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FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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Factors in the Postwar Agricultural Picture

O. B. JESNESS

University Farm Radio Programs

HOMEMAKERS' HOUR—10:45 a.m.

UNIVERSITY FARM HOUR—12:30 p.m.

THE FRIENDLY ROAD—1:00 p.m.

Station WLB—770 on the dial

How large an export market may farmers expect to have after the war? Some current forecasts give a rather optimistic answer to this question. They suggest that the world is short of food and that this will continue for a considerable time. Those who lived through the last war period will recognize that such predictions have a familiar ring. The corresponding forecasts of 25 years ago, however, were never fulfilled. The rate of recovery of agricultural production in Europe was underestimated, and it seems reasonable to expect a somewhat similar recovery after this war. One oversight of the earlier period was the failure to distinguish between need and effective demand. Need does not of itself create demand in the market unless it is coupled in some manner with the means of purchase necessary for its satisfaction. It, therefore, is important not merely to consider the need which exists, but also the purchasing means which may be available.

Lend-lease operations are providing an enlarged market for many American farm products during the war. They represent a sharing in war costs and should not be looked upon as donations. This or some similar program probably will continue for the first year or two after the war. This country will have an important stake in bringing order out of chaos during this period, and the feeding of starving people will be an essential part of a program to this end. However, it needs to be remembered in this connection that the United States is not the only source of food supply. Such agricultural exporting nations as Canada, Australia, New Zealand, and Argentina will have supplies which can be drawn upon for the same purpose. The shipping shortage, which plays an important part in present food supplies, should be overcome rather speedily after the war ends.

Continued export over an extended period of time without payment is unlikely. Nor are large-scale sales on credit in prospect. The likelihood is that the volume of exports in the longer run will depend upon the willingness of this country to accept imports as payment for exports. This will be determined by the trade policies of the United States and by the international relations which will prevail in the world. This war has served to bring home the fact that no nation can live apart from events in the rest of the world. There is a growing interest in the development of international relations which will enable the nations to live at peace. It is becoming more generally understood that international cooperation includes reasonable provisions for trade. This gives grounds for hoping that the American farmers will continue to have a foreign market.

War requirements necessitate our sharing of food supplies with our allies. As the world returns to more normal living, the farm products exported from the United States are more likely to be cotton, wheat, tobacco, and certain fruits rather than the butter, cheese, and meats now being shipped under lend-lease arrangements.

While the export market is important, the domestic market will remain the principal outlet for farm products. The war program has demonstrated very clearly the intimate relationship which exists between employment, consumer incomes, and the demand for farm products. The condition of the domestic farm market will be determined mainly by employment and activity in nonagricultural lines.

The demands of war upon the country's productive capacity make it impossible to provide adequately for normal civilian wants. The resulting accumulation of unfilled demands will build up a backlog of orders for the early postwar period. Satisfying these requirements will provide much employment. Conversion of plants from war to peace production also will furnish employment. Civilian debts are being reduced and savings are being accumulated with the result that considerable purchasing power will be available to stimulate and support production. While recognizing that demobilization and production shifts involve difficult postwar problems, there are reasons for expecting active employment for some time after war ends.

Living standards necessarily are lowered during a major war because so many means must be used for war instead of peacetime needs. They not only can be restored after the war but can be raised if production for civilian use is on a high level. It is true that war makes lavish use of such irreplaceable resources as iron ore, oil, and

copper. But it also develops new resources and new techniques which remain available for other uses.

The problems of the postwar period will be lessened if a runaway inflation is avoided while the war is on and in the years immediately following. Price control and rationing will need to remain in effect until production of civilian goods can be brought back into line with demand. If prices are allowed to get out of hand during this period, the readjustment which will follow will add to the difficulty of avoiding a return of depression. If a more realistic policy of taxation is adopted, so that a larger share of the cost of waging the war is paid currently than is true at present, the outlook will be brighter than if the country continues with inadequate taxes and relies heavily on inflationary borrowing.

Considerations such as these show clearly why it is essential to lay plans for the postwar period now. The time to stop inflation is before it gets any further out of control. The adoption of sound fiscal policies for financing the war cannot wait until it is over. Unless production programs are planned ahead, the country will find itself inadequately prepared to return to civilian modes of living.

Rural areas have a dual interest in active employment in nonagricultural lines. Such a situation not only has a favorable effect on the agricultural market, but also means that productive employment for excess farm population will be available. The rate of population growth in many rural areas is considerably above that needed to maintain the present farm population. Indications are that an increase above present numbers will not be needed to produce agricultural requirements. If lack of opportunity elsewhere keeps more people than needed on the land, the larger number will share farm income with less per capita.

Industrial uses as outlets for farm products are sometimes described in terms of glowing promise. Research in this field should be continued and expanded and advantage should be taken of every real opportunity. Miracles, however, need not be expected. It is not enough that it is physically possible to make a lot of things out of farm raw materials. If they are to offer market outlets for farmers, the uses must be of such value that a remunerative price can be paid for the farm products employed. Demands for subsidies to foster and develop such outlets are to be expected, but should be examined with care to avoid adopting uneconomic methods of production.

Improved nutrition also is being heralded as holding forth much promise of a vastly enlarged market for farm products. Nutritional requirements are better understood than ever before and if these were fully met, an expansion in output of various farm products would be needed. Improvement along this line depends in part on education and in part on the availability of sufficient income. More knowledge of nutrition will help consumers select better diets. If employment can be kept on a high level, more people will have incomes with which to provide the needed diets. However, adequate diets will not be available for all of those in the low income group unless they are supplied through some program. The trend towards more assistance of this nature probably will continue. The income and tax situation of the future will have much to do with the willingness and ability of citizens to support such programs. This supplies another reason for the fullest possible use of resources in production to satisfy wants. It also suggests why it is desirable to pay as large a share of war costs as possible now so that the future drain of debts on the budget may be kept as low as possible.

The governmental programs developed to deal with farm problems in the postwar period will play some part in the future agricultural situation. While it is too early to forecast the nature of price programs, it is not too early to be giving thought to the basic principles on which they should rest. The idea of price parity has become so firmly rooted that it may be expected to continue to occupy a prominent place. Unfortunately, parity price tends to set up an arbitrary goal which may not always represent the best interests of the nation, or even of agriculture. We live in a world of change and need to realize that there is no fixed relationship among prices which should prevail as a permanent situation. Future farm programs should provide flexibility for desirable adjustment to ever changing conditions. If farmers insist on having the government support prices at arbitrary levels, they must expect to be subjected to controls necessary to make such a scheme work. It is to be hoped that in the future so much attention will not be centered on prices and wage rates, that the importance of expanded production will be overlooked.

The Cost of Keeping a Bull

S. A. Engene

The cost of keeping a bull is one of the factors considered by farmers in deciding whether or not to breed their cows by means of artificial insemination. Data obtained from detailed farm records in Nicollet (1941-42) and Winona (1935-40) counties provide valuable information concerning time spent, feed used, and other cost items. These data are summarized in table 1.

The annual cost of keeping a bull averaged $74.72 for the two areas. As an average for these farms, the sale price of the bulls was equal to the original cost, so there was no appreciation or depreciation. These costs differed quite widely among the farms.

The average number of cows in the herd throughout the year was 18.0. The number of animals served was somewhat higher because (1) several heifers were bred each year, (2) most of the cows sold during the year were bred, with many being sold because of failure to conceive, and (3) a few bred cows died.

The bull cost averaged $4.15 for each cow in the herd and $3.46 for each cow served. These costs are slightly lower than the usual fees for artificial insemination.

Many of the costs of keeping a bull are not cash outlays. In many cases the bull occupies barn space that represents no additional cost. Much of the labor is supplied by the operator and his family. Artificial insemination, on the other hand, requires cash outlays for every cow served.

The quantity of roughage fed to these bulls was equal to that fed to a cow on the same farms. The quantity of grain fed was about two thirds of that fed to a cow. The hours of labor were slightly lower than for a cow. By

Table 1. Annual Cost of Keeping a Bull Winona County, 1935-40, and Nicollet County, 1941-42

Item	Average per farm
Number of farms per year	20
Number of bulls per farm	1.0
Man hours	80
Costs	
Feed	$34.28
Labor	21.30
Horse work	.46
Shelter	15.92
Equipment	.44
Interest	4.74
Miscellaneous cash	1.10
Total cost	$78.24
Manure credit	3.52
Net cost	$74.72
Number of cows in herd	18.0
Number of cows served	21.6
Cost per cow in the herd	$ 4.15
Cost per cow served	3.46
Feeds	
Corn, pounds	314
Small grains, pounds	876
Commercial feeds, pounds	44
Legume hay, pounds	3,246
Other hay, pounds	1,185
Fodder and stover, pounds	319
Total concentrates, pounds	1,234
Total dry roughage, pounds	4,750
Silage, pounds	2,968
Days on pasture	50

practicing artificial insemination, these farmers can add one cow to the dairy herd with little increase in feed. During this same period, the annual income from dairy products on these farms averaged almost $100. This is about equal to total service fees on these farms at usual rates.

The cost of the service is only one factor affecting the choice of the best method of breeding. Other factors, such as the quality of the sire, convenience, and disease control, must be considered.

Some Minnesota Land Policy Developments

S. H. Rutford

The most important public land use problems in Minnesota continue to be those associated with the 14 million acres of tax exempt, tax delinquent, or forfeited lands located in the 14 northeastern counties. The 1939 Legislature passed several basic laws dealing with these problems. Among them, the two most important were the Zoning Enabling Act and the Land Exchange Enabling Act. At about the same time that these laws were passed a program of land use study was initiated by the Federal Bureau of Agricultural Economics and the Minnesota Extension Service, working with county and community committees.

It is interesting to note the developments and changes which have resulted at least in part from legislation and investigation. Studies have been carried on in all of the 14 counties except Crow Wing, Cook, and Lake counties. They were undertaken only after formal request by each county board of commissioners. In each case the work centered around the idea of land classification, but problems of public policy relating to tax delinquent lands were constantly in the foreground. A set of recommendations was prepared in each county. These reports were filed with the county boards of commissioners with the idea that they would become guides for action, particularly in dealing with the tax forfeited lands.

Every county land use committee report except that for Hubbard County includes recommendations for a zoning ordinance. Such ordinances have now been adopted in Koochiching, Carlton, Lake of the Woods, and Beltrami counties. St. Louis and Itasca counties are in the process of zoning. When these two counties have finished their work, more than half of the area will have been covered by zoning ordinances.

All county committees urged that programs of settler relocation be carried out to improve the situation of isolated families and families located on very poor soil. It was suggested that this be done through use of the land exchange law and through cooperation with federal programs. To date it has not been found feasible to use the land exchange law. Beltrami County, however, is now attempting to work out two cases using the law. The Soil Conservation Service has carried out a very limited program in Lake of the Woods, Koochiching, and Carlton counties. About 30 families have been moved, resulting in a much better situation for these families and in a considerable saving in public funds. All counties where this work has been carried on want the program continued.

Various proposals were made relative to the future use of the lands that are forfeited. Thinking was fairly uniform, however, that where these lands were located in areas classified as nonagricultural, they should be withdrawn from sale and should remain in public ownership. Most of the counties have adopted this policy by common consent rather than by ordinance.

The future management of the lands remaining in public ownership came in for much discussion. The lands revert to the state to be held in trust for the various local taxing units. Local interest in the delinquent taxes on the lands is approximately 90 per cent, state interest 10 per cent. Many committees felt that steps should be taken to provide for more local management in the handling of the lands. This could be accomplished by appointment of a county land commissioner as provided for by earlier laws. Cooperation in this direction has been extended by the Minnesota Conservation Department and more recently by the Iron Range Rehabilitation Commission. Land commissioners have been appointed in Koochiching, Beltrami, Itasca, St. Louis, and Aitkin counties.

As one appraises the whole situation in the counties it cannot be said that many problems have been finally solved. It is clear, however, that the nature of the problems is much better understood and that a number of very constructive steps have been taken in dealing with the most acute problems. From these beginnings a sounder future land policy should evolve.

Minnesota Farm Prices For April, 1943

Prepared by H. G. Hirsch

The index number of Minnesota farm prices for April, 1943, is 174. This index expresses the average of the increases in farm product prices in April, 1943, over the average of April, 1935-39, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, April, 1943, with Comparisons*

	Apr. 15, 1943	Mar. 15, 1943	Apr. 15, 1942		Apr. 15, 1943	Mar. 15, 1943	Apr. 15, 1942
Wheat	$ 1.23	$ 1.25	$ .99	Hogs	$14.30	$14.60	$13.60
Corn	.87	.81	.68	Cattle	13.00	12.80	10.70
Oats	.56	.54	.45	Calves	13.40	13.90	12.40
Barley	.75	.74	.67	Lambs—Sheep	13.50	13.77	10.45
Rye	.67	.67	.59	Chickens	.19	.19	.15
Flax	3.04	2.88	2.39	Eggs	.33	.33	.25
Potatoes	1.45	1.35	1.00	Butterfat	.54	.53	.40
Hay	7.90	7.90	5.60	Milk	2.55	2.60	2.00
				Wool†	.40	.39	.40

* These are the average prices for Minnesota as reported by the United States Department of Agriculture.
† Not included in the price index number.

The relative price changes over the previous month range from a 4 per cent decrease of the price of calves to a 7 per cent increase of the price of corn and potatoes. The advance in the price of corn followed the 5 cent per bushel rise of corn ceiling prices announced by the OPA on April 14. The prices of wheat, hogs, lambs, sheep, and milk declined 2 per cent. The net result of these various increases and decreases was an average increase of 0.7 per cent over March, 1943, prices. This is the smallest average increase in many months. The average increase of prices over April, 1942, was 23 per cent. Relative changes over April, 1935-39, vary from a 6 per cent rise of the price of hay to a 130 per cent increase of the price of potatoes. All feed ratios have further narrowed, mainly as a result of higher corn and oat prices; however, they are still at a high level.

Indexes and Ratios for Minnesota Agriculture*

	Apr. 15, 1943	Apr. 15, 1942	Apr. 15, 1941	Average Apr. 1935-39
U. S. farm price index	174.9	141.8	104.0	100
Minnesota farm price index	174.0	141.4	103.0	100
Minn. crop price index	154.7	119.9	76.7	100
Minn. livestock price index	180.2	159.2	108.2	100
Minn. livestock product price index	175.0	132.2	107.3	100
U. S. purchasing power of farm products	133.1	118.0	105.4	100
Minn. purchasing power of farm products	132.4	117.6	104.4	100
Minn. farmers' share of consumers' food dollar	.....	57.9	47.1	47.9
U. S. hog-corn ratio	14.3	18.3	12.9	12.5
Minnesota hog-corn ratio	16.4	20.0	16.2	15.4
Minnesota beef-corn ratio	14.9	15.7	15.8	12.6
Minnesota egg-grain ratio	18.2	17.6	17.5	13.7
Minnesota butterfat-farm-grain ratio	32.6	29.5	37.5	31.8

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

Hay and Pasture Seed Prices

March prices of the principal hay and pasture seeds received and paid by Minnesota farmers in recent years have changed more or less in conformity to changes in the prices of the staple crops.

Alfalfa, red clover, sweet clover, and timothy prices as presented in table 1 were weighted according to their relative importance and used for the construction of farm and retail seed price indices which are also shown in table 1. In March, 1940, these seed prices had decreased substantially relative to their average March, 1935-39, level. During the following year they declined further and they reached their lowest level in March, 1941. Farm prices seem to have diminished even more in these two years than retail prices. However, by March, 1942, seed prices had rallied and were higher than in the base period. Farm seed prices almost doubled from 1941 to 1942. This price rise may be explained by the short crop of each of the four kinds of seed harvested in 1941 and also by the general rise in farm product prices due to the war. Between March, 1942 and 1943, the two index numbers increased again. This increase is the net result of increases in alfalfa and red clover prices and of a decrease in the price of timothy seed. Alfalfa, red clover, and sweet clover seed crops were smaller in 1942 than in 1941, while the lower timothy seed price reflects the large 1942 crop.

Table 1. Prices per Hundredweight and Indices of Principal Hay and Pasture Seeds—Minnesota—March of Each Year

	Alfalfa	Red clover	Sweet clover	Timothy	Index
	Prices received by farmers				
1935-39	$23.27	$22.57	$ 7.13	$ 6.25	100
1940	20.50	15.50	4.42	4.22	71
1941	15.67	13.00	3.42	3.33	56
1942	27.17	19.17	8.67	6.67	108
1943	35.47	23.00	8.00	4.33	115
	Retail prices				
1935-39	36.01	30.92	11.48	9.77	100
1940	35.45	21.65	7.55	7.10	84
1941	29.30	16.80	6.70	6.55	70
1942	42.65	25.00	13.15	10.20	110
1943	48.35	31.35	13.85	8.55	122

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