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Minnesota Farm Business Notes

BEEF COWS IN NORTHEAST MINNESOTA

A. R. Wells and S. A. Engene

The number of beef cows in Minnesota increased from 303,000 to 417,000 —or by more than one-third—from January 1, 1956 to January 1, 1963. This article summarizes some preliminary results of a study of beef breeding herds on northeastern Minnesota farms. The primary purpose of the study was to determine the probable place of beef on northeastern Minnesota farms. These results provide useful information for farmers interested in adding beef cows.

Ninety-nine individuals who owned or managed farms with beef cow herds in 1964 were interviewed. These people were selected primarily from 150 names furnished by county agents and vocational agriculture instructors. All farms were located in the northeastern quarter of the state where the most rapid increase in beef cows has occurred.

The survey included herds ranging in size from 16 to 375 cows. One-third of the farms had small herds (16-40 cows), another third had medium herds (41-70 cows), and the last third had large herds (71-375 cows).

The beef cow herd was a relatively new enterprise on most farms. About one-third of the farmers had their herds for less than 5 years—only one-third had them for 10 years or more.

Part-Time or Full-Time Farmers

Beef cow herds are adaptable to part-time farming situations. About two-fifths (38) of the farmers worked off the farm (see table 1). Many of these farmers spent as much as 40 hours per week at off-farm jobs; others spent only 2 or 3 hours per day. Four semiretired farmers, not working off their farms, were also considered part-time farmers.

Twelve farmers operated nonfarm businesses which they owned. These men could work at jobs connected with the beef cow herd at any time they desired. The same was true for the four semiretired farmers. The other part-time farmers were not so fortunate because many could not always have time off from their nonfarm jobs. However, some farmers could take their vacations when farmwork had to be done.

The beef cow enterprise is also suitable for full-time farming. Fifty-seven full-time farmers had beef cow herds. About half of these herds were large enough to provide a sizable income and to occupy a good deal of the operator's time.

Hired managers operated 8 of the 99 farms. This percentage of hired managers was considerably higher than for all farms in this area. All of these farms were full-time operations; herds ranged in size from 85 to 158 cows.

Major or Secondary Enterprises

The sole source of farm income on nearly one-third of the farms was the beef cow herd (see table 2). Of these farms, 20 had small or medium herds. The beef cow herd provided more

(Continued on page 3)

Table 1. Type of farm operator according to size of the beef cow herd

Type of operator	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
Part time	19	18	5	42
Full time	14	15	28	57

Table 2. Percent of gross farm income from the beef cow herd according to herd size

Percent of gross farm income	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
100	8	12	11	31
75-99	1	4	5	10
50-74	3	6	7	16
25-49	9	7	9	25
0-24	12	4	1	17

The Future of Professional Farm Management

E. T. Shaudys*

"I am concerned about the future for that's where I expect to spend the rest of my life."

Charles F. Kettering

The improvement of our society's well-being is directly related to the productivity of the farming industry. During the past 25 years, U.S. farm production has been characterized by rapid technological change. The development of "professional farm management" was part of this change. Farm managers have, in turn, accelerated development of the industry so professional farm management was spawned, reared, and has thrived on technological change.

Development of Professional Farm Management

Farm management as a field of endeavor is a 20th century development. A few farm management research studies and courses were conducted by pioneers such as Willet M. Hays at Minnesota prior to 1900. The creation of the Office of Farm Management in the U.S. Department of Agriculture, with the appointment of W. J. Spillman to this office in 1904, is another benchmark.

Several colleges of agriculture offered courses in farm management by 1910. During the following years, many students became increasingly aware of the utility of economic reasoning in the development and operation of a farm business. Much professional farm management developmental activity occurred in the north-central states.

In 1929 the American Society of Farm Managers was formed as a national organization. This group, later renamed the American Society of Farm Managers and Rural Appraisers, experienced a steady growth and now has 1,500 members. Members are located in most states and in several foreign countries. Members also hold membership in their respective state or regional society. The Society awards accredited titles in management and/or appraisal based on the member's ability.

(Continued on page 2)

* Associate professor, agricultural economics, Ohio State University.

Farm Management . . .

(Continued from page 1)

The Product

The only product a professional farm manager offers his client is service—the service of providing information and advice. He can also substitute for the landowner or farmer in making and executing decisions.

Some services are acquiring, organizing, and operating a farm business in which all resources except management belong to others. The services provided range from consulting on a single problem to the acquisition and operation of a complete farm business for an investor. A fee is charged for managerial services provided.

Extension and research personnel, vocational agriculture instructors, and agricultural business firm representatives provide information to farmowners and operators. However, the professional farm manager's position differs with respect to resource allocation and use in that **he holds the authority to enforce, and accepts responsibility for, the action taken.**

A professional farm manager's reason for existence is to apply his abilities to the organization of resources in a manner that realizes an economic advantage for his client. If he cannot demonstrate returns in excess of his management fee, his services are not likely to be retained long.

Change And The Future

Prior to World War II, due to the rate of technological change, many farm firm adjustments could be made over a generation. But, today, adjustments must be accomplished quickly.

Until recently, many changes in farming concerned the physical (mechanical and chemical) production areas. Most technological developments have resulted in the substitution of capital for labor. Now, an even more far-reaching change may be occurring—the financial structure of the farm firm is being dramatically modified. Much more capital is and will be required for conducting a competitive farm business operation.

Narrow profit margins, low equity financial control of resource inputs, and rapid technological change require superior resource management. The professional farm manager specializes in this work. He often employs other professional people and specialists in order to gain the benefit of their knowledge and skills. His specialty is to ascertain the most feasible method for acquiring and integrating the needed resources for a given farm.

Consolidation of several farm ownership units into an efficient and competitive operating unit is often facilitated by employing a manager. A manager, serving as the agent for several owners, can consolidate two, three, or more tracts into one unit that will attract a good operator. Although the entire area can be operated as one unit, the ownership can remain in several hands. Such consolidation can offer benefits to both landowners and tenants.

With rapid technological change, landowners often lack time and ability to modify the resource mix needed for providing a profitable and competitive business operation. In the past, when changes were made slowly, owners with some farm experience often could make adjustments with confidence. Today, constant contact and study are required to make these adjustments knowledgeably. Consequently, many owners find it advantageous to seek the expert counsel of a professional farm manager.

Selection and supervision of personnel are other key areas of managerial responsibility. A professional manager maintains contact with numerous tenants and farm operators. Securing a tenant operator who possesses the capabilities and resources commensurate with the landowner's farm resources is critical. Few owners, especially absentee owners, have the contacts needed to secure such an individual.

Other Service Activities

In addition to managing the farm business, a professional manager offers many allied services. Often these services are an integral part of farm management such as is the appraisal of farm real estate.

Today, individuals and society frequently must determine the value of rural real estate without placing it on the market. The use of scientifically established valuation techniques along with experienced and accurate interpretation is necessary for ascertaining values with acceptable accuracy. Rural real estate differs from other real estate; it is of such diverse character that a thorough knowledge of forces influencing value is required.

Demand pressures are increasing on farm real estate in most areas of the United States. Land is necessary for urban development, highways, public utilities, conservation programs, and other public needs. Consequently, appraisal techniques are required to ascertain fair values for settling with owners when land is seized in the public interest.

Furthermore, many individuals must know land values for purposes such as estate settlement and taxation requirements. Others (both lenders and borrowers) want to know real estate value for use as collateral.

The farm manager can observe and test the valuations of one of agriculture's basic resources—*the land.* His familiarity with real estate uniquely qualifies him to ascertain its worth.

Many farm managers engage in rural appraisal work; many (especially in industrial and urbanized areas) specialize in appraisal activity. Demand for this work will expand.

Consultation service offerings of professional farm managers also will increase in the future. Investors interested in rural real estate often seek the professional farm manager's counsel. As farm real estate valuation and production technology become more complex, investment counsel will increase in importance.

Other consultation services are developing. These include estate planning and management, developing insurance programs, record keeping and analysis, and tax management and reporting. Regular management clients often enjoy these benefits as a part of the service rendered. Others can gain the services for a contractual consultation fee.

Future Needs

In the past the farm management services offered were of limited scope. As the public image of professional farm managers develops, the demand for the service offerings will increase. The growth of the population and the improvement of the level of living relate to the stewardship of our agricultural resources.

Professional managers are entrusted with two of our most important basic resources—people and land. As managerial needs intensify, the importance of superior performance will compound.

The profession's growth has been steady and will continue. Farm numbers are declining but managerial requirements are increasing. Farm operators, landowners, and potential real estate investors will confront increasingly complex resource management decisions. Specialists in acquisition, organization, and utilization of farm resources will be sought. The future for a qualified professional farm manager is indeed bright. ■

Beef Cows . . .

(Continued from page 1)

than half but not all of the gross farm income on another 26 farms. Twenty-three of these farmers also raised cash grain and fattened cattle.

The 42 farms on which beef cows provided less than half of the gross farm income had a variety of enterprises. Dairying was the most important source of income on 12 farms, hogs on 7 farms, and cash grain on 7 farms.

Breeding Stock Used

The predominant breed of beef cow owned was Hereford. Of the 99 herds, 67 or two out of every three herds were Hereford (see table 3). Only 10 herds were Angus.

Seven farmers used beef-dairy cross animals for their brood cows where Hereford or Angus bulls had been used on their dairy herds. By 1964, calves raised were at least 75 percent beef; in some cases, they were 90-95 percent beef.

Table 3. Breed of beef cow herd according to herd size

Breed	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
Hereford	24	24	19	67
Angus	2	5	3	10
Beef-dairy cross	2	1	4	7
Other*	5	3	7	15

* Mixed beef breeds, dairy cow-beef bull, or a combination of the above.

Method of Handling Calves

Most farmers bred their beef cows to calve in April. About 7 months after birth, calves from 40 herds were weaned and sold as feeders weighing 375-400 pounds (see table 4). Over half of the farmers following this practice had medium size herds.

Another 29 farmers separated their calves from cows in the fall but kept them on the farm. These farmers fed out their calves on a high grain ration and sold them as finished cattle weighing 1,000-1,100 pounds. Or, they fed them on a high forage ration and sold them as unfinished cattle weighing 700-800 pounds. Farmers selling cattle as unfinished animals usually did not produce enough grain on their farms to finish calves.

One-third of the farmers with small herds and more than one-third of the farmers with large herds separated

Table 4. Method of handling calves according to size of beef cow herd

Method of handling	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
Sold as feeders	11	21	8	40
Separated from herd	11	5	13	29
Not weaned	10	3	5	18
Other*	1	4	7	12

* Combination of the above.

calves from the herds in the fall. Four of these farmers with large herds had feeding operations outside of the county where the cow herd was located. Three of these men transferred their calves to feedlots in southern Minnesota; the other farmer transferred his calves to Nebraska.

Eighteen farmers did not wean calves in the fall but let calves suck until they weaned themselves. Most of these farmers would hold the calves over for another season of pasture grazing and then sell them as yearling feeders the following fall.

The practice of not weaning calves was most common among farmers with small herds. Many farmers felt that it was not worthwhile for them to wean calves since they had so few. Other farmers did not wean because they lacked facilities to handle weaned calves.

Method of Selling Calves

Farmers disposed of calves by selling them to a cattle buyer more than by any other type of sale (see table 5). Of the farmers selling calves, 20 followed this method. Of these 20, 19 had either medium or large herds. These herds were large enough to make it worthwhile for a cattle buyer to come to the farm and buy calves.

Fifteen farmers sold calves directly to cattle feeders who put them in feedlots. These sales were usually accomplished by advertising calves for sale in a newspaper or through personal contacts. This selling method was

Table 5. Method of selling calves according to size of beef cow herd*

Method of selling	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
To cattle buyer	1	12	7	20
Direct to feedlot	4	6	5	15
To South St. Paul	6	3	2	11
Other†	1	4		5

* Includes farmers selling all or some of the calves.
† Combination of above.

equally popular among farmers with all size herds.

Eleven farmers—more than half with small herds—shipped calves directly to market in South St. Paul. Farmers with small herds found this method of selling easier and more practical than either of the other methods.

Destination of Calves Sold as Feeders

Calves from only five herds were fed out in the county where the cow herd was located (see table 6). In most instances, a neighboring farmer purchased these calves and fed them out with his own.

Calves from 25—slightly less than half—of the farmers selling calves went out of the county but remained in Minnesota to be fed out. The majority of these calves went to feedlots in southern Minnesota.

Table 6. Destination of calves sold as feeders according to size of beef cow herd

Destination of calves	Small herds	Medium herds	Large herds	All herds
	number of beef cow herds			
In county	1	2	2	5
Out of county in Minnesota	3	13	9	25
Out of Minnesota	1	3	1	5
Unknown	6	3	2	11
Other*	1	4		5

* Combination of above.

Five farmers sold calves that eventually left Minnesota to be fed out. Three lots of these calves went to Iowa; the other two went to Illinois.

Eleven farmers—the same farmers who sold their calves at South St. Paul—did not know where their calves would be fed out.

For many farmers the final destination of calves sold as feeders was the same year after year. This fact shows that cattle feeders were satisfied with calves raised in northeastern Minnesota. ■

Minnesota Farm Business Notes

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the outlook corner

Beef Production and Prices

Paul R. Hasbargen

The longrun outlook is bright for the U.S. beef industry. The rapid increase in demand for beef during the past 20 years is expected to continue in the coming decade.

Americans have increased their per capita demand for beef at the rate of about 2 pounds per year. When this amount has been added to annual population growth, total demand has increased by 4 to 5 percent per year. An average annual increase of at least 3 percent can be expected during the next 10 years.

Supplies and Prices—Long Run

Given a 3-percent annual increase in demand, beef supplies must expand to keep pace with demand.

Slaughter of steers and heifers will have to increase by 800,000 to 1 million head each year. *So a 5-percent increase in cattle feeding will be required each year.*

Beef cow numbers must increase at an even faster rate to allow for the normal calving rate of about 85 percent and a continuing decline in dairy cow numbers. *Therefore, the minimum average increase in beef cows over the next decade will be 1 million head per year.* This projected expansion rate about equals the rate prevailing since 1957. Cow numbers may decline slightly during any one year, such as 1965. But, unless the expansion rate greatly exceeds the 1 million a year figure for long, no prolonged cutback is expected.

The western range country has not and cannot keep pace with the large demand increase for beef. In 1951 the western states had 27 percent of the total number of U.S. beef cows. Today they have only 21 percent.

In contrast, the north-central states (excluding Nebraska and Kansas) increased their proportion of the total beef cow herd from 19 percent in 1951 to 23 percent today. These 10 states (Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, and the Dakotas) added twice as many beef cows as did the 11 western states between 1951 and 1965 (4 million as contrasted to 2 million).

Beef cow numbers will continue to increase rapidly in the South and the fringe areas of the Corn Belt. This latter section includes Minnesota—especially western and northern areas. Beef cow numbers in Minnesota went from 185,000 in 1951 to 513,000 in 1965 while dairy cow numbers stayed at 1.4 million. Beef cows now account for 27 percent of Minnesota's total cow herd in contrast to only 11 percent in 1951.

Price levels on slaughter steers and heifers will vary as market supplies fluctuate. Average market weights, as well as the number marketed, affect beef supplies and prices. For any short-run period the weight variable may be more important than numbers. However, assuming little weight variation for the long run, *fed cattle prices will increase when annual marketing of steers and heifers increases by less than 800,000 head. Conversely, prices will decrease in years when steer and heifer slaughter increases by more than 1 million head.*

As an example, in 1963 and 1964, the annual rate of increase in steer and heifer slaughter was twice the increase needed—with subsequent depressed prices. During 1965 and 1966 the annual rate of increase will be below the average needed, so price levels will move up again.

Supplies and Prices—Short Run

The table compares the number of cattle on feed by weight groups on July 1, 1965, with the number on feed a year earlier. This data indicates that the slaughter of steers and heifers will be about 5 percent higher during July-September than during the same quarter a year ago.

Current beef prices should hold through the summer. Moreover, some further improvement is a fair possibility if average weights remain below year-ago levels. However, as both pork and beef marketings increase this fall, prices will trend downward.

As fed cattle marketings increase by more than 5 percent over year-ago levels, only lower supplies of competing meats and/or lighter marketing weights can keep beef prices above those of last fall. Chances are good that these factors will uphold prices through fall and winter, so long as orderly marketing prevails. ■

Cattle on feed in 32 states by weight groups, July 1, 1964 and 1965

Weight groups*	Number on feed 1964	Number on feed 1965	Percent change
pounds	thousands		
S: over 900 H: over 700	3,186	3,191	
S: 700-899 H: 500-699	2,731	3,088	+11
S: 500-699 H: under 500	855	1,076	+26
S: under 500	126	150	+19
All cattle	6,914	7,531	+ 9

* S = steers; H = heifers.

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