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FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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How the War Is Affecting the Livestock Industry

A. A. DOWELL

The war appeared to have relatively little effect upon the livestock industry in the United States for several months after hostilities began in Europe in 1939. Pork and lard exports, which had represented a relatively small proportion of total national production for a number of years, were reduced somewhat during 1940 and early 1941 compared with 1939, but were about the same as during 1938. European outlets were closed as the war spread from country to country and exports to Great Britain were reduced for nearly two years following the outbreak of war. The loss of European outlets, however, was made up in part by increased shipments of pork and lard to Cuba, Mexico, and Central and South American countries.

The slight decline in exports of pork and lard following the outbreak of war proved to be a temporary situation, for exports increased sharply in the spring of 1941. This was due primarily to lend-lease purchases for export to Great Britain. Prewar hog production in Great Britain was based to a considerable extent upon imported feeds. The scarcity of shipping facilities made it necessary to discontinue feed imports, and this in turn necessitated a sharp reduction in hog production. Prior to the war Great Britain had obtained a considerable proportion of her bacon imports from western Europe, chiefly from Denmark and Sweden. As these sources of supply were cut off and as domestic hog production was reduced, Britain was obliged to rely to an increasing extent upon the United States and Canada for pork and lard. The demand for these products was further increased because cured pork and lard are much more economical in the use of transportation and refrigeration facilities than beef, veal, mutton, and lamb. The need to conserve water transportation facilities has become increasingly urgent during the past few months, and this has tended to increase the British demand for pork and lard from the United States at the expense of beef from Argentina and of mutton and lamb from Australia and New Zealand. Pork and lard shipments also have been made by the federal government to other allied nations.

From March, 1941, when government purchases were initiated, to December, 1941, about 470 million pounds of pork and 330 million pounds of lard or a total of 800 mil-

University Farm Radio Programs

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NOON MARKETS—12:15 p.m.

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lion pounds of pork and lard were purchased by the Agricultural Marketing Administration, chiefly for export under the lend-lease program. Early in April, 1942, the Agricultural Marketing Administration requested packers under federal inspection to offer for sale to the government at least two fifths of their pork production and two thirds of their lard production. Following

this announcement government purchases were stepped up sharply so that exports of pork during 1942 will probably approach 2 billion pounds and exports of lard around 800 million to 900 million pounds. It requires about 14 million hogs of average slaughter weight to produce this amount of pork and about 25 million to produce this amount of lard. A new all-time record of exports of both pork and lard is expected during 1943. One effect of the war, therefore, has been to increase greatly the export demand for pork and lard and this demand may further expand.

Another effect of the war has been to increase the demand for meats for our armed forces. The average American soldier consumes about 300 pounds of meat per year which is probably considerably above his consumption as a civilian. The number of men in service has been increasing rapidly and continued expansion is expected in the months ahead.

The most important effect of the war on the livestock industry has been to bring about a rapid expansion of purchasing power in the hands of the consuming public, and this has been reflected in a rising demand for meats. Competition for available supplies by domestic consumers and by the federal government, both for shipment abroad under lend-lease and to meet the requirements of our own armed forces, resulted in higher wholesale and retail prices until price ceilings were established during the spring and summer of 1942. A considerable part of the advance in prices was passed on to livestock producers in the form of higher prices for slaughter animals. Farmers responded to rising prices by expanding livestock production.

The number of all cattle and calves on farms reached a new high at the beginning of 1942 when a total of 74.6 million head was reported. This represented an increase of 3.0 million head over the preceding year, 8.5 million head over the low point of the last cattle cycle in 1938,

and a slight increase over the previous record at the beginning of 1934.

The number of sheep and lambs on farms also reached a new high at the beginning of 1942. Preliminary figures indicate a total of 56.0 million head of stock and feeder sheep compared with 53.1 million head a decade earlier and 36.8 million head in 1923 when the number on farms reached the lowest level in more than 60 years.

The 1942 spring pig crop was estimated at 62.0 million head and the fall pig crop is expected to be about 43.5 million head or a total of 105.5 million head. This represents an increase of 25 per cent in the spring pig crop and of 22 per cent in the fall pig crop over the preceding year. It will be the first 100 million pig crop ever reported. Consequently, 1942 production will be the largest on record.

Total United States production of beef and veal, lamb and mutton, and pork excluding lard in 1940 was the largest on record, amounting to nearly 19.0 billion pounds. This figure has been exceeded each year since, amounting to about 19.5 billion pounds in 1941, and is expected to approach 22.0 billion pounds in 1942.

Per capita consumption of meat in the United States in 1940 amounted to 55.2 pounds of beef, 7.3 pounds of veal, 6.6 pounds of lamb and mutton, and 72.5 pounds of pork, excluding lard, or a total of 141.6 pounds. Total meat consumption during 1941 increased to about 146 pounds per capita. This was the highest in three decades, with the exception of 1923 and 1924, and was considerably above the average of 125.5 pounds during 1935-39 when production was reduced greatly because of the drouth. The per capita consumption of all meats combined in 1942 probably will be only slightly below 1941.

These figures suggest that the amount of meat available for the civilian population after the requirements of our armed forces and of lend-lease have been met should be reasonably adequate when measured in terms of the average per capita consumption of the past few decades. The shortage arises from the increased demand due to larger income. One way of meeting the situation is to allow prices to rise so that a sufficient number of consumers will be eliminated and supply and demand equated at the higher prices. This is in effect a form of rationing in which the determining factor is income rather than need.

In an attempt to avoid violent inflation the Office of Price Administration has announced price ceilings from time to time on many items including various animal products. Up to the present, maximum prices have been established on carcasses and cuts of beef, veal, lamb, and pork, and on lard and wool.

Thus far, maximum prices have not been placed directly upon live animals. However, indications are that this will be done in the near future. If grade standards for slaughter animals can be directly related to the grades of the resulting carcasses, and if the live animals are sorted and sold on the basis of these standards, it will represent a forward step in the marketing of livestock in this country.

The placing of wholesale and retail price ceilings on carcasses and cuts has affected livestock producers, processors, retailers, and consumers. Price ceilings on beef carcasses will tend to discourage feeders from producing cattle with excess grain finish. Cattle will be fed over a shorter

period of time and marketed before reaching choice or prime condition. A higher proportion of grass fed range cattle will be sold for immediate slaughter instead of being shipped to the corn belt for finishing than is the case under more normal conditions. This will result in more economical gains and the released feed and other resources can be used to make a greater contribution to the war effort.

Some packers, more particularly concerns which are not operating under federal inspection, apparently have been handicapped by the price ceilings. They have not been able to take advantage of the premiums above ceiling prices which have been paid by the government because federal purchases have been limited to plants under federal inspection. The federal government also has charged some packers with "up-grading" the lower grades of beef, and if this has been done the margins between the lower and higher grades have been narrowed with the result that those who have adhered to ceiling prices by grades have been handicapped in obtaining slaughter animals.

The order establishing the maximum prices for carcasses and wholesale and retail cuts of beef by grades should be helpful to cattle feeders for two reasons. In the first place, it indicates the degree of finish desired and hence the length of feeding period and character of ration to be used. In the second place, if it can be assumed that meat prices will remain at or near ceiling levels, feeders can determine more accurately the prices they can afford to pay for the different grades of feeder cattle.

Even though meat production has been at an all-time high, retailers and consumers in some areas have complained of shortages of certain types and grades of meat during the past summer. This has been due in part to purchases on government account for export to allied nations and to purchases for our own armed forces. A contributing factor in some areas was the fact that packers tended to dispose of relatively larger quantities of product in areas where prices were highest during the period used in establishing maximum ceiling prices. However, the most important factor is that consumer income has outrun supply at prevailing prices. Probably supplies for domestic consumption will be reasonably adequate during fall and early winter when heavy runs of hogs, grass-fed cattle, and sheep are expected. However, price ceilings will need to be accompanied by rationing to insure more equitable distribution of available supplies among all income groups.

Farmers' Net Worth

TRUMAN R. NODLAND

Data obtained from farm records kept by the co-operators in the various Farm Management Services in Minnesota during 1941 provide the basis for detailed net worth statements. A total of 168 records on owner-operated farms and 89 on rented farms in 4 type-of-farming areas were sufficiently complete for further analysis (Table 1).¹

The total farm capital represents only the operator's investment in the farm business. No property owned by

¹ For a map showing the location of the counties from which records were secured see Nodland, T. R., and Pond, G. A., "Farmers' Earnings in 1941," Minn. Farm Business Notes, No. 235, July, 1942.

landlords is included. Cash on hand, bonds, stocks, and real estate other than the farm operated are included with household and personal assets. The liabilities include the indebtedness on outside real estate and on personal accounts. The number of farmers reporting the various types of liabilities is presented in table 2.

The average net worth statements show a substantial increase in the net worth or financial progress made during 1941. The increase in net worth was the result of both an increase in the value of the total assets and a general decrease in all types of indebtedness. The increase in the value of the total assets was due to a large increase in the quantity and value of livestock and smaller increases in machinery, equipment, and personal assets.

Table 1. Net Worth Statement for Owners and Tenants, December 31, 1941

	Type-of-farming areas			
	1 and 2		3 and 4	
	Owners	Renters	Owners	Renters
Number of cases.....	89	43	79	46
Size of farm, acres.....	204	168	230	249
Farm capital:				
Productive livestock.....	\$ 3,197	\$2,479	\$ 4,905	\$ 3,827
Crops, seeds, and feeds.....	2,259	1,521	4,170	2,690
Power, mach., and equip.....	2,893	2,594	3,204	3,051
Land and buildings.....	13,826	12	19,720	84
Total farm capital.....	\$22,175	\$6,606	\$31,999	\$ 9,652
Accounts receivable.....	219	130	445	202
Household and personal assets.....	2,074	2,135	3,431	3,064
Total assets.....	\$24,468	\$8,871	\$35,875	\$12,918
Liabilities:				
Real est. mortg. on farm operated \$ 4,757	\$	\$	\$ 8,983	\$
Other real est. mortg.....	24	323	142	492
Chattel mortgages.....	345	628	808	697
Sealed grain.....	152	98	1,608	589
Notes.....	710	921	1,012	652
Accounts.....	224	245	271	288
Total liabilities.....	\$ 6,212	\$2,215	\$12,824	\$ 2,718
Farmer's net worth.....	\$18,256	\$6,656	\$23,051	\$10,200
Change in net worth Jan. 1 to				
Dec. 31, 1941.....	+\$1,920	+\$1,363	+\$2,651	+\$2,385
Number with increase in net worth	83	43	74	45

Table 2. Number of Farmers Reporting Liabilities, December 31, 1941

	Type-of-farming areas			
	1 and 2		3 and 4	
	Owners	Renters	Owners	Renters
Number reporting liabilities.....	81	38	78	44
Real estate mortgages.....	60	2	64	3
Chattel mortgages.....	25	19	29	17
Sealed grain.....	14	3	53	18
Notes.....	43	25	41	22
Accounts.....	48	26	41	30

Varieties of Minnesota Potatoes

D. C. DVORACEK

A study of carlot inspection certificates from the State-Federal inspection service for 11,405 cars of potatoes in 1937-38 classified the potatoes inspected into 11 varieties. Potatoes that could be positively identified as to variety were so named on the certificate. If the potatoes in a car

were mixed or could not be positively identified they were described as "round whites," "long whites," "round red," "long red," or others. Seventy-five per cent of the potatoes inspected were identified as standard varieties and so labeled. The "round white" (22.22 per cent of total and third most important variety) could include Cobblers, Rural New Yorker, Green Mountain, and Warba, but by far the largest proportion were Cobbler type. The "round red" potatoes would include mixtures of Bliss Triumph and Red Warba. "Long Whites" might be white Burbanks and negligible in quantity. Early Ohio type of potatoes could be called "long reds."

Table 1 presents the percentages of each variety for the state as a whole, and for the five major potato-growing areas of the state, and those potatoes whose origin was not known.

Irish cobbles appear to be the most popular variety, making up 27.31 per cent of the total, not including such lots as might be in the "round white" classification. They are most common in the North Red River Valley, Freeborn County, and least popular in the northeast section. No doubt Cobblers make up a large proportion of the "round whites" in Freeborn County and the northeast section.

Ohios were the next most common variety, making up 24.5 per cent of the total for the state. They are most common in the South Red River Valley where 33.9 per cent are of that variety. They are also important in the North Red River Valley, making up 22.1 per cent of all potatoes grown there.

Triumphs make up 10.39 per cent of all potatoes inspected for the state and 20.43 per cent in the northeast area, 16.56 per cent in the North Red River Valley, and 15.67 per cent in the Sandland area. They are least important in Freeborn County.

Green Mountains are relatively unimportant as such, making up only 0.56 per cent of the total inspected for the state. They are most important in the Sandland area, being 4.35 per cent of the potatoes grown there. Warba potatoes are a relatively new variety and make up 1.68 per cent of the state total. They are most popular in the northeast area where they represent 4.97 per cent of all potatoes grown.

Nearly three fourths of the potatoes grown are early varieties because of the chance of frost damage to later varieties in the main potato-growing areas.

Table 1. Proportion Each Variety Is of Total

Varieties	State Summary Per cent	No. Red River Valley Per cent	So. Red River Valley Per cent	Sandland Area Per cent	Northeast Per cent	Freeborn County Per cent	Area Unknown Per cent
Cobblers.....	37.31	47.31	34.26	28.74	20.86	41.36	22.42
Ohio.....	24.50	22.10	33.92	4.12	.98	.11	3.28
Triumph.....	10.39	16.56	5.97	15.67	20.43	.21	12.75
Green Mountains.....	.56	.01	.01	4.35	2.30		
Round White.....	22.22	8.38	22.33	38.17	42.27	57.03	47.61
Long White.....	.12	.09		.60	.84		
Round Red.....	.29	.08	.38	.16	1.00		
Long Red.....	1.29	1.07	1.71	.39	.17		4.37
Warba.....	1.68	2.74	1.10	1.06	4.97	1.08	2.19
Rose.....	.18	.54		1.47	.11		
Others.....	1.46	1.12	.32	5.27	6.07	.21	7.38

Minnesota Farm Prices For August, 1942

Prepared by REX W. COX and H. W. HALVORSON

The index number of Minnesota farm prices for the month of August, 1942, was 141. When the average of farm prices of the five Augusts, 1935-39, is represented by 100, the indexes for August of each year from 1935 to date are as follows:

1935—96	1937—118	1939—76	1941—113
1936—127	1938—84	1940—82	1942—141

The price index of 141 for the past month is the net result of increases in the prices of farm products in August, 1942, over the average of August, 1935-39, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, August 15, 1942, with Comparisons*

	Aug. 15, 1942	July 15, 1942	Aug. 15, 1941		Aug. 15, 1942	July 15, 1942	Aug. 15, 1941
Wheat	\$.93	\$.98	\$.90	Cattle	\$11.90	\$11.00	\$ 8.90
Corn .....	.72	.72	.58	Calves	13.00	12.70	10.60
Oats .....	.37	.40	.27	Lambs-Sheep	11.99	11.52	9.20
Barley .....	.60	.66	.40	Chickens .....	.17	.15	.14
Rye .....	.45	.49	.48	Eggs .....	.30	.28	.23
Flax	2.26	2.28	1.68	Butterfat .....	.43	.40	.38
Potatoes	1.00	1.25	.60	Hay	4.80	4.70	4.20
Hogs	14.10	13.70	10.30	Milk	2.10	2.00	1.85
				Wool† .....	.39	.39	.37

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

† Not included in the price index number.

During August the prices of all grains except corn declined and most of these more than the usual seasonal decline at this time of year. This, together with the increased importance of grains in the index during August, resulted in a 4 point decline in the index of Minnesota farm prices.

The United States Department of Agriculture reports prices paid by farmers (not including farm wages) remained unchanged on the average since May 15, 1942. During the same period, however, prices received by farmers have increased by 7.2 per cent. This is an average of 2.35 per cent per month or at a rate of over 30 per cent per year.

Indexes and Ratios for Minnesota Agriculture*

	Aug. 15, 1942	July 15, 1942	Aug. 15, 1941	Average 1935-39
U.S. farm price index	152.9	146.4	122.9	100
Minnesota farm price index	140.9	145.2	112.8	100
U.S. purchasing power of farm products	125.8	120.4	117.3	100
Minn. purchasing power of farm products	115.9	119.4	107.6	100
Minn. farmers' share of consumers' food dollar		57.3	52.0	48.4
U.S. hog-corn ratio	16.9	16.6	14.8	12.3
Minnesota hog-corn ratio	19.6	19.0	17.8	14.6
Minnesota beef-corn ratio	16.5	15.3	15.3	12.0
Minnesota egg-grain ratio	22.0	19.8	19.6	15.9
Minnesota butterfat-farm-grain ratio	35.5	31.0	42.7	33.5

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

Minimum Prices Currently Supported by the U.S.D.A.

Minimum prices of many farm products are currently being supported by several programs in the United States Department of Agriculture. The summary below includes only those programs which provide for purchases, loans, or similar operations to prevent the price of the commodity falling below a definite stated level.

The Commodity Credit Corporation is making or will make loans to producers of corn, wheat, rye, barley, flax, and certain other commodities at values of not less than 85 per cent of parity. In the case of wheat this level at present is approximately \$1.14 per bushel. The specific loan values for No. 1 Dark Northern Spring at Minneapolis and for No. 2 Hard Winter at Chicago is \$1.32 per bushel. The loan rate on barley is the same at all locations, except in the far western states, and ranges from 45 cents per bushel for No. 5 to 55 cents per bushel for No. 1 barley. The loan rate on rye grading No. 2 or better is 60 cents per bushel at all locations. Loans on No. 1 flaxseed will be based on a price of \$2.40 per bushel at Minneapolis, St. Paul, and Duluth. The specific figure for corn has not yet been announced.

Prices of butter, cheese, evaporated milk, dried skim milk, eggs, and hogs are or will be supported if necessary by purchases made by the Agricultural Marketing Administration. In general, the purchase price will be such as to reflect an average farm price of not less than 85 per cent of parity. Current purchases of cheese, evaporated milk, and dried skim milk are being conducted on a procurement basis at prices somewhat above 85 per cent of parity. As a part of this procurement program, prices are adjusted from time to time to encourage the needed production of each product. The present support price of butter is 39 cents per pound for 92 score butter at Chicago; cheese, 21 cents per pound at Plymouth, Wisconsin; evaporated milk packed for export, \$3.10 per case; roller-process dried skim milk, 11.5 cents per pound; and spray-process dried skim milk, 14 cents per pound.

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