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FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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NO. 193 UNIVERSITY FARM, ST. PAUL JANUARY, 1939

Economy—the Keynote in the 1939 Farm Program

By Andrew Boss

A spirit of moderate optimism accompanies the advent of the new year. That this spirit is built upon hope and wishful thinking quite as much as upon well-founded statistical and factual evidence is perhaps beside the point. Optimism creates a pleasanter atmosphere than pessimism and probably stimulates people to greater effort. Greater effort is always a large factor in bringing improvement in agricultural conditions.

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The unfortunate fact remains, however, that farmers cannot meet operating expenses and pay taxes and interest with hope, predictions or promises. Promises in the form of negotiable promissory notes are still acceptable in some quarters, but only increase the debt load that already is too large on many farms. Bills are not paid by giving promissory notes. Farm income must be made in some way if the farm budget is to be balanced and a going farm business maintained. An estimate of possibilities may well be made as a first step toward shaping up the year's program.

Improving the Net Income

The matter of improving the net income may be approached from two angles: by increasing the gross income, and by decreasing production costs.

Gross income may be increased by larger production, by an increase in prices or by a combination of the two. Most farmers can arrange to increase production if it seems desirable to do so. More land can be tilled, more fertilizer used, better tillage can be given, or better rations fed when prices and markets seem to warrant. But the individual farmer has little influence on prices for agricultural commodities. He may gain a slight advantage by producing high quality goods or by catering to some special demand. In view of prospective price levels and present supplies of agricultural commodities, there is no justification for nationally increased production, which would tend to reduce rather than to increase prices. This is particularly true of wheat, corn, cotton and other staple cash crops, and dairy products.

Production costs lie more completely under the control of the individual farmer. While certain fixed costs such as taxes and insurance are out of his control, the operating costs are almost entirely of his own making and can, in many cases, be shaded and even greatly reduced. A significant reduction in production costs may be quite as effective in increasing the net income as is greater production or higher prices. Perhaps the advice of a thrifty tenant farmer in Scotland will illustrate the point. Incomes from farming in Scotland were notably low in 1936. When asked how farmers could manage to live on the low income, he answered, "Do ye see, it is like this; we dinna live on the low income, we live on the low expense." In other words, when incomes are low the expense must be lower if a living is to be made. There is a lot of wisdom in that remark.

Avoid "Out of Pocket" Expense

Farmers are in poor position to meet cash out-of-pocket expenses, and should keep them as low as possible. Not since 1920 has the ratio of prices received to prices paid been in their favor. Throughout 1938 farmers have paid from 16 to 26 cents "to boot" on every dollar's worth of exchange in commodities. While the ratio has improved somewhat during the fall months, farmers are still paying on a ratio of 78 or 80 to 100. Obviously, farm trading should be held at a minimum until the disadvantage grows less. Notwithstanding promises of a more active domestic demand and stronger foreign markets, the wise farmer will hold down his expense until the promises become reality. Farmers canot spend themselves rich with a 20-cent handicap on every dollar of trade.

Keeping Down the Expense

It is one thing to say "keep down the expense," but quite another thing actually to accomplish that objective. Let's see what can be done.

First, economy in livestock production. Whether beef cattle or dairy cattle are kept, cheap feed and plenty of it is the first requirement. That begins with pastures and forage crops. Since cattle on good pastures can wait on themselves, pasture-made products are produced at low expense. If pasturage is abundant and of good quality, high

gains and yields will be made, which result in low-cost products. Low costs means higher profits.

It is quite possible to provide good pasturage in the Northwest for a season of 180 to 200 days. The tame grass and legume pastures should be supplemented with short-term pasture crops during midsummer, and in early spring and late fall. The coarse grains such as oats, barley and fall rye, and Sudan grass, serve this purpose nicely. Home-grown seed of all but Sudan can be provided at no out-of-pocket cost. Really, there is no good reason for being short of pasture feed in the Northwest, except in years of extreme drouth and, fortunately, they do not come often. The longer cattle can feed themselves on pasture, the lighter will be the cost of labor in caring for them. Pastures of mixed grasses and legumes yield well-balanced rations. But little grain need be fed unless extremely heavy production is desired. Moderate production at low cost often yields more net profit than high yields at high cost.

Cattle must be carried on cured forages for nearly half of the year. It is important to provide a reasonably well-balanced ration of good quality and palatability. Legume hay should be the foundation on which rations are built. Alfalfa is the favored crop for this purpose. The clovers and soy beans can be used to advantage where alfalfa is not available. Alfalfa hay, combined with a light corn, oats and barley grain ration, will satisfy the requirements of all classes of ruminants. Dry stock or idle stock will need little but roughage if it is of good quality.

Labor-saving methods of care should be employed, thus making the family labor go as far as possible, and saving the expense of hired help. Self waterers, self feeders and well-arranged yards and bunks can be used to advantage for beef cattle and sheep.

Pasture and forage crops should have first consideration in planning the year's program. Corn and other feed grains come next, with cash sale crops taking up the surplus land not needed to supply the necessary feed crops.

Hog-production costs can be lessened also by providing good pastures for brood sows and litters. Losses of pigs can be avoided by providing sanitary quarters at farrowing time and subsequently. Labor cost can be lessened by letting the pigs make hogs of themselves at self feeders and waterers, and by hogging down some grain crop or early corn as they approach the fattening stage. It is surprising how much a hog can do for itself if given a chance. If alfalfa pasture is not available, a good substitute can be grown in four or five weeks by sowing a combination of oats, 1 bushel; barley, 1 bushel; Dwarf Essex rape, 3 pounds an acre. Repeat 6 weeks later for a midsummer pasture.

For sheep and poultry, similar conservative policies should be followed. On many general farms feed costs for these classes of stock are not great, for they live on waste and by-products from the feed yards and grain fields. Where either enterprise is developed as an important part of the farm business, some accessory feeds may be needed. This is especially true for heavy producing poultry flocks. The base should be farm feeds with a minimum of purchased supplies.

Second, economy in crop production. One is not so likely to waste labor on crop production as on livestock. The greatest source of error is perhaps in trying to cover too many acres not especially adapted to the crop grown. The largest return for labor on crops will be obtained when applied to a good quality crop on highly productive land. For instance, hybrid corn on well-prepared, well-conditioned corn land. Forty acres of corn on first-class land may yield as much corn as 60 acres on second-class land. The labor of caring for it will be much less. It is wise to put the poorer crop land into pastures and meadows to insure plenty of forage for livestock, and spend the available labor on the high-profit crops grown on good land.

The Production Program

Price relationships continue to favor livestock and livestock products over the grains and feed crops. While numbers of both dairy and beef cows are increasing, and larger farrowings of pigs are predicted, it is believed that price relationships will continue to be favorable to livestock production throughout the year. The 1939 farm program should therefore be built around the livestock enterprises, as far as possible. Improved business and industrial conditions and fuller employment are expected to make it possible to absorb modest increases in animal products without serious disturbances of price levels.

Those not situated fortunately for producing livestock or livestock commodities of one kind or another will have to make a choice from the grain and feed crops. Surpluses of wheat and large stores of corn sealed under government loans, and restriction on acreage tend to discourage the production of these two major cash crops. Farmers in spring-wheat territory should note, however, the smaller acreage of winter wheat and the poor condition of winter-wheat stands, and gauge their plantings accordingly, as far as it may be done within the limitations of the government production program. They should also keep in mind the fact that dark Northern spring wheat commands a premium in the grain markets. The wheat surpluses are not usually caused by the overproduction of hard spring wheat. There is no more profitable large-scale cash crop for much of the Red River Valley and North Dakota than spring wheat. Progressive farmers will use rust-resistant varieties where such are available, as a matter of crop insurance.

Flax and barley should also receive consideration as desirable cash crops. Flax production is far short of domestic needs. As a profitable crop it is not adapted to a wide territory. Where it is sufficiently adapted to give good yields it should receive equal consideration with wheat as a cash sale crop this year. Where the acreage limit of wheat under the soil conservation program has been reached, flax may well be substituted for wheat in the cropping program. There can be no good argument against a liberal increase in acreage of flax so long as nearly half of domestic needs must be imported.

Barley has been a popular cash crop for several years. Production caught up to demand last year with low prices resulting. It is probable that prices of other feed grains will depress barley prices also, thus affecting even prices for brewing barley. The acreage should not be increased.

On other crops farmers will have to use their own judgment. There is no prospective shortage of any crop. Mar-

gins on potatoes, sugar beets and canning crops have been growing narrower, and there is no prospect for immediate improvement.

In accordance with the suggested objective of keeping down the cash expense, the aim in setting up the production program should be to provide in the following order: (1) Food for the farm family, in abundance and of such variety that little need be purchased. (2) Feed—grain and forage in sufficient quantity and variety for the needs of all livestock kept. A little left over is good insurance. Not much money will be lost on livestock production when the feeds are farm grown. (3) Cash sale crops on land not needed for the first two items. (4) For maintenance of soil and soil fertility—by use of cover crops, green manure crops and farm manures.

Round Out the Farm Business

Income is made by expending labor on productive farm enterprises, that is, on enterprises that yield usable or salable products. There is no income to be made from mowing lawns, painting fences or currying horses, much as these operations may add to the appearance of the farm. The real income is earned by milking cows, caring for the growing pig crop or cattle, and producing high-yielding crops. The higher the proportion of family labor devoted to the productive enterprises, the larger the net income will be. Attention may well be given to the matter of rounding out the farm business by developing production specialties that will employ more fully the available farm labor. Production of hybrid seed corn or other seed crop will fit some farms. Some can take on an acreage of canning crops or sugar beets. Poultry or bees or both may fit in on other farms that have a labor supply not fully employed. The road to profitable farming at any time lies in the direction of high gross income and low operating expense. Probable price levels do not indicate high gross incomes in 1939. That is why emphasis must be placed on low expense.

Consumption of Butter by Minneapolis Families

By Rex W. Cox and Warren C. Waite

A survey of 2,350 families in Minneapolis in the spring of 1938 shows about 12 per cent of the food expenditure to be for fats and oils. As shown in Table 1, per capita expenditures on the lowest income level were 28.4 cents per week and 36.5 cents on the highest income level.

Butter is the most important fat consumed by these families. It accounts for more than three fifths of the expenditure on all the included fats and no other individual product accounts for more than one fifth as large an outlay.

Table 1. **Total Expenditures on Fats and Oils and Proportion Spent on Butter on Annual Various Income Levels**

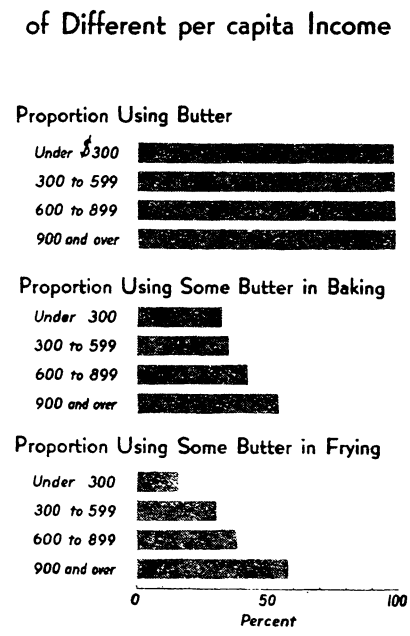
Per capita income	Weekly expenditures on fats and oils	Proportion of expenditure on	
		Butter	Other fats and oils
dollars	cents	per cent	per cent
Under $300	28.4	62.0	38.0
$300- 599	31.9	68.7	31.3
600- 899	37.7	70.8	29.2
900 and over	36.5	71.1	28.3

Table 2. **Proportion of Families Using Butter and Margarine on Various Income Levels, Minneapolis, 1938**

Per capita income	Proportion of total families consuming			
	Butter only	Butter and margarine	Margarine only	Neither butter nor margarine
	per cent	per cent	per cent	per cent
All families	96.0	3.5	.5	0
Under $300	91.6	7.4	1.0	0
$300- 599	96.0	3.5	.5	0
600- 899	97.5	2.3	.2	0
900 and over	98.5	1.2	.3	0

Butter is also the most widely used of all the fats, nearly all families reporting some consumption. Only 11 families or less than one half of one per cent reported no use of butter. Margarine is ordinarily thought of as the most direct competitor of butter and it is not surprising to find that the 11 non-butter using families reported the consumption of margarine. In addition, 86 other families or about 3½ per cent of all the families reported the use of some margarine along with butter. The use of margarine is largely confined to the lower income groups (Table 2).

Butter very clearly predominates in the use of fats as spreads on bread. There are no exact data on this point but an indication is provided by comparing butter with the fats ordinarily used as spreads. These other spreads are margarine, peanut butter and the prepared spreads. On the lowest income level the expenditure on these is more than 10 per cent of the expenditure on butter, but this proportion declines to about 5 per cent on the highest income level. It thus appears that on the lowest income levels, butter is displaced to a slight extent by other lower priced spreads, but even on the lowest income level it remains predominant in this use.



Butter evidently faces a much more serious competition in its use as a fat in cooking. Figure 1 shows the proportion of the families who reported the use of some butter in baking and ordinary frying. On the lowest income level only one third of the families use any butter in baking and about one seventh of the families use it in ordinary frying. On the highest income level only about three fifths of the families use any butter for baking or ordinary frying. In the cooking field, evidently, other lower priced fats predominate over butter and this appears to be true even on the highest income levels. This suggests that if there is to be a substantial increase in butter consumption it must be secured through an expansion of its cooking uses.

Minnesota Farm Prices for December 1938

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

The index number of Minnesota farm prices for the month of December, 1938, was 66. 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 1929	96	December 1934	67
December 1925	104	December 1930	73	December 1935	79
December 1926	104	December 1931	50	December 1936	91
December 1927	95	December 1932	36	December 1937	77*
December 1928	95	December 1933	41	December 1938	66*

* Preliminary.

The price index of 66 for the past month is the net result of increases and decreases in the prices of farm products in December 1938, over the average of Decembers 1924-25-26, weighted according to their relative importance.

The prices of the eight crops items (wheat, corn, oats, barley, rye, flax, potatoes, hay) advanced above their November figures. Some seasonal rise is normal for these items from November to December, but prices for all the items rose more than the usual seasonal amount. Hogs declined 30¢ from November, but this represents the usual seasonal decline. Cattle and calves remained at the same prices for November, not showing their usual seasonal drop. Butterfat was up 2¢ for December, about twice the customary increase over November.

The purchasing power of Minnesota farm products at December prices continued the gradual improvement shown since the low of last August.

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

	Dec. 15, 1938	Nov. 15, 1938	Dec. 15, 1937		Dec. 15, 1938	Nov. 15, 1938	Dec. 15, 1937
Wheat	$0.57	$0.55	$0.91	Cattle	$6.40	$6.40	$6.00
Corn	.36	.32	.41	Calves	8.00	8.00	7.90
Oats	.20	.17	.24	Lambs-sheep	7.15	7.05	7.57
Barley	.35	.32	.50	Chickens	.11	.11	.15
Rye	.30	.29	.56	Eggs	.24	.25	.22
Flax	1.66	1.61	1.82	Butterfat	.29	.27	.41
Potatoes	.46	.41	.40	Hay	4.80	4.35	6.20
Hogs	6.90	7.20	7.40	Milk	1.55	1.50	1.90

* These are the average prices for Minnesota as reported by the United States Department of Agriculture.

Indexes and Ratios of Minnesota Agriculture*

	Dec. 1938	Nov. 1938	Dec. 1937	Average Dec. 1924-26
U. S. farm price index	70.6	68.6	76.5	100
Minnesota farm price index	66.3	65.6	77.4	100
U. S. purchasing power of farm products	89.5	86.2	90.9	100
Minnesota purchasing power of farm products	84.0	82.4	92.0	100
Minnesota farmer's share of consumer's food dollar	.....	44.4	47.4	56.2
U. S. hog-corn ratio	16.0	18.1	15.5	13.3
Minnesota hog-corn ratio	19.2	22.5	18.0	15.7
Minnesota egg-grain ratio	30.9	35.8	20.7	26.7
Minnesota butterfat-farm-grain ratio	44.2	46.9	50.1	42.6

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

Egg Prices

In spite of low storage stocks of eggs the farm and market prices of eggs for December were relatively low. Ordinarily farm egg prices are at their lowest in June, and advance with decreasing production until the high point for December is reached. Following December they seasonally taper off again as production, that is laying, increases. The Minnesota farm price of eggs has risen since June 1938, but the December price, instead of rising above November as it normally would, actually declined from 25.2 cents for November to 23.6 cents for December.

This situation was due to a number of contributing factors. Production has not decreased so much this winter as it normally does. The relatively low price for wheat, corn, and oats prevailing the past few months resulted in exceptionally favorable egg-feed ratios. Producers have found it profitable to expand feeding which has resulted in higher production of eggs per farm flock. Moreover, this feed situation has caused producers to hold back, for laying, pullets that otherwise would be marketed. This expansion of flocks is part of the present trend upward in the the cycle of chicken numbers on farms. Spring hatchings are also expected to increase. Another factor in increasing production has been the open weather that has been rather general this winter and has tended to increase production per bird. Unless severe and generally widespread winter sets in, the unusual weather may be expected to have a marked effect upon production.

On the demand side some improvement is expected through the months immediately following, but during December demand from consumers proved a little disappointing. From the Chicago consuming area it was reported that consumer demand had been damaged by the selling of storage eggs that were unfortunately somewhat below usual quality.

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UNIVERSITY FARM, ST. PAUL, MINNESOTA

Cooperative Extension Work in Agriculture and Home Economics, University of Minnesota, Agricultural Extension Division and United States Department of Agriculture, Cooperating, P. E. Miller, Director. Published in furtherance of Agricultural Extension Acts of May 8 and June 30, 1914.