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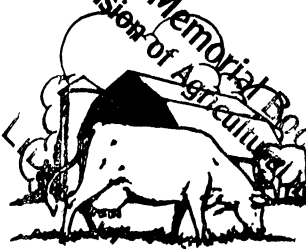
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MINNESOTA farm business NOTES



FARM INCOME IMPROVES IN 1961

Elmer Learn

Total cash receipts from the sale of Minnesota farm products increased in 1961 for the second year in a row. Cash receipts in 1961 totaled \$1,468 million compared with \$1,423 million in 1960.¹ Greater prices for hogs, milk, and soybeans accounted for the bulk of this increase.

Net farm income increased even more than cash receipts. Although production expenses continued their upward trend, the increase probably didn't offset the increased cash receipts and a higher level of government payments. Government payments in 1961 were \$79 million compared with \$32 million in 1960.

CROP AND LIVESTOCK INCOME INCREASES

Total crop production exceeded 1960's record level by 2 percent even though feed grain tonnage was reduced about 2 percent by the emergency feed grain program. Higher production of other crops, principally soybeans, was responsible for the overall increase. The production record takes on added significance in light of the extreme drought conditions that prevailed in northern Minnesota. Cash receipts from crops increased to \$386 million compared with \$374 million in 1960.

Yield of corn, the state's leading cash crop, set a new record with an average of 64.5 bushels per acre, 10.5 bushels higher than 1960's average. Market prices for corn averaged only slightly higher than in 1960. However, the increased support price of \$1.20 a bushel for the current crop helped boost cash receipts.

Minnesota's soybean acreage increased for the first time in 3 years. Nevertheless, the 2,341,000 acres harvested were far below the 1958 record of 3,082,000

acres. However, a large yield increase to 24.0 bushels per acre resulted in a new production record of 56,184 thousand bushels. The highest market prices since 1953, \$3.01 in April 1961, and an increase in the support price to \$2.30 were factors that led to increased production and higher cash income from this important crop.

Total sales of livestock and livestock products continued at record levels with almost a \$40 million increase over 1960. Higher prices for dairy products and hogs were mainly responsible for this.

Cash receipts from sale of cattle and calves rose slightly to \$359 million in 1961. Prices averaged close to 1960 levels but marketings of cattle were up 5 percent. This offset a 15 percent decline in marketings of calves.

Hog producers enjoyed their best year since 1958. Prices increased more than 7 percent and production increased slightly. Thus, cash sales rose

to \$231 million, \$22 million more than in 1960.

Minnesota dairy farmers received \$315 million from milk and cream sales in 1961. It was the first time that cash receipts for dairy products exceeded \$300 million. Production remained relatively constant but average prices received rose more than 5 percent. National average support prices for manufacturing milk were increased from \$3.06 to \$3.22 in November 1960 and to \$3.40 in April 1961. This accounted for most of the price rise.

Minnesota retained its position as the nation's leading turkey-producing state with a 32 percent increase in number of birds raised. Other states also showed large production increases. Drastic price declines resulted. Average prices in Minnesota fell about 15 percent. While cash receipts fell only slightly, from \$58 million to \$55 million, turkey growers' net incomes were severely depressed.

Other segments of the poultry industry failed to make gains. Egg produc-

(Continued on page 2)

Table 1. Annual cash sales of agricultural products by Minnesota farmers, selected years, 1935-61

Product	Average					1959*	1960*	1961†
	1935-39	1940-44	1945-49	1950-54	1955-59			
	million dollars							
Crops	80	134	317	338	382	339	376	385
Livestock and livestock products	249	508	832	919	954	1,040	1,047	1,083
Cattle and calves.....	53	97	173	238	289	379	354	359
Hogs	66	162	240	256	219	213	209	231
Sheep and lambs.....	7	11	14	15	16	16	17	17
Total livestock	126	270	427	509	524	608	580	607
Dairy products	86	139	228	239	270	287	299	315
Eggs	19	58	111	107	93	69	77	75
Turkeys	5	12	24	30	39	47	58	55
Chickens and broilers.....	10	22	30	15	10	7	9	9
Other livestock products	3	7	12	19	19	22	24	22
Total livestock products	123	238	405	410	431	432	467	476
Total	329	642	1,149	1,257	1,336	1,379	1,423	1,468

* Revised.
 † Preliminary.

¹All 1961 data presented are preliminary estimates based on information from government sources.

Planning the Farm for 1962

S. A. Engene

Farmers can divide their planning for 1962 into two phases: (1) desirable changes in crop and livestock selections and in the efficiency of operation on their own farms, (2) active participation in discussions and debates that will lead to wise group action.

Political and other group action now may be even more important than in the past. With a decline in the farm population, group action may offset some loss in numerical strength. Special attention should be given to good public relations.

ADJUSTMENTS ON THE FARM

No outstanding new developments or changes in conditions seem to affect farm operation planning for 1962. Major changes in farm operations can be justified only where circumstances on the farm have changed or where study of the farm operations reveals important weaknesses.

Corn again is king of crops for most of the state—in production per acre, flexibility for use, and distribution of labor throughout the crop season.

The advisability of participating in the feed grain program must be con-

sidered again this year. Fortunately, more time is now available for weighing possible advantages and disadvantages. The four possible gains from participation are:

1. Direct payments will be made for acres retired from production.

2. There will be savings in operation costs by reducing the acres of crops planted and harvested. These costs include seed, fertilizer, fuel, oil, chemicals, crop insurance, custom work, hired labor, and possibly other items.

3. The land, labor, and other resources released may bring increased income in other uses. Land retired from crop production could be built up for higher yields in the future. Released labor could be used for other enter-

(Continued from page 1)

tion continued to decline. Cash receipts fell from \$77 million to \$75 million even though average prices changed little. Egg sales currently account for only 5 percent of the state's total cash receipts, while from 1945 to 1954 egg sales accounted for about 10 percent. Prices of farm chickens and broilers were at extremely low levels, averaging only 7 and 15 cents a pound, respectively.

Relative importance of individual commodities remained about the same in 1961 as for the past several years (table 2). Cattle continued as the most important single cash income source for Minnesota agriculture, with dairy and hogs in second and third position.

GOVERNMENT PAYMENTS HELP BOOST NET INCOME

Net income probably rose about 15 percent. However, total net income probably didn't reach the \$556 million received in 1958, Minnesota agriculture's best economic year since the Korean War.

Direct government payments rose from \$32 million to \$79 million. Payments for land retirement under the emergency feed grain programs for 1961 and 1962 amounted to \$47 million. Storage payments for Commodity Credit Corporation resealed grain stored on Minnesota farms were \$8 million in 1961.

Production expenses probably rose slightly above the 1960 record \$1,159 million as farmers continued to employ more off-farm inputs. Prices paid by U. S. farmers for production items increased by about one-half percent.

Table 2. Percentage distribution of cash sales of agricultural products by Minnesota farmers, selected years, 1935-61

Product	Average					1959*	1960*	1961†
	1935-39	1940-44	1945-49	1950-54	1955-59			
Crops	24	21	28	27	29	25	26	26
Livestock and livestock products	76	79	72	73	71	75	74	74
Cattle and calves.....	16	15	15	19	22	28	25	24
Hogs	20	25	21	20	16	15	15	16
Sheep and lambs.....	2	2	1	1	1	1	1	1
Total livestock	38	42	37	40	39	44	41	41
Dairy products	26	22	20	19	20	21	21	21
Eggs	6	9	10	9	7	5	5	5
Turkeys	2	2	2	2	3	3	4	4
Chickens and broilers.....	3	3	2	1	1	‡	1	1
Other livestock products	1	1	1	2	1	2	2	2
Total livestock products	38	37	35	33	32	31	33	33
Total	100	100	100	100	100	100	100	100

* Revised.

† Preliminary.

‡ Less than 1 percent.

Table 3. Cash receipts from farm marketings, gross farm income, and realized net farm income, Minnesota, 1949-60*

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	1,453	1,636	553
1959	1,380	1,550	423
1960	1,423	1,588	430

* 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*, July 1961 (Supplement). 1961 data not available.

prises or to do work more thoroughly or more nearly at the best time.

4. The corn harvested will likely bring a higher return when there is a possibility of placing it under loan than if it must be sold on the open market. The support level will be held at \$1.20.

Total gains from these four items must be balanced against two disadvantages: (1) a loss in gross income from the reduction in total production, and (2) costs incurred in applying soil-conserving practices and controlling weeds on the retired land. Each farmer must make these comparisons himself.

Again this year cash crop farmers will be more likely than livestock farmers to find participation desirable (see *Minnesota Farm Business Notes*, November 1961). Because livestock farmers generally sell little or no corn, they gain no direct price benefits by qualifying for loans. They could benefit, however, if they sold their corn at support level and bought on the market at a lower price. Also, with less corn harvested, the size of the livestock enterprise must be reduced unless they purchase more feed.

Barley producers must make a similar decision. The factors to be considered are the same as for corn. For livestock farmers, barley and oats will continue to (1) serve as nurse crops, (2) balance the labor load, and (3) provide feed for special purposes. It will be profitable to hold their acreage to a minimum unless there are good prospects for getting malting prices for barley.

The increase in support for wheat from \$1.79 to \$2.00 gives a more favorable price. However, wheat growers must decide whether to participate in the acreage reduction program. The gains and losses to be considered are the same as for corn. Many farmers will probably find it desirable to reduce acreage by the minimum of 10 percent to gain the loan price advantage.

There seems to be no strong reason for materially changing flax acreage. Prices were favorable in 1961 due to low production caused by drought. However, the market cannot absorb a large increase in flax production without a sizable drop in price.

Soybeans continue to be a puzzle. We have marketed profitably a larger quantity than dreamed possible. Can we market still more? Based on past experience, we hardly dare say no. Yet, the large carryover expected from the 1961 crop is causing some concern. Even with the small drop of 5 cents in

the support price soybeans will be a good crop for 1962.

Acreage restrictions have been removed on sugar beets. This, however, does not give much opportunity for adding or expanding acreage. Minnesota plant capacity for processing beets is limited.

A change in the acreage of hay and pasture crops is not necessary. These still will be important crops in the northeastern counties, on land subject to erosion, on soils where organic content should be maintained or increased, and on livestock farms. However, they are not high profit crops on tillable land of high productivity.

LIVESTOCK ADJUSTMENTS

Dairy product prices in 1962 will stay near the support level. If support is continued at or near the present \$3.40, profits in dairying will be at about the 1961 level.

Longrun prospects for dairying are more gloomy. Production in 1961 was 2 percent above 1960. This was due, at least, in part, to higher supports. These were raised from \$3.06 to \$3.22 and then to \$3.40. In order to hold prices at this level, the Commodity Credit Corporation purchased 7 percent of the milk on a milk fat basis and 10 percent on a solids-not-fat basis in 1961. Production will increase in 1962; and CCC purchases will be even larger.

The cost of such a support program on a perishable product is high; public opposition to this cost is already developing. Dairymen probably must adopt a production control program or accept a drop in the support level. In either case they must make a substantial shift in operations.

Prices of beef cattle for slaughter probably will be slightly lower in 1962. Nevertheless, returns from beef cattle will be reasonably favorable. Beef production per capita has increased, but demand has shifted enough to prevent a sharp price drop.

Prices of feeder cattle were quite high this past fall, squeezing profit margins for the feeder. This squeeze is likely to continue; there has been a big increase in interest in feeding. Feeders can, however, continue operations as in the past. Greater care, however, will be needed in buying and in feeding to make some profit.

Higher feeder cattle prices resulted as demand outran the production of calves, especially on the ranges in the west. This gives better profits for beef cow herds. Minnesota farmers with land suitable only for hay and pasture and

with available buildings and labor may find it profitable to add a beef herd. However, costs must be held low with a minimum of marketable feeds used. Also, the herds should not be expanded to the point where they draw on tillable land for feed. Other enterprises pay more for that land use.

Hog farrowings will increase about 2 percent this coming spring, with possibly a small increase in the fall. About 3 percent more hogs will be sold in 1962 than last year. This means lower prices—a drop of 5 to 10 percent. Although this still leaves reasonably satisfactory returns for hog producers, there is no justification for expansion.

Sheep and wool prices are likely to strengthen slightly during 1962. Farmers with the needed skills, labor, fencing, and buildings can consider an ewe flock.

Egg production will run above 1961 with lower prices through most of the year. Returns over feed cost will be low. Only efficient poultrymen will make an acceptable return. Many farm flocks will give little or no return for the labor used. Study your records carefully before you buy chicks for replacement.

Broiler prices were low during 1961. Although there is hope for some recovery, prices will be too low for all but efficient producers. Turkey production will be reduced, but probably not enough to bring prices to a profitable level.

Marketing orders are being actively considered for turkeys. There is increasing interest in marketing orders or other control programs for poultry, dairy, and other products. Producers should participate in the discussions of what, if any, types of programs to adopt. They also must be prepared to make quick decisions as to whether to participate if a program does evolve.

Farm costs will edge upward during 1962. No one item is likely to change drastically. Therefore, effort to increase efficiency and to shop for the best buys must continue.

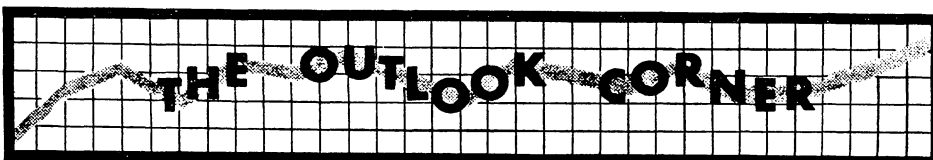
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NOTES

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The Turkey Enterprise

The total U. S. output of turkey poults exceeded 101 million during the first 7 months of 1961—up 24 percent from that period a year earlier. For Minnesota, the output was more than 21 million—up 34 percent (table 1).

The production and marketing of heavy breed turkeys is still more seasonal in Minnesota than the U. S. However, in Minnesota there is a more marked shift from the production of regular, heavy breed turkeys to dual purpose, heavy white types. Thus, the seasonality in the production and marketing of the total number of turkeys is now actually less pronounced in Minnesota than in the U. S.

Because of the large number of turkey poults marketed from the record hatches in the last half of 1960 and the first 7 months of 1961, a tremendous tonnage of turkey meat was on sale during the latter part of 1961. This resulted in drastically lower prices to turkey producers (table 2). These prices during September-November were accompanied by a reduced number of poults hatched compared with a year earlier.

Per capita consumption of turkey meat increased substantially in recent

years—from less than 4 pounds in 1950 to 6.3 pounds per capita in the 1959-1960 period. Also, the export market for poultry meats expanded in 1961 and there may be good potential for more expansion.

This, together with the continued favorable U. S. consumer income situation, and a resulting strong demand for poultry meats, provides an overall favorable situation for turkey meat. However, this is not sufficient to take care of the current large supplies of turkey meat at prices considered satisfactory to producers.

The lack of balance between supply and demand in the turkey market for

sufficiently favorable prices to producers resulted in proposals for turkey marketing orders. Special conferences and meetings were held to consider methods of curtailing production of turkeys and the tonnage of turkey meat. Producers are urged to participate in any additional meetings.

Whether or not marketing orders are put into effect, there is a strong indication that fewer turkey breeder hens will be kept in 1962 than in 1961. As a result the number of poults hatched and turkeys raised will be lower. This already started with less turkey poults hatched during September-November of 1961 compared to these months in 1960.

With fewer poults hatched and turkeys raised, the prices to turkey producers should be considerably more favorable in the latter part of 1962 compared with what they were in 1961. Longrun trends are less certain.

Table 1. Turkey poults hatched by commercial hatcheries

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
United States—thousands												
1960	3,756	7,756	14,931	17,697	17,744	13,192	6,651	2,851	1,610	1,853	2,597	4,420
1961	6,200	10,113	18,365	21,547	21,916	15,635	7,554	2,962	1,510	1,553	1,995
	+65.1	+30.4	+23.0	+21.8	+23.5	+18.5	+13.6	+3.9	-6.2	-16.2	-23.2
Minnesota—thousands												
1960	1,075	1,926	3,187	3,149	2,959	2,153	1,401	977	871	1,017	1,042	1,273
1961	1,779	2,410	4,031	4,124	4,093	2,958	1,876	1,424	864	763	763
	+65.5	+25.1	+26.5	+31.0	+38.3	+37.4	+33.9	+45.8	-.8	-25.0	-29.9

Table 2. Monthly farm prices received for live turkeys

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
United States—cents												
1960	27.8	26.0	26.8	27.5	26.1	24.1	23.2	23.7	24.5	25.6	25.9	26.6
1961	25.4	23.7	23.6	22.1	21.5	20.5	19.5	19.8	18.4	17.4	18.4	18.6
Minnesota—cents												
1960	26.0	26.0	27.0	27.0	26.0	24.0	23.0	24.0	25.0	26.0	25.0	27.0
1961	25.0	23.0	22.0	20.0	20.0	19.0	18.0	19.0	17.0	16.0	16.0	16.0

RECENT PUBLICATIONS

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Your Farm Lease Checklist. Farmers Bulletin No. 2163, USDA.

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