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FARM BUSINESS NOTES

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

NO. 324 UNIVERSITY FARM, ST. PAUL JANUARY 27, 1950

The Farm Program for 1950

George A. Pond

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 postwar price adjustment in agricultural prices is under way and is likely to continue into 1950. During the war years and up to 1947 the prices of farm products rose faster than the prices of things which farmers bought. The farmers' net income rose steadily. Gross farm income reached a peak in 1948, but increasing expenses reduced net income in Minnesota slightly below the level of the previous year. During the past year, farm prices declined to the extent that, in spite of a near record volume of production, the farmers' gross income fell some 15 per cent from the 1948 level. Since the prices of expense items failed to follow the downward trend in the prices of farm products, net income declined approximately 20 per cent.[1]

The decline in net income is likely to continue in 1950. Although payrolls in industry are at a peak level and employment has been fairly well maintained, the domestic demand for farm products is likely to weaken further next year. With factory production catching up with demand, more industrial goods compete with farm products for the urban consumer's dollar. Then, too, any price adjustment is likely to be carried farther and continued longer than the basic supply-demand situation justifies. The adjustment is likely to be overdone before a more nearly normal price relationship is restored.

Foreign demand for farm products, while backed by urgent needs, still lacks the support of sufficient dollar exchange to maintain exports at the level of recent years. E.C.A. will help but until we are willing to accept more imports from abroad, we will find our sales outlets limited. "Keeping the American market for the American producer" also keeps American products, both farm and factory, from finding a market in other countries.

The government program will loom much larger as a factor in the agricultural situation in 1950 than it has since the prewar depression years. With prices of farm products largely above support levels as they have been most of the time in recent years, the farmer looked to the market rather than the support prices as a guide to production. The prices of a number of important crops dropped below support levels in 1949, and hog producers may find a similar situation confronting them in the coming year. Government price support programs together with any acreage allotments or marketing quotas that accompany them will have an important part in shaping and conditioning the farm program for 1950.

Corn and wheat prices will be supported in 1950 at 90 per cent of parity. The wheat acreage allotment for Minnesota is slightly larger than the acreage grown in 1949, but in the commercial corn counties the corn acreage must be cut approximately 20 per cent if the producer is to be eligible for commodity loans. In noncommercial areas, corn prices will be supported at 75 per cent of the level in the commercial areas but there will be no acreage restrictions.

Flax, soybeans, and potatoes will receive a 60 per cent of parity support. The wool price will be supported at from 60 to 90 per cent of parity with the likelihood that it will be at or near the upper figure. Dairy product prices are promised support at about the 1949 level and eggs at a lower rate than last year. The Secretary of Agriculture is also authorized to support the prices of additional farm commodities if, in his judgment, it seems advisable and funds are available for such use.

Feed Crops

Most of the tillable acreage in Minnesota is devoted to crops that are used primarily as feed. The carry-over of feed into 1950 is even larger than the very generous supply of a year ago. This huge feed reserve is largely the result of two bumper crops in succeeding years. With normal crop yields in 1948 and 1949, the feed reserve would not be excessive. Even with all the improved varieties of crops, increased use of commercial fertilizer, and the improvements in the technic of crop production, it is hardly likely that we will have another near record crop in 1950. A dry year could reduce present reserves very rapidly.

[1] Minnesota Farm Business Notes, No. 323, December 30, 1949.

There are more livestock on Minnesota farms now than a year ago. Feed crops still will dominate the picture in 1950.

Corn is the number one feed crop in this state. In the area to which corn is adapted, the farmer can produce more pounds of feed nutrients per acre than with any of the alternative feed grains and at a lower cost per pound. With a 20 per cent reduction in corn acreage as a requirement for those who wish to take advantage of the support price for corn, any farmer who plans to sell corn is faced with a drastic acreage curtailment. If all farmers in the commercial corn counties reduced their acreage by 20 per cent, it would mean a cut of close to a million acres or 5 per cent of the total crop area in the state. Actually, the reduction will be much less since many farmers who are not interested in qualifying for corn loans will plant their usual acreage or perhaps more. For the farmer who qualifies for the corn price support, barley and oats may take up some of the acreage reduction or it may be planted to flax, soybeans, or some other cash crop.

Oats are second to corn as a feed crop and can be grown in all parts of the state. They are a good feed crop and reasonably sure, but the production per acre is low compared with corn. Except as government allotments require a reduction in the corn acreage there seems no good reason for expanding oats production. In northern Minnesota on the better soils, it may be wise to replace some of the oats with barley.

For several years the acreage of hay and pasture has been going down. Except for seeding annual crops, it is too late to do anything about this in 1950. If we are going to have an agricultural program that will call for substantial reductions in the acreages of our grain crops, we should consider getting these displaced acres into legume and grass crops. A substantial seeding of such crops in 1950 would seem wise forethought. Hay and pasture are better than idle acres and, even if not harvested, will build up the land. Few farmers now have as much good hay and pasture as they need. Some farmers who reduce their corn acreage to meet the allotment may substitute hay silage for corn silage. This could eliminate the rain hazard in putting up the first cutting of hay and lessen the reduction in corn for sale or feed. The chief limitation to this suggested increase is the shortage and high price of grass and legume seed. Unless this seed is ordered at once, it will likely be difficult to get the kind and amount needed.

Cash Crops

With the prices of most cash crops on the down grade, preference may well be given to those crops for which some price support or guarantee is available. That means that those corn producers who raise more corn than they feed will be wise to plant within their allotment. For the past ten years, corn has been the most profitable cash crop in the area to which it is adapted. With the price supported at 90 per cent of parity it should continue to be profitable. Wheat acreage should be maintained up to the limit of allotments in the west central and northeastern counties. Even with the potato price support down to 60 per cent, the grower in a commercial potato area who has the equipment and "know-how" to get high yields at low cost will do well to take up his full allotment.

Soybean and flax prices at 60 per cent of parity are not especially attractive except for those growers who can obtain yields substantially higher than the average of their locality. However, with a substantial cut in corn acreage, soybeans and, to a lesser extent, flax will take up some of these surplus acres. Such crops as sugar beets and peas and corn for canning with a contract price announced in advance are always more attractive in a period of declining prices. Unfortunately, relatively few farmers have the sale outlets for these crops. Factory capacity for sugar beets in the Red River Valley is largely taken up but some of the land released by compliance with corn allotments in southern Minnesota might be profitably utilized for sugar beets. Malting barley may also take up some released acreage.

The Livestock Program

Our huge feed reserves must be marketed largely through livestock. Sealed corn may be temporarily off the market but it continues as a part of our reserves. Most of it will eventually find its way to the feed bunks or self-feeders. The question is not so much whether or not to feed as it is "what kind of livestock should be fed?" Obviously, there is no general answer for all farmers.

Numbers of dairy cows in Minnesota are still declining slightly. There is much land in Minnesota that can best be utilized for hay and pasture. Dairy cattle provide a market for this especially. On the smaller farms, they provide employment for family labor that might not otherwise be fully or profitably used. Mid-west dairymen, although they have certain advantages in low cost of production, have been at an increasing disadvantage in the market recently. If this situation continues, it becomes increasingly important to maintain production per cow at a high level and to watch feed costs closely to offset this handicap. This is not the time to make new investments in expensive dairy barns. With the prices of protein concentrates persisting at a high level, it doubtless would be economical for many dairymen to retain their skim milk for feeding on the farm.

Feeder cattle have been reasonably profitable the past year. However, cattle feeding is freighted with increasing risks in a period of declining prices. It calls for caution and judgment in both buying and selling. Maintaining a beef breeding herd and fattening home-raised feeders is a less hazardous type of beef production, especially on those farms where the breeding herd can be maintained largely on the hay and pasture needed to provide a good cropping system. There will be fewer years of high profits but also fewer losses. Returns may be somewhat lower but they will be more stable. It takes time and money to develop a beef breeding herd, and for 1950 the experienced feeder who buys cautiously and watches the market closely will probably find feeder cattle a good market for his corn, especially if he pieces it out with good hay and pasture. He should

not expect the high prices bid for finished cattle in the fall of 1949 to be repeated this coming fall.

Hogs consume half the grain fed on Minnesota farms. They offer the largest opportunity to use our large grain reserves. No price support for hogs has yet been announced for 1950 beyond March 1. A support price like that now in effect would make hog production profitable if ample protein supplements are used and sanitation practices followed.

Sheep are one class of livestock that may well be expanded by those with experience in handling them. Sheep numbers in Minnesota have been cut in half in the last ten years and are lower than they have been since the early twenties. Sheep numbers have been reduced even more drastically in the United States as a whole. Mutton and lamb prices have been fairly well maintained and wool prices will have government support. Sheep require little expensive shelter and equipment other than fences.

However, fewer farmers have either aptitude for or experience in handling sheep than is the case with cattle and hogs. Dogs are a menace to sheep in many communities. The beginner should start on a modest scale.

Egg prices will be supported at a level lower by seven to eight cents per dozen than in 1949. There is little incentive to increase the size of poultry flocks. Certainly it would be unwise to make additional investments in poultry housing at this time. More attention must be paid to maintaining a healthy flock at a high level of production to offset the effect of lower prices. The turkey producer may well be cautious about expansion, at least until he finds out what government price supports are to be available.

General Considerations

A primary problem confronting Minnesota farmers in 1950 is the adjustment in livestock to the present heavy feed reserves. Livestock changes cannot be made quickly and long-time considerations should not be overlooked in an effort to meet a temporary situation. For the commercial corn producer another major problem is what to do with the crop acreage released in meeting the corn requirements. For all farmers, there is the problem of keeping down expenditures until the prices of farm products are more nearly in line with those of the things a farmer buys. In general, farmers with heavy debts should make every effort to reduce them to a comfortable level. Those who are now in a comfortable position should plan to keep ample reserves of either cash, government bonds, or unused credit.

Farm prices are now down below parity for the first time since 1941. Government price supports are therefore much more important to the farmer than they have been in the past. He must be alert to get all announcements as to prices and allotments as they are issued. In addition, the coming session of Congress and its successors are likely to make numerous and perhaps radical changes in the farm program. It is hardly safe to base long-time farm plans on present provisions. The farmer must continue to keep his plans flexible and farm with one eye on his fields and flocks and the other on Washington.

Farmers Made Financial Progress During 1948

TRUMAN R. NODLAND

The members of the southeastern and southwestern Minnesota farm management services made substantial financial progress during 1948. The accompanying table shows net worth statements for owners, part-owners, and renters as of January 1 and December 31, 1948. Owner-operators and part-owners increased their net worth during the year by 7 per cent and renters by 20 per cent.

There was an increase in the total assets owned by all groups and particularly in the farm capital used in the operation of the farm business. Much of the increase in farm capital was due to the erection of new buildings by the owners and part-owners and the purchase of new machinery and equipment by all groups. There was very little change in the value of livestock included in farm capital. The value of feed and seed on hand was lower at the end of the year as a result of the decline in the price of most grains.

The total liabilities owed showed very little change. On the average, all the groups studied were in sound financial condition. By the end of 1948, the owners had enough liquid assets—stocks, bonds, and cash on hand—to pay off 93 per cent of their liabilities, and part-owners could pay off 90 per cent. The liquid assets owned by renters exceeded the value of their liabilities.

Net Worth Statement for Owners, Part-Owners, and Renters, 1948

	Owners	Part-Owners	Renters
Number of cases	73	38	49
Acres per farm	200	285	219
Owned	200	171	.....
Rented	.....	114	219
January 1, 1948			
Assets:			
Total farm capital*	$35,266	$31,958	$13,438
Real estate other than farm operated	1,746	452	645
Life insurance	1,143	1,119	554
Household and personal assets	1,422	1,632	1,754
Accounts receivable	718	139	322
Stocks and bonds	3,712	3,688	1,645
Cash on hand and in bank	2,013	1,427	1,216
Miscellaneous	406	288	184
Total assets	46,426	40,703	19,758
Total liabilities	6,782	6,518	3,226
Net worth	$39,644	$34,185	$16,532
December 31, 1948			
Assets:			
Total farm capital	$36,990	$33,203	$15,472
Real estate other than farm operated	1,674	481	727
Life insurance	1,312	1,231	642
Household and personal assets	1,737	1,933	1,920
Accounts receivable	702	172	242
Stocks and bonds	4,331	4,100	2,146
Cash on hand and in bank	1,944	1,810	1,562
Miscellaneous	378	349	255
Total assets	$49,068	$43,279	$22,966
Total liabilities	6,781	6,597	3,111
Net worth	$42,287	$36,682	$19,855
Gain in net worth	+2,643	+2,497	+3,323

* Land, buildings, livestock, feed, machinery, and equipment.

Minnesota Farm Prices for December, 1949

Prepared by W. C. Waite and Arnold B. Larson

The index number of Minnesota farm prices for December, 1949, is 213.4. This index expresses the average of the increases and decreases in farm product prices in December, 1949, 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, 1949, with Comparisons*

	Dec. 15, 1949	Nov. 15, 1949	Dec. 15, 1948		Dec. 15, 1949	Nov. 15, 1949	Dec. 15, 1948
Wheat	$ 2.02	$ 2.01	$ 2.09	Hogs	$14.60	$15.20	$21.50
Corn	1.04	.94	1.16	Cattle	19.70	19.20	19.20
Oats	.64	.60	.69	Calves	24.70	23.90	26.20
Barley	1.23	1.29	1.20	Lambs-Sheep	19.87	20.29	21.16
Rye	1.25	1.19	1.44	Chickens	.166	.178	.253
Flax	3.57	3.61	5.75	Eggs	.330	.385	.410
Potatoes	1.15	1.20	1.35	Butterfat	.68	.68	.70
Hay	14.60	14.50	16.30	Milk	3.05	3.20	3.50
				Wool†	.43	.43	.45

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

† Not included in the price index number.

The Minnesota farm price index declined 2.1 points from November to December. Most of this decline was due to lower livestock product prices. Chicken and egg prices were down 7 and 14 per cent, respectively, and milk was 5 per cent lower in price. Crop prices averaged somewhat higher, and livestock prices were about the same as in the previous month.

All feed ratios declined during the month. With the exception of the beef-corn ratio, all ratios are below the 1935-39 average.

Indexes and Ratios for Minnesota Agriculture*

	Dec. 15, 1949	Dec. 15, 1948	Dec. 15, 1947	Average Dec. 1935-39
U. S. farm price index	220.1	250.0	280.8	100
Minnesota farm price index	213.4	254.4	302.2	100
Minn. crop price index	218.0	238.9	408.6	100
Minn. livestock price index	238.8	294.8	316.4	100
Minn. livestock product price index	176.1	204.7	236.9	100
U. S. purchasing power of farm products	113.5	125.3	141.9	100
Minn. purchasing power of farm products	110.0	127.5	152.7	100
Minn. farmers' share of consumers' food dollar	58.9†	57.6	64.8	46.9
U. S. hog-corn ratio	13.1	17.2	10.5	13.5
Minnesota hog-corn ratio	14.0	18.5	10.5	15.9
Minnesota beef-corn ratio	18.9	16.6	8.1	14.0
Minnesota egg-grain ratio	13.2	15.4	11.0	20.7
Minnesota butterfat-farm-grain ratio	32.3	31.5	23.2	40.4

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

† Figure for September, 1949.

UNIVERSITY FARM, ST. PAUL 1, MINNESOTA

Cooperative Extension Work in Agriculture and Home Economics, University of Minnesota, Agricultural Extension Division and United States Department of Agriculture Cooperating, Paul E. Miller, Director. Published in furtherance of Agricultural Extension Acts of May 8 and June 30, 1914.

The Pig Situation

W. C. Waite and Arnold B. Larson

Farmers will continue to expand hog production in 1950, according to United States Department of Agriculture estimates. Large corn supplies and low levels of other livestock on farms tend to favor this expansion.

Farmers' reports on breeding intentions for the spring of 1950 indicate 9.8 million sows to farrow. This is an increase of 7 per cent over last spring and 12 per cent over the 1938-47 average. The increase is greatest in the north-central states, where it averages 8 per cent. In the north-Atlantic and western states there is a prospective decrease in farrowings of 4 and 5 per cent, respectively. Minnesota farmers plan farrowings 9 per cent over last spring.

Assuming an average number of pigs saved per litter, the 1950 spring pig crop will be about 62.5 million head. This would be the second largest spring crop on record, being exceeded only by that of 1943. The estimated spring crop is 6 per cent larger than the spring crop of 1949.

The 1949 pig crop totaled 96.3 million head, an increase of 13 per cent over the 1948 total. The spring crop of 59.0 million head was 15 per cent larger than the 1948 spring crop, and the fall crop of 37.3 million head was 10 per cent above the previous year. The three most recent crops thus show successively smaller increases over the previous year.

The number of hogs over 6 months of age on farms December 1 was about the same as on the same date last year. A large portion of the spring crop was marketed at light weights before December as farmers anticipated falling prices. There was a 30 per cent increase over 1948 in total hog marketings in August and September, 1949.

Earlier spring farrowing in 1949 is another factor in the unusually early marketing of the spring crop. In 1949, 45.1 per cent of the spring farrowings occurred in the first three months of the year, compared with 41.2 per cent in the same months of 1948.

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

PAUL E. MILLER, Director
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