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AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

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MINNESOTA FARM BUSINESS NOTES

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Prepared by the Division of Agricultural Economics
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THE FARM PROGRAM FOR 1938

Prepared by Andrew Boss

A year ago the agricultural horizon was rosy and prospects for a good year were bright. The first half of the year fulfilled the promises. By mid-summer rain clouds were replaced by financial clouds and a period of business recession set in. Labor disturbances added to costs and uncertainties, and resulted in lowered domestic buying power. Since August, index numbers for farm prices have steadily declined. Exception may be noted in prices for dairy products and chickens which held up well until the close of the year. The ratio of prices received for farm products to prices paid for non-agricultural commodities has steadily widened. In November, 1937, it was 84 as compared with 94 in November, 1936.

The prospects for satisfactory returns from farming in 1938 are none too good. The best that can be hoped for is the maintenance of the 1937 position, which on the whole was fairly satisfactory. The Outlook Report of the United States Department of Agriculture issued in December, 1937, frankly predicts that domestic demand, which at present offers the chief outlet for farm products, will be less active than in 1937. Continuing strife in the ranks of labor and between labor and capital, with higher wage rates and mounting costs for materials and operations, have discouraged active programs of new work. That means less work and less buying power on the part of industrial workers. Wage rates too high to permit profitable employment may easily yield less annual income than lower wages and full time employment. Capital will not flow easily into new production enterprises until returns for its use become more reasonably attractive. Also, the price levels are likely to be lower and farm wages and other costs will be higher than in 1937. This means that the spread between income and expense will be narrowed and net farm income smaller than in 1937. Until capital and labor get back into harmonious relationships, industrial activity is likely to lag.

Because federal stimulation is again to be administered to the building industries and assistance given other lines, it is expected that domestic demand will be more active and prices higher the latter half of the year. That is the hope rather than a promise. Fortunately, if the hope is realized, that is the time when most of the products now being planned for will be ready for the market. Against this probability must be weighed the possibility of a bumper crop of the major commodities which would with the present low level of demand carry prices to lower levels and result in smaller net income. There is the alternative possibility that soil moisture, which is still short in some sections of the state, may not be sufficient for full crop production which may reverse the results.

Low Pressure Safest Policy

With domestic demand likely to remain at or near present levels and with no present indications of expanded foreign buying, there is no occasion for stim-

ulating production. In fact, a continuation of low pressure, low cost farming through the growth of grass and forage crops in generous measure seems advisable. While feed supplies are much more abundant than a year ago, there are no troublesome surpluses in sight. There are still many empty cribs, bins and mows to be filled and more good pastures can be used to advantage. The experience of the past few years has demonstrated the wisdom of having the better part of a year's feed supply on hand at the end of the winter feeding season. Feed reserves are the best possible insurance for the livestock producer. Slower production on low cost, home grown, self garnered forages and grains may still be the best road to net farm income from livestock production.

Build the 1938 Farm Program around Livestock

Over the past three years about 80 per cent of the cash income to Minnesota farmers has come from livestock and livestock products. Relative prices between livestock and cash crops again favor the livestock enterprises. Rebuilding the herds and flocks by filling in where depleted and culling out non-producers and undesirables may well be undertaken during this period of moderate priced feeds and fair to well priced livestock. The trend in Minnesota agriculture is due to be in the direction of increased livestock and decreased cash sale crops. While demand is slow is a good time to put the plant in order for heavy production when the corner is finally turned, as it will be eventually.

While rebuilding the herds and flocks, it will be well also to give attention to rebuilding the farm. Soil conservation and soil building are much in the picture at present. It is an important part of the job of putting the plant in order. The benefit payments to be offered by the federal government and paid by all of the people will amply cover the cost for extra labor materials to say nothing of the increase in potential productive power when needed. Again, more legume and grass crops are indicated.

What Kind of Livestock?

Dairy cattle, because of their importance in the agricultural income of the state should have first consideration in the plans for the year. During the three-year period, 1932 to 1934, inclusive, one-third of the agricultural income of the state was from milk and milk products. While not all farmers in the state produce dairy products for sale, it is by far the most important single product produced. Fortunately, the outlook for the year ahead is fairly good for dairy products. Unless there should be a more serious recession in industrial activity than is expected, prices for dairy products should remain satisfactory during the winter. Lower priced feeds will permit of heavier feeding and greater production which may result in lower prices, but this should not lower net income. Well chosen rations with an eye to economy of feed is a factor well worth greater consideration this coming year.

Plans for the year should provide for an abundance of good pasturage for the entire season. There can be no cheaper or more satisfactory feed. Good winter forage and feed grains are next in importance. Cow numbers are somewhat below the average in proportion to population. A few extra heifers from the best cows may find a good market in the years just ahead. However, there is no occasion for a stampede in this direction.

Hogs are second only to dairy products in making agricultural income for the state. The contribution for the three-year period, 1932 to 1934, was 18.5 per cent. Because the hog enterprise so well supplements both dairy and beef production, hogs should continue to hold a large place in the plans of Minnesota farmers.

It is not likely that prices will be so favorable as in the past year. Curtailed demand may result from present industrial inactivity. If long continued,

it may result in a serious reduction in domestic demand. Fewer pigs were farrowed in the fall of 1937 than in 1936. The prediction is that 5 per cent more pigs will be spring farrowed than in 1937.

Cheaper feeds than a year ago will lead to feeding to heavier weights. This probability coupled with lessened demand is likely to result in lower prices. The first six or eight months of the year are expected to offer the most favorable returns to hog raisers. A good start and a quick finish on available stock hogs is therefore advisable. Need anything be said about sanitation and good pastures in profitable hog production? If so, read the January, 1937, "Pink Sheet", which you preserved, of course.

Beef cattle are low in numbers particularly in the north central group of states where drouth and feed shortage have depleted many herds. If advantage is to be taken of the large amounts of pasturage and forage due to become available through soil conservation and building practices, beef herds should be increased moderately.

No promise is made for a repetition of the favorable price ratio of 1937, but reasonable returns may be expected and fair profits made on low cost cattle. Emphasis must be put on economy of production as there is little hope for improvement on the price end of the enterprise. A generous share of the land should go into pasture and feed crops to insure low cost feeds. That is another factor in putting the farm plants in good order for the future also.

Poultry is usually regarded as one of the minor farm enterprises. However, in Minnesota, poultry and eggs provide $5\frac{1}{2}$ per cent of the total income, ranking fourth in the list of livestock enterprises in contributing to agricultural income. This is a larger proportion than is contributed by sheep or by any of the cash crops sold not excepting wheat. Poultry is more important in farm economy than is generally realized and should be given a fair show.

Feed prices are more favorable than a year ago. Laying flocks are smaller than usual. Like other livestock enterprises, they should now be built up into well balanced proportions. Most farm flocks are cheaply fed and housed and poultry products should yield a fair margin unless the business recession should be long continued and serious.

Sheep flocks may still be built up to some extent without detriment to the enterprise. It is not likely that returns for sheep and wool will be as great as in 1937. Farm flocks can be maintained at low expense, however, and a fair margin of profit made when well handled. There still are not sheep enough on Minnesota farms when their value as scavengers and their ability to convert coarse feed into mutton and wool is taken into consideration. They still wear golden hoofs, though not very large ones.

Feed Crops Come First

The favorable position of livestock price ratios over grain prices justifies putting feed crops first. Pastures and legume forages come first in the program. These may be short because of failures to get a stand last year or because old stands were killed out. In such cases, early seedings of cereal grains combined with grasses and sweet clover will be the way out. Where feed bins and cribs are empty, early seeded, quick maturing varieties of barley and oats will give the quickest and cheapest supplies. New seedings should be made in generous proportions to insure pastures and hay in future years. Even though legume seeds are scarce and high priced, it is good economy to make the seedings as a source of needed supplies in years to come. Extra care should be used in making the new seeding to give it favorable conditions and old stands should be preserved until the new ones are well established.

Corn acreage, on the whole, should not be increased. While there are many farmers who will want to, and should, increase their acreage, there are more who should substitute pasturage and legume hay for a part of the corn crop. Much less labor is involved in keeping livestock on pasturage than in raising and feeding corn to it. While growth may be slower on grass and total gains less, it is possible that profits may run much higher.

Barley and oats likewise should be held within bounds and only as much seeded as is needed to supply the home demands. It is wise, of course, to raise all of any of the feed crops that will be needed for carrying the farm livestock with some to spare. The point is that the market demand is not likely to be favorable for outside sales.

The Cash Crops

Only 20 per cent of the agricultural income of the state is from the sale of cash crops. Wheat stands first with 3.8 per cent, corn next with 3.5 per cent, and flax third with 3.0 per cent. Oats and barley come in for 2.5 per cent each with potatoes outdoing them at 2.7 per cent. There are possibilities in sugar beets and the canning crops also.

There isn't so much speculation in corn, oats and barley since they can always be fed if they can't be sold. That cuts the list down to wheat, flax, potatoes, sugar beets and canning crops. Of these, none is of state wide importance. Sugar beets and canning crops are definitely limited to areas where factories and canneries are available. In such areas, production may well be maintained, but increased acreage is likely to be met with lower prices.

Wheat, flax and potatoes, in the order named, offer the opportunity for the safest speculation if there is land available after all farm feed requirements have been met. Wheat acreage should be decreased rather than increased, but those in good wheat territory will likely find it the best major cash crop in sight, notwithstanding the long crop of 1937. While export demand has been light, many of the foreign countries appear to have their minds centered on things other than wheat growing and the demand may improve. Winter wheat is reported in not so good condition as a year ago. The open winter may result in heavy abandonment yet before the crop is ready for harvest. Spring wheat growers should be guided by later reports on winter wheat conditions, remembering that there is usually a premium on hard spring wheat. It is good crop insurance to use only varieties proven to be adapted to the area.

The outlook for flax is good but not everywhere can it be grown to advantage. Those who are in good flax growing territory may well increase the acreage substantially.

Potatoes are always a gamble. Those accustomed to the crop and in favorable locations may expect the usual results. Anyone who likes the fun is welcome to it. It is anyone's guess as to where good growing conditions will prevail and what prices will be.

To Finish the Year Out of the Red

Economy of operation is the key. At present farmers are paying something to boot on nearly every trade made. Obviously, they should restrict their trading as much as possible and offer to the market the commodities that cost the least and bring them most. Cash outlay must be carefully guarded until the trade balance is more equitably established. Family labor, farm-grown feeds, self-fed livestock and good management should be fully employed. It will be a hard year in which to make money on hired help or purchased feeds, and equally hard to pay for new machinery or other material goods. Only those who balance the farm budget and keep outgo below income can avoid RED INK.

MINNESOTA FARM PRICES FOR DECEMBER, 1937

Prepared by W. C. Waite and W. B. Garver

The index number of Minnesota farm prices for the month of December, 1937, was 77. 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	December 1931 - 50
" 1925 - 104	" 1932 - 36
" 1926 - 104	" 1933 - 41
" 1927 - 95	" 1934 - 67
" 1928 - 95	" 1935 - 79
" 1929 - 96	" 1936 - 91
" 1930 - 73	" 1937 - 77*

*Preliminary

The price index of 77 for the past month is the net result of increases and decreases in the prices of farm products in December, 1937 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, 1937, with Comparisons*

	Dec. 15, 1937	Nov. 15, 1937	Dec. 15, 1936	Av. Dec. 1924-25- 26	% Dec. 15, 1937 is of Nov. 15, 1937	% Dec. 15, 1937 is of Dec. 15, 1936	% Dec. 15, 1937 is of Dec. 15, 1924-5-6
Wheat	\$.91	\$.90	\$ 1.29	\$ 1.43	101	71	64
Corn	.41	.41	1.00	.67	100	41	61
Oats	.24	.24	.44	.38	100	55	63
Barley	.50	.51	.97	.60	98	52	83
Rye	.56	.57	.88	.96	98	64	58
Flax	1.82	1.82	1.96	2.31	100	93	79
Potatoes	.40	.35	1.05	.96	114	38	42
Hogs	7.40	8.30	9.20	9.70	89	80	76
Cattle	6.00	6.60	6.20	5.49	91	97	109
Calves	7.90	8.20	8.00	8.18	96	99	97
Lambs--sheep	7.57	8.11	7.56	11.33	93	100	67
Chickens	.148	.155	.094	.162	95	157	91
Eggs	.218	.234	.274	.44	93	80	50
Butterfat	.41	.39	.36	.49	105	114	84
Hay	6.20	6.38	8.22	12.45	97	75	50
Milk	1.90	1.90	1.95	2.32	100	97	82

*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. 1937	Nov. 1937	Dec. 1936	Av. Dec. 1924-26
U.S. farm price index	76.0	78.0	93.0	100.0
Minnesota farm price index	77.0	81.0	94.0	100.0
U.S. purchasing power of farm products	91.0	93.0	111.0	100.0
Minnesota purchasing power of farm products	92.0	96.0	112.0	100.0
U.S. hog-corn ratio	15.5	17.2	9.5	13.3
Minnesota hog-corn ratio	18.0	20.2	9.2	15.7
Minnesota egg-grain ratio	20.7	22.3	14.8	26.7
Minnesota butterfat-farm-grain ratio	50.1	47.3	22.0	42.6

*Explanations of the computation of these data may be had upon request.