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THE FARM PROGRAM FOR 1935

Prepared by Andrew Boss

Outlets Still Needed for Agricultural Products

American farmers would welcome a return to full capacity production. Before this can be done, however, market outlets must be found for their commodities. For two years production has been curtailed under the guidance and leadership of the Agricultural Adjustment Administration in a sustained effort to bring supplies into balance with effective demand. This planned reduction has been accentuated by severe drouth effects over large areas. As a result, stocks of hay and feed grains are dangerously low in regions usually well supplied. Surpluses of wheat and corn have been brought within reasonable proportions. It is believed, however, that a return to a normal crop year or to full capacity production by all farmers may easily again yield troublesome surpluses unless former market outlets are recovered or new ones found.

Foreign Markets

In spite of a determined and sustained effort on the part of the federal administration, there has been but little progress made in recovery of export trade. While there is improved demand in a few foreign countries, this advantage is largely offset by adverse developments in others, and particularly in those countries that in the past have taken the larger quantities of our agricultural goods. The nationalistic view still survives in many European nations. As a consequence, agricultural production in these countries, particularly of wheat, lard, and cotton, has been stimulated and significantly increased. But little progress has been made in breaking down trade barriers. On the whole, there is nothing in the outlook to encourage one in the belief that foreign demands and market outlets for agricultural commodities will be better in 1935 than in 1934. The unstable and unsettled monetary policies of the various nations, including that of the United States, is also a further barrier to active international trade.

Domestic Markets

There has been some improvement in domestic demand in the past year. It is expected that this improvement will continue though much will depend upon recovery in the so-called durable goods industries. Incomes of industrial workers were considerably larger in 1934 than in 1933. This improvement is attributed partly to an increase in the average weekly wage rate. Industrial production in the United States has been on the uptrend since March, 1933. This improvement has been attended by large fluctuation in volume, but on the whole, the trend is upward and likely to continue so. Should it continue to an extent that will bring confidence and increased income to workers, purchases may be expected to rise. Slightly in-

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creased income to industrial workers has been supplemented by increased incomes of other consumers. Farm incomes during 1934 averaged higher than in 1933 in spite of drouth and because of rental and benefit payments combined with higher price levels. The increase in buying power, accompanied by more favorable credit terms arising from the activities of the Farm Credit Administration and the Home Owners Loan Corporation, has heartened farmers to the point where they are again willing to make purchases. The gradual absorption of the unemployed on productive enterprises, supplemented by emergency expenditures of the federal government further stimulates and supports the demand for farm products. On the whole, the domestic demand is better than a year ago. This is offset to some extent by higher price levels and by somewhat higher living costs for industrial workers. The advantage, however, remains with the farmer producers. It must be admitted, however, that domestic demand is limited and uncertain and that full capacity production from the farm plants might easily upset the balance and result in ruinously low prices.

Has Reduction Started the Upswing?

Over three million producers joined last year in a cooperative effort to adjust production to effective demand. The effort was rewarded in part at least by improvement in price levels as indicated by an increase in the price index for Minnesota farm commodities from 50.3 in November, 1933, to 68.0 in November, 1934.1/ This is an increase of 34 per cent. It is also reflected in an increase in the net cash income per farm, which rose from an average of $231.00 in 1933 to an average of $387.00 in 1934. This is an increase of 67 per cent and in the face of a production volume reduced by extreme drouth much beyond the 10 to 20 per cent required by the reduction contracts.2/ The gross cash income from Minnesota farms was increased by about 19 per cent, of which 7 per cent was directly from adjustment payments for reduced production. The cash income received by farm families in the United States in 1934 was increased by approximately one billion dollars, which is about 19 per cent higher than in 1933.3/ The gain has been due to increases in prices rather than to increased volume of production.

The price relationships between several important groups of commodities have moved into better balance throughout the year. Prices of agricultural products have advanced more relatively than prices of non-agricultural products. Wholesale prices in the United States increased from 104 per cent of the 1910-14 average in October, 1933, to about 112 per cent in late October, 1934.4/ This rise has been accounted for almost wholly by advances in prices of farm products and foods. Prices of non-agricultural products have been practically unchanged since October, 1933. While not yet back to the desired parity level, a distinct advance has been made. This advance is indicated by the increased price levels and by the billion dollars greater cash income to farmers. Whatever the cause, the trend has been upward during the past year. It would seem very unwise to endanger this upswing by a return to unlimited production.

Planned Production the Order for 1935

The farmers of the United States have voted to continue controlled production for another year under the provisions of the Agricultural Adjustment Act. Contracts on wheat and tobacco land hold over for the year 1935. A contract program is being accepted by sugar producers. The Secretary of Agriculture is again offering to enter into a contract to restrain corn and hog production in

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1/ Minnesota Farm Business Notes, December, 1934.
2/ Minnesota Farm Business Notes, December, 1934.
3/ U.S.D.A. Agricultural Outlook Report for 1935.
4/ U.S.D.A. Agricultural Outlook Report for 1935.

1935. The cotton growers of the South have endorsed the Bankhead Act and propose again to produce a limited crop of cotton. This is all done with a view to maintaining or further improving the balance between production and effective demand as reflected in commodity price levels. These control activities will naturally influence and to a considerable extent determine the production program of 1935. Plans for individual farm production may not be covered by a general order. Each farm operator therefore will be wise to consider the possibilities offered through the control plan, take into account the adjustment payments that may be obtained, and lay his production plans in a way that will yield, not necessarily the largest gross income, but rather the largest net return for labor and capital investment. In most cases, this will be found to fit in with the government plan for adjusted total production, thus permitting him to contribute not only to his own welfare but to the welfare of the agricultural industry as a whole.

Protect Livestock Base

With a view to reestablishing normal livestock production, the emphasis this year should be on forage and feed crops in those areas where livestock production is normally large and where it has been possible to preserve the herd and flock foundation. Pastures and old meadows were badly damaged by the severe drouth last year. New seedings in many instances were lost. Feed supplies are likely to be depleted before new feed supplies can be grown. Cribs, mows, and granaries will be more completely emptied this winter than for many years. The U.S.D.A. Bureau of Agricultural Economics estimates that there is something less than 1000 pounds of feed grains, mill feeds, and concentrates available per animal unit to carry through the winter. This is in comparison with 1230 pounds for 1933-34.5/ Notwithstanding the fact that livestock numbers have been greatly reduced, feed supplies in the drouth area are far from adequate for carrying the livestock still maintained. Feed supplies must first be provided. Generous provision therefore should be made at the first possible opportunity for new seedings for pasture and hay and for early pasture and forage crops. Price relationships, now favoring forages and feed grains, are likely to draw more nearly into balance throughout the year, or to come into reverse positions. Feed supplies can be more rapidly restored than livestock numbers. With a normal crop year, there should be no trouble in providing adequate feed by early fall. The shortage will be most keenly felt in the spring and early summer months. The present indications are that price levels for meat animals will advance materially within the year. With foundation herds and flocks at the lowest point in over a third of a century, meat production should command advantageous prices in relation to crops until herds and flocks can be rebuilt into former proportions. This will take more than the current year, particularly in those areas most severely affected by the drouth where foundation herds have been badly depleted or completely wiped out. Acreages of wheat and corn will be limited by adjustment contracts but there will be no limit on forages and feed grains. The farm plan therefore should be laid in accordance with these limitations.

Forage and Feed Crops

Pastures

Pasturage must be supplied at the earliest possible date this year. Those having established pastures will be tempted or driven to use them too early, thus reducing the total seasonal pasturage. These pastures should be protected from over grazing if possible and relieved by the use of emergency pasture crops. Those who have a fall seeding of rye or winter wheat that can be used are fortunate. Those who do not should supply an early season emergency pasture crop to supplement and protect the regular pasture area. Combinations of the coarse grains, oats, barley, and fall rye, with rape, sweet clover and timothy, sown as early as possible

5/ U.S.D.A. Outlook Report, 1935.

will yield excellent early and mid-season pasturage. Sudan grass satisfactorily answers the demand for summer and early fall pasturage. A half acre of each type of emergency pasture crop per mature cow or horse will supply ample pasturage until the regular seedings can be reestablished. Seed supplies of these crops are short, and where known to be needed, should be secured at once. Permanent pasture seedings should be reestablished in ample proportions as rapidly as seed supplies and other limitations will permit.

Forage Crops

Meadows were badly injured if not destroyed by the effects of last year's drouth. Most farmers, in the drouth area at least, learned how to make cured forage out of emergency crops. Where the alfalfa and hay meadows are gone, emergency crops must again be used. Choice of these crops will be determined by availability of seed stocks. Soy beans should head the list of emergency crops for cured forage. In fact, they should be given a permanent place in forage production in southern Minnesota. Sudan grass has also made a place for itself in spite of difficult curing. These two supplemented by seedings of oats, oats and peas, or the millets can be made to supply all needs for cured hay. An early seeding of timothy and biennial white sweet clover without a companion crop also will yield 1½ to 2 tons per acre of cured hay by September. Pieced out with ample supplies of corn fodder, sorghum, or silage as permitted by the terms of the adjustment contracts there is no necessity for going into next winter short of roughage supplies.

Feed Grains

Corn is clearly recognized as King of the feed grains. But the power of Kings everywhere is being restrained. To King Corn largely has been ascribed the responsibility for holding production in balance with effective demand in 1935. Plantings of "all field corn", therefore, must be held at least 10 per cent below the established 1932-33 base on all farms covered by corn-hog contracts for 1935. Plantings may be reduced by as much as 30 per cent if the operator so desires. In spite of this limitation, there is grave danger of over planting to corn. This danger arises in part from its popularity as a feed crop, but more largely from the fact that seed corn is more easily available and relatively much cheaper than the other seed stocks. Heavy yields are likely following a crop cut short by drouth. Without urging, farmers doubtless will plant to the limit of capacity to care for the corn crop except as restrained by the provisions of adjustment contracts in force.

Fortunately, the land withheld from corn this year may be planted to other feed grains or forage crops. Many will simply increase the acreage of barley or oats by the amount taken from corn. Acres so used will yield two-thirds to three-fourths as many pounds of grain while at the same time carrying a benefit payment of $7.00 to $14.00 an acre on its yield value in corn. This comes as near to "having one's cake and eating it too" as one gets. These three feed crops in a normal crop year may easily again fill cribs and bins to capacity and over run demand in view of the drastically reduced herds and flocks. Some of the deleted corn land may wisely be put to grass, rather than to grain feeds.

High Protein Concentrates

If present prices of high protein concentrates are to continue, and there is little to indicate that they will not, it may be advisable to provide farm grown supplies particularly on farms short of legume forage. Soy beans and Canada field peas provide the means. Both are easily grown and when ground are wholly adequate supplements to the coarse grains.

The Cash Grains

Wheat

With the present price urge on wheat there will be a tendency to increase the wheat acreage. Increase is authorized by the A.A.A. in requiring only a 10 per cent reduction from the established 1930-32 base instead of 15 per cent as in 1934. It is perhaps sufficient to point out that a return to normal yields will result in a considerable export surplus with wheat prices governed by export rather than domestic supplies. Significant acreage increase may be disastrous.

Flax

The flax crop of the United States in 1934 was only one-third that for the five-year average 1927-31. Demand is likely to continue at the present level or better. In that part of Minnesota where flax normally yields 8 to 10 bushels of flax or more, the acreage may safely be expanded if other competing crops do not promise greater returns.

Barley

Barley supplies will be exhausted before a new crop can be grown. The demand for malting barley is likely to be strong early in the season at least. Those situated to take advantage are likely to find early sown and early harvested barley one of the best cash crops of the year. Barley is likely to be in strong demand as a cash feed grain, also, especially while the corn crop is maturing. A generous acreage should be sown in any territory well adapted to barley production.

Livestock Production

Meat Animals

Reduction, voluntary in many cases and forced in even more, has marked heavily the operations of livestock producers during the past year. Numbers of meat animals at the beginning of 1935 are the smallest in 35 years.6/ Recovery can not be made in one year and may require three or more. As a result, livestock prices are sure to rise in the course of the next year to a relatively much higher level than crop products. Those who can breed and grow their own feeders, hogs, cattle, or sheep are again likely to market their feeds, through meat animals, at high values. Hog values are likely to remain high for a year or more. Because of greater prolificacy and shorter life cycle, hogs will more quickly come into balance than cattle or sheep. For the present year, however, it would appear safe to produce up to the 90 per cent of the base years (1932-33) permitted by the corn-hog contract. The supply of beef cattle can hardly come into balance with feed supplies inside of two or three years assuming that the drouth period has passed and that normal yields will again prevail. Those having the foundation may safely proceed to produce to the limit of capacity with assurance that price levels will be favorable for beef production in 1935. Sheep numbers also have been reduced during the past year and production may be continued with expectation that relative feed and sheep prices will permit profitable returns. Mutton prices are likely to be more favorable than wool prices because of unused supplies of wool in storage.

Dairy Production

Dairymen have had some blue years. For those who can hang on, the years ahead look somewhat better. Dairy cows have been or are being sold short. Fewer

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6/ U.S.D.A. Outlook Report, 1935.

heifer calves are being raised. Feed supplies are short and high priced. Milk production is now and for six months or more will be low. As a result, milk and butterfat prices have advanced and are likely to go somewhat higher during the period just ahead. Pastures and feed supplies can be produced in much less time than dairy cows. The position of feed and dairy product prices, therefore, should reverse before another winter with advantage to the dairy producer. Close culling, careful feeding, and economical production will still be necessary to bring satisfactory returns, but dairymen may expect some improvement in returns from dairying. Higher prices for dairy products may be attended by a decrease in consumption unless there is sustained improvement in industrial employment and income. Higher prices may also invite import competition in spite of present tariff barriers.

Poultry and Poultry Products

High prices for feeds and feed shortage have forced curtailment in poultry production. Egg production has been low and will continue low until spring at least. Large amounts of poultry have moved into storage indicating that flocks have been depleted, particularly in regions affected by drouth. In spite of high priced feeds, it is believed that poultry prices will advance sufficiently to make production of eggs and poultry profitable, during the latter part of the year at least. Pronounced increase in flock numbers and egg production is not warranted by the present situation, however.

Horses and Mules

Farmers have of their own volition returned to colt raising in increasing numbers. They may well continue to do so to the extent of replacements needed. Surplus horses of good quality are finding a ready market at fair prices. Mares are now given the preference over work geldings. Producers should not lose sight of the fact, however, that four years or more are required to produce a work horse and that recovery of purchasing power may be followed by a return to mechanical power for which many farmers have developed a strong liking.

Looking Ahead

It is difficult to take the long time view and plan accordingly when immediate cash income is the urgent need. The temptation this year will be to sacrifice future security for present income. This may be necessary in many cases. Farming is a long time occupation, however, and will be more consistently profitable if the farm enterprises are held in well balanced proportions. Those farms forced out of balance in crop and livestock enterprises by drouth or other misfortune should be readjusted to the desirable status as rapidly as possible in the interest of permanently good returns. It is probable that production must be held below full capacity for some years to come. The A.A.A. is studying the advisability of a one contract per farm program for 1936 and beyond with a view to keeping livestock production in control through controlled feed crops. The plan calls for more land in grass and low pressure production until foreign trade can be recovered and domestic purchasing power and inclination are reestablished. In both of these matters, farmers have a large stake. Such a program is believed to be in harmony with the best interests of the farmers of Minnesota. A start toward that objective may well be made this year on farms where finances and freedom from pressing needs will permit. Opportunity for a more permanently satisfactory agriculture appears to lie in that direction.

MINNESOTA FARM PRICES FOR DECEMBER 1934
Prepared by W. C. Waite and W.B. Garver

The index number of Minnesota farm prices for the month of December 1934 was 68.9. 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 1930 -	72.7
" 1925 -	104.0	" 1931 -	49.5
" 1926 -	104.3	" 1932 -	35.5
" 1927 -	95.0	" 1933 -	41.9*
" 1928 -	95.2	" 1934 -	68.9*
" 1929 -	96.1		

*Preliminary

The price index of 68.9 for the past month is the net result of increases and decreases in the prices of farm products in December 1934 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, 1934, with Comparisons*

	Dec. 15 1934	Nov. 15, 1934	Dec. 15, 1933	Av. Dec. 1924-25-26	% Dec. 15, 1934 is of Nov. 15, 1934	% Dec. 15, 1934 is of Dec. 15, 1933	% Dec. 15, 1934 is of Dec. 15, 1924-25-26
Wheat	$1.00	$.99	$.68	$1.43	101	147	70
Corn	.84	.74	.34	.67	114	247	125
Oats	.52	.49	.27	.38	106	196	137
Barley	.91	.85	.44	.60	107	211	152
Rye	.68	.64	.46	.96	106	148	71
Flax	1.72	1.64	1.54	2.31	105	112	74
Potatoes	.35	.35	.45	.96	100	78	36
Hogs	4.90	4.85	2.60	9.70	101	188	51
Cattle	3.90	3.85	2.90	5.49	101	134	71
Calves	4.60	5.00	3.65	8.18	92	126	56
Lambs-sheep	5.60	5.41	5.17	11.33	104	108	49
Chickens	.098	.10	.061	.162	98	161	60
Eggs	.234	.255	.18	.44	92	130	53
Butterfat	.30	.28	.21	.49	107	143	61
Hay	15.00	14.50	7.08	12.45	103	212	120
Milk	1.51	1.51	1.20	2.32	100	126	65

*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. 1934	Nov. 1934	Dec. 1933	Av. Dec. 1924-26
U.S. farm price index	74.3	74.5	50.0	100.0
Minnesota farm price index	68.9	67.9	41.9	100.0
U.S. purchasing power of farm products	89.6	89.9	65.8	100.0
Minnesota purchasing power of farm products	83.1	81.9	55.1	100.0
U.S. hog-corn ratio	6.0	6.7	7.0	13.3
Minnesota hog-corn ratio	5.8	6.6	7.6	15.7
Minnesota egg-grain ratio	14.6	17.0	20.7	26.7
Minnesota butterfat-farm-grain ratio	18.1	18.2	26.3	42.6

*Explanations of the computation of these data are given in Farm Business Notes No. 144.