FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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FOREIGN TRADE AGREEMENTS

By O. B. Jesness

Farmers have a special interest in the trade agreements program because of the dependence of agriculture upon foreign markets. These outlets have been curtailed by the depression and the extensive trade restrictions arising out of it. While the foreign market has been reduced, agriculture in the United States has not been adjusted accordingly. It is still geared to an export market of considerable importance. If that market is not restored, it will be necessary to curtail production of American agriculture permanently. This is due to the fact that replacements for the foreign markets which farmers have had in the past are not in sight. The rate of population growth is slowing down and a stationary, if not actually declining, population is in prospect. The intake of food is definitely limited, and any considerable increase in the per capita consumption of farm products is not likely. Industrial uses may expand in time, but the development in this direction does not promise a replacement for the foreign market in the near future. Opportunities for growing agricultural products now imported are too limited to provide the way out.

Considerable interest is being shown in a "two-piece" plan involving some form of fixing or control of prices sold in the domestic market with sale of the surplus on the world market for whatever it will bring. Is this a satisfactory method of trade recovery? This plan assumes that other countries stand ready to accept such products generally. Attempts to sell products abroad at prices lower than those in the country from which the shipments come are a form of export dumping. Many countries, including the United States, have restrictions against dumping and these are likely to be employed against such a plan. Payment for these exports would still have to be mainly in the form of imports of goods and services and consequently would not be forthcoming unless we are willing to trade, that is to accept imports. Such a plan, however, is likely to lead to demands for higher protection rather than greater imports. It is also questionable whether it is advisable to follow a policy of making products available to foreign countries at lower prices than those paid by our own people.

The alternative before this country, therefore, is in large measure one of either expanding foreign trade or else curtailing agriculture to fit the smaller market. Those who protest that concessions required to regain lost markets involve costs need to bear in mind that the adjustments which will be needed if export markets are lost are far from being costless.

Dairymen, livestock producers, and others operating behind a tariff wall may be told that while trade expansion may be important to lines dependent upon exports, their interests lie in maintaining and increasing trade restrictions. This is entirely too narrow a view of the problem. If farmers who produce for export lose part of that market, they will naturally endeavor to make adjustments in their farming. These adjustments are likely to include some shift to production for the domestic market. If corn and hog producers have to curtail production because foreign markets for pork and lard are not recovered, some of them will expand their dairy and beef enterprises. If cotton exports are permanently reduced, some cotton farmers may go into livestock. The same is true of wheat. This is why it is important to see the whole trade picture rather than to draw conclusions on the basis of a few products or rates.

The agreements with Canada and the United Kingdom have attracted the most attention. This is only natural because England is our most important foreign agricultural customer and Canada is our most important outlet for industrial goods. The difference of our market interest in the two countries suggests why the concessions obtained and granted in these agreements differ so greatly. Canada is more dependent upon agriculture than is the United States and some of the important Canadian export products are those produced in this country. This explains why some of the concessions granted Canada are on agricultural items and also why Canadian concessions, although including many farm products, give an important place to industrial imports. The latter are not without interest to farmers because of the close relationship between employment, consumers' buying power, and the markets for farm products.

Space permits mention of only a few of the items included in these agreements. The concessions granted on livestock and dairy products in the Canadian agreement have received the most attention. The former agreement with Canada reduced the duty on a quota of about 156,000 head of cattle, 700 pounds and over, from 3 cents a pound to 2 cents. The new agreement increased the annual quota to 225,000 head and reduced the rate on it to 1½ cents, but limited the quota for any one quarter at 60,000 head. Imports in excess of quotas pay the full rate. A rate of 1½ cents is fixed on a quota of 100,000 calves of 200 pounds or less. The duty on dairy cows was reduced to 1½ cents and the quota provision eliminated. Even though imports have been somewhat larger than the quotas, they amounted to only 2.8 per cent of the inspected slaughter of cattle and calves in 1937 and only 2 per cent for the first ten months of 1938. While concessions were made by both Canada and the United States on hogs and pork, these are not very significant because both countries normally are on an export basis.

The 14-cent duty on butter has not been changed by any of the agreements. The rate on cheddar cheese, which was reduced from 7 to 5 cents in the first agreement with Canada, has been reduced to 4 cents but not less than 25 per cent ad valorem. Imports from Canada in 1937 equaled about one per cent of the United States production, and those in 1938 were only about one-third of those in 1937. The duty on a quota of 1,500,000 gallons of cream was reduced from 56.6 cents to 35 cents by the first agreement, and to 28.3 cents by the new agreement. This quota represents only a very small fraction of the total supply, and during the three years it has been in effect only about 4 per cent of it has come in. Thus, imports in 1937 were only 137,000 gallons, and in 1938 only 5,100 gallons. The rate on a quota of 3,000,000 gallons of milk was lowered from 6.5 cents to 3.25 cents. These limited quotas and imports do not support claims that dairy markets are seriously threatened by the agreement.

A number of the concessions granted by Canada relate to agricultural products. However, the greater importance of industrial products in our exports to Canada makes concessions on the latter more significant. To conclude that the agreement makes concessions on agricultural products for the benefit of manufacturing lines is to overlook the relationship between industrial activity and the outlets for farm products. Recovery of employment and consumer purchasing power is particularly important for livestock and dairy products.

The agreement with the United Kingdom is important to American farmers because England is the leading buyer of American farm exports. The removal of the 10 per cent duty on American lard and the increase in the quota of American hams to 56 million pounds for 1939, with possibilities of further increases later, are important. The increase now under way in hog production will make expansion of exports essential to the maintenance of satisfactory hog prices. The removal of the duty on lard should improve upon the competitive position of lard among the fats and oils in the British market. The British duty on wheat of about 6 cents a bushel is removed. Wheat exports were negligible during the drouth years, but more normal producing conditions have put this country back on an export basis. Other concessions include such agricultural products as rice, apples, pears, various canned and dried fruits, and other items.

The concessions granted by the United States relate mainly to industrial products and raw materials rather than to important agricultural products.

One viewpoint maintains that these two agreements are against the interests of dairymen and cattle producers because some concessions have been made on their products and that the only concessions on livestock products obtained in return are on pork and lard. As we do not normally export butter, cheese, or beef, it is not clear what other concessions these producers could receive. The dairy industry is now at a point where the principal concern is one of finding outlets rather than one over the threat of dairy imports. In spite of the 14-cent duty on butter, the New York price during the last year has not been much above London. Actually, it was lower for some time last summer. This resulted from the fact that domestic demand was not adequate to absorb the supplies at higher prices. A government purchase program was necessary to keep prices from falling still lower. The interests of dairymen lie in an improvement in employment and business conditions and an increase in export outlets for other agricultural products to keep their producers from expanding dairying. Increasing cattle production in prospect for the coming years is likely to make the same situation apply to beef.

Present indications are that attacks upon the trade agreements program from interests which believe they are harmed will continue. Farmers who are asked to join in these attacks will do well to consider the entire problem involved instead of arriving at conclusions based on a consideration of only part of it. Failure to do so may lead them to take a stand contrary to their own best interest.

Prospects for the Poultry Enterprise

By William H. Dankers

The feed-egg ratio (the number of dozen eggs required to buy one hundred pounds of poultry ration), based upon prices at Chicago, was high during January. This is the reverse of a favorable low feed-egg ratio from May through the first half of December 1938. The upward change in the ratio was the result of the greater-than-seasonal decline in egg prices during January, since feed prices made only the usual seasonal advance. Changes in the feed-egg ratio during the next few months will depend largely on the trend of egg prices. With the approach of the hatching season, an upward swing in egg prices is expected, and this should result in a more favorable feed-egg ratio.

The number of hens and pullets of laying age in farm flocks on January 1, 1939 was about seven per cent above the record low on the same date in 1938 but five per cent below the ten-year average, 1926-1935. The increase in size of laying flocks from the low point in August 1938 to January 1, 1939 was the largest on record.

Production per hen on January 1, 1939 was eight per cent above January 1, 1938, which had been the previous

high for the month of January, and almost fifty per cent above the ten-year (1925-1934) January 1 average.

Production per farm flock on January 1, 1939 was 16 per cent above January 1 last year and 41 per cent above the 1925-1934 January average.

The very large egg production per farm flock the last several months is largely responsible for the greater-than-seasonal price decline which has occurred. Because of the early sharp drop in December and January, the seasonal decline which usually occurs in the remaining winter months is expected to be less than usual.

Commercial hatchings in November and December 1938 were well above the same months in 1937, pointing to larger market supplies of winter broilers during January, February, and early March. Storage stocks of poultry also will be larger than in those months last year. This combined with an expected record hatch in the spring of 1939 and severe competition from increased supplies of other meats indicates that the anticipated higher level of consumers' incomes and demand will very likely not be sufficient to offset the depressing effects of these larger supplies. Prices for poultry meats are, therefore, expected to be relatively low in 1939.

The size of the 1939 spring hatch is to some extent dependent upon the trend in egg prices from this point on. Considering the year 1938 as a whole, the poultry enterprise provided a relatively desirable market for the low-priced feed. This along with a lack of alternatives in marketing the abundant supply of low-priced feed that is now on hand is an encouragement for maintaining and increasing the size of hatch. For this reason, the largest hatch on record is expected this spring.

Consideration might well be given by the poultry producer to the status of his enterprise. It is doubtful whether expenditures can be justified for an expansion of physical facilities so as to accommodate a larger hatch. Producers who have crowded their facilities might well reduce numbers to avoid crowding and to permit better management. In all probability, the sale of broilers on a relatively early market and early laying pullets in the fall of 1939 will add considerably to the income from the poultry enterprise for the year 1939.

With expected lower prices, costs must be held down if a margin is to be obtained. The need for obtaining healthy and vigorous chicks, adopting a sanitation plan, and providing careful management can not be stressed too much.

Rail and Truck Receipts of Livestock at South St. Paul by Distance Zones

By A. A. Dowell and Leo Fenske

The figures in the table indicate that a higher proportion of combined Minnesota rail and truck shipments of hogs and calves to South St. Paul during 1937 came from nearby zones than of cattle, and a higher proportion of cattle than of sheep and lambs. This is in part a reflection of the various type-of-farming areas in the state. Over 65 per cent of the hogs and 67 per cent of the calves came from within a radius of 100 miles, whereas 53 per cent of the cattle and 37 per cent of the sheep and lambs came from within this area. About 2 per cent of the hogs, 9 per cent of the calves, 11 per cent of the cattle, and 22 per cent of the sheep and lambs came from beyond the 175-mile radius.

Truck shipments of each species were made from all parts of Minnesota. Such shipments accounted for 86 per cent of the combined rail and truck shipments of cattle from Minnesota farms to this market in 1937. Similarly, 88 per cent of the calves, 86 per cent of the hogs, and 77 per cent of the sheep and lambs of Minnesota origin came by truck. These figures are considerably higher than comparable figures based on total shipments to this market from all states.

When comparing truck shipments by zones for each species, it will be noted that a higher proportion of calves came from the 26-50-mile zone than from any other 25-mile zone, and the highest proportion of hogs came from the 51-75-mile zone. The heaviest truck shipments of Minnesota sheep and lambs and cattle came from the 76-100-mile zone. Minnesota truck shipments within the 100-mile radius accounted for 74 per cent of the total truck shipments of calves, 71 per cent of the hogs, 58 per cent of the cattle, and 45 per cent of the sheep and lambs.

On the other hand, a higher percentage of rail shipments came from greater distances than did the truck shipments. A higher proportion of rail shipments of each species from Minnesota farms came from the 151-175-mile zone than from any zone closer to the market. Rail shipments beyond the 175-mile radius accounted for 52 per cent of the total rail shipments of sheep and lambs from Minnesota farms to South St. Paul, compared with 33 per cent of the cattle, 28 per cent of the calves, and 6 per cent of the hogs.

Distribution of Rail and Truck Receipts of Cattle, Calves, Hogs, and Sheep from Minnesota to South St. Paul, According to Distance Shipped, 1937*

Distance of shipment	Proportion of total receipts of each species											
	Cattle			Calves			Hogs			Sheep		
	Rail	Truck	Total	Rail	Truck	Total	Rail	Truck	Total	Rail	Truck	Total
miles	%	%	%	%	%	%	%	%	%	%	%	%
0- 25	0.0	6.6	5.6	0.0	8.9	7.9	0.0	5.3	4.6	0.0	6.7	5.2
26- 50	0.6	12.9	11.2	1.1	25.8	22.9	1.3	18.8	16.5	0.1	5.6	4.4
51- 75	3.7	17.2	15.3	5.4	19.5	17.8	3.6	24.8	22.0	0.8	14.5	11.5
76-100	18.0	21.5	21.0	14.0	19.3	18.7	18.5	22.3	21.8	5.7	18.7	15.6
101-125	12.0	15.8	15.3	17.2	8.5	9.5	12.0	13.4	13.2	3.0	17.3	14.2
126-150	7.4	9.9	9.6	9.2	4.0	4.7	23.5	7.4	9.5	6.1	12.9	11.5
151-175	25.0	8.7	11.0	25.3	7.7	9.8	35.1	6.1	9.9	32.5	10.7	15.5
176 and over	33.3	7.4	11.0	27.9	6.2	8.8	6.0	2.0	2.4	51.9	13.5	21.8

* Source: St. Paul Union Stock Yards Company bulletin sheets. Data based upon receipts for one full week in each month during 1937.

Minnesota Farm Prices for January 1939

Prepared by W. C. WAITE and W. B. GARVER

The index number of Minnesota farm prices for the month of January 1939 was 69. When the average of farm prices of the three Januarys 1924-25-26 is represented by 100, the indexes for January of each year from 1924 to date are as follows:

January 1924 86	January 1930 100	January 1935 81
January 1925 102	January 1931 73	January 1936 84
January 1926 113	January 1932 48	January 1937 100
January 1927 112	January 1933 36	January 1938 ..... 80*
January 1928 100	January 1934 45	January 1939 ..... 69*
January 1929 101		

* Preliminary

The price index of 69 for the past month is the net result of increases and decreases in the prices of farm products in January 1939 over the average of January 1924-25-26, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index January 15, 1939, with Comparisons*

	Jan. 15, 1939	Dec. 15, 1938	Jan. 15, 1938		Jan. 15, 1939	Dec. 15, 1938	Jan. 15, 1938
Wheat	$0.60	$0.57	$0.99	Cattle	$6.50	$6.40	$6.00
Corn	.37	.36	.45	Calves	8.10	8.00	8.30
Oats	.22	.20	.25	Lambs-sheep	7.36	7.15	7.38
Barley	.36	.35	.56	Chickens	.11	.11	.15
Rye	.33	.30	.62	Eggs	.14	.24	.19
Flax	1.73	1.66	1.95	Butterfat	.27	.29	.36
Potatoes	.50	.46	.42	Hay	4.80	4.80	6.01
Hogs	6.90	6.90	7.50	Milk	1.50	1.55	1.90

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

The index at 69 continued the rising trend which has been in evidence since late autumn. All the crop prices advanced over December levels, and all of these except flax showed more than seasonal rises. Hogs, which seasonally should rise, were unchanged at $6.90. Cattle advanced to $6.50, slightly less than the usual seasonal rise. Chickens declined slightly instead of the usual seasonal rise. The outstanding change was the price of eggs, which dropped from 25.6 cents for December to 14.4 cents for January. Unusually large production per layer and the relatively large number of layers have combined to bolster up farm production of eggs.

Indexes and Ratios of Minnesota Agriculture*

	Jan. 1939	Dec. 1938	Jan. 1938	Average Jan. 1924-26
U. S. farm price index	66.2	70.6	71.8	100
Minnesota farm price index	68.5	66.3	79.5	100
U. S. purchasing power of farm products	83.3	89.5	86.1	100
Minnesota purchasing power of farm products	86.2	84.0	95.3	100
Minnesota farmers' share of consumer's food dollar	.....	.....	47.7	53.7
U. S. hog-corn ratio	15.4	16.0	14.5	11.0
Minnesota hog-corn ratio	18.6	19.2	16.7	13.2
Minnesota egg-grain ratio	17.9	30.9	16.3	21.3
Minnesota butterfat-farm-grain ratio	38.9	44.2	40.8	40.6

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

Employment

Agricultural producers have a keen interest in the unemployment question. The urban worker constitutes his chief market for the food and fiber he produces. Government estimates of the numbers of available non-agricultural workers show that in 1929, with high industrial activity, 95% of the country's available 37.7 million workers were employed. In 1933, with low production, only 70% of the available 39.6 million workers were employed. Again in 1937, when industrial production was again high, 85% of the available 41.3 million workers were working. Obviously all the employed available workers are not engaged directly in industrial production, but the work performed by those who are not directly so engaged is nevertheless so closely related to industrial activity and so dependent upon it that their employment fluctuates very closely with industrial production.

There is a fairly constant yearly increase of available workers amounting roughly to 450,000 workers. The effect of this increase upon the unemployment problem is serious, because if the unemployed are to be put to work productively industrial production must not only be brought back to 1929 levels but must considerably exceed the level of that period by an amount sufficient also to employ the increases in available labor.

Industrial production for 1939 would have to rise about 20% above the 1929 level to make efficient use of the available non-agricultural workers. The level of activity for 1939 is of course highly conjectural, but it appears that it would require production 20 to 30% above what may reasonably be expected in order to use the available workers. If during the nine years since 1929 industrial production could have been maintained at levels sufficient to use 95% of the available workers, the nation would have enjoyed an increment of goods and services 40% larger than what was produced during the period.

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