FARM BUSINESS NOTES

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

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The Farm Program for 1947

GEORGE A. POND

Maximum production has been the keynote of the farm program for the past five years. The farmer has been assured of an attractive price for all he could produce. His main problem has been to secure sufficient labor, machinery, and supplies to operate his plant at full capacity. As V-E Day and V-J Day recede into history, wartime prices can hardly be expected to continue. The future is freighted with many elements of uncertainty. Most economic analysts expect some price recession in 1947, especially in the latter half of the year. Just when these recessions will occur or how severe they will be no one can predict with any assurance or exactitude. There are too many diverse and perplexing factors—natural, economic, and political—to permit a dependable forecasting formula.

Market Outlook

Farmers are reasonably sure of a fairly satisfactory domestic market for their products in 1947, at least as long as industrial production and purchasing power can be maintained at a high level. With the tremendous backlog of accumulated demand for the products of industry, full production should prevail generally. However, with industry in full production, there will be a larger supply of consumer goods—automobiles, radios, household appliances, and the like—that will compete with farm products for a share of the income of industrial workers. The present upward trend in industrial prices and wages may taper off in 1947. Adjustments in industry may result in considerable temporary unemployment and price uncertainty until recovery occurs. In addition, farm production during the war has been stepped up to such a level that domestic consumption, even with industry in full production, cannot supply an outlet for all of it. The prospective foreign market for farm products is the big element of uncertainty. Lend-lease is out of the picture as is UNRRA, except for a temporary continuation of shipments to the Far East. There are plenty of hungry people abroad who will want any surplus of food we have to spare, but their purchasing power is low. Loan policies of their governments and ours and the availability of dollar exchange will be factors in determining how much they will get.

Price Supports

No major collapse of farm prices in 1947 seems to threaten. Federal legislation provides a guarantee of 90 per cent of parity price for a substantial share of the products of Minnesota agriculture through 1947 and 1948. The machinery to implement this guarantee has not been set up as yet. It may involve some element of production control and will likely vary widely among different commodities. The prices of many farm products are now well above parity and, even with full support at 90 per cent, gross income may be very materially curtailed. In such price adjustments as occur some products may suffer much more than others. It is hardly likely that the decrease will be uniform across the board. This makes the planning of the 1947 farm program a difficult process.

Cost Control Essential

That the farmer's costs will remain high in 1947 and for some years to come is one thing that can be predicted with reasonable assurance. Costs may even work considerably higher in the months ahead. The emphasis must be shifted from maximizing production, the key to profitable farming during the war, to cost control. Management directed toward efficiency in production and economy in operation will be the major factor in maintaining farmers' earnings or minimizing reductions in them. Low production costs serve to soften the effect of lower prices.

Feed Crops

For years Minnesota farmers have been steadily shifting from cash to feed crops. This trend has been accelerated during the war period. In 1946, 80 per cent of the cash income from the sales of farm products in the state was derived from livestock and livestock products.[1] This

[1] Farm Business Notes, No. 288, December, 1946.

is a desirable trend, both from the standpoint of immediate income and from the longer-time objective of soil conservation. Livestock serves as a means of condensing feed crops into a smaller bulk and thus reducing the transportation costs to market. Less of the fertility removed from the soil by crops is lost from the farm when these crops are marketed through livestock. Livestock also affords a market for soil-conserving hay and pasture crops and these crops produce the most economical livestock rations. Feed crops should retain their important role in the 1947 crop program.

Corn is the major feed crop in Minnesota, and deservedly so. Hybrid varieties and mechanized production have increased the advantages of corn over competing crops in recent years. There is no need for any general reduction in the corn acreage. On some soils subject to erosion corn may have been overexpanded, but by use of contour tillage and other conservation practices the need for reduced corn acreage may be lessened.

The reduction in oat yields in 1946 due to *Helminthosporium victorae* infection suggests a material reduction in the oat acreage—at least till the supply of seed of resistant varieties can be expanded to the needed level. Treating seed oats of susceptible varieties with Ceresan will reduce disease loss. The yield of barley the past two years indicates that Minnesota farmers have gone too far in reducing their acreage of this crop. Barley on many farms, or perhaps a mixture of oats and barley where the crop is to be used for feed, promises more feed per acre than oats alone. Where a satisfactory malting grade can be produced, barley is also likely to prove a profitable cash crop in 1947.

The most important shift called for in feed crops is an increase in legume hay and pasture production. Our acreage of sod crops decreased during the war due to scarcity of seed, the failure of seedings, winterkilling, and the high prices of other crops that compete for the land. Seed is still scarce and high in price but the 1947 program should call for all possible increases. Don't wait till seeding time to get seed—start looking for it right away. Renovating established pastures is one way to produce more and better feed on many farms. Good hay and pasture will continue to be a major factor in low-cost livestock production.

Cash Crops

Wheat and flax are the two principal cash crops in Minnesota in terms of acreage. A bumper wheat crop in the United States in 1946 and a large acreage of winter wheat sown this fall and in excellent condition suggests some caution in spring wheat seedings in 1947. Wheat has an important place in west central and northwestern Minnesota, but elsewhere a reduction in acreage may well be considered. The recently announced support of the price of flaxseed at $6.00 per bushel in 1947 should make profitable a very substantial increase in flax acreage. Flax should be planted early and on land reasonably free from weeds. The scarcity and high price of seed may deter some prospective growers but for one who is reasonably sure of a fair yield the crop is a promising one for substantial expansion.

Soybeans are the one cash crop that has forged ahead steadily during the war period. Our acreage harvested for beans in 1946 was seven times as great as in 1941 and 28 per cent above 1945. The crop proved generally profitable in southern Minnesota the past two years. The crop fits into our farming systems well in that it may be planted later than other crops when there is less labor competition and is harvested in the fall between the small grain crops and corn. The combine has reduced the labor requirements to a minimum. In case the beans fail to mature, they may be harvested as hay and, if properly cured, the quality compares favorably with that of alfalfa. In view of the continued shortage of fats and oils it seems likely that the price in 1947 will justify some increase in acreage wherever a fair yield can be obtained. The longer-run outlook may not be so favorable. As world production and trade in competing oils becomes reestablished, there may be a material recession in soybean prices. It is quite possible that in the long run only those farmers most favorably situated to raise the crop will find it profitable.

The potato acreage allotment program limits any expansion in that crop, but growers with the necessary experience and equipment may well grow their full allotted acreage. To exceed this on the assumption that the market price will exceed the guarantee is hardly a safe procedure. Sugar is still a scarce commodity and will be for some time to come. Sugar beets are likely to prove a profitable crop for those who have a market outlet and can produce a satisfactory yield. Canning crops may well be grown up to the limits of the acreage for which contracts can be secured wherever the labor to handle them is available.

Livestock Production

There is nothing in the picture that suggests any marked change in the livestock program. Reductions in the price of dairy products may be expected as the year advances, but the demand for milk and cream for fluid consumption is likely to be relatively better than that for manufactured products. In view of prospective declines in the price of beef, it is desirable to cull old or unproductive dairy cows before their market values drop, but the usual number of calves should be raised for replacements.

A 10 per cent increase over 1946 in the 1947 spring pig crop in Minnesota is indicated by the December pig survey. These pigs should offer a profitable market for the large corn crop harvested last fall. It is likely that those who farrow early and push their pigs for an early market will be rewarded with a price premium. It is still too early to make definite suggestions as to the fall pig crop. However, with hog prices supported at 90 per cent of parity through 1948 and a normal corn crop, it is likely that fall pigs in 1947 will furnish a good market for that corn.

There has been some decrease in laying flocks but it still seems wise to maintain flocks up to the limit of satisfactory housing accommodations now available. More attention should be paid to the quality of eggs marketed if Minnesota is to maintain the increased share of the market acquired during the war period. Close culling as production declines will be increasingly important if the egg market weakens materially.

Cattle on farms are at a high level and a record number are on feed. Government price guarantees do not cover beef animals. Cattle now on feed will supply a market for our large corn supplies, but some reduction in the margin between feeder and fat cattle may be anticipated. In a period of declining prices, there is always a large element of risk for the beef producer who buys feeders for sale six to eight months later as fat cattle. Sheep numbers have already been sharply reduced as much as seems desirable. Perhaps some expansion in sheep production should be considered.

The livestock producer is confronted with a short supply of protein concentrates. With an abundant supply of feed grains, he will have to use the available protein sparingly and supplement it with good legume hay and pasture.

General Suggestions

There is some indication that the farm labor supply will improve both in quality and quantity in 1947 but the change will likely be small and wages will still be high. Laborsaving practices and equipment must be used to the limit. There will be slightly more farm machinery available for necessary replacements, but investments in new types of machines should be made only as they promise savings in excess of their cost. Upkeep of buildings should be limited to that necessary to avoid excessive depreciation. New construction and remodeling should, in general, be postponed till materials and labor are more ample and more reasonable in price.

There will be only a little more commercial fertilizer available in 1947. Buying now is the surest way to get a share of this. Wherever it will add more to production than its cost, it is a good investment. Fertilizer prices have risen less during the war period than the prices of most farm supplies, and fertilizer use has proved profitable in most parts of the state.

The keynote of all farm plans for 1947 should be economy and caution. Not only does a period of price adjustment lie ahead but weather as favorable to crop production as that which characterized the war period will not continue indefinitely. Financial reserves accumulated during the war should be conserved for possible lean years ahead. Low-cost production and a low debt load will cushion the effect of lower prices and unfavorable weather. Planning now may avert disaster later.

Support Prices for Eggs

WARREN C. WAITE

Parity prices are based upon the index of the cost of things bought by farmers plus interest and taxes. The idea is that farm prices should rise or fall in the same proportion as the things which farmers buy, in order to maintain an equal ability for a unit of them to buy goods in the market for farmers.

For example, wheat averaged 88.4 cents in the base period 1910-14. At the same time, the index of things bought by farmers plus taxes and interest is considered as 100. The index was 212 on November 15, 1946. The parity price of wheat was 2.12 times 88.4 cents, or 187 cents. With 187 cents for his wheat on November 15, 1946, the farmer is assumed to be able to purchase the same quantity of goods with a bushel of wheat as he could in 1910-14.

The parity price is not an actual price. It indicates the price that would be necessary to maintain the ability of a unit of farm products to command other goods at various times.

Parity prices for eggs. The average farm price of eggs in the base period 1910-14 was 21.5 cents. The average annual parity price for eggs on November 15, 1946, was 2.12 times 21.5 cents, or 45.58 cents. Because of the large seasonal movement in egg prices they are one of the few commodities for which a *seasonal adjustment* is made in the parity price. This adjustment is made by multiplying the average annual parity price by a figure representing how high or low the price in the particular month is relative to the average annual price. The adjustment factor for November, 1946, was 1.22, hence the parity price for November, 1946, was 1.22 times 45.58 cents, or 55.6 cents. The parity price is an average for the entire United States. It refers to farm prices and does not refer to a specific grade, area, or market.

Possible parity prices for 1947 eggs. The parity price for eggs in 1947 depends upon the index of the cost of things bought by farmers. The level of this index is unknown now, but assuming it to be at 220 we may compute possible parity prices. The average annual parity would be 2.20 times 21.5 cents, or 47.3 cents. The monthly prices under these assumptions are given below:

Month	Seasonal adjustment	Possible parity price
January	1.04	49.2 cents
February	.90	42.6 cents
March	.85	40.2 cents
April	.85	40.2 cents
May	.86	40.7 cents
June	.90	42.6 cents

Support prices for eggs. On November 27, 1942, it was announced that egg prices would be supported at 90 per cent of parity for two years following the January 1 after the President or the Congress had declared hostilities over. The recent declaration of the President means that prices are to be supported for the calendar years 1947 and 1948.

At 90 per cent of parity, these support levels for 1947 on the basis of our previous calculations would be:

January	44.3 cents	April	36.2 cents
February	38.3 cents	May	36.6 cents
March	36.2 cents	June	38.3 cents

This is an average United States farm price. It seems probable that the support program will have to make allowances for location and quality. In this case, the support levels in Minnesota might be below the figures given above. It should be emphasized that in the absence of official statements as to how the government will proceed, no one can state the precise support price for any time, place, or grade.

Minnesota Farm Prices For December, 1946

Prepared by W. C. WAITE and O. K. HALLBERG

The index number of Minnesota farm prices for December, 1946, is 264.5. This index expresses the average of the increases and decreases in farm product prices in December, 1946, over the average of December, 1935-39, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, December, 1946, with Comparisons*

	Dec. 15, 1946	Nov. 15, 1946	Dec. 15, 1945		Dec. 15, 1946	Nov. 15, 1946	Dec. 15, 1945
Wheat	$2.01	$1.97	$1.56	Hogs	$22.50	$22.40	$14.00
Corn	1.07	1.09	.92	Cattle	16.80	17.70	9.80
Oats	.75	.71	.66	Calves	17.60	17.10	13.00
Barley	1.50	1.40	1.09	Lambs-sheep	18.36	18.14	11.98
Rye	2.51	2.29	1.56	Chickens	.230	.230	.209
Flax	6.95	6.90	2.91	Eggs	.376	.390	.415
Potatoes	1.15	1.15	.95	Butterfat	.94	.92	.54
Hay	11.00	10.50	8.30	Milk	4.60	4.60	2.85
				Wool†	.44	.44	.47

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

With the exception of barley, rye, and oats, there were no marked advances in the prices of Minnesota farm products from November to December, with an over-all increase of only 0.4 per cent. The 3.6 per cent drop in egg prices is a normal seasonal drop due to increased production. The livestock index dropped 0.6 per cent, due mainly to a 5 per cent decrease in cattle prices, while the crops index rose 2.3 per cent. The Minnesota farm price index and purchasing power of Minnesota farm products are the highest yet recorded.

The hog-corn ratio increased slightly, but other feed ratios dropped from November to December. However, except for the egg-grain ratio, they were much higher than December, 1945.

Indexes and Ratios for Minnesota Agriculture*

	Dec. 15, 1946	Dec. 15, 1945	Dec. 15, 1944	Average Dec., 1935-39
U. S. farm price index	246.3	193.1	186.6	100
Minnesota farm price index	264.5	174.6	172.1	100
Minn. crop price index	248.4	190.3	180.4	100
Minn. livestock price index	284.5	175.5	175.6	100
Minn. livestock product price index	243.5	166.3	163.7	100
U. S. purchasing power of farm products	143.2	130.0	129.8	100
Minn. purchasing power of farm products	153.8	118.1	119.7	100
Minn. farmers' share of consumers' food dollar	65.1†	61.0	62.7	46.9
U. S. hog-corn ratio	18.6	12.8	12.6	13.5
Minnesota hog-corn ratio	21.1	15.3	14.9	15.9
Minnesota beef-corn ratio	15.7	10.7	12.6	14.0
Minnesota egg-grain ratio	14.5	19.6	18.3	20.7
Minnesota butterfat-farm-grain ratio	38.7	26.9	28.7	40.4

* Explanation of the computation of these data may be had upon request.
† Figure for August, 1946.

The Pig Situation

The 1946 fall pig crop, which is estimated at 31 million head by the United States Department of Agriculture, is 11 per cent less than the 1945 fall crop and the smallest since 1940, being about equal to the 1937-41 average. The total pig production was slightly more than 83 million head or about 4 per cent less than in 1945, with all the decrease being in number of fall pigs saved. In Minnesota, producers saved 26 per cent fewer fall pigs and total production was 11 per cent less than in 1945. All regions, except the south Atlantic, decreased in size of fall pig crop, due to shortage of corn for summer and early fall feeding and also to the uncertain price outlook when price controls were lapsed and then re-enforced, causing marketing of large numbers of piggy sows. In the North Central region, which accounts for about two thirds of the United States total, the fall crop was down 13 per cent.

Hog slaughter during the 1946-47 hog marketing season is expected to be slightly smaller than during 1945-46, with most of the reduction occurring when the 1946 fall pig crop is marketed. Hog slaughter from June to November, 1946, was abnormally distributed, due to an abnormal price reaction.

Farmers' reports on breeding intentions for the 1947 spring season show that about 8.6 million sows will farrow, or an increase of 6 per cent over 1946, as compared with a suggested increase of 13 per cent in the 1947 goals. Minnesota producers are planning a 10 per cent increase in number of sows to farrow, with the increase being favored by the high hog-corn price ratio now prevailing and expected to prevail until mid-1947. However, the indicated increase in spring farrowings is considerably less than other years when feed supplies have been plentiful and the hog-corn ratio so high. If breeding intentions are carried out and the number of pigs saved per litter equals the 1935-44 average, the 1947 spring crop will total about 53 million head.

UNIVERSITY OF MINNESOTA
Department of Agriculture
Agricultural Extension
University Farm, St. Paul 1, Minn.

PAUL E. MILLER, Director

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