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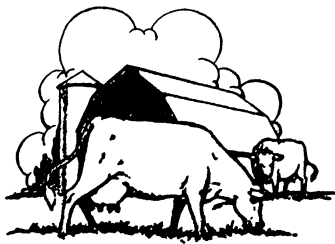
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MINNESOTA farm business NOTES



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ST. PAUL CAMPUS, UNIVERSITY OF MINNESOTA

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Cash Farm Receipts Show Little Change in 1955

R. W. Cox

How did the farmer fare in 1955? Let's take a look at what Minnesota farmers received from the sale of their products.

Preliminary estimates indicate that cash receipts from farm marketings in 1955 were slightly below the total for 1954. Total receipts are estimated at \$1,250,000,000 compared with \$1,256,000,000 in 1954. Receipts from crops and poultry products sales topped those in the previous year by substantial margins, but receipts from sales of hogs were down sharply. Receipts from cattle, calves, sheep, lambs, and dairy products changed but little. (See table 1.)

It should be pointed out that these figures are totals for the state and do not indicate the situation of the individual farmer.

The increase in receipts from crops was due to increased marketings, particularly of corn and soybeans. The larger volume of marketings more than overcame the drop in crop prices. With the exception of potatoes, prices of all the

principal crops averaged lower in 1955 than in 1954.

Minnesota farmers sold about 16 per cent more hogs in 1955. Prices, however, averaged 30 per cent lower. As a result, the cash receipts from the sale of hogs dropped 20 per cent.

Cattle marketings increased last year, but slightly lower prices were received. The total return from sales of both cattle and calves was 2 per cent higher.

About 6 per cent more fluid milk was sold to dairy plants in 1955. Prices averaged \$3.10 per 100 pounds compared with \$3.16 in 1954. Receipts increased from 171 million to 177 million dollars.

Milk sold as cream to dairy plants contained 89 million pounds of butterfat or 4 per cent less than in the previous year. Prices averaged 2 cents less. The receipts from wholesale sales were 55 million dollars compared with 59 million dollars in 1954.

The total sales of milk and cream, including both wholesale and retail, were 235 million dollars, a slight increase over 1954.

Farmers sold 6 per cent more eggs at a 9 per cent increase in price which resulted in a 16 per cent increase in receipts. Receipts from sales of chickens, including broilers, also were up, but by only a small amount.

About 3 per cent more turkeys were raised on Minnesota farms in 1955. Prices were somewhat higher and this, coupled with larger sales, resulted in a 9 per cent increase in the total returns.

Cash sales of livestock accounted for over a third and those of crops slightly under a third of the total cash receipts. (See table 2.) Dairy products contributed somewhat less than 20 per cent and other livestock products 14 per cent to the total.

Production Prices Were Higher

Farm production expenses were somewhat higher in 1955. This resulted in a larger proportionate decline in the net cash income than in the gross cash income of Minnesota farmers.

The general level of farm cost rates, that is, prices paid for goods and services, changed but slightly in the past year. There have been, however, some significant differences in the movements of the cost rates of individual items over the past several years. For example, farm cost items that are mainly farm produced, such as feed and livestock, have gone down in price. Wage rates, taxes, and prices paid for industrial items—such as fertilizers, building and fencing materials, farm machinery, motor vehicles, and motor supplies—have tended upward. These divergent trends continued in 1955.

A comparison of the index of prices received and the index of cash farm receipts with the index of prices paid provides some information on the cost-price squeeze and the purchasing power of both the farmer's dollar and cash farm receipts. The index of prices paid

Table 1. Annual Cash Sales of Agricultural Products by Minnesota Farmers—1935-1955

Products	1935-	1940-	1945-	1950	1951	1952	1953	1954	1955*
	1939	1944	1949						
million dollars									
Livestock									
Crops	80	134	320	339	289	340	365	377	399
Hogs	65	159	233	233	272	250	256	258	206
Cattle, calves	53	94	171	253	275	250	203	217	220
Sheep, lambs	7	11	14	15	15	15	14	14	15
Total livestock	125	264	418	501	562	515	473	489	441
Dairy products	86	136	229	207	238	260	253	233	235
Other livestock products									
Eggs	19	60	108	89	120	101	123	92	107
Chickens	10	23	30	19	22	18	19	13	13
Turkeys	6	12	25	25	31	30	30	34	37
Others†	3	7	10	8	14	15	18	18	17
Total other livestock products	38	102	173	141	187	164	190	157	175
Total	329	636	1,140	1,188	1,276	1,279	1,281	1,256	1,250

* Preliminary.

† Includes mainly other poultry, wool, and honey.

(Continued on page 3)

THE FARMERS' PROGRAM FOR 1956

George A. Pond

The farmer faces 1956 with a considerable degree of apprehension and perhaps even alarm. The prices of many farm products have declined during the past year—some of them very drastically.

The price of hogs in November of 1955, when the heavy runs were coming to the market, was \$6.40 per 100 pounds below that of a year earlier, a drop of more than one-third. With hogs normally supplying about one-fifth of the cash receipts from the sales of farm products in Minnesota, this means a sizeable drop not off-set by increased production. With the prices of many other farm products weak or also falling, the farmer faces a problem of retrenchment and readjustment.

The picture, while admittedly not a pleasant one, has some bright spots. We have plenty of feed, for we have just harvested one of the largest crops in the history of the state. The prices of poultry and eggs are materially higher than last year. Protein supplements are in abundant supply at the lowest prices in some years. The gross income of Minnesota farmers in 1955 was about the same as that of 1954.

Many farmers had incomes and savings in the postwar period that made it possible to replace old machinery and add new. New buildings and the renovation of old ones have also been made possible by the relatively high incomes of the postwar period. New techniques in production adopted in recent years have effected savings in labor or other costs. The physical plant is in good shape. We are in a relatively good position to accept such "belt-tightening" as price declines may necessitate.

The price per acre of farm land in Minnesota rose 9 per cent from July 1954 to July 1955. Higher land prices reflect not only the fact that farmers want larger units in order to utilize new techniques to best advantage but also a faith in the long time earning power of farm land.

The 1956 Cropping Program

No radical changes in crops appear to be dictated by present cost-price relationships. Corn and soybeans have been the high-profit crops in southern and west central Minnesota and they are likely to hold their relative position this year. It appears probable that more farmers will plant within their corn allotment in 1956. However, with

more farmers likely to plant within their allotment in 1956 it is hardly to be expected that as much "free corn" will be available next fall—at least not at the discount under the supported price that existed in 1955.

Any decrease in the corn acreage in southern and west central Minnesota is likely to be offset by increases in soybeans. Better adapted varieties and increasing "know how" in handling the crop are pushing beans north and west. They are extending into the lower Red River Valley where they add diversity to a cropping system dominated by small grain. Minnesota is forging ahead in the national picture of soybean production. And, expansion will likely continue as long as a fairly attractive market price prevails and corn and wheat acreages are restricted.

The need for a small grain crop in the rotation will keep oats in the picture, even though it is a low return crop. Many farmers have found that by raising the more vigorous growing oat varieties and harvesting them as silage, they greatly increase the production of digestible feed. At the same time, they give the new hay or pasture seeding in the oats a much better chance of survival.

There seems no reason for any general adjustments in the wheat, barley, and flax acreages. High wheat yields in 1955 will probably induce planting the full acreage allotment. In general, crops with price supports will have preference in 1956. Special attention should be given to getting full stands of productive grasses and legumes. Alfalfa and clover seed are relatively cheap now.

If it appears likely that a soil bank program calling for seeding down large acreages is in prospect, the demand for legume seeds may result in considerable price increases. An early purchase of seed for 1956 planting may be wise foresight.

Ample fertilization will insure maximum yields of hay, and early cutting will result in better quality. Fertilization coupled with rotation grazing will boost pasture yields up nearer their potential. Quality and yield are two important factors that determine the ability of grassland farming to compete with grain production.

The 1956 Livestock Program

Low cost production is the main defense against the slump in prices that confronts the livestock producer. For-

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NOTES

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Unfortunately, the price of protein supplement is down and a balanced ration is relatively inexpensive. The full use of good pasture, already mentioned, should effect material economy in the livestock ration.

The dairyman has just come through some lean years. The outlook ahead is just a little brighter. Many high-cost producers and those with an opportunity to shift advantageously to other lines of production have dropped out of the picture. Price recovery is slow but fairly sure for those who can control their costs and who have a whole milk market that pays a premium for quality. Dairying is a highly stable business and adjustments come slowly.

Cattle feeders faced a disappointing market the past fall when short-fed cattle, put in the feed lots in late summer, hit the market at the same time as the long-fed cattle of the previous season. With a more nearly normal movement of cattle to market in 1956, the cattle feeder may expect somewhat more profitable operation. This is especially true of those who bought their feeders in the closing months of 1955 after prices had eased off materially.

The overloaded hog business is the sore spot in the livestock picture right now. Obviously, the present hog price situation is of the farmer's own making. High prices have led him to expand production beyond effective demand. This is nothing new. The ups and downs of the hog cycle are familiar phenomena. The December pig survey indicates that in at least some of the important hog producing states there will be a reduction in spring farrowings. In others the adjustments will be very minor. By fall the readjustment should be well under way. Fortunately, hog production can be adjusted much more rapidly than cattle production. Some progress toward price recovery may be apparent by the last quarter of 1956, possibly even earlier.

A year ago, poultry and egg prices were in a slump comparable with that of hogs this past fall. Recovery has been

fairly rapid but caution should still be the watchword for the poultryman.

Poultry can be increased more rapidly than can any other class of livestock. The poultryman who doubles his purchases of baby chicks this spring, in anticipation that future egg prices will equal the price received for the eggs laid by the stock purchased in 1955, may be facing disappointment.

There has been more improvement in the techniques of poultry production in recent years than in any other class of livestock. Competition has been keen. Large scale production is necessary to gain the full advantage of potential labor saving. The small poultry flock is likely to be at an increasing disadvantage in the years ahead.

Some General Suggestions

The farmer's plight at the present time is especially distressing in view of the fairly general prosperity enjoyed by most other segments of our economy.

The very general prosperity that other segments of our economy now enjoy should not be a cause for envy or alarm. It is really the most hopeful feature of the general economic outlook. Were our whole economy sharing the farmer's plight, as was the case in the early thirties, we might anticipate a long period of distress and readjustment. Only very moderate adjustments in agricultural production are needed to correct the unbalance now existing.

The farmer can do something to ease the pressure by a policy of retrenchment—of "belt-tightening." As already noted, his physical plant is in better shape than it has been for a long time.

This is a good time to be ultraconservative about any investment in machinery, power, and buildings, or other outlays that pay off only over a period of time—unless careful calculation indicates they will pay off rapidly, especially if borrowed money is involved.

The farmers' limited cash should go into feed, fertilizer, and those things

that are quickly converted into income. The physical plant, as already noted, is in good shape and can ride along until farm product prices recover.

Good farming is always called for but is even more important in 1956. There has been such a flood of new techniques in agriculture that the farmer has difficulty in keeping abreast of them. Not all of them apply to any one farm.

Time spent reading farm papers and agricultural bulletins and in attending short courses and farmers' meetings will pay rich dividends. To know what, when, and how much of these new techniques to apply to any one farm calls for careful study.

The pressure is on in 1956. Costs must be scrutinized with an eagle eye and good practices adapted to the limit of capital resources available. Long time considerations must not be ignored. The long time outlook is certainly brighter than the immediate future and must be kept in mind.

Cash Farm Receipts—

(Continued from page 1)

used in this connection represents the prices paid for living and for production items at the national level, excepting livestock and feed—the two farm produced items.

The ratio of the index of prices received to the index of prices paid reached a peak of 143 in 1947. (See table 3.) This means the purchasing power of the farmer's dollar was 43 per cent above the base period, 1935-39.

The cost price squeeze is well illustrated by the decline in the ratio to 86 in 1955. In other words, the purchasing power of the dollar received from the sale of farm products was 14 per cent below the 1935-39 level.

The total purchasing power of the farmer has not dropped as much as the purchasing power of the dollar because of the large increase in product sales. This is shown by the ratio of the index of cash receipts to the index of prices paid. This ratio represents the total quantity of goods and services, except the above mentioned farm produced items that could be purchased by the cash receipts. The shift to larger volume, however, has necessitated an increase in the amount of goods and services purchased.

The ratio reached a peak of 216 in 1947 but had dropped to 166 in 1955. A ratio of 166 means that the cash receipts could have purchased 66 per cent more goods and services in that year than in the base period, 1935-39.

Table 2. Percentage Distribution of Cash Sales of Agricultural Products by Minnesota Farmers—1935-1955

Products	1935-	1940-	1945-						
	1939	1944	1949	1950	1951	1952	1953	1954	1955*
	per cent of total								
Crops	24.2	21.0	28.1	28.5	22.7	26.6	28.5	30.0	31.9
Livestock									
Hogs	19.9	25.1	20.4	19.7	21.3	19.5	20.0	20.5	16.5
Cattle, calves	16.1	14.8	15.0	21.3	21.5	19.5	15.8	17.3	17.6
Sheep, lambs	2.1	1.7	1.2	1.2	1.2	1.3	1.1	1.1	1.2
Total livestock	38.1	41.6	36.6	42.2	44.0	40.2	36.9	38.9	35.3
Dairy products	26.2	21.3	20.1	17.4	18.7	20.3	19.7	18.6	18.8
Other livestock products									
Eggs	5.8	9.4	9.5	7.5	9.4	7.9	9.6	7.3	8.6
Chickens	3.1	3.7	2.6	1.6	1.7	1.4	1.5	1.1	1.0
Turkeys	1.6	1.9	2.2	2.1	2.4	2.4	2.3	2.7	3.0
Others	1.0	1.1	.9	.7	1.1	1.2	1.5	1.4	1.4
Total other livestock products	11.5	16.1	15.2	11.9	14.6	12.9	14.9	12.5	14.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Preliminary.

Table 3. Indexes of Prices Received, Cash Farm Receipts, and Prices Paid, 1935-1955 (1935-39 = 100)

	Index of			Ratio of indexes	
	Prices received	Cash receipts	Prices paid		
				Prices received to prices paid	Cash receipts to prices paid
1935-39	100	100	100	100	100
1940-44	137	193	121	113	160
1945	175	260	153	114	170
1946	212	316	164	129	193
1947	264	398	184	143	216
1948	280	397	202	139	197
1949	228	362	200	114	181
1950	235	361	203	116	178
1951	272	388	222	123	175
1952	262	389	231	113	168
1953	239	389	227	105	172
1954	218	382	226	96	169
1955	197	380	229	86	166

Minnesota Farm Prices, Nov. and Dec. 1955

Prepared by R. A. Andrews

Average Farm Prices for Minnesota, November 1955, December 1953, 1954, 1955*

	Nov. 1955	Dec. 1955	Dec. 1954	Dec. 1953
Wheat	\$ 2.14	\$ 2.11	\$ 2.28	\$ 2.17
Corn	1.07	1.13	1.24	1.29
Oats .....	.54	.57	.68	.70
Barley .....	.92	.90	1.05	1.09
Rye .....	.78	.91	1.07	1.05
Flax	2.86	2.89	3.10	3.72
Potatoes .....	.85	.90	.80	.80
Hay	14.10	15.00	17.00	15.70
Soybeans†	2.05	2.06	2.47	2.71
Hogs	11.60	9.90	16.50	22.80
Cattle	12.80	12.20	14.70	13.60
Calves	14.30	16.70	15.30	16.00
Sheep-lambs	15.79	15.12	16.80	16.61
Chickens .....	.150	.151	.130	.192
Eggs .....	.360	.400	.220	.390
Butterfat .....	.62	.62	.63	.72
Milk	3.30	3.15	3.25	3.45
Wool† .....	.36	.35	.48	.48

* Average prices as reported by the USDA.

† Not included in Minnesota farm price indexes.

Minnesota farm prices fell to the lowest December level since 1942. The index dropped almost 26 points or 13 per cent from the 1954 December level. The livestock price index declined 25 per cent during the same period but the livestock products index increased about 6 per cent.

Comparison of November and December Prices

Commodity class	Average December prices as a percentage of average November prices
Crops	103
Livestock	91
Livestock products	100
All commodities	97

Indexes for Minnesota Agriculture*

	Average Decem- ber 1935-39	Decem- ber 1955	Decem- ber 1954	Decem- ber 1953
U. S. farm price index.....	100	208.0	223.0	235.1
Minnesota farm price index.....	100	169.3	195.1	237.1
Minnesota crop price index.....	100	207.7	229.6	233.3
Minnesota livestock price index.....	100	158.4	211.3	269.7
Minnesota livestock products price index	100	167.9	157.8	193.5
Purchasing power of farm products				
United States	100	92.9	99.6	105.4
Minnesota	100	75.6	87.2	106.3
U. S. hog-corn ratio.....	13.5	9.2	12.2	16.2
Minnesota hog-corn ratio.....	15.9	8.8	13.3	17.7
Minnesota beef-corn ratio.....	14.0	10.8	11.8	10.5
Minnesota egg-grain ratio.....	20.7	15.5	7.8	13.9
Minnesota butterfat-farm-grain ratio.....	40.4	33.3	29.1	32.2

*Minnesota index weights are the average of sales of the five corresponding months of 1935-39. U. S. index weights are the average sales for 60 months of 1935-39.

The Outlook Corner — Trends in Farm Living

The adoption of new farm and home practices has taken place at a rapid rate in recent years. Figures from the 1950 and 1954 Census of Agriculture Reports show trends which help visualize the influence these changes are having on farm family living. Data for Minnesota are given here:

1. Since 1950 more farms have been electrified. Less than 6 per cent are now without this service.

2. Home freezers were reported for 10 per cent of the farm homes in 1950 but increased to 39 per cent by 1954.

3. Piped water is now found on 54 per cent of the farms.

4. Telephone service increased from 60 per cent to 68 per cent of the farms.

5. T.V. sets represent a recent innovation but already one-third of the farm homes have them.

6. Milking machines, a widely accepted example of labor-saving equipment, are now used on 60 per cent of the dairy farms compared with 48 per cent in 1950.

7. The number of corn pickers increased. Over half the producers of corn for grain now have them.

8. The conversion from horse power to tractors continues at a rapid rate. Over 60 per cent of the farmers were without horses in 1954. Only 2 per cent of the farms had two or more horses and no tractor.

9. The electric pig brooder is now used on 10 per cent of the farms producing hogs.

Recent changes on farms and in homes are indicative of trends to continue. Need exists for more improved farm conveniences and modernization of homes. And, T.V. is certain to expand as transmitters reach more areas.

The current cost squeeze will obviously create competition between outlays to improve farming with those intended for better living.

Costs of farm improvements should be studied carefully to be sure improvements pay for themselves and pay well enough to justify postponing improvements in living.

The over-all trend in farm living may be viewed as one of improved communications and less physical labor made possible by a wider variety of services. Some of these trends are directed mainly toward increasing a farmer's capacity to produce but also aid in achieving other desired goals. Others relate solely to better living.

Facilities and Practices Affecting Farm Living and Extent of their Use Reported for Minnesota Farms—1950 and 1954

	1950	1954
	per cent	
Electricity	84	94
Home freezers	10	39
Piped water .....	.....	54
Telephone	60	68
T.V. sets .....	.....	33
Milking machines	48	60
Corn picker	37	55
Tractor but no horses.....	32	63
No tractor but 2 or more horses	8	2
Electric pig brooder.....	10

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