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FARM BUSINESS NOTES

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Marketing Livestock from South Central Minnesota

E. T. BAUGHMAN

In response to a request made by farmers in Faribault County an intensive study of livestock marketing in that county was made by the State and County Extension Services in the summer of 1940. Information was assembled from farmers by mail questionnaire and from local livestock buyers and shipping associations by personal visits. Also, several meetings were held at which local farmers presented their views on livestock marketing problems.

In figure 1 is shown the livestock markets and marketing agencies available to Faribault County farmers. The farmer's job is to determine which of the many outlets available will net him the most money for his livestock on the day he sells and to move his animals to that market. With present market news, grading practices, and the large number of available marketing agencies it is very difficult, if not impossible, for the individual farmer to select his most profitable outlet.

The radio is an important source of market information for these farmers. Some secure market news from several sources but 65 per cent rely most on the radio, 25 per cent on local livestock buyers and shippers, 8 per cent on daily newspapers, and 2 per cent on the telephone. Several farmers reported that market news as reported at present is not adequate. Forty per cent said it was difficult to get quotations from all available markets on the morning they wish to sell. It appears that information on supplies and prices in all available markets should be assembled and reported on the same broadcasts and in the same newspapers.

The farmers' marketing problems are not solved merely by getting adequate market news. They must interpret the news in terms of the livestock they have to sell. About two thirds of the farmers said they could grade hogs in terms of market quotations and one third said they could grade cattle and sheep. Present grading practices where grades vary between markets and within the same market from time to time are confusing to farmers. Eighty per cent of the farmers said uniform grade standards in all markets would make it possible for them to do a better job of marketing their livestock. About one third said

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they could have increased returns from livestock sold in 1938 and 1939 if they had had more adequate information on prices and grades in other markets at the time they sold.

Even though farmers had adequate information on prices and grades in all available markets and could interpret it in terms of the animals they had to sell, there would still be a problem of transportation.

Frequently the farmer would find that his heavy butcher hogs would net him the most money at one market, his light butchers at some other market, his veal calves at a

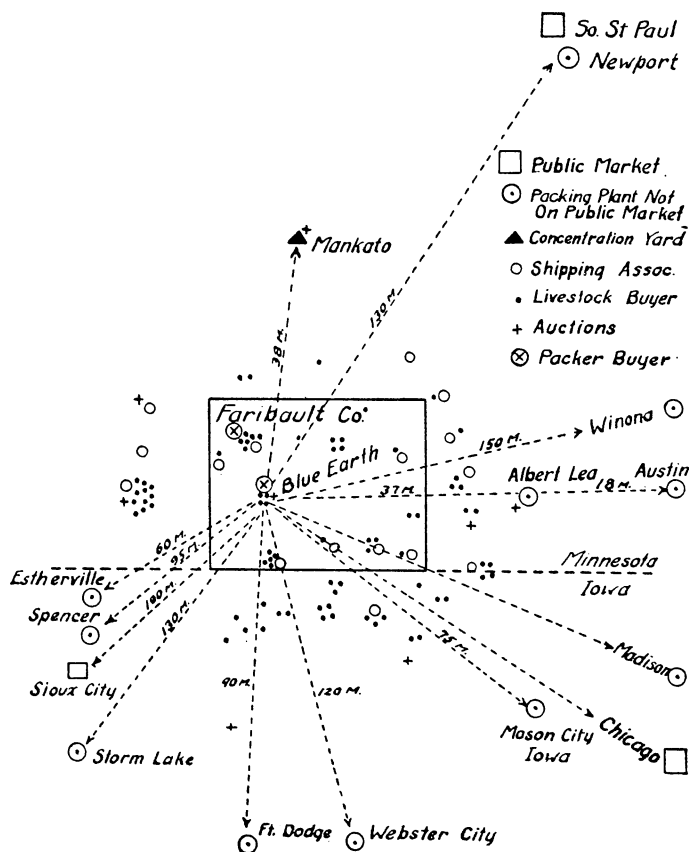


Figure 1. Livestock Markets and Marketing Agencies Available to Faribault County Farmers

third, and the packing sows at a fourth. Most farmers do not have enough livestock of each kind and grade so they could afford to send a few animals to each market.

A large part of the livestock from Faribault County was sold direct to packers in 1938 and 1939. In table 1 are reported the market channels into which the farmers moved their livestock. Local livestock buyers were important outlets used by farmers. Shipping associations handled about one fourth of the hogs and less than 10 per cent of the cattle and sheep. Farmers moved about one third of their cattle to public markets but only about 5 per cent of their hogs and sheep.

Table 1. Percentages of Livestock Moved Through Various Market Channels by Faribault County Farmers, 1938 and 1939

	Hogs	Cattle	Sheep
	per cent	per cent	per cent
Direct to packers*	36.2	35.2	73.1
Local buyers	32.7	20.9	11.7
Cooperative shipping associations	24.6	8.3	9.4
Public markets	5.1	31.4	4.5
Local farmers	1.4	4.2	1.3
	100.0	100.0	100.0

* Includes sales to packer buyers stationed in the county as well as at interior packing points.

The markets used by the local livestock dealers and shipping associations were of interest. Local livestock dealers sold 96 per cent of the hogs they handled direct to packers and less than 3 per cent on public markets. For cattle corresponding figures were 44 per cent and 39 per cent and for sheep 99 per cent direct to packers and none to public markets. Local shipping associations sold 98 per cent of the hogs they handled direct to packers and 2.3 per cent on public markets. For cattle the corresponding figures were 70 per cent and 30 per cent and for sheep 65 per cent and 35 per cent. In table 2 is reported the proportions of all livestock sold by Faribault County farmers which reached various destinations whether it was moved there directly by farmers or indirectly through local livestock buyers or shipping associations.

Table 2. Percentages of Livestock Sold by Faribault County Farmers Which Reached Specified Outlets, 1938 and 1939

	Direct to Packers						Public Markets			
	Albert Lea	Austin	Mason City	Mankato	Other	Total	South St. Paul	Chicago	Total	Local Farmers
Hogs	49.19	31.66	1.93	6.73	2.22	91.73	5.66	0.76	6.42	1.85
Cattle	25.16	22.65	.....	2.46	.....	50.27	34.24	7.75	41.99	7.74
Sheep	77.11	12.72	.....	0.98	.....	90.81	7.09	0.70	7.79	1.40

Direct to packer sales are the most important single outlet into which Faribault County livestock moves—either directly from sales by individual farmers or indirectly through the hands of a local livestock marketing agency. With 91.73 per cent of the hogs, 50.27 per cent of the cattle, and 90.8 per cent of the sheep reaching packers through direct to packer sales by farmers and local marketing agencies, a question relative to the bargaining strength of individual farmers as well as local farmers shipping associations as operated at present may be raised.

Operations of the seven shipping associations in the county are of interest. Four associations actually ship all livestock they handle on a cooperative basis. One of

the others is operated as an elevator sideline and the livestock is purchased for cash by the elevator. In the other two the shipping association managers buy livestock on their personal accounts as well as ship for the farmers. In one of these the manager buys in his own name about 95 per cent of the hogs handled and part of the cattle and sheep. Two associations move livestock to market by rail while trucks are used by the other five. Trucks are owned by two associations, in two others the managers own trucks, and in one the manager hires trucks as needed. Most of the livestock handled by shipping associations is sold direct to near-by packers. One association sells hogs "on-track" to packer buyers before loading out of the local yard. The *real* extent of cooperative shipping and selling is actually less than the *implied* since some of these associations are, in effect, merely other local buyers of livestock.

Are farmers in a position where they can bargain with packer buyers for the highest possible price? If not, how can they place themselves in a more favorable selling position? A local livestock selling agency which assembled livestock, gathered market information from all available outlets, graded the livestock according to market demands, and sold each grade to the outlet offering the highest price would be of worthwhile service to farmers. The marketing agencies in Faribault County are not doing this at present. Few have adequate volume of livestock to split shipments between markets and little or no grading is done. Under proper management it would be possible to develop a farmers' selling organization which could do an effective job of merchandising livestock. In some cases the sale could be made before the livestock left the farm and in others before it left the farmers' local selling agency. Much of the livestock could be sold on a graded basis by telephone. Uniform grade standards on all markets would materially simplify this procedure.

Five Years of Erosion Control in Winona County

S. A. ENGINE

A land use program designed to reduce soil erosion on a hilly farm may require some changes in the farm organization. Detailed records obtained from seven Winona County farmers during the six-year period 1935-1940 reveal changes that have resulted from such a program. These farmers in cooperation with the Soil Conservation Service started definite programs of erosion control in 1936.

A change in the use of land was one part of the erosion control program on these farms. Ten per cent of the crop land was retired from cultivation and added to the permanent pasture. Most of the reduction in the crop acreage was made in small grains. The acreage of corn was reduced slightly and the acreage of hay increased correspondingly. Some woodland which had previously been grazed was isolated to promote more efficient growth.¹

This change in land use has not materially reduced the total quantity of crops harvested. The land retired

¹ Anderson, A. W., and Hoglund, C. R., "Has Erosion Control Changed Land Use?" *Farm Business Notes*, No. 220, April, 1941.

from cultivation was the steep and severely eroded areas on which yields are relatively low. The principal reduction in crops was in small grains which produce considerably less feed per acre than do corn and the hay crops. The number of livestock that can be carried on the pasture was increased somewhat by the additional acreage, and is likely to be increased still more after there has been time for a good growth of grass to become established on this new pasture land. Although the change has not been large there has been some increase in roughage production relative to grain production on these farms.

Since the change in crop production has not been large there has been no material change in livestock numbers or feeding practices resulting from the erosion control program. The number of dairy cattle has been increased slightly. This increase has been due in part to an attempt to utilize the larger quantity of roughages. It has been due in part also to a continuation of a previous trend toward increased dairying on two farms. Very high corn yields during the past three years have permitted these farmers to continue to feed grain heavily to the cattle.

A change from straight fields worked up and down hill to contour strips was the only other major adjustment made on these farms. The strips are longer, narrower, and average smaller in size than the old fields. Preliminary analyses indicate that labor requirements per acre are slightly higher on these smaller fields. This is partially offset by an increase in efficiency of operation when working on the contour. The increase in labor requirements as a result of smaller fields was offset by the reduction in the total crop area. The greater use of tractors and other changes in practices enabled these farmers to reduce the amount of time required to do the work on their farms. The change to strip crops has not increased the total time required to operate these farms.

The adoption of an erosion control program has caused some changes in the organization on these farms, but these changes have not been drastic. Further changes probably will be made as these farmers make a more complete adjustment to their new cropping program or determine from experience that further changes in their erosion control program seem advisable.

Patron Credit in Farmers' Elevators

E. T. BAUGHMAN

Managers and directors of the 11 farmers' elevators in Faribault County cooperated with the County and State Extension Service in a study to find answers to the following questions: (1) How extensive are credit sales? (2) Must cooperatives extend credit to their patrons? (3) What are the costs involved? (4) Can these costs be reduced? (5) What is a desirable credit policy for farmers' cooperatives?

An average of \$6,568 in patron accounts receivable was carried by these elevators. One organization had less than \$2,000 while another had \$12,000. The amount of patron accounts receivable varied seasonally with differences in sidelines carried and the credit policy followed. It was of interest to note that the average amount of bor-

rowed capital used by these elevators was \$6,226, which was about equal to the patron accounts receivable. In effect, the elevators borrowed money at interest rates ranging from 5 per cent to 7 per cent and loaned it to some patrons at no charge.

Managers of eight elevators considered it necessary to supply credit to patrons and indicated that one of their greatest difficulties was to control the amount and the period for which it was granted. In one organization 50 per cent of the accounts receivable from patrons were over one year old as compared with an average of 11 per cent for all organizations studied. The value of accounts over a year old becomes questionable. Fifty-four per cent of total sales to patrons were credit sales in the 11 elevators, the range being from 15 per cent to 95 per cent. Some elevators extended credit liberally because competitors had adopted such a policy. Three managers thought they could successfully operate on a cash basis and eliminate the costs and problems involved in credit sales.

Costs of extending credit to patrons averaged \$709. The lowest was \$187 and the highest \$1,050. These costs included office expenses involved in keeping records of the credit sales, losses from accounts which were never paid, and interest on money which was tied up in accounts receivable and not available for current business operations.

Costs of Extending Credit to Patrons, 11 Faribault County Elevators, 1939

	Average	Highest	Lowest
Additional office costs	\$ 73	\$ 300	\$ 10
Loss on bad accounts	331	625	50
Interest on accounts	305	720	87
Total cost	\$709	\$1,050	\$187

Methods suggested for reducing the costs of extending credit to patrons included (1) the discouragement of credit sales by allowing a discount for cash or making a charge for credit, (2) securing a rapid turnover of accounts by setting a definite time within which accounts must be paid or increasing charges with the length of time accounts are outstanding, (3) reduce losses from bad accounts by selecting credit risks carefully through the use of a credit committee or a county credit bureau, and (4) the adoption and enforcement of a definite collection policy.

Farmers' cooperatives should attempt to charge each patron the actual costs of services performed for him. This is true for credit service as well as those in marketing and purchasing.

The elevator with lowest credit costs had recently changed from a liberal to a restricted credit policy. When credit was extended liberally it was necessary to charge off about \$2,000 in bad accounts annually. Furthermore, patronage declined because patrons who had built up large accounts frequently deserted the organization and sold their grain elsewhere. Adoption of the present policy of restricted credit sales reduced costs of operation and increased volume of business.

Before changes are made in the credit policy of a cooperative association the reasons should be explained to members and patrons. Patrons who understand their cooperative and its problems will usually lend their support.

Minnesota Farm Prices—May, 1941

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

The index number of Minnesota farm prices for the month of May, 1941, was 89. When the average of farm prices of the three Mays, 1924-25-26, is represented by 100, the indexes for May of each year from 1924 to date are as follows:

1924—84	1929—113	1934—53	1939—68*
1925—106	1930—98	1935—86	1940—72*
1926—110	1931—64	1936—79	1941—89*
1927—109	1932—43	1937—97	
1928—113	1933—49	1938—75	

* Preliminary.

The price index of 89 for the past month is the net result of increases and decreases in the prices of farm products in May, 1941, over the average of May, 1924-25-26, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, May 15, 1941, with Comparisons*

	May 15, 1941	April 15, 1941	May 15, 1940		May 15, 1941	April 15, 1941	May 15, 1940
Wheat	\$0.81	\$0.79	\$0.84	Cattle	\$7.90	\$7.90	\$7.10
Corn .....	.53	.50	.51	Calves	10.00	9.70	8.90
Oats .....	.29	.30	.31	Lambs-Sheep	8.56	8.94	8.25
Barley .....	.43	.41	.42	Chickens .....	.14	.13	.11
Rye .....	.45	.44	.49	Eggs .....	.19	.19	.14
Flax	1.68	1.73	1.77	Butterfat .....	.36	.34	.29
Potatoes .....	.36	.41	.55	Hay	5.69	6.22	4.69
Hogs	8.30	8.10	5.30	Milk	1.60	1.55	1.40
				Wool† .....	.37	.33	.27

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

† Not included in the price index number.

The price index number for May rose 4 points from the level for April, 1941. Most of the net gains were in livestock and livestock product items. Wheat, corn, and rye rose seasonally, while oats, barley, and flax declined or rose less than usual seasonal amount. Hogs and calves were up although cattle failed to rise by usual seasonal amount. Sheep declined less than seasonally, chickens and eggs showed a strong upward tendency, and butterfat and milk advanced, rather than showing the usual seasonal decline from April to May. Although prices paid by farmers are rising, the ratio of prices received to prices paid shows Minnesota farm products in the best relative position since 1937.

Indexes and Ratios of Minnesota Agriculture*

	May 1941	April 1941	May 1940	Average May 1924-26
U. S. farm price index	81.2	79.1	71.0	100
Minnesota farm price index	88.5	84.6	72.0	100
U. S. purchasing power of farm products	101.9	100.2	90.6	100
Minn. purchasing power of farm products	111.2	107.2	91.9	100
Minn. farmers share of consumers food dollar	47.5	47.1	43.7	52.6
U. S. hog-corn ratio	12.4	12.9	8.4	12.1
Minnesota hog-corn ratio	15.7	16.2	10.4	15.1
Minnesota beef-corn ratio	14.9	15.8	13.9	9.9
Minnesota egg-grain ratio	17.0	17.5	12.4	14.4
Minnesota butterfat-farm-grain ratio	39.4	37.5	31.2	34.5

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

Minnesota Planting Intentions

Although it is some time since March first planting intentions were announced, some interest may be found in the indications as of that date. The following table gives in summary form the data for Minnesota and the percentage change for Minnesota and the United States from 1940 plantings.

	1930-39 Average (1,000 acres)	1940 (1,000 acres)	1941 Indicated (1,000 acres)	Minn. % 1941 1940	U. S. % 1941 1940
Wheat					
Durum	106	89	84	94	85.3
Other spring	1,485	1,366	1,298	95	94.0
Corn	4,698	4,366	4,410	101	99.4
Oats	4,428	4,254	4,211	99	102.4
Barley	2,030	1,944	1,769	91	97.2
Flaxseed	748	1,601	1,505	94	98.2
Tame hay	2,706	3,096	3,158	102	101.3
Potatoes	316	253	230	91	96.3

Livestock Prices

Relative to 1924-26 base year prices, Minnesota livestock prices are on the whole in much better position than are crop and livestock product prices. Following the 1937 peak, livestock prices did not fall as far nor as rapidly as the prices of other Minnesota commodities. Hogs at \$8.30 for May are below the \$9.60 they brought in May, 1937, but are at their highest point since 1938. Cattle at \$7.90 are higher than the \$7.60 for May, 1937, and at the highest level since the first half of 1930. Veal calves were averaging \$10.00 for May of this year as compared with \$7.90 for May, 1937, and this likewise is the highest level for veal since the first half of 1930. Lambs at \$9.10 last month were below the \$9.90 for May, 1937, but 1941 lamb prices have been substantially above the levels prevailing since 1937. Sheep, ranging from \$3.70 to \$3.90, thus far in 1941 are at better levels than at any time since 1937 but considerably short of the \$4.00 to \$4.75 range prevailing in early 1937.

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