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MINNESOTA FARM BUSINESS NOTES

No. 133 January 20, 1934

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THE FARM PROGRAM FOR 1934

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Farmers, Take A Vacation

The world is saying to American farmers, "Lay off on production. Take a vacation." It is saying the same thing to farmers of Canada, Australia, Argentina, and other food surplus producing nations including Russia. World surpluses of practically all staple agricultural commodities are much in evidence in spite of short crops last year in some areas of large significance in the total production. As a consequence, prices for agricultural commodities are at a discouragingly low point on the world's markets.

Europe and Great Britain are emphasizing this indirect advice by saying, "We have no money and you will not take our goods. We cannot or will not pay our war debts and subsequent loans, to say nothing of buying from you, at least not at present." To prove that they have no money, these European countries are doing what everyone does who has no money and still must eat. They are growing their own. Agricultural production in Italy, Germany, Austria and other central European states has been increased to nearly self sufficiency. France now not only grows her own wheat, but has some to spare. Great Britain has increased production to some extent at home, on the little land she has, and is favoring her provinces by purchasing from them under favorable tariff agreements. In addition, protective tariff barriers have been erected in all of these countries which effectively control the entrance of foodstuffs from outside. We may as well admit that the export markets are not functioning at present, nor are they likely to function at an early date.

To cap the climax, America has become the major creditor nation of the world, and has 37 per cent of the world's gold in her possession. Is it any wonder that we have to sell our goods to ourselves? And, that we have so much of everything the farmers grow that prices are away below the profit bearing point. Yes, farmers must take a vacation.

But, the Farmers Say,

"How can we take a vacation? We not only have to feed our families, which we can do more easily than any other group, but we have to clothe, house and educate them. We have taxes and interest to pay. We have installments on the automobile and the radio to meet, and we need a new well and a new gang plow. There is a reduction to be made on the mortgage also. Talk about vacation. Even if we can get enough to eat, our creditors will not wait. It will take every pound the old farm will produce to pay our way. How are we going to do it if we cut production and take a vacation? Just show us the way."

Published in furtherance of Agricultural Extension Act of May 8 and June 30, 1914, W. C. Coffey, Acting Director, Agricultural Extension Division, Department of Agriculture, University of Minnesota, cooperating with U.S. Department of Agriculture.

How It Can Be Done

America is taking the world's advice seriously. The federal administration is not only insisting that farmers take a vacation, but is proposing to make it a vacation on pay. Recognizing the fact that farmers have not been getting their fair share of the national income, steps have been taken to make up the deficiency in part, at least, by adjustment payments on past production. As a means of restoring agricultural prices to an even balance with prices of other commodities, this involves reduction in crop acreages, in livestock numbers and in total production. Checks from federal funds raised through processing taxes have in part already relieved the distress of cotton, tobacco and wheat growers. The corn-hog growers are next in line and will soon be getting the largest adjustment payments of any. The dairy producers and possibly the beef raisers also are to get consideration. Thus all producers of major commodities will get substantial compensation for easing up on productiom. In most instances the adjustment payments made will yield more profit than has been made on the product grown since 1930. But the greatest improvement will come from the rising prices following curtailed production.

Realizing that if an active domestic market is to be provided for agricultural goods, universal earning and purchasing power is absolutely essential, the federal government is devoting much energy to the public works and civil works program and to getting the industries and commerce into position to afford permanent productive employment. Thus it is hoped that with lessened agricultural production and full industrial employment, agricultural prices will rise to a point where the farmers will get more net income for growing less products. Growing less products will require less work. Thus more money for less labor. That is how the farmers will get a vacation on pay.

Making the Farm Program for 1934

Artificial interference with the usual economic forces makes it extremely difficult to forecast probable price trends. The Agricultural Adjustment Administration activities, the attempts to stimulate industry and afford employment, the expansion of credit facilities, and the money policies adopted by the federal government will influence commodity prices and returns greatly. Prices are significantly higher for most commodities than a year ago, but farmers are still buying other commodities at prices twice as high as they get for their goods. It is hoped and expected that their production adjustments will soon remedy this disadvantage.

Relatively the cash grains hold an advantage over livestock and livestock products at the present time. They are likely to continue to do so until numbers of livestock are materially reduced. It is difficult to make profits from feeding high priced grain to low priced livestock. Therefore, except on those farms where a system of low cost livestock production has been developed, it will be best to put the emphasis on grain commodities. The effect of the reduction program is likely to take effect more quickly on the grain commodities than on livestock because of more rapid turn-over and shorter production cycles which may still further emphasize the advantages in raising grain. One should not lose sight of the fact, however, that when the turn comes between grain prices and livestock prices, the advantage is likely to be longest held by the livestock commodities. Farmers, therefore, should be careful about destroying their foundation herds or depleting their breeding stock beyond the point of quick recovery when price relationships and demand again favor livestock production.

Another fact that must be kept in mind in making the farm program for 1934 is that production is more definitely fixed than usual because of contracts for reduced production. Not only are wheat acreages and corn acreages to be cut, but those making contracts for reduction must also agree not to increase the total acreage of crops planted for harvest, plus the contracted acres, or the acreage planted for sale of each commodity designated as basic, nor the total acreage of feed crops other than corn and hay. The one contracting may raise as much of these as in 1933 or 1932, whichever is the higher, but no more. Neither can he increase the number of any kind of livestock, other than hogs, designated as a basic commodity in the Farm Act. While shifts may be made within the feed crops and the cash crops raised for sale, limitations on totals set must be observed. This will result in preventing wide deviation from the farm practices and systems previously followed. Not all farmers are going to be able to make contracts for crop reduction. Some will not wish to do so. Participation is voluntary. There is no compulsion about it. But the terms offered are so favorable that those who can cooperate will find it to their advantage to do so. In the interests of fair play, those not contracting their land should observe the same methods as those who do contract, and aim their production at or below previous production figures. All should cooperate in the attempt to restore buying power to farm commodities.

If Big Things Can't Be Done, Do Little Ones

Sheep and Poultry

Since the major lines cannot well be materially changed this year, attention may well first be given to possibilities of stepping up the minor ones. While there is nothing in the price prospects to encourage an increase in either poultry or sheep, or the establishment of new flocks, one must consider the necessity for cash income and net profits. Both poultry and sheep are maintained at little expense on diversified farms. They convert into readily salable products, resources that would otherwise go unused. Neither will add much to the expense and both may add to the net cash income. The time saved from reduction of wheat or corn and hogs may find partial employment here. Price relationships are favorable, especially for lambs, wool and poultry products, which is another argument for careful consideration in making up the program for many farms.

Specialty Crops

There may be time this year for the intensive cultivation that goes with small lines of specialty crops on many farms. Canning crops in the region of canneries, sugar beets near sugar factories, seed crops of grains, grasses or legumes are possible sources of revenue that should not be overlooked. Not all farmers can grow them, but the demand for grass seed in establishing new seedings on the contracted acres taken out of production and for renewing stands killed out by the drouth is likely to create a favorable market. Those who can grow them may find them a profitable crop.

Among the Grain Crops

Flax stands at the head of the list as a promising cash crop. The seed is produced in only one half the quantity demanded for crushing in this country. And yet because of lagging industries and competing oils from other sources and from import it would be easy to over produce the crop and lose the advantage now held. It cannot be grown on contracted acres but it may be wise to substitute it for oats or barley grown for cash sale.

Barley

Barley probably stands next in prospective demand and price. The revived brewing industry and the use of barley in replacement of corn for feeding purposes is likely to lead to price advantages for this grain throughout the northwest.

Wheat and Corn

Wheat and corn prices are likely also to improve. Production of these crops must be reduced, however, if the desired parity price for wheat and hogs is to be attained. There is still a world surplus of five or six hundred million bushels of wheat in sight, and another crop coming. Those who contracted to reduce their wheat acreage may be glad of their crop insurance in the form of allotment payments. The reduction in corn acreage is likely to result in higher prices for corn. Sight should not be lost of the fact, however, that hogs also are being reduced and that the demand for corn will be lessened by that much. Wide cooperation in the corn reduction program will go far toward stabilizing prices for corn.

Forage Crops

Forage crops are shorter than for years. All surplus hay and roughage will be well cleared up by spring. The full amount permitted under crop reduction agreements should be grown as a matter of safety, for livestock production in the year to come. Drouth has injured or destroyed stands of grass in many areas and emergency crops will be needed.

Livestock

Livestock production will be at a disadvantage. Feed prices are relatively high. Hogs will be under contract for reduction. Dairy production likewise is to be curtailed as a basic commodity. Beef cattle prices are at such a level as to lend their own discouragement. There should be no increase in any of these lines. Cull out the poor ones, feed the best ones economically and bide the swing of the pendulum to the other side, is the best advice that can be given to livestock producers at the time. Next year ought to be more favorable. Save the foundation stock and be ready--horses are again successfully competing with motor power. Colt raising outght to be profitable in the next few years.

Put Emphasis on Quality

Quality goods always command premium prices. This year when production in all lines should be restricted, those who raise the best quality goods will have a price advantage on the market. Therefore, the labor usually expended in the production of quantity may well be turned toward improvement in quality. Requirements for good quality are the right kind of seed stock and breeding stock, attention to cultivation, to feeding and care, and to putting the product in the best possible condition for market. A small quantity of high class material may bring much more net profit than a large quantity of ordinary grade.

The Contracted Acres

The acres contracted to the federal government for reduction are going to be looked upon with longing eyes by many farmers. Trained as they have been to believe that there was virtue in cropping many acres, it will seem like a waste, or perhaps a gross misdemeanor, to let the land go uncropped. Fifteen acres out of every hundred of wheat, and twenty acres out of every hundred of corn, means in round numbers a million acres of the best crop land in Minnesota taken out of production. And yet I am going to venture to say that this million acres will yield more profit to farmers, acre for acre, than the land they put into crops. The margin above cost on an average acre of wheat rarely exceeds $1.50 an acre. This would amount to $22.50 on 15 acres of wheat produced. The adjustment payment, on the other hand, of 28 cents a bushel on an allotment of 54 per cent of 14 bushels an acre on 100 acres would amount to $212. This is equivalent to $1.50 and acre on 141 acres. Spread over the acres taken out of production, it will amount to approximately $14 an acre. On these acres there need be no operating cost. From this $14 there must be deducted interest on the value of the land and taxes. On the average wheat land of the northwest, this would not be more than $3 or $3.50. The direct gain per acre, therefore, would be $10.50 to $11.00. That is as much profit as has been made on an acre of wheat in five years under the past conditions. There should be additional gain also on the 85 per cent of the usual crop through the price stimulation expected from reduced wheat acreage and the world wheat pact.

The acres withdrawn from corn production likewise offer increased returns. Assuming that the average corn land will yield 35 bushels an acre. On this, 30 cents a bushel is paid for withdrawal. That amount would be $10.50 an acre. There are few land owners in the northwest who wouldn't jump at the chance to rent their whole farm for that figure. Again deducting taxes and interest, which will run higher than in the case of wheat land, say at $4.50 an acre, there is $6.00 income from the contracted acre of corn land. Again that looks like more profit than is made from the crop on an acre of average corn land.

Time saved in family and hired labor from this withdrawal is a considerable item. It is this that is going to provide for the needed vacation that the world has asked farmers to take. The next question comes on just how that vacation is to be spent.

Spending the Vacation

That, of course, depends on the inclination of the family. Some may want to spend it in a real vacation away from home. To that there can be no objection if it can be afforded. On most farms, however, the family will spend the vacation time right on the farm. It has been suggested that this may in part be used by improving the quality of the products raised on the farm. What can't be spent in that way may well be spent in improving the quality of the farm. On most good farms there is a mile or two of fence that has been in need of repair for some time. The orchard or the shelter belt needs pruning and trimming up. The broken hinges and window lights have needed replacing for a long time. Cockle burrs and thistles in the fence corners and hedges are always making themselves right at home. Many other things have been slighted for the big things that must be done. Now is the time to spend family labor on polishing up the place, adding to its attractiveness, and putting it in good condition for production when the boom time comes, or for sale if you want to get out of the jam.

MINNESOTA FARM PRICES FOR DECEMBER 1933

Prepared by Adena E. Terras

The index number of Minnesota farm prices for the month of December 1933 was 41.9. When the average of farm prices of the three Decembers 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	December 1929	96.1
" 1925	104.0	" 1930	72.7
" 1926	104.3	" 1931	49.5
" 1927	95.0	" 1932	34.2*
" 1928	95.2	" 1933	41.9*

*Preliminary

The price index of 41.9 for the past month is the net result of increases and decreases in the prices of farm products in December 1933 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, 1933, with Comparisons*

	Dec.15, 1933	Nov.15, 1933	Dec.15, 1932	Av. Dec. 1924-25-26	% Dec.15, 1933 is of Nov. 15, 1933	% Dec.15, 1933 is of Dec. 15, 1932	% Dec.15, 1933 is of Dec. 15, 1924-25-26
Wheat	$.68	$.74	$.33	$1.43	92	206	48
Corn	.34	.32	.14	.67	106	243	51
Oats	.27	.27	.10	.38	100	270	71
Barley	.44	.44	.18	.60	100	244	73
Rye	.46	.51	.19	.96	90	242	48
Flax	1.54	1.59	.86	2.31	97	179	67
Potatoes	.45	.41	.22	.96	110	205	47
Hogs	2.60	3.60	2.50	9.70	72	104	27
Cattle	2.90	3.30	3.30	5.49	88	88	53
Calves	3.65	4.70	3.50	8.18	78	104	45
Lambs-sheep	5.17	5.08	4.21	11.33	102	123	46
Chickens	.061	.059	.070	.162	103	87	38
Eggs	.18	.20	.27	.44	90	67	41
Butterfat	.21	.23	.22	.49	91	95	43
Hay	7.08	6.86	5.85	12.45	103	121	57
Milk	1.20	1.18	1.15	2.32	102	104	52

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

Indexes and Ratios of Minnesota Agriculture*

	Dec. 1933	Nov. 1933	Dec. 1932	Av. Dec. 1924-26
U.S. farm price index	50.0	51.8	38.2	100.0
Minnesota farm price index	41.9	50.3	34.2	100.0
U.S. purchasing power of farm products	64.5	69.0	55.9	100.0
Minnesota purchasing power of farm products	53.7	67.1	50.3	100.0
U.S. hog-corn ratio	7.0	9.1	14.5	13.3
Minnesota hog-corn ratio	7.6	11.3	18.0	15.7
Minnesota egg-grain ratio	20.7	22.4	70.1	26.7
Minnesota butterfat-farm grain ratio	26.3	29.0	68.8	42.6

*Explanations of the computation of these data are given in Farm Business Notes No. 126.