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FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
Paul E. Miller, Director Agricultural Extension

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Farm Program for 1940

ANDREW BOSS

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Hope and optimism, qualified by numerous capital letter IF's are reflected in the outlook reports emanating from Washington and interpreted to us by economists, newswriters, and prophets of recovery. In addition to the usual "if's" about the weather, disease, and insect pests, there are several more. If the war continues or if it doesn't? If industry continues the upward trend? If export demand improves? If the trade agreements move farm goods or improve farm prices? These are a few of the uncertainties which must be faced by anyone wishing to plan the next year's production program.

There was some improvement in demand and prices for agricultural products in the latter part of 1939. It is expected that this improvement may extend into the year ahead. Greater business activity already under way and improvement in general domestic affairs is expected to increase the consumer demand for farm products. Expanded factory payrolls and industrial activity will result in greater purchasing power on the part of consumers, which should improve the domestic markets. The European wars may bring some stimulation of export demand. That demand will likely be expressed in orders for industrial goods rather than for raw products from the farms. Trade agreements may also bring some increase in net exports of farm commodities.

In spite of recent price improvement for some commodities, parity prices for agricultural products have not been reached. The November index of prices received by farmers for commodities sold stood at 80, as compared to 100 for commodities that they must buy. In other words, farmers are still obligated to give 20 cents to boot on every dollar's worth of goods for which they trade. Obviously farmers cannot enter fully into commercial activities until demand for the commodities which they produce is sufficient to give them more nearly equal trade advantages.

On the Supply Side

There is no shortage of agricultural commodities. The supplies of wheat, cotton, and corn in storage under government loan give insurance of adequate supplies even though drouth or pestilence should reduce production in some areas.

Feed bins and barns hold good supplies of coarse grains and forages. Pastures, feed yards, and breeding pens are, in the main, well stocked and ready for full production. Drouth is again depleting the feed supplies over large areas of range land. If continued, this may result in light production and marketings from that source. However, normal or even somewhat less than normal production in other areas will yield ample supplies of most commodities for both domestic and export demand.

The United States Department of Agriculture, while hopeful for improvement in agricultural income in 1940, is urging moderation in production of most of the staple commodities. Past efforts to control production by reduction of acreage have not been wholly effective. During the past two years production from the reduced acreage has been about as great as when full acreage use was permitted. Favorable weather, better tillage methods, wider use of improved high-yielding varieties, the adoption of soil-improving practices, plus more fertilizers, have maintained production at approximately former levels. This fact may be interpreted to mean that farmers individually recognize the necessity of maximum production as the only way in which to gain sufficient income to meet their obligations. More intensive tillage of the better acreages also may be the way toward lower cost per unit of product, a point that should not be lost sight of.

The Production Program

Price relationships still favor livestock and livestock products over cash grains and feed crops as sources of income. Ratios are closer than a year ago, but the best prospects for income are from feed crops marketed through the medium of livestock. While numbers of all classes are increasing steadily, it is believed that increasing industrial activities and greater purchasing power on the part of consumers will stimulate the demand for live-

stock products, particularly for dairy products and meats. The program, therefore, should be built as far as possible around the livestock enterprises.

The crop adjustment and erosion prevention programs featured by the federal government have resulted in larger acreages of grasses and legumes in areas where drouth has not interfered. Pasture crops are more ample and pastures are in better condition than for some years past. Those having good pastures have the foundation laid for low-cost production of either meat or dairy products. Farmers are learning by experience the values and possibilities of good pastures and forage crops in low-cost production of meat and dairy products. A good illustration of what may be accomplished is found in the reports of a southern Minnesota farmer, who on a farm of 120 acres with all of the land in pastures and meadows is maintaining a herd of 34 dairy cows and some other stock. These 34 cows returned an average gross income of $100 per head per year. They were dry from February first to May first. Part of the income is from bulls rented out and young stock and cull cows sold. In consideration of the fact that these cows get little grain supplement and are cared for with a minimum of labor, it is probable that the cost per unit of fat is much lower than where cows are more highly fed and forced to greater production. Equally good results can undoubtedly be gained in the growth and maintenance of breeding herds of beef cattle and sheep although grain feeding may be advisable in finishing animals for the livestock markets.

Build Up the Pastures and Meadows

The results pointed out cannot be achieved without an abundance of pasture feed throughout the entire grazing period. Blue-grass pastures, even though well fertilized and cared for, are likely to run short in late summer. Annual pasturage of sudan grass, the annual coarse grains in various combinations, or a seeding of sweet clover may well supplement the grass pastures. Combinations of alfalfa and sweet clover with the tame grasses will provide more abundant and more durable pasturage. Fertilization with either barnyard manures or the phosphate and potash fertilizers also will increase yields, if wisely applied. The provision of good legume hay for winter feeding is also required. For this purpose alfalfa leads although medium red clover can be successfully used in some localities. The quality, as well as the quantity, of the hay will be improved by sowing a small amount of timothy or bromus with the legume. Soybean hay can be used as a substitute where a shortage of cured forage is in sight.

What Kind of Livestock?

That is an open question. The different classes are so well in balance now that there is more likelihood of loss than of gain in changing from one to the other. It is no time to upset a well organized production plan. Those stocked and equipped for dairying may well stick to their usual plans. Those set up for beef raising may well continue in that line. Cattle of some kind in substantial numbers are required to consume the coarse feeds and forages now forming the basis of agricultural programs.

Dairying—While dairy prices are expected to be maintained in line with 1939 on the present production basis, a substantial increase in production may easily result in lower prices and returns. There are substantial increases of young dairy cattle in sight, and the ground is laid for increased production in the near future. New investments in the dairy business should be entered into with caution because they are likely to be paid for in low-priced dairy products. Beginners should enter with extreme caution. Economy in production calls for culling out all low-producing animals. Salable cattle reacting to tests for Bang's disease or tuberculosis should be disposed of while beef prices are still at fair levels. Emphasis should be put on economy of production as much as on high production records.

Beef cattle—Beef cattle numbers are likewise increasing. This is but a logical sequence to the increased acreages of land used for pasture, forage, and feed crops. There is still good demand for beef cattle at fair prices. In view of increasing numbers lower prices may be expected next year unless some unexpected outlet opens up. Close culling and early marketing appear to be a wise policy to pursue under existing circumstances. Sound foundation herds should be preserved, however, as a means of utilizing the pasture and feed crops which are likely to continue to dominate farming throughout the Northwest for some years to come.

Hogs—Hog raising so well complements dairying and beef raising that hogs have a place on most farms where cattle are raised. The United States is again on its way to peak production of hogs. On farms where they offer a profitable outlet for dairy by-products or serve to glean the feed lots, they should be continued in moderate numbers. Hog prices at present serve as a danger signal to further increases in numbers. The relatively high price for corn at the present time, due to the corn loan program, fortunately will discourage hog production to some extent. However, enough hogs will be produced to prevent any substantial increase in prices. Lower average prices than in 1939 may be expected.

Sheep and Poultry—Sheep raisers appear to be on safe ground. While some increase in numbers is apparent, prices for wool and mutton are holding well, with some prospect for increased demand in the coming year. There is no good reason for backing up on sheep production. However, as with beef cattle, hogs, or dairy products, an eye to economy of production, close culling, and early sale of surplus stock is advisable.

Somewhat better conditions for poultry raisers are expected for 1940. Some increase in numbers and production is anticipated, but increased buying power on the part of consumers is expected due to increased industrial activity. This should result in better prices and returns. A decline in turkeys raised is expected as a reaction to the large numbers raised in 1939 and the consequent lower prices. However, year around consumption of turkeys is now well established, and even at present prices production may well be maintained at present levels.

The Cash Crops

Many farmers are so situated as to require at least a part of their land to be put into cash crops. In this area only wheat, flax, barley, and corn are suited to large acreages on the general farm.

Wheat—While the largest supply of wheat the world has known is on hand, there is some justification for farmers in the Spring Wheat Belt putting in the full acreage permitted under the crop adjustment program. A partial or total failure of the winter wheat crop from drouth is reported from the hard red wheat area of the Southwest. There is also the possibility of export demand arising out of either war needs or trade agreements. A third reason is that no other crop is so well suited to the soil and climate of western Minnesota and the Dakotas. By using tested rust-resistant varieties and following good tillage methods, fair returns may be made from land not needed to support livestock.

Flax—Consideration may well be given to flax as a cash crop in 1940. Production is still far below domestic needs. Good yields and fair prices made flax a more profitable crop last year. It is not likely that yields can be greatly increased. However, they can be maintained by proper preparation of the soil where flax is grown, by timely seeding, good tillage practices, and the use of improved disease-resistant varieties. A better than usual crop is in prospect in Argentina and world supplies may be visibly increased if a large crop is again raised in the United States. Shipping costs from Argentina are likely to be higher in 1940 than in 1939, however, which should serve to preserve American price levels. Flax is favored in the soil conservation program, if used as a companion crop for grass and legume seedings, and may well be used in moderation as a cash crop where land is available and suited to the crop. Those choosing to grow flax should give close attention to following correct tillage practices, in order that the best possible yield may be secured.

Barley—Some barley will be needed for brewing, but large stocks are on hand and prices are likely to be established at or near feed-barley prices. If corn prices remain high, feed-barley prices may be expected to move to higher levels. It is not likely, however, that barley will be a particularly profitable cash crop in 1940 except in areas where high yields may normally be expected.

Corn—The only prospect for favorable corn prices lies in the government loan program. If the present loan price is maintained, corn grown to put in storage may prove attractive. Barley, oats, and other grains may replace it for feeding most classes of livestock, except fattening cattle and hogs. It seems safe to maintain the normal acreage permitted by the crop adjustment program. There should be a decrease rather than an increase in corn acreage. It may not be out of place to say that two excellent corn years are just past. There is a more than even chance that 1940 may be a less favorable corn year.

Potatoes and Soybeans—There are possibilities for fair returns on potatoes and soybeans in areas suited to the production of these crops. While an increased acreage of potatoes is expected in 1940, a hoped-for increase in consumers' purchasing power may improve the demand. The crop, however, is not commercially widely adapted, and production should be undertaken only in areas where soil, climate, and tillage practices insure large yields of high quality potatoes.

The demand for soybean oil and soy cake is growing. The establishment of a crushing and pressing plant at Mankato, in addition to other facilities available in the state, may offer an opportunity for a limited number of farmers to profitably grow soybeans for crushing. The market for such is as yet somewhat limited and could easily be over-supplied. Those operating within reach of crushing plants should carefully consider the possibilities.

Truck, Canning, and Miscellaneous Crops—Where sugar beets, melons, canning peas, and sweet corn can be produced by those within reach of factories it may be wise to put moderate acreages into one or more of these crops. A light acreage in 1939 and smaller stocks of canned goods carried over seem to hold promise of somewhat better market conditions for canned goods in 1940. Plantings should be made, however, only in consultation with reliable operators who know the market demand.

Finally

Production for the most part is in good balance. Ample feed supplies are on hand and well balanced with livestock numbers. Many farmers have established systems of farming adapted to their needs. There is nothing in sight to warrant radical upsets of established crop rotations or well-laid production plans. Thrift, economy, sound judgment, and good operating practices are essential to success at any time. They will be absolutely necessary in 1940.

Minnesota Farm Prices for Dec. 1939

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

The index number of Minnesota farm prices for the month of December, 1939 was 64. 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:

1924— 92	1928— 95	1932— 36	1936— 91
1925—104	1929— 96	1933— 41	1937— 78
1926—104	1930— 73	1934— 67	1938— 66
1927— 95	1931— 50	1935— 79	1939— 64*

* Preliminary.

The price index of 64 for the past month is the net result of increases and decreases in the prices of farm products in December, 1939, 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, 1939, with Comparisons*

	Dec. 15, 1939	Nov. 15, 1939	Dec. 15, 1938		Dec. 15, 1939	Nov. 15, 1939	Dec. 15, 1938
Wheat	$0.83	$0.74	$0.57	Cattle	6.90	6.90	6.40
Corn	.40	.36	.36	Calves	8.10	8.50	8.00
Oats	.30	.27	.20	Lambs-sheep	7.42	7.42	7.15
Barley	.41	.39	.35	Chickens	.09	.09	.11
Rye	.47	.38	.30	Eggs	.15	.22	.24
Flax	1.81	1.66	1.66	Butterfat	.31	.30	.29
Potatoes	.49	.50	.46	Hay	4.42	4.42	4.80
Hogs	4.80	5.70	6.90	Milk	1.65	1.65	1.55

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

The decline of 4 points in the index number represents only a small part of the changes which occurred from November 15 to December 15 in the prices of the 16 items covered in the index. Prices of all the grain crops rose by amounts substantially in excess of the usual seasonal rise. These rises were much more than offset by declines in hogs and calves. The decline was exceedingly sharp for hogs, amounting to 90 cents. With the price for mid-November at $5.70, the usual November to December change would ordinarily be expected to be a seasonal decline of about 30 cents to around $5.40 rather than the much sharper drop to the December quotation of $4.80.

Indexes and Ratios of Minnesota Agriculture*

	Dec. 1939	Nov. 1939	Dec. 1938	Average Dec. 1924-26
U. S. farm price index	70.6	70.8	70.6	100
Minnesota farm price index	63.5	67.4	66.3	100
U. S. purchasing power of farm products	88.0	88.2	89.5	100
Minn. purchasing power of farm products	79.2	84.0	84.0	100
Minn. farmer's share of consumer's food dollar	.....	44.0	44.3	56.2
U. S. hog-corn ratio	10.0	12.5	16.0	13.3
Minnesota hog-corn ratio	12.0	15.8	19.2	15.7
Minnesota egg-grain ratio	14.4	23.8	30.9	26.7
Minnesota butterfat-farm-grain ratio	36.0	38.2	44.2	42.6

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

Pig Survey

The U.S.D.A. Agricultural Marketing Service reports in its December 1 livestock survey an increase of 12 per cent over 1938 in the 1938 fall crop of pigs saved. Number of sows farrowed was 13 per cent larger than for the 1938 fall farrowings, accompanied by a slight decrease in the number of pigs saved per litter. The combined 1939 pig crop (Dec. 1, 1938 to Dec. 1, 1939) was 16 per cent greater than for the previous year.

The report states that the rapid upswing in U. S. hog production which began in the spring of 1938 appears to be checked. Indications point to a smaller pig crop in 1940 than in 1939, although present figures signify that the 1940 spring crop will be about the same as 1939.

Sows Farrowed

State or Division	Fall			Spring		
	1938 thousands	1939 thousands	Per cent of 1938	1939 thousands	1940 thousands	Per cent of 1939
U. S.	4,372	5,082	116	8,549	8,580	100
Minn.	168	190	113	694	694	100
W.N.C.	1,274	1,526	120	4,007	3,981	99

Pigs Saved

State or Division	Fall		Spring		Per Litter Fall, 1939 Number
	1938 thousands	1939 thousands	1938 thousands	1939 thousands	
U. S.	27,651	31,985	43,450	52,317	6.29
Minn.	1,065	1,193	3,666	4,310	6.28
W.N.C.	8,148	9,616	19,718	24,696	6.30

The 1939 fall pig crop is reported as 16 per cent larger than that of the previous year, the largest in 17 years of recordings and one-fourth larger than the ten-year average of 1928-37. The combined spring and fall crop of 1939 was one-fifth larger than the 1938 crop and also the largest in 17 years. However, the regional distribution of this year's crop is somewhat different than that of 1933, the crop being much smaller in the Western Corn Belt States, a little smaller in the Eastern Corn Belt, and much larger in all other regions, notably in the South.

UNIVERSITY OF MINNESOTA
Department of Agriculture
Agricultural Extension
University Farm, St. Paul, Minn.

P. E. MILLER, Director

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