FARM BUSINESS NOTES

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What Do We Expect from a Farm Program?

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Shall the goal of a farm program be to provide some protection to farmers in case severe depressions return? Or shall it be to seek assurance that farm prices will stay at or above certain levels? Or shall it be to increase real income by making better use of resources and improved production? The goal must be decided upon before a program for its attainment may be drawn up.

University Farm Radio Programs

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The farmer's fear of instability in the rest of the economy is very apparent. He recalls the disastrous effects on his prices and income during the serious depression of the 1930's. He does not want to repeat that experience.

Awareness of this fear encourages some advocates of farm programs to picture their purpose to be to provide safeguards for farmers in the event of depression. The proposals they advance, however, often are aimed not so much at depression conditions as toward seeking to maintain prices or incomes at or above certain levels in good times as well as bad. This indicates a type of confusion which prevails today over objectives of farm programs and methods for their achievement.

A good case can be made for providing some assistance to farmers in times of severe depression. Unemployment and shut-downs occur in other industries, not agriculture, during depressions. Farmers find their markets demoralized and they have no effective way of adjusting their operations to depression conditions.

A point to be considered is that depressions would be very much worse if agriculture did not maintain output. Under such circumstances, markets should not be allowed to go to pieces. Some bolstering of farm incomes, perhaps with some stop-loss price supports, therefore, may be in order in times of serious depression. Such a program, however, should be viewed as one to relieve distress rather than one of recovery. Recovery must come about through restoration of nonagricultural activity and employment.

If the purpose of a program, however, is to maintain farm prices and incomes at or above certain arbitrary levels continuously, other important considerations are involved. These considerations concern more than finding out what individual farmers may want or what groups may think the farmers should have. The means of attainment of the program and its effects on general welfare as well as on agriculture are important.

The war period demonstrated well how an attractive farm price increases farm output. High prices, however, decrease the amounts purchased by consumers. Programs designed to keep farm prices above the levels which would otherwise prevail in the market will result in surpluses unless production or sales are controlled. Farmers cannot be given both assurance of prices above the market and freedom to produce and sell without limit. Provisions for control over production and sale included in proposals to support farm prices recognize this fact.

Controls over production and sale are one of the costs of high farm price supports. Do farmers want such controls? Will they be in the best interests of agriculture and the general public? Will they encourage efficient farming and the best use of resources? Will they help or hinder desirable changes and adjustments? Who shall share in the rights to produce and sell, and in what amounts? Will high supports encourage or slow up desirable population shifts? If they encourage more people than are needed in agriculture to remain on farms, the farm income will be shared by a larger number of persons than otherwise would be the case.

Some very important questions arise over the relationship of a program of high farm price supports to our international policies and obligations. Prices held above market levels will interfere with exports. Such prices also will draw supplies from other countries. Barriers to imports will be raised in consequence. This result would conflict very seriously with efforts to lower trade restrictions and expand international trade.

Surpluses in domestic markets stimulate efforts to move products into export by selling them abroad at prices below those maintained at home. This constitutes export dumping

against which most countries have restrictions.

Moreover, if some products are disposed of in this manner, import restrictions will be needed to keep them from returning to our higher-price markets. In cases of raw materials such as cotton, additional curbs will likely be demanded on imports of goods manufactured in other countries from cotton which was bought at the lower prices.

Any considerable export of foods at prices below domestic levels might lead to demands for more protection on the grounds that such a program would provide lower living costs for workers employed by foreign competitors.

A two-price system to dispose of surpluses by sales abroad while keeping domestic prices at high levels will run counter to the efforts of the United States to restore and expand international trade. Americans should weigh carefully the relationship between any domestic agricultural or other program and our efforts to develop more effective international cooperation to maintain an enduring peace.

Production of goods and services is essential for the satisfaction of man's material wants. Levels of living depend upon satisfaction of wants and, consequently, are dependent upon what and how much is produced and how products are distributed.

Government, as such, has no source other than production to draw upon in any program designed to maintain the incomes of certain groups at or above specified levels. Government may intercede to influence the manner in which incomes are distributed and, as a result, increase the share of some by reducing that of others.

Such steps may be justified but should not be confused with additions to the sum total of real incomes. From such operations the gains to some are costs to others. The real income of everyone cannot be raised merely by changing income distribution. Added production is needed to accomplish this end.

Government farm programs, if they are to serve the common good, need to be concerned with contributing in every way possible to production for the satisfaction of wants. This means that such programs should seek the best attainable use of productive resources. There is no merit in using labor, land, equipment, or supplies for producing goods for which no outlet is available. If output in some lines or areas is not adjusted to fit needs, government programs to help bring about desirable changes have much in their favor. However, it is quite another matter to contend that productive resources should be held out of use permanently to limit supplies while continuing to share in returns. "Featherbedding" provisions affecting the use of productive resources reduce real incomes.

It is doubtful whether it is possible to apply high price supports over a period of time so that they will result in the best use of resources. While there may be a place for stop-loss supports in times of deep depression, methods of influencing incomes, other than by price manipulation, may be better even then.

Some form of income payments, where needed, will interfere less with market operations than price manipulation. Income payments may be objected to on the grounds that they are subsidies—but so are price supports which rely on the treasury. Payments can be adapted more easily than price supports to achieve desirable changes in production and aid low-income farmers. If prices in the market are bolstered, those with the largest volume of sales reap most of the gains.

Price supports and income payments, however, are not the only means available for improving rural living. Better nonagricultural job opportunities may increase the productivity and income of some persons now not effectively or fully employed on the land. Farm people who are largely self-sufficient may satisfy more wants if they are helped to adopt better production methods.

A basis for more generalized support of rural education is the fact that urban centers rely on rural areas to supply population. Urban areas should bear part of the cost of training and also should be concerned with the types and quality of training provided their future population. Better employment services may help surplus farm people to move into other kinds of work. Rural health facilities and other rural services involve considerations of general concern which may well be weighed in distributing their costs.

Farmers need the best possible domestic and foreign markets for their products. A high level of nonagricultural productive activity and employment and the freest possible interchange of world trade are essential if such a situation is to prevail. An important share of the solution for the so-called "farm problem" lies in finding ways to expand nonagricultural productive activity and reduce instability.

The Feed Situation

S. A. ENGENE

Feed supplies are large this year. Storage and other problems rising from the large supply will require important decisions. Wise decisions call for adequate information. Many persons are asking, "How big are the feed supplies?"

The production and carry-over of concentrate feeds in the United States is shown in the accompanying table. The production of feed grains and by-product feeds in 1949 will probably be very large—the third largest in history. Only 1948, with 161 million tons, and 1942, with 155 million tons, exceeded this year's production.

In addition to the 1949 production, there are on hand about 29 million tons of old crop corn, oats, and barley. This is the largest carry-over on record.

The previous high carry-overs were in 1939 with 21 million tons and 1940 and 1941 with 23 million tons. With a near-record crop and a record carry-over, farmers are entering the coming feeding year with the largest supply of feed they have ever had.

How much of this will they use? The quantity used for seed, human food, industry, and export will probably be nearly that of the last few years—about 16 million tons. Livestock will probably be fed at approximately the same rate as during recent years. If there is any change, the

rate of feeding may be less; the corn crop will probably mature earlier, will be drier, and will have more feeding value than in recent years. It is probable that a year from now we will have a carry-over of about 40 million tons.

How short must the 1950 crop be for all of this carry-over to be needed the following year? If feed and other needs continue at the present rate, we will need 142 million tons for the 1950-51 season. According to present estimates, about 40 million tons of old crop carry-over will be available. That means about 102 million tons must be produced in 1950. Records going back to 1926 show that production was materially below 102 million tons only in 1934 and 1936. In the last 10 years production has fallen below 140 million tons only three times. It is, therefore, improbable that we will need all of the surplus next year.

Let us look at it another way. How long will the present supply of feed last? At the present rate of feeding and use, it is enough to last for slightly more than 15 months. In other words, there is enough feed now on hand to last for one year from now, but only part way into the next year—that is until about the end of 1950.

Feed Production and Utilization in the United States

Item	Average 1937-41	Average 1942-46	1947	1948*	1949†
	(Millions of tons)				
Production					
Corn	72	85	67	102	99
Oats	18	21	19	24	22
Barley	7	7	6	7	6
Sorghum grain	2	3	3	4	3
Other grains fed	5	11	6	5	5
By-product feeds for feed	16	19	19	19	18
Total production of concentrates	120	146	120	161	153
Carry-over from previous year	17	15	14	8	29
Total supply of concentrates	137	161	134	169	182
Feed grains for seed, human food, industry, and export	12	14	14	17	16††
Concentrates fed	105	134	112	123	126††
Total utilization	117	148	126	140	142
Carry-over at end of year	20	13	8	29	40
Grain consuming animal units	153	178	156	160	164

* Preliminary.
† Based on indications in July, 1949.
†† Estimated at average rate for previous four years.
Source: The Feed Situation, B.A.E. of U.S.D.A.; July, 1949, and Feed Statistics, B.A.E. of U.S.D.A.; December, 1947.

Does Loose Housing Save Labor?

J. A. SHUTE

Dairy cattle chores require less labor with loose housing barns than with conventional stall barns. This is a tentative conclusion from a study of labor spent at chore work in 21 conventional stall barns and 33 loose housing barns.

The average time spent on each of the more important jobs is shown in the following table. Some chores such as getting cows from pasture, throwing down silage, fly spraying, and "puttering" have been omitted. Because of this omission, total hours shown are lower than the usual annual labor requirement per cow.

The time spent by farmers varied considerably as is shown by low and high farms for each job. The most efficient farmer with a conventional stall barn used about 22 man hours per year per cow for milking; the least efficient man used about 144 hours per cow. Even though there was a difference in average milking time for stall and loose housing barns, there were greater differences among farmers using either system. This relationship holds true for the other jobs and should be kept in mind when comparisons of these averages are made.

Hours of Labor Spent per Cow per Year—21 Conventional Stall Barns and 33 Loose Housing Barns, 1949 (Preliminary)

Job	Average		Range			
			Stall barns		Loose housing	
	Stall barns	Loose housing	Low farm	High farm	Low farm	High farm
Milk cows*	55.4	50.6	21.9	143.9	28.7	92.4
Feed hay	4.1	3.2	1.9	6.6	.8	8.7
Feed silage	3.7	3.7	.8	10.9	1.1	10.3
Feed concentrates and clean mangers	4.2	3.0	1.2	8.6	.3	9.1
Remove and haul manure	7.9	5.6	3.2	21.8	1.6	13.5
Bed cows	3.9	3.3	1.2	9.6	1.2	9.3
Miscellaneous†	4.8	4.4	2.2	11.6	.2	17.1
Total	84.0	73.8	.....	.....	.....	.....

* Includes set up and wash equipment.
† Includes turning cows loose, currying, taking care of sick cows, etc.

Loose housing users saved labor in milking because of shorter travel distances in carrying milk to the milk room. By having the cows come into elevated milking stalls they eliminated the hard work of squatting and gutter straddling.

Hay feeding was easier with loose housing since in many cases farmers threw it down chutes directly into deep bunks. In conventional barns, extra time was required to get hay into the mangers and to refeed hay pushed out by the cows. Silage feeding practices were about the same in both cases. Less labor was used to feed concentrates in loose housing barns because the cows were fed in the milking stalls. The feed boxes did not require sweeping each time they were used.

Manure removal took less labor with the loose housing barn since it was done as infrequently as once per year if no separate feeding area was used. In most cases the job was completely mechanized by the use of power loaders. The barns were cleaned when the fields were in a suitable condition to allow hauling directly to the field. With the stall barn, manure often was piled near the barn or on the field. That practice required an extra handling of the manure.

Bedding the cows was slightly faster in a loose housing barn, even though it required more straw, because there were no stalls and gutters to interfere. It was not necessary to adjust and loosen the straw several times each day.

Miscellaneous time was higher for the stall barn because of the frequency with which the cows were turned loose for exercise, heat detection, or to facilitate manure removal. More time was spent currying stall barn cows.

Tentatively, loose housing seems to offer an opportunity for saving labor. However, a well planned arrangement and efficient work methods are more important than type of barn.

Minnesota Farm Prices for August, 1949

Prepared by W. C. WAITE and ARNOLD B. LARSON

The index number of Minnesota farm prices for August, 1949, is 226.2. This index expresses the average of the increases and decreases in farm product prices in August, 1949, 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, 1949, with Comparisons*

	Aug. 15, 1949	July 15, 1949	Aug. 15, 1948		Aug. 15, 1949	July 15, 1949	Aug. 15, 1948
Wheat	$ 1.90	$ 2.08	$ 2.00	Hogs	$18.30	$18.20	$26.50
Corn	1.05	1.15	1.79	Cattle	19.90	20.30	24.00
Oats	.52	.52	.61	Calves	24.40	24.00	27.50
Barley	1.05	1.04	1.21	Lambs-Sheep	20.03	22.10	24.09
Rye	1.15	1.21	1.41	Chickens	.205	.185	.306
Flax	3.58	3.60	5.75	Eggs	.450	.399	.420
Potatoes	1.50	1.40	1.70	Butterfat	.66	.64	.88
Hay	14.90	13.50	16.30	Milk	3.10	2.90	4.20
				Wool†	.44	.44	.46

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

Minnesota farm prices of wheat and corn declined 9 per cent from July 15 to August 15. Sheep and lambs were the only livestock showing change, declining nearly 10 per cent. All livestock products rose, the greatest gains coming in chicken and egg prices. The decline in feed prices while other prices rose or remained unchanged, resulted in increases in all feed ratios.

Indexes and Ratios for Minnesota Agriculture*

	Aug. 15, 1949	Aug. 15, 1948	Aug. 15, 1947	Average Aug. 1935-39
U. S. farm price index	232	277.5	261.4	100
Minnesota farm price index	226.2	288.5	295.6	100
Minn. crop price index	216.6	275.7	333.3	100
Minn. livestock price index	246.9	320.8	280.1	100
Minn. livestock product price index	223.3	280.5	244.2	100
U. S. purchasing power of farm products	119.3	138.2	139.0	100
Minn. purchasing power of farm products	116.4	143.7	157.2	100
Minn. farmers' share of consumers' food dollar	56.0†	62.3	64.0	48.4
U. S. hog-corn ratio	16.4	14.2	11.1	12.3
Minnesota hog-corn ratio	17.4	14.8	11.1	14.6
Minnesota beef-corn ratio	19.0	13.4	9.5	12.0
Minnesota egg-grain ratio	19.2	14.1	11.3	15.9
Minnesota butterfat-farm-grain ratio	36.1	36.9	23.0	33.5

* Explanation of the computation of these data may be had upon request.
† Figure for June, 1949.

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The New Parity Formula and Farmer's Income

WARREN C. WAITE and B. J. PEIGHTAL

The parity formula of the Aiken law will go into effect on January 1, 1950, unless the present Congress passes new farm legislation. This method of computing parity results in an adjustment for the average relationship of actual prices during the preceding 10 years. Except for this adjustment, parity prices are at their former levels.

The table below compares the actual income, received from the sale of the 18 principal agricultural commodities of the state, with what the income would have been if the prices for farm products in each year were at the parity levels resulting from the new formula. The last column shows the actual income as a percentage of the income as calculated with parity prices.

	Actual annual income (thousand dollars)	Income if prices were at level of revised parity formula (thousand dollars)	Actual income as a proportion of parity income (per cent)
1920-24	309,185	405,627	76
1925-29	403,491	439,216	92
1930-34	230,443	351,748	66
1935-39	308,966	356,695	86
1940-44	613,508	601,254	102
1945	805,915	728,435	111
1946	978,247	795,251	123
1947	1,239,430	992,707	125

The Aiken law limits price supports to 90 per cent of the calculated parity and under certain circumstances lower levels may be established by the Secretary of Agriculture. If support prices for these commodities had been at 90 per cent of parity, the table indicates that substantial increases in farm incomes would have occurred in the years from 1930 to 1934 and from 1920 to 1924, but only moderate increases in the period from 1935 to 1939. There would have been no appreciable increases in income during the years 1925 to 1929 and since 1940.

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