock production. That is, supply abundant, nutritious pasturage as the cheapest form of feed and care. Supply liberal quantities of good legume hay of farm production. Provide a good supply of the coarse, home-grown grain feeds. These will form the core of the ration and will require a minimum of purchased, high concentrate feeds to balance the ration.

7. Give attention to the pasture lands. A large acreage may sometimes make up for poor quality but pasture improvement is an outstanding need on nearly every farm in Minnesota. New seedings, manuring or fertilizing, drainage, and the substitution of sweet clover on high land and reed canary grass on peat land and low land for native grasses and bluegrass will add greatly to the productive power of the farm.

8. Arrange cheap shelter conveniently, use self-feeders for hay and grain wherever practicable and give free access to water. Under such conditions, the labor cost in caring for cattle, sheep and hogs can be reduced to the minimum.

These are all items in reducing the cost of livestock production and in reducing the expense for farm operation. Such economies must be practiced if the farmers of the Northwest are going to meet successfully the present agricultural situation and stay in the business.

MINNESOTA FARM PRICES FOR DECEMBER 1932

Prepared by Adena E. Erickson

The index number of Minnesota farm prices for the month of December 1932 was 34.2. 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 - 49.3*
" 1932 - 34.2*

*Preliminary

The price index of 34.2 for the past month is the net result of decreases in the prices of farm products in December 1932 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, 1932 with Comparisons*

	Dec.15, 1932	Nov.15, 1932	Dec.15, 1931	Av. Dec. 1924-25-26	% Dec.15, 1932 is of Nov. 15, 1932	% Dec.15, 1932 is of Dec. 15, 1931	% Dec.15, 1932 is of Dec. 15, 1924-25-26
Wheat	$.33	$.36	$.55	$1.43	92	60	23
Corn	.14	.15	.36	.67	93	39	21
Oats	.10	.10	.21	.38	100	48	26
Barley	.18	.20	.36	.60	90	50	30
Rye	.19	.20	.33	.96	95	58	20
Flax	.86	.92	1.22	2.31	93	70	37
Potatoes	.22	.21	.30	.96	105	73	23
Hogs	2.50	2.85	3.40	9.70	88	74	26
Cattle	3.30	4.00	4.10	5.49	82	80	60
Calves	3.50	4.20	4.60	8.18	83	76	43
Lambs-sheep	4.21	4.18	4.34	11.33	101	97	37
Chickens	.070	.077	.114	.162	91	61	43
Eggs	.27	.24	.23	.44	113	117	61
Butterfat	.22	.20	.30	.49	110	73	45
Hay	5.85	6.42	9.06	12.45	91	65	47
Milk	1.17	1.14	1.50	2.32	103	78	50

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