FARM BUSINESS NOTES

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

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European Aid and Agriculture

O. B. JESNESS

University Farm Radio Programs

HI-LIGHTS IN HOMEMAKING
10:45 a.m.

UNIVERSITY FARM HOUR—12:30 p.m.

Station KUOM—770 on the dial

The European Recovery Program (Marshall plan), as its name signifies, is a program intended to aid participating European nations in restoring their productive activities. While food occupies an important place, the program is designed to be more than a relief activity—the objective is broader than merely one of helping ward off starvation. The goal is recovery of production in both agricultural and nonagricultural lines so that the needs of Europe again may be met from home production and international trade.

An impression which Russia apparently has endeavored to foster is that the European Recovery Program is a scheme for disposing of American surpluses. Russia's purpose probably is to create doubts about the intentions of the United States. While the amounts and kinds of goods we can supply under the program naturally will be affected by availability and by domestic needs, the program clearly involves sharing goods which are short over here where that is vital to European recovery. The basic consideration is Europe's needs rather than supply conditions here.

Wheat currently is an illustration. As a result of a shortage of feed grains due to the relatively small corn crop of 1947, we could have used the record wheat crop here at home. Because of the acute shortage of food in Europe, however, we are shipping a large volume under the interim aid program and are practicing conservation at home to make this possible. Because of European needs, and even though we could use the entire output at home, we have also shared—and expect to continue to do so—steel, fuel, fertilizer, and farm machinery.

Secretary Marshall laid the foundation for the European Recovery Program in a speech in June, 1947. He pointed out that aid from the United States, in order to be effective, would need to be fitted into a program of self-help on the part of European nations. As a result, representatives of European nations met in conferences and worked out a report of their requirements, of the contributions they expected to make, and of the aids needed from outside. The program thus developed became the basis for study by various committees of governmental representatives and citizens. This study included appraisals of Europe's needs and the resources available here for meeting them. The results were used in developing the proposed legislation now being considered by the Congress.

While the over-all program naturally is measured in terms of dollar costs and the appropriations required, the aid becomes concrete only when expressed in terms of goods. The aid goes from our shores as goods, not in the shipment of actual dollars. This will be so even if some funds are used to buy goods from other nations because such dollars in turn will seek American goods.

Food and other agricultural products occupy an important place because western Europe normally is dependent upon outside supplies. The destruction and disruptions of war have increased this dependence. The division of Europe into east and west with resulting doubt over prospective trade within Europe has added to the problem.

Major place is given to grain, especially wheat, because of its relatively low cost as a food and the universality of its use. Coarse grains also are included in sizable amounts because of the need for a recovery of livestock production in Europe if diets are to be restored. Some tapering off in grain shipments is likely to occur as production recovers overseas. In fact, improved crop prospects indicate that Europe may be in a considerably better shape this year than last. Modest amounts of canned and dried milk, cheese, and dried fruits are among other food products included in the program. While these represent highly valuable additions to the European diet, they are more costly and a smaller amount of calories will be made available unless financed from other sources.

The volume of cotton exports may not come up to prewar levels, but the importance of a more adequate supply of clothing and household requirements and the need for cotton for industrial use mean that it has a real place in the program.

Question has been raised over the inclusion of some

tobacco among the products. Tobacco is not in the class of essential foods. It is pointed out, however, that it may be among the incentives with which to obtain increased production. Some types of tobacco have been grown to a considerable extent for export and their markets have been curtailed by the shortage of dollars overseas. Tobacco producers point to the desirability of helping to remedy this situation in order that their market may be there after the emergency ends. There is merit in the suggestion that if this commodity is supplied to Europe it be done from other funds to avoid using the E.R.P for this purpose.

The interest of farmers in the E.R.P., however, is not confined to direct exports of farm products. Farm welfare is linked with that of the rest of the economy. A considerable share of the shipments to Europe under the program will be nonagricultural goods. This will be a factor in maintaining domestic activity. In some lines, shortages will thereby be prolonged. As pointed out above, the needs of Europe should determine what will be shipped. The objective is not that of maintaining markets. Were that the case, it would be logical to curb exports of goods short in supply. The real goal is to get Europe back on its feet as a producer. The attainment of this objective, of course, should bring longer-run returns in terms of a larger volume of international trade, including an increased capacity of Europe to consume and to pay for its imports by producing for export.

Farmers share with other citizens the hope and expectation that the E.R.P. will play an important part in developing conditions favorable to permanent world peace. Political and economic problems are intertwined. Both political and economic stability are essential for success. The hope is that the program will help develop greater stability.

There are wide differences of opinion in the United States regarding the scale on which such a program should be developed. Some contend that it should be confined to relief and include only minimum essentials for this purpose. Others maintain that a limited program will not solve the problem and consequently be a disappointment. There are differences regarding how far we should go in sharing short supplies. Some think we should retain all our farm machinery and fertilizers for use at home while others contend that the modest sharing contemplated is a minimum essential for restoring European production.

The fact that the program involves sharing some products in limited supply requires that the effects on the domestic situation be weighed. In doing so, however, the importance of the program should not be exaggerated. Over-all exports were larger the early part of 1947 than they are likely to be under the program. The aid is largely a replacement for purchasing means which have been exhausted. Thus, the program will tend to maintain rather than expand the volume of shipments. The drain on domestic supply will be relatively less than some believe.

Problems of administration and supervision are receiving much consideration. Americans logically want the program under direction giving greatest promise of success. Without imposing our ideas on other nations, we are keenly interested in the ways in which the aids are used and how well cooperating nations carry out the commitments they have made.

A type of control which appears logical and reasonable is that of making the extension and continuation of aid contingent upon how well the European nations carry out these commitments. They include the obligation to use and develop their own productive resources as fully as possible; to endeavor to modernize equipment and transport; to seek internal monetary and economic stability while maintaining a high level of employment; to cooperate in reducing trade barriers, both between themselves and with the rest of the world; to work in the direction of removing obstacles to free movement of persons within Europe; and to organize together the means for development of common resources.

Another question which is raised relates to the prospects of how much specific repayment we may expect. No one has the exact answer because it depends so much on future conditions and developments. Those who have doubts about the program may point out that if repayment is not forthcoming, the burden will fall on American taxpayers. That is true. How much return we obtain over the longer run will depend upon the flow of goods to our shores in the years to come. The aid goes out as goods; repayment will have to be in the same form. The volume will depend upon production elsewhere and on our willingness to accept imports. The nature of the program, however, makes it clear that full repayment in kind is not in prospect. In fact, the program should not be used for cases where regular loans are available. A considerable share of the payment to the United States will be in the program's contribution to a restoration of production and the development of better international relations. Prospective results are not open to exact advance measurement. However, in deciding upon what to do we have to weigh the probable costs of doing nothing or of an inadequate program as well as of those of comprehensive aid.

Prices of Milk Used in Drying

E. Fred Koller and John T. Buck

The prices which Minnesota farmers received for milk used in the manufacture of dried milk products varied widely during 1947. These prices were at a relatively high level in January, but declined sharply during the next six months as the prices of dried nonfat milk solids dropped under the pressure of heavy supplies. Prices received for milk recovered in the closing months of the

Table 1. Average Prices Paid for Skim Milk by Minnesota Creameries and Drying Plants, 1947

Area	January	June	November
		Cents per cwt.	
Southeast	79.3	39.4	65.4
South central	77.9	44.9	68.4
East central	77.2	43.2	67.1
West central	75.4	46.2	69.2
Northwest	71.8	39.9	61.8
Northern	68.2	42.7	59.1
State	76.0	42.4	65.9

Table 2. **Average Prices Paid for Whole Milk (3.5 Per Cent) by Minnesota Creameries and Drying Plants, 1947**

Area	January	June	November
		Dollars per cwt.	
Southeast	$3.34	$2.91	$3.79
South central	3.37	2.97	3.87
East central	3.32	2.90	3.78
West central	3.25	2.95	3.86
Northwest	3.20	2.84	3.73
Northern	3.22	2.83	3.71
State	3.30	2.91	3.81

year, and the advance has continued into the first two months of 1948.

In paying for milk used in drying, most plants in the state pay regular competitive prices for the butterfat in milk and an additional amount for the skim milk, the skim milk content being calculated at 80 per cent of the weight of whole milk. Under this plan of payment, the prices paid for skim milk in Minnesota averaged 76 cents per hundredweight in January, 1947, dropped to 42.4 cents in June, and recovered to 65.9 cents in November. The average prices paid for skim milk in various regions of the state are shown in table 1. These prices tended to average higher in the southern and central areas of the state and were lowest in the northern and northwestern areas. This difference is due largely to greater competition for whole milk in the southern and central areas. The decline in these prices from January to June was most pronounced in the southeastern part of the state.

The combined return for butterfat and skim milk, or whole milk containing 3.5 per cent fat, averaged $3.30 per hundred in January, declined to $2.91 in June, and then advanced to $3.81 in November. The regional variations in these prices are shown in table 2.

The rapid decline in skim milk prices in the first half of 1947 resulted in a major shift away from the sale of whole milk and back to farm-separated cream. This shift also was encouraged by other factors such as the increased cost of hauling milk and high prices of feed. A survey of milk receipts in plants receiving milk for drying showed that June receipts for the state averaged 16.1 per cent below June a year earlier. July milk receipts in these plants were 19.1 per cent under 1946 and November receipts 29.2 per cent. With the increase of skim milk prices in recent months, the shift back to farm-separated cream has halted and some farmers have again turned to the sale of whole milk. The magnitude of this latter change is not known since complete statistics are not available at this time.

Livestock Numbers in 1947

ANDREW VANVIG

Records obtained from cooperators in the farm management services in southern Minnesota supply information on changes in livestock numbers during the year 1947. The average number per farm of the various classes of livestock on hand at the end of the year, the percentage change in numbers that has taken place during the year, and the number of farmers reporting increases, no change, or decreases are shown in table 1.

While dairy cow numbers decreased slightly, dairy heifers over one and one-half years old increased by about 12 per cent, indicating that there can be an increase in dairy cow numbers next year if farmers find it profitable to expand.

Beef cattle numbers declined substantially during the year. The number of cows in the beef breeding herd declined 12 per cent and the number of beef heifers declined 14 per cent. There were also 13.5 per cent fewer feeder cattle on farms than a year ago. This was due largely to reduced supplies and high prices of corn and other feed grains, high prices of feeder cattle, and also the uncertainty of future prices for fed cattle when they are ready to market.

There was a small decrease in the number of market hogs on hand. Fall pig numbers increased 10 per cent over last year, the largest percentage increase occurring in southwestern Minnesota. There was little change reported in the number of sows to farrow in the spring of 1948. Many farmers, however, do not select their sows by December 31 and additional gilts may have been selected subsequently from the market hogs on hand.

The number of ewes per farm increased 18 per cent over a year ago and the number of lambs per farm increased 72 per cent. The establishment of new flocks on several farms and the increase in size of flocks by some operators accounted for the increase in number per farm. The increases occurred mainly in southwestern Minnesota.

The number of laying hens per farm increased only slightly during the year, due to some increase in the number of pullets kept for laying. The number of old hens has remained about the same.

Table 1. **Changes in Livestock Numbers, January 1, 1947, to December 31, 1947**

	Average number per farm reporting Dec. 31	Per cent change from Jan. 1	Number farmers reporting		
			Increases	No change	Decreases
		Dairy Cattle			
Milk cows	16.2	— 3.6	72	17	104
Heifers 1½ years and over	3.8	+11.8	75	55	63
Heifers ½-1½ years	5.8	0.0	82	45	66
Calves	5.7	+ 1.8	70	44	79
		Beef Cattle			
Cows	11.7	—12.0	14	6	15
Heifers	4.2	—14.3	10	8	17
Calves	10.9	+ 3.8	14	3	18
Feeders	27.0	—13.5	28	3	36
		Hogs			
Market hogs	20.9	— 6.7	60	91	63
Fall pigs	27.5	+10.4	78	79	57
Gilts	11.8	— .8	97	30	87
Old sows	2.8	— 3.4	59	100	55
		*Sheep**			
Ewes	33.2	+17.7	18	25	19
Lambs	16.5	+71.9	19	28	15
		Poultry			
Old hens	42.6	+ .2	41	158	45
Pullets	253.4	+ 2.7	89	80	75

*Feeder lambs not included since very few cooperators reported any in feed lot.

Minnesota Farm Prices For February, 1948

Prepared by W. C. WAITE and K.E. OGREN

The index number of Minnesota farm prices for February, 1948, is 268.1. This index expresses the average of the increases and decreases in farm product prices in February, 1948, over the average of February, 1935-39, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, February, 1948, with Comparisons*

	Feb. 15, 1948	Jan. 15, 1948	Feb. 15, 1947		Feb. 15, 1948	Jan. 15, 1948	Feb. 15, 1947
Wheat	$2.26	$2.92	$2.05	Hogs	$21.30	$26.40	$24.80‡
Corn	1.79	2.46	1.05	Cattle	19.40	20.40	15.50‡
Oats	.99	1.24	.73	Calves	23.90	25.60	20.30‡
Barley	2.07	2.45	1.53	Lambs-sheep	19.11	21.08	19.15‡
Rye	2.03	2.61	2.80	Chickens	.183	.186	.200
Flax	5.78	6.77	6.96	Eggs	.381	.400	.337
Potatoes	1.50	1.50	1.10	Butterfat	.93	.96	.74
Hay	16.00	14.10	11.80	Milk	4.10	4.30	3.45‡
				Wool†	.42	.42	.44‡

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

One of the sharpest price declines on record occurred between January and February. Minnesota farm prices dropped 11 per cent from the record high established in January. Price declines were recorded in nearly all commodities, with decreases of from 15 to 27 per cent in flax, barley, hogs, oats, wheat, and corn.

February prices of all Minnesota farm products except milk, butterfat, and hogs were at approximately the level of June, July, and August of 1947. The higher milk and butterfat prices and lower hog prices may be explained in part by the seasonal price movements of these commodities. The purchasing power of Minnesota farm products, however, was about 10 per cent below the level of last summer and 16 per cent below the record high of September, 1947.

Indexes and Ratios for Minnesota Agriculture*

	Feb. 15, 1948	Jan. 15, 1948	Feb. 15, 1947	Average Feb. 1935-39
U. S. farm price index	255.5	282.7	239.9	100
Minnesota farm price index	268.1	306.1	238.4	100
Minn. crop price index	271.6	347.0	211.0	100
Minn. livestock price index	277.2	325.9	275.3	100
Minn. livestock product price index	256.0	261.5	207.3	100
U. S. purchasing power of farm products	128.6	140.1	135.5	100
Minn. purchasing power of farm products	134.9	151.7	134.6	100
Minn. farmers' share of consumers' food dollar	64.8†	64.8†	61.7	48.0
U. S. hog-corn ratio	12.1	10.9	19.3	13.1
Minnesota hog-corn ratio	11.9	10.7	22.8	15.5
Minnesota beef-corn ratio	10.8	8.3	16.2	12.1
Minnesota egg-grain ratio	11.2	8.9	13.0	14.4
Minnesota butterfat-farm-grain ratio	27.2	22.3	30.8	34.2

* Explanation of the computation of these data may be had upon request.
† Figure for December, 1947.

Livestock Inventory, January 1

K. E. OGREN

The number of livestock on farms declined during 1947 to the lowest level since 1939, according to the annual report of the Crop Reporting Board. Although livestock numbers were down from last year, the January 1 stocks of feed grains on farms were down still more. The supply of feed per unit of livestock was about 23 per cent below last year and 13 per cent below the 10-year average.

Table 1. Livestock on Farms, January 1

	1948	1947	Average 1937-46
		(1,000 head)	
All cattle	78,564	81,207	74,801
Milk cows	25,165	26,098	25,973
Hogs	55,038	56,921	59,200
Sheep	35,332	37,818	51,039
Horses and mules	9,151	10,021	13,693

The 3 per cent decline during 1947 in numbers of all cattle was a continuation of the downward trend which began in 1945. Numbers are now 7 million below the January 1, 1945, all-time peak. Hog numbers also dropped 3 per cent during 1947. The number of hogs under six months of age was higher because of an increase in the 1947 fall pig crop, but heavy marketings of the spring pig crop during the latter months of 1947 more than offset this increase. Sheep numbers, which declined for the sixth consecutive year, were at the lowest recorded level since 1871.

There was a more rapid decline in livestock numbers on Minnesota farms in 1947 than for the United States as a whole. The numbers of both all-cattle and milk cows declined 7 per cent during 1947. There were 11 per cent fewer milk cows on January 1, 1948, than the 1937-46 average and a reduction of 8 per cent in numbers of all cattle. Hog numbers on Minnesota farms also declined 7 per cent during 1947 and were 16 per cent below the 10-year average.

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

PAUL E. MILLER, Director
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