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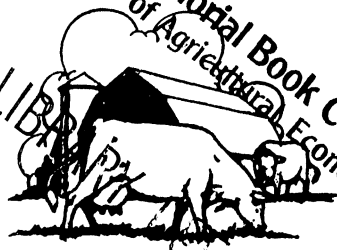
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MINNESOTA farm business NOTES



LARGE DECLINE IN FARM INCOME FOR 1959

Elmer W. Learn

Total cash receipts of Minnesota farmers in 1959 fell 7 percent or more than \$100 million from the record levels established in 1958. Poultry and hog producers shared the bulk of the decrease. Increased marketings, in part reflecting the huge national supplies of feed grains, depressed prices and incomes to producers of livestock and livestock products.

The decline in net income was even greater than that for cash receipts. Decreased government payments and continued increase in production expenses both tended to darken further the net income picture for 1959.

All 1959 data presented here are preliminary estimates based on information received from the United States Department of Agriculture, the State-Federal Crop and Livestock Reporting Service, and the Minnesota office of the USDA Agricultural Stabilization and Conservation Committee.

Crops and Livestock Sales Fall

Cash income from crops in 1959 is estimated to be \$355 million, down \$38 million from last year's \$393 million (table 1). Adjustments of acreage planted among crops, especially in corn and soybeans, as the USDA's new corn program went into effect, were an important factor in determining income from crops.

Production of corn, the state's principal cash crop, set a new record at 334 million bushels. This occurred in spite of the lowest average yield since 1955, due to severe drought conditions in some areas. Quantities sold in the early months of the year from the 1958 crop were below the levels of a year earlier. Prices during the latter part of 1959 were weakened by sales of high moisture corn and reached a low of 76 cents in December. This resulted in an average price for 1959 below that of 1958.

The acreage of soybeans, a crop which has been challenging corn's position as the leading cash crop, had its first important acreage decline since it became an important crop in Minnesota agriculture. Acreage declined by more than one-fourth. However, increased yields kept the production decline at a little less than one-fourth. Nevertheless, cash receipts from this important crop showed a marked decline. Prices for 1959 averaged close to those received in 1958.

The income position of producers of livestock and livestock products shows varying degrees of strength. Beef producers almost repeated their record cash sales for 1958. Dairy producers also equaled their 1958 levels. With hog prices dropping rapidly in late 1959, total hog income fell far below 1958 levels; and egg producers had a very dark year with cash sales falling by 25 percent.

Income from the sale of cattle and calves was \$354 million in 1959 compared with the record of \$363 million in 1958. Cattle prices remained strong through most of 1959 although seasonal declines were somewhat greater in the last three months than in 1958. Average prices of cattle for the year were slightly higher than 1958, but marketings declined a greater percentage amount.

Hog producers began to pay the penalty for overexpansion as prices fell in the fall of 1959 to their lowest levels since 1955. Although marketings increased more than 15 percent the accompanying 28-percent decline in average prices for the year greatly reduced returns. Cash receipts from hogs were \$212 million, about equal to the average for the years 1955, 1956, and 1957 but \$46 million below the 1958 level.

Cash receipts from dairy products in 1959, \$275 million, were almost equal to the \$277 million received in 1958. Both production and average prices for the year were slightly under 1958 levels. The relative stability of dairy income is

illustrated by the fact that value of sales has fluctuated only between \$265 million and \$280 million during the years 1956 through 1959.

Minnesota became the leading turkey-producing state in the nation with a 28-percent increase in birds raised between 1958 and 1959. The 13½ million birds raised in 1959 also brought in a record volume of cash receipts from turkeys of \$47 million. Although prices for the year averaged below those of 1958, prices in the heavy marketing period of October, November, and December were considerably above a year earlier.

Minnesota egg producers suffered their worst financial year since prior to World War II. A slight decrease in production for the state ran counter to increased production for the nation as a whole. Average prices fell below 23 cents a dozen, the lowest level since 1941. Cash receipts fell 25 percent from \$90 million to \$67 million. Low poultry meat prices added to poultry producers' problems as prices received for farm chickens averaged below 8 cents per pound for the year.

Sales of cattle and calves continue to be the largest source of gross income for Minnesota farms (table 2). Dairy products, traditionally the leader, continued in second place for the third consecutive year.

Net Income Position Weak

Realized net farm income (i.e., net income without adjustment for inventory changes) shows a decline even greater than that for cash receipts. The decline from the record level in 1958 is likely to be about 20 percent. This would bring realized net income close to the lowest levels of the decade reached in 1954-56. Cash receipts, production expenses, and government payments all point to lower net incomes for 1959.

Data on production expenses for 1959 are not yet available. However, the U. S. index of prices paid for produc-

Income Decline

(Continued from page 1)

tion items continued to rise and this, along with high level production in most enterprises, will undoubtedly be reflected in increased production expenses. The rate of increase will probably be lower than it has been for several years, however.

Direct government payments, an item of considerable importance in Minnesota farm income in recent years, declined from \$41.3 million in 1958 to \$30.0 million in 1959. This resulted from discontinuance of the acreage reserve section of the Soil Bank program. Minnesota farmers received \$21 million under the acreage reserve program of 1958 but no payments were made under this program in 1959. The loss was only partially offset by an increase in payments under the Conservation Reserve in 1959 to \$20 million. Eleven million dollars were paid under this section of the Soil Bank in 1958.

Storage payments for CCC grain resealed on farms have also become an important source of income. Payments of this type, which are not included in direct payments amounted to \$7.7 million in 1958 and \$6.4 million in 1959.

Table 3. Cash receipts from farm marketings, gross farm income, and realized net farm income, Minnesota, 1949-1958*

Year	Cash receipts from farm marketings	Gross farm income	Realized net farm income
	million dollars		
1949	1,172	1,299	552
1950	1,180	1,312	514
1951	1,289	1,442	555
1952	1,280	1,430	517
1953	1,280	1,422	532
1954	1,237	1,372	467
1955	1,237	1,370	457
1956	1,266	1,421	451
1957	1,337	1,501	507
1958	1,468	1,650	566

* 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. Source: USDA, *Farm Income Situation*, September, 1959. 1959 data not available.

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.

Table 1. Annual cash sales of agricultural products by Minnesota farmers selected years, 1935-59

Products	Average 1935-39	Average 1940-44	Average 1945-49	Average 1950-54	1956	1957*	1958*	1959†
	million dollars							
Crops	80	134	317	338	415	385	393	355
Livestock and livestock products	249	508	832	919	850	946	1,075	998
Hogs	66	162	240	256	190	220	259	212
Cattle and calves	53	97	173	238	207	287	363	354
Sheep and lambs	7	11	14	15	14	16	18	17
Total livestock	126	270	427	509	411	523	640	583
Dairy products	86	139	228	239	265	280	277	275
Eggs	19	58	111	107	105	89	90	67
Chickens and broilers	10	22	30	15	11	8	10	6
Turkeys	5	12	24	30	37	33	38	47
Other livestock products	3	7	12	19	21	19	20	20
Total livestock products	123	238	405	410	439	429	435	415
Total	329	642	1,149	1,257	1,265	1,337	1,468	1,353

* Revised.

† Preliminary.

Table 2. Percentage distribution of cash sales of agricultural products by Minnesota farmers, selected years 1935-59

	Average 1935-39	Average 1940-44	Average 1945-49	Average 1950-54	1956	1957*	1958*	1959†
	Percent							
Crops	24	21	28	27	33	29	27	27
Livestock and livestock products	76	79	72	73	67	71	73	73
Hogs	20	25	21	20	15	17	17	16
Cattle and calves	16	15	15	19	16	21	25	26
Sheep and lambs	2	2	1	1	1	1	1	1
Total livestock	38	42	37	40	32	39	43	43
Dairy products	26	22	20	19	21	21	19	20
Eggs	6	9	10	9	8	7	6	5
Chickens and broilers	3	3	2	1	1	1	1	†
Turkeys	2	2	2	2	3	2	3	3
Other livestock products	1	1	1	2	2	1	1	2
Total livestock products	38	37	35	33	35	32	30	30
Total	100	100	100	100	100	100	100	100

* Revised.

† Preliminary.

‡ Less than one percent.

PLANNING THE FARM FOR 1960

S. A. Engene

The economic outlook for 1960 does not indicate major changes by many Minnesota farmers. Most of them, however, will need to check their organization and operations for possible improvements in efficiency.

The average price of all farm products is likely to be lower than in 1959, but this varies with the individual products. The prices paid for farm supplies and production costs will rise a little. Consequently, the average net farm income is likely to be below 1959.

Looking farther ahead, problems of surpluses will continue. There is a growing pressure for some change in our policy for handling these surpluses. This could affect the operation of some farmers. Plans must be kept sufficiently flexible to adjust to these changes.

Crops for 1960

Much of the farmer's planning starts with his crop production. In the southern part of the state, corn still is the most profitable crop. Most farmers will find it profitable to raise as much corn as land and labor will allow, and to use fertilizer fairly generously. Farmers in the central counties will also find it desirable to increase corn production if they use improved varieties and practices. Unfortunately, this action which is profitable for the individual farmer adds to the surplus problem.

Soybeans continue to be a good alternative cash crop on level lands in the southern two-thirds of the state. With a smaller crop in 1959 the carryover supply is down. With domestic use and exports steady or rising, a modest increase in production can be absorbed.

Flax prices will be good. Short crops in 1957 and 1959 have brought down reserves; supplies are becoming tight.

Most farmers in the northwestern part of the state have no one outstanding crop. The cost per acre is quite similar for most of the small grain crops. The choice will depend upon the probable income per acre; this in turn depends upon yields and quality of crop on the individual farm as well as upon the average price of the crop. Wheat and flax probably hold the greatest promise for 1960.

Farmers in the northeastern counties use most of their land for feed crops, primarily for dairying; there is no basis for suggesting a change during the coming year.

Crops for processing or for special markets, as canning crops, will continue to be good. Markets for these, however, are determined by contracts. Sugar beets continue to be a profitable crop in the Red River Valley; farmers will want to explore every possibility for expanding allotments. Even though prices for the 1959 potato crop have been favorable, the inelastic demand does not permit much expansion.

There is no strong reason for a change in hay and pasture crops. Cash costs per acre are as high for hay as for other feed crops; consequently a shift to hay will not help to cut costs. The acreage of these crops must be adapted to the soil conservation needs and the livestock of each farm.

Livestock for 1960

Longtime livestock plans are influenced by the large stocks of feed grains. Feeds on hand are potential livestock or livestock products of the future.

Dairy production has fallen slightly, and prices have strengthened. These trends are likely to continue through 1960. In the longer run, no strong upward trend is likely. Although government purchases of dairy products have declined, they still are large enough to influence the market. Falling cattle prices will cause some beef men to milk some of their cows. Also, improved varieties and harvest methods for forages gives a base for increased dairy production.

Farmers with dairy herds will want to manage them for the most efficient production, to take advantage of these prices.

The trend to fewer but larger dairy herds will continue, but the changes will be gradual. Farmers with small herds must consider other alternative enterprises before they make large investments in buildings or equipment.

In contrast with the dairy situation, cattle prices began to fall in 1959. They

most likely will continue to fall for the next few years, as increased numbers of cattle come to market.

These falling prices will affect the farmer with a beef breeding herd more than the cattle feeder. This will be a good time to cull breeding herds thoroughly and prepare for expansion after three or four years. With a shift in consumers' preference toward beef and a growing population, it is likely that even more beef can be absorbed in the next cattle cycle.

The cattle feeder can pass part of the price decline back to the man who raises the feeder cattle and thus help maintain profit margins. However, the feeder must discount the falling slaughter cattle prices when buying cattle.

In the longer run, there will be more cattle, and more for the feed lot. However, more farmers are becoming interested in cattle feeding; this will increase competition for feeder cattle and tend to hold prices up.

Hog prices look unexpectedly favorable. Farmers estimate that 12 percent fewer sows will farrow this spring than in the spring of 1959. The number of sows farrowing will then be the same as in 1957 and 1958. If farmers do not modify these plans, prices should rise during the year. Competition from beef, poultry, and turkeys will limit the price increase.

Well established, efficient hog producers may find it desirable to breed a few more sows for farrowing in the fall of 1960 and spring of 1961. The man with less than average efficiency needs to consider carefully the possibility of sealing or selling his feed crops.

Sheep and wool prospects continue fair. Farmers with crops and facilities adapted for sheep may wisely consider a ewe flock.

Eggs are probably the darkest spot in the outlook. Income from eggs fell by about one quarter from 1958 to 1959 (see the preceding article in this issue). Total egg production has been increasing, due largely to more eggs per hen. Added to this is a decline in consumers' preference for eggs.

Prices may rise a little in 1960. The present laying flock is about 4 percent smaller than last year, and the rate of lay may be lower. But recent history has shown a two-year cycle—one year up, the next year down.

Although there is a trend to fewer and larger flocks, most of the eggs produced in Minnesota still come from the farm flock. A poultry flock is a profitable part of many farms, when housing is available, labor has no alternative

employment, and management is good. However, records of farm flocks show an average return of about \$130 for \$100 feed; the returns on poorly managed flocks is still less, and is too low for continued production.

Profit margins also have declined for turkeys, although less than for other poultry. Improved efficiency is needed, but no major change in volume seems to be desirable.

The trend toward more specialization in livestock production continues, with more large-scale producers in all lines. The bulk of the production, however, is on family-sized, diversified farms. The evidence is not strong that the very large, specialized producers have a big advantage.

Costs and Income

The prices of industrially produced goods for the farm continue to rise—gradually. Careful planning and shopping will again be needed to hold expenses down.

Net incomes for dairy and hog farmers may not change much in 1960. Net incomes for crop and beef farmers most likely will decline. Net incomes for egg producers will probably hold steady or rise a little—but still at a low level.

These lower incomes will require some readjustments. The first adjustment will be to increase efficiency. As usual, the most promising adjustments increase production; this helps the farmer as an individual, but when many farmers make the same change, total production is increased and prices may fall farther.

A second adjustment is to postpone replacement of expensive buildings and machines. In many cases, timely repairs can materially extend the life of these items, with a lower overall cost than replacement. If repairs are not feasible, delays in replacement may merely add to the problems.

For the longer pull, many radical changes are coming in agriculture. Cropping systems and management practices of the future may look strange to the farmer of today.

The benefits of these changes are likely to go to the farmer who can first adopt them successfully. This means that the farmer must be alert to new developments and study them carefully; he must determine whether or not they fit his farm, and he must acquire the skill to use them. His farm organization must be sufficiently flexible to permit adoption of these new ideas.

THE OUTLOOK CORNER

Farm Population Income Trends

Minnesota farm income rose rapidly from 1935 to the late 1940's; it has risen slowly since then (see first article in this issue). Farm income for the United States followed about the same trend. During this period nonfarm income rose steadily; and in recent years more rapidly.

The population of each group has also changed; hence, per capita income becomes more meaningful in translating total net income changes as they influence the peoples' standard of living.

The July 1959 USDA Farm Situation reports the farm population group in 1958 at about 21 million people; the nonfarm group, around 154 million.

The per capita net income information for the farm population dating back to 1934 is shown in table 1.

Table 1. Average per capita net income for the farm population—United States

Years	Per capita incomes		
	Nonfarm population	Farm population	Farm as a percent of nonfarm
	dollars	dollars	percent
1934-38 avg.	562	234	42
1939-43 avg.	881	405	44
1944-48 avg.	1,373	823	58
1949-53 avg.	1,722	896	52
1954	1,849	925	50
1955	1,975	894	45
1956	2,073	901	44
1957	2,102	974	46
1958	2,066	1,066	52

Incomes of Both Groups Are Up

The average per capita income of both the farm and nonfarm population has gone up since 1934. This is due to increased productivity and to inflation. Other characteristics are: (1) Per capita income of the nonfarm population rose at a fairly constant rate from \$468 in 1934 to \$2,048 in 1958 with small yearly deviations from the average trend; (2) the per capita increase for the farm population during this period rose from \$165 to \$1,066 but the yearly deviations from the average upward trend were frequently large; and (3) the ratio of the farm per capita income to the nonfarm per capita income fluctuated violently at times.

Agriculture's per capita income relationship to per capita nonfarm income was very unfavorable during the depression of the 1930's when farmers received around \$40 for each \$100 received by nonfarm people. The relationship became more favorable with the rapid rise in farm prices during World War II when the farmers averaged as much as \$58 for each \$100 for nonfarm people. A sharp decline followed, but another upturn occurred with the outbreak of the Korean War and then leveled off. In 1959 the farmers' per capita income is expected to be about \$45 for each \$100 income for nonfarm people.

Agriculture's Nonfarm Income

The nonfarm sources of income for the farm group (table 2) always were sizeable during the period considered. They usually varied from around 25 to 30 percent. This source rose throughout the period at a steady rate and fluctuations from year to year were less pro-

Table 2. Per capita farm and nonfarm sources of net income for the farm population—United States

Year	Average per capita income			Percent nonfarm sources are of total
	From agricultural sources	From nonfarm sources	Total	
	dollars	dollars	dollars	
1934-38 avg.	165	69	234	30
1939-43 avg.	293	112	405	28
1944-48 avg.	627	196	823	24
1949-53 avg.	664	232	896	24
1954	660	265	925	29
1955	610	284	894	32
1956	600	301	901	33
1957	665	309	974	31
1958	765	298	1,066	29

nounced than for the agricultural sources of income.

Farm sources of nonfarm income include net income originating from farm operators, farm wages of farm resident workers, government payments, and also income received by farm people from nonfarm sources. The latter includes farm income from (1) off farm work resulting in income from nonfarm jobs, businesses or professions, and work on someone else's farm for wages; and (2) other income as that received by the operator for products sold from land rented, cash rent, boarders, veteran's allowances, unemployment compensation, interest, dividends, profits from other nonfarm businesses, and help from other members of the operator's family.

For the Future

The per capita income data used in this study show that: (1) Nonfarm income for the farm population is not likely to depart very much from the gradual upward trend it has been following; (2) the percent of per capita income from nonfarm sources for the farm population is likely to be influenced mostly by changes in the net income received from agriculture.

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

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