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MINNESOTA farm business NOTES



NO. 391

ST. PAUL CAMPUS, UNIVERSITY OF MINNESOTA

JANUARY 27, 1958

Cash Receipts Steady—Net Income Falls

Elmer W. Learn

Total cash receipts from marketings of Minnesota agricultural products changed very little from 1956 to 1957. Receipts from crops fell approximately 10 percent but this was offset by a 4 percent increase in cash receipts from livestock and livestock products. Total cash receipts from marketings in 1957 are estimated to be \$1,277 million compared with \$1,279 million in 1956.

All 1957 data in this article are preliminary estimates based on U. S. Department of Agriculture and State Federal Crop and Livestock Reporting Service data.

Prices of most principal crops, especially corn and other feed grains, fell sharply in 1957. The Minnesota index of prices received by farmers for crops fell 13 percent. Poor harvest weather delayed fall marketings of corn and soybeans. In addition, high moisture content prevented much corn from being placed under loan.

The Crop and Livestock Reporting Service reported that as late as December 5 about 15 percent of Minnesota's near record corn crop remained to be harvested. Low quality and limited storage capacity drove corn prices to a low of \$.80 a bushel in November. In the last quarter of 1957 corn prices averaged only 76 percent of the 1956 average for the same period. The record national supply of feed grains further accentuated the effect of local conditions in depressing corn and other feed grain prices received by Minnesota producers.

Cash receipts from hogs increased 13 percent in 1957 over 1956. Hog prices, which had shown some gains by the latter part of 1956, remained favorable throughout 1957 and averaged 23 percent higher than in 1956. A 9 percent decline in hog marketings partially offset the effect of this large price increase on income.

Table 1. Annual Cash Sales of Agricultural Products by Minnesota Farmers—1935-57

Products	Average 1935-39	Average 1940-44	Average 1945-49	Average 1950-54	1955*	1956*	1957†
million dollars							
Crops	80	134	320	339	389	426	385
Livestock and livestock products	249	502	820	914	848	853	892
Hogs	65	159	233	254	211	187	212
Cattle and calves	53	94	171	238	205	212	239
Sheep and lambs	7	11	14	15	14	14	14
Total livestock	125	264	418	507	430	403	465
Dairy products	86	136	229	238	238	265	271
Eggs	19	60	108	106	110	106	94
Chickens and broilers	10	23	30	18	14	11	8
Turkeys	6	12	25	30	37	37	33
Other livestock products	3	7	10	15	19	22	21
Total livestock products	124	238	402	407	418	440	427
Total	329	636	1,140	1,253	1,237	1,279	1,277

* Revised.

† Preliminary estimates.

Cash receipts from cattle and calves also showed a substantial increase in 1957. Total receipts amounted to \$239 million compared with \$212 million in 1956, an increase of 13 percent. Although marketings declined slightly, average prices received for cattle and calves increased about 14 percent.

Dairy producers received slightly higher receipts in 1957 than in 1956 due to small increases in both prices and marketings. Dairy receipts rose 2 percent from \$265 million in 1956 to \$271 million in 1957. The 1957 level of cash receipts from dairy products was about \$40 million higher than in 1954 and 1955.

Poultry producers received lower total cash receipts in all lines of production in 1957. The impact was softened to some extent by rising egg prices in the latter part of the year. This price rise was not sufficient to overcome the effect of extremely low prices in the first half of 1957. As a result, cash receipts from eggs declined more than 10 percent from \$106 million in 1956 to \$94 million in 1957. Production in 1957 fell

about 1 percent while egg prices averaged 9 percent lower than in 1956.

Total production of turkeys in 1957 was 9,847,000 birds—a new record. This represents an 8 percent increase in number of heavy breed turkeys raised and a 22 percent decline in light breeds. Turkey prices were about 16 percent lower than in 1956, however, and the net effect was a 12 percent decline in cash receipts.

The relative contribution of major commodity groups to total cash receipts changed somewhat due to the upward movement of livestock receipts and decline in receipts from crops (table 2).

Sales of livestock represented 36 percent of cash receipts in 1957 compared with 32 percent in 1956. Crop sales made up only 30 percent of the total in 1957, a decline of 3 percentage points from the 1956 level. Livestock products as a whole contributed 34 percent of total receipts. Dairying retained its position as the state's most important enterprise in terms of cash receipts with 21 percent of the total in 1957.

(Continued on page 3)

Plan Your Farm Operations for 1958

George A. Pond

Minnesota has a relatively stable agriculture. This is especially true of livestock production—and sales of livestock and livestock products supply more than two-thirds of our cash farm income.

It takes years to build up productive herds and flocks. In our climate, livestock involves a considerable investment in shelter as well as in specialized equipment, fences, and the like. Efficient use of our labor necessitates labor-saving equipment for livestock feeding and handling that has little alternative use.

These are important considerations that limit radical changes in our farm plans from year to year. In spite of this element of stability in the general pattern of our agriculture there are always opportunities for adjustments that promise to enhance income for the year or years ahead.

Then too, the prices of farm products vary from year to year in response to changes in production. Volume of production varies as the result of variations in weather and changes in farm technique. At least moderate changes in the pattern of production from year to year may help to keep the farm business adjusted to these short time changes. Certainly every farmer may well take stock at the end of the year and scan his plan of operations for possible shifts that may keep his business more nearly in line with the current outlook.

Production at a High Level in 1957

We had a bountiful harvest in 1957—almost equal to the record breaking crop of 1956. After a long series of drouths and near drouths most of the United States had abundant to excessive rainfall. Some areas in Minnesota suffered from excess summer and fall rains. We raised a good crop but harvest was delayed by soft ground and the high moisture content of the late season crops.

Little Change in Crops Indicated for 1958

Our high moisture corn this year represents an acute problem on many farms. In previous years soft corn has often been due to immaturity rather than to a wet fall. There seems to be no

reason for adjusting our corn acreage downward in 1958. We have been steadily increasing the proportion of our cropland in corn. It has been a profitable practice. Our immediate problem is how best to use this high moisture corn we have on hand. We should not let this experience deter us from raising our usual acreage of corn in 1958.

There seems to be no reason for any material shifts in the acreage of small grain. The practice of harvesting oats as silage has greatly increased the feed nutrients utilized per acre. A further shift in this direction on livestock farms is likely to be profitable.

Potato and sugar beet growers have suffered some substantial losses as the result of excess rainfall last fall. As in the case of corn, this should not drive anyone out of production who has the land, equipment, and "know-how" needed for these crops.

Flax was the one "soft spot" in the crop picture last year. Whether "aster yellows" will again be a menace in 1958 no one knows. Undoubtedly the flax acreage will be down this year but whether a reduction is justified is an open question.

Any shift in the production of hay and forage in 1958 should be in the direction of increasing yields and quality rather than acreage. This may involve better seeding mixtures, more liberal applications of lime and fertilizer, timely harvesting, better adapted harvesting machinery, better storage facilities, and more rotation grazing.

A Gradual Increase in Livestock Specialization Seems Desirable

The only reason for any general shift in the pattern of livestock production in Minnesota in 1958 would be to increase specialization in those classes of livestock best fitted to the farm and to the operator's experience and resources.

With all the new techniques crowding their way into livestock production, it is becoming increasingly difficult to keep abreast of all of them or to provide the facilities needed to utilize them most efficiently. There is evidence in the records of the S.E. Minnesota and the S.W. Minnesota Farm Management Associations of a definite tendency to maintain fewer kinds of livestock and

MINNESOTA

farm business

NOTES

Prepared by the Department of Agricultural Economics and Agricultural Extension Service.

Published by the University of Minnesota Agricultural Extension Service, Institute of Agriculture, St. Paul 1, Minnesota.

concentrate on increasing efficiency within the more limited field.

This is an age of specialization in agriculture. Fewer classes of livestock and more specialized attention to their breeding, feeding, and care seems to be the most promising road to profits in livestock production.

Fewer but Larger Dairy Herds

The trend toward fewer and larger dairy herds is a promising one and definitely under way. Larger herds, more labor saving and quality maintaining equipment, and a quality market seems to be the basic essentials that will determine or condition dairy profits in 1958 and the years ahead.

The cut in support prices for dairy products announced for March 1958 may discourage any expansion of dairy production. Certainly there seems to be no reason for any over-all increase. Rather we might well consider at least enough curtailment in cow numbers to stop the piling up of dairy products in government storage.

Beef Cattle a Bright Spot in the Livestock Picture

Beef cattle are definitely in a favorable stage in the price cycle. In fact the price outlook is distinctly promising for 1958 and 1959, possibly even longer. Breeding herds on the range were depleted during the drouth years. A portion of current calf crops will be needed to build up our breeding herds and hence fewer will go to market or into the feedlot.

Feeder cattle can provide a market for some of our high moisture corn this winter. Beef cattle can also use pasture and forage crops to good advantage and yet they require little labor—especially during the crop season. Some current expansion of beef production promises well for the years immediately ahead.

Avoid Expansion of Hog Production

Hog prices were surprisingly well maintained in 1957. Hogs, too, can use soft corn effectively. It may be a good policy to feed out 1957 fall pigs to heavier than normal weights in order to salvage some of this high moisture corn before thawing weather threatens.

Although these hogs may suffer price-wise as the result of heavier weights and later marketing, the farmer may have more dollars than if he had sold them earlier at lighter weights. However, if facilities for drying corn are available at moderate cost it may be better to sell his hogs as soon as they reach market weight and sell or seal the corn when dried.

To keep more gilts and increase 1958 farrowings over 1957 will certainly speed up the hog cycle and flood the market with lower priced hogs. It would appear wise to push the spring pigs for as early a market as possible. Emphasis this year should be on sanitation, economical rations, and labor saving practices—not on expansion.

Bigger and Fewer Laying Flocks

Eggs and chickens are in a better position price wise than they were a year ago. Any material over-all expansion in the number of layers will likely result in going back to or at least toward the prices of early 1957. However, the trend in poultry production is toward fewer and larger flocks. Already broiler and turkey production is rapidly adjusting to a large scale "factory" basis.

Whether this trend will be duplicated in egg production is still an open question. At least it seems that more of the laying flocks of the future will be numbered in thousands of hens rather than in hundreds. The small farm flock seems justified only where housing is available and where the labor and feed used could not be employed more profitably elsewhere.

What About Sheep?

Sheep are a relatively minor class of livestock in Minnesota. Sheep were reported on only 13 percent of the farms in the state in 1954 and nearly one-third of these were in 10 counties. There is doubtless a place for a small flock to use what otherwise would be waste products on many farms. However, any general expansion of sheep production should be in relatively large flocks on farms where the operator has the skill and aptitude for handling them

and the fences and other facilities needed.

Applying These Suggestions

Each farmer has an individual set of resources, abilities, preferences, and objectives. Obviously these suggestions cannot apply to all of them. A former teacher, the late George F. Warren, once said, "Farmers are not a class—they are a collection." A very significant fact is concentrated in these words;

no two farmers have the same resources, capabilities, preferences, or objectives.

No reader of this article can use all the suggestions offered and many will find none that apply specifically to their situation. The reader must depend on his individual judgment in accepting or rejecting these suggestions. At best they can only be expected to stimulate individual thinking on the individuals own problems.

Cash Receipts—

(Continued from page 1)

Realized Net Income Declines

Cash receipts from farm marketings do not tell the full story of the income position of farmers. For example, cash receipts from marketings include net proceeds from CCC loans but do not include government payments such as soil bank payments or incentive payments to wool growers. The relationship between cash receipts from farm marketings, gross farm income, and realized net farm income from 1949-56 is shown in table 3.

Total government payments to Minnesota farmers increased from \$19 million in 1956 to about \$26 million in 1957. This was probably more than offset by an increase in cash farm expenses. The index of prices paid by farmers was 3 percent higher in 1957. This means that cash farm expenses, which were a record \$938 million in 1956, increased by a comparable amount. As a result, realized net farm income may have de-

clined by as much as \$20 million in 1957. The relative decline in net farm income per farm was somewhat less, however, due to a 3 percent decline in the number of farms.

Table 3. Cash Receipts from Farm Marketings, Gross Farm Income, and Realized Net Farm Income, Minnesota, 1949-1956*

	Cash receipts from farm marketings	Gross farm income	Realized net farm income
	million dollars		
1949	1,176	1,294	560
1950	1,184	1,307	513
1951	1,281	1,424	544
1952	1,286	1,433	534
1953	1,298	1,438	568
1954	1,236	1,363	482
1955	1,237	1,363	467
1956	1,279	1,422	483

* Gross farm income includes cash receipts from farm marketings, government payments, value of farm produced commodities consumed at home, and rental value of farm dwellings. Realized net farm income is gross farm income less cash production expenses. Data from USDA, AMS, Farm Income Situation, September 1956 and 1957.

Table 2. Percentage Distribution of Cash Sales of Agricultural Products by Minnesota Farmers, 1935-57

Products	Average 1935-39	Average 1940-44	Average 1945-49	Average 1950-54	1955*	1956*	1957†
	percent						
Crops	24	21	28	27	31	33	30
Livestock and livestock products	76	79	72	73	69	67	70
Hogs	20	25	21	21	17	15	16
Cattle and calves	16	15	15	19	17	16	19
Sheep and lambs	2	2	1	1	1	1	1
Total livestock	38	42	37	41	35	32	36
Dairy products	26	21	20	19	19	21	21
Eggs	6	9	9	9	9	8	7
Chickens and broilers	3	4	3	1	1	1	1
Turkeys	2	2	2	2	3	3	3
Other livestock products	1	1	1	1	2	2	2
Total livestock products	38	37	35	32	34	35	34
Total	100	100	100	100	100	100	100

* Revised.

† Preliminary.

Minnesota Farm Prices *The Outlook Corner*— EGG PRICES

Nov. and Dec. 1957

Prepared by R. A. Andrews

Average Farm Prices for Minnesota—November 1957, December 1957, 1956, 1955*

	Nov. 1957	Dec. 1957	Dec. 1956	Dec. 1955
Wheat	\$2.11	\$2.08	\$2.09	\$2.11
Corn .....	.80	.80	1.10	1.13
Oats .....	.54	.54	.67	.57
Barley .....	.89	.86	.94	.90
Rye	1.00	1.02	1.14	.91
Flax	3.02	3.11	3.12	2.89
Potatoes	1.05	.90	.60	.90
Hay	16.80	15.90	17.20	15.00
Soybeans†	1.95	1.95	2.21	2.06
Hogs	16.30	17.30	16.10	9.90
Cattle	17.20	18.30	13.00	12.20
Calves	18.80	20.30	17.20	16.70
Sheep-lambs	19.24	20.14	16.66	15.12
Chickens .....	.110	.116	.111	.151
Eggs .....	.410	.360	.270	.400
Butterfat .....	.630	.630	.640	.620
Milk	3.40	3.30	3.30	3.20
Wool† .....	.49	.48	.48	.35

* Average prices reported by the USDA.

† Not included in the Minnesota farm price indexes.

The Minnesota farm price index for December 1957 was 8 percent higher than for December 1956. This was due to much higher livestock prices which more than offset unusually low feed grain prices.

The livestock price index of 251.6 in December was 18 percent above December 1956, and 59 percent above December 1955, but 7 percent below December 1953.

Comparison of November and December Prices

Commodity class	Average December prices as a percentage of average November prices
Crops	98
Livestock	106
Livestock products	99
All commodities	103

Indexes for Minnesota Agriculture*

	Average Dec. 1935-39	Dec. 1957	Dec. 1956	Dec. 1955
U. S. farm price index	100	225.3	221.1	208.0
Minnesota farm price index	100	209.2	193.5	169.1
Minnesota crop price index	100	182.3	210.0	207.7
Minnesota livestock price index	100	251.6	213.8	158.4
Minnesota livestock products price index	100	161.6	158.2	167.5
Purchasing power of farm products				
United States	100	93.9	95.3	92.9
Minnesota	100	87.2	83.4	75.6
U. S. hog-corn ratio	13.5	18.9	13.3	9.2
Minnesota hog-corn ratio	15.9	21.6	14.6	8.8
Minnesota beef-corn ratio	14.0	22.9	11.8	10.8
Minnesota egg-grain ratio	20.7	15.6	10.4	15.5
Minnesota butterfat-farm-grain ratio	40.4	38.2	31.6	33.3

* Minnesota index weights are the averages of sales of the five corresponding months of 1935-1939. U. S. index weights are the average sales for 60 months of 1935-1939.

Since September, egg prices have been above last year. The reason? Total egg production is down about 2 percent while population is up. Per capita consumption now is at the rate of less than 350 eggs—the lowest since before 1945.

The number of hens is down about 5 percent, but production per hen is up 2 percent. The laying rate has increased about 2 percent a year for several years. The eggs per layer increased from 134 in 1940 to 196 in 1956; it will be about 200 in 1957.

What lies ahead? Per capita production will continue low until late summer 1958, when new pullets come in. We can expect prices to stay above last year during this period.

With favorable egg-feed ratios, the number of pullets saved in 1958 will be up, however. In addition to higher egg prices this winter, feed costs are lower. Consequently, the quantity of feed a farmer can buy with a dozen eggs is about 50 percent greater than last year.

This egg-feed ratio has gone up from one year to the next 15 different times since 1930. Thirteen times this was followed by a substantial increase in the number of pullets saved. If history repeats itself, this will mean an increase of 5 to 10 percent in the number of pullets next fall.

The number of layers may go up less than 5 percent, however. This year the farmers have an unusually high percentage of older hens in their flocks. It will take quite a few pullets to replace these.

Eggs laid per hen will continue to increase. Consequently, total production a year from now will increase. Population will also increase; per capita pro-

duction will go a little above the past year. This will mean somewhat lower prices next fall.

Looking farther ahead, poultry producers will have to do an efficient job in order to maintain profits. During the 5-year period 1940-44, farmers could buy 13 pounds of poultry ration with one dozen eggs. This egg-feed ratio had been at about this level for some time previous to this. During the last 5 years 1 dozen eggs would buy only 11 pounds of egg ration.

Farm records kept in Minnesota showed that during the 1930's, farmers with typical flocks received \$200 return for \$100 feed fed to the laying flock. During the last 10 years they received about \$150 for each \$100 feed. In other words, the margins remaining to pay for labor, shelter, veterinary charges, and other costs other than feed have been cut about in half.

To meet these narrower margins farmers must increase feeding efficiency and cut other costs. More eggs per hen and better rations will help. To reduce labor and shelter costs requires improved methods of handling. One of the best ways of accomplishing this is by keeping larger flocks where it is possible to use better labor saving equipment.

Cooperative Extension Work in Agriculture and Home Economics, University of Minnesota, Agricultural Extension Service and United States Department of Agriculture Co-operating, Skuli Rutford, Director. Published in furtherance of Agricultural Extension Acts of May 8 and June 30, 1914.

UNIVERSITY OF MINNESOTA
Institute of Agriculture
Agricultural Extension
St. Paul 1, Minn.

SKULI RUTFORD, Director
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