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Planning The Farm For 1967

S. A. Engene and K. H. Thomas

You can plan your farm for 1967 with more optimism than was possible in recent years. Income per farm hit a new high in 1966. Although incomes may average a little lower in 1967, they may be even higher for dairy, beef, and possibly crop farms. Nevertheless, plan with cautious optimism, particularly when making major longterm changes. Many signs, but not all, are optimistic.

Our surpluses, which were a burden in the past, are down. In some cases, we even are worried about meeting our commitments. Reduction in stocks is partially attributable to the success of our production control programs. But removal of all controls could bring back serious surplus problems.

An increasing population in the United States and the ability of people to pay for food are well assured. We also can sell more food abroad for currency but how much more is still questionable.

Some people say that the many hungry people of the world will continue to provide an outlet for our production. But hunger does not necessarily mean real demand; hunger does not put money into your pockets unless someone is willing and able to pay for the food. And this condition has not yet been fully assured.

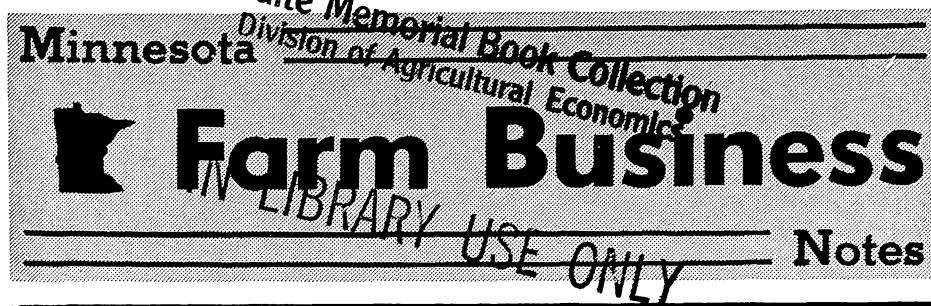
CROPS LOOK FAVORABLE

Corn will continue to be the high profit crop in southern Minnesota. With stocks down and prices up, check more carefully than usual to see if participation in the feed grain control program will be profitable. If participation appears to make little difference in profit, remember that compliance will give you some income insurance and preserve your base for future programs.

You will need up-to-date practices for profitable production. Proper variety selections, fertilization, and disease, insect, and weed control will give good returns for your investment. Because supplies of some chemicals may be tight, get your orders in early. Also arrange for credit if you need it.

As shown by field problems of recent springs, you should be able to move in the field quickly when conditions permit. Get all machines into order and bring in all possible supplies during the winter. Start moving in the field as

(Continued on page 3)



MINNESOTA FARM INCOME IN 1966

Marlen F. Miller

Cash receipts from the sale of agricultural products by Minnesota farmers reached a record level in 1966. According to preliminary estimates, receipts were \$1,823 million, 15 percent above the 1965 level.¹ This substantial increase came from similar percentage increases in cash receipts from crops and from livestock and livestock products.

NEAR RECORD CROP PRODUCTION

Crop sales of \$535 million in 1966 set a record (see table 1). Three main factors accounted for this high level of receipts:

- A record production of soybeans and a near record production of corn for grain.
- Marketing of high proportions of both 1965 and 1966 crops in 1966.
- High prices for corn and soybeans,

the two major cash crops in Minnesota.

However, yields of many small grains were lowered by hot weather in late June and July. This situation prevented a record total crop production in 1966. The record crop production occurred in 1963.

Soybean production set an alltime high in 1966 due to an unsurpassed acreage harvest (3.4 million acres) and a relatively high yield (24 bushels per acre). The production of 80.5 million bushels was 38 percent above 1965 levels and 59 percent above the 1960-64 average. Receipts in 1966 also were boosted by the high price of \$2.80 per bushel — approximately 10 percent above the 1965 price.

The corn grain crop in 1966 almost equaled the record crop of 1963 (342 compared with 354 million bushels) and was 31 percent above the 1965 crop. The 1966 crop stemmed from a peak

(Continued on page 2)

Table 1. Annual cash sales of agricultural products by Minnesota farmers, 1950-66

Product	Average		1960	1961	1962	1963*	1964*	1965*	1966†
	1950-54	1955-59							
.....million dollars.....									
Crops	338	382	397	399	388	447	451	464	535
Livestock and									
livestock products ...	919	954	1,040	1,070	1,065	1,019	1,039	1,126	1,288
Cattle and calves	238	288	349	335	358	324	340	395	480
Hogs	256	219	210	230	222	218	202	238	265
Sheep and lambs	15	16	17	17	17	15	15	16	18
Total livestock	509	523	576	582	597	557	557	649	763
Dairy products	239	270	299	326	321	311	339	336	372
Eggs	107	93	77	76	68	60	57	50	55
Turkeys	30	39	57	51	49	55	52	55	60
Chickens and broilers ..	15	10	9	11	10	10	9	8	10
Other livestock prod- ucts and poultry	19	19	22	24	20	26	25	28	28
Total livestock products.....	410	431	464	488	468	462	482	477	525
Total	1,257	1,366	1,437	1,469	1,453	1,466	1,490	1,590	1,823

* Revised.

† Preliminary.

Farm Income . . .

(Continued from page 1)

yield of 76 bushels per acre on 15 percent fewer acres than in 1963. Cash receipts from crops were also augmented by a high 1966 corn price (\$1.13 compared to \$1.03 in 1965). Corn, as well as other fall crops, was harvested in nearly ideal weather.

LIVESTOCK RECEIPTS REACH NEW HIGH

The sale of livestock and livestock products brought \$1,288 million to Minnesota farmers in 1966—14 percent more than in 1965 (see table 1). About two-thirds of the increase came from sales of livestock and one-third from livestock products and poultry.

Receipts for cattle and calves increased by 22 percent in 1966, the largest advance for any livestock. Both numbers of cattle marketed and average weights increased. However, the bulk of the increase came from the favorable cattle price which was 15 percent higher than in 1965.

Relative to 1965 marketings, Minnesota's hog producers sold slightly fewer but heavier hogs in 1966. The total weight marketed was up slightly. And since the average price received was up 10 percent to \$22.45 per hundred pounds, total receipts reached \$265 million—11 percent above the 1965 level.

Sheep and lamb receipts were 12 percent higher in 1966 than in 1965. Prices were slightly higher and the number

of pounds marketed was 11 percent greater.

Although 1966 milk production fell by 6 percent to the lowest level since 1959, prices rose by 17 percent. So total receipts from dairy products advanced 11 percent to a new high of \$372 million. In the first 5 months, production per cow lagged behind year-earlier levels. But beginning with September, total monthly milk production exceeded 1965 monthly levels.

Minnesota egg production declined in 1966, continuing a trend which began over a decade ago. Egg production was only 53 percent as large as it was in 1956. Nevertheless, a 25-percent jump in egg prices pushed receipts to \$55 million—10 percent above the amount received in 1965.

Although turkey production increased in 1966, Minnesota lost its first place rank to California. Minnesota producers raised 16,637,000 birds, second only to the 18,617,000 birds raised in 1961. With 1966 turkey prices about 3.5 percent higher than in 1965, sales brought the unparalleled figure of \$60 million.

Direct government payments received by Minnesota farmers also increased in 1966. At \$144.9 million, they were 10 percent above the 1965 total of \$131.2 million. About 80 percent of the 1966 payments resulted from participation in feed grain and wheat programs.

While gross receipts from all sales in 1966 were about 40 percent above the

Table 3. Average realized gross and net income and total net income per farm, Minnesota, 1960-65

Year	Realized gross income*	Realized net income†	Total net income‡
dollars per farm			
1960	10,259	2,776	3,079
1961	10,894	3,150	3,304
1962	11,000	3,022	2,714
1963	11,446	3,021	3,730
1964	11,981	3,333	2,446
1965	13,075	3,982	4,196

* Realized gross farm income includes: cash receipts from farm marketings, government payments, value of home-produced commodities consumed at home, and rental value of farm dwellings.

† Realized net income is realized gross income less cash production expenses including hired labor.

‡ Total net income is realized net income adjusted for the net change in farm inventories.

Source: 1965 *Cash Farm Income—Minnesota*. Minnesota Crop and Livestock Reporting Service, Oct. 1966.

level in the 1950's, the pattern of income sources did not change greatly (see table 2). The biggest change was in the income share from eggs which dropped from 9 percent of total receipts in 1950-54 to 3 percent in 1966. In fact, receipts were cut in half.

NET INCOME RISES

While receipts were up in 1966, operating costs also were up. Prices paid by farmers for operating supplies were about 4 percent higher than in 1965. The quantity of purchased inputs also was up.

Nevertheless, net farm income increased significantly in 1966. Since the number of farms continued to decline, experiencing about a 2-percent reduction in 1966, realized net income per farm was proportionately higher (see table 3 for figures on previous years). ■

Table 2. Percentage distribution of annual cash sales of agricultural products by Minnesota farmers, 1950-66*

Product	Average		1960	1961	1962	1963†	1964†	1965†	1966†
	1950-	1955-							
	54	59							
percent									
Crops	27	29	26	27	27	30	30	29	29
Livestock and livestock products..	73	71	74	73	73	70	70	71	71
Cattle and calves	19	22	25	23	25	22	23	25	26
Hogs	20	16	15	16	15	15	13	15	15
Sheep and lambs	1	1	1	1	1	1	1	1	1
Total livestock	40	39	41	40	41	38	37	41	42
Dairy products	19	20	21	22	22	21	23	21	20
Eggs	9	7	5	5	5	4	4	3	3
Turkeys	2	3	4	3	3	4	3	3	3
Chickens and broilers	1	1	1	1	1	1	1	1	1
Other livestock products and poultry	2	1	2	2	1	2	2	2	2
Total livestock products	33	32	33	33	32	32	33	30	29
Total	100	100	100	100	100	100	100	100	100

* Data in this table do not reflect the relative importance of various agricultural products in providing net income to Minnesota farmers.

† Revised.

‡ Preliminary.

THE READERSHIP SURVEY

Several hundred randomly selected readers of *Minnesota Farm Business Notes* received a mailed questionnaire in 1966. Purposes of this sample survey were to evaluate the content of our publication and to learn about the various kinds of readers we have. A brief report of results will be published in a future issue. In the meantime, we sincerely thank those who completed and returned the questionnaire.

Planning The Farm . . .

(Continued from page 1)

soon as possible rather than waiting until conditions are near ideal.

Interest in narrow row corn continues. Unless you already use the other recommended practices or must replace major machines, the shift probably will not be profitable. Wait for decreased interest rates. Also, research and experience have not yet established the proper spacing.

Soybean production has continued to expand and to move to market at stable to rising prices. But since farmers held some of their 1966 beans, we now have 22 percent more beans on farms than a year ago. Holding beans for a \$3 price may be unrealistic. We probably will start with a heavy carryover in 1967. Increased acreage expansion would suggest a planning price of \$2.50-\$2.75.

Small grains will continue to be less profitable than corn and soybeans in the southern two-thirds of the state. But along with forage seed production, small grains will be the main crops in northern counties. Wheat looks a little more favorable than in past years. The demand for sunflowers is growing rapidly. This crop may be profitable for some northwestern Minnesota farmers.

On most farms, **hay and pasture** again will be the lowest return crops. The principal places for them will be on farms where the market, labor supply, or special skills provide a base for a good dairy herd. There also will be a market for a limited acreage of dehydrated alfalfa.

Although we probably are a bit old-fashioned, we are a little suspicious of extreme specialization in one crop. Superior management is needed to control weeds, insects, and diseases. Advantages of crop rotations have not been entirely lost; they have been modified.

LIVESTOCK PLANS NEED CAUTION

Dairy prices were up in 1966 and prospects are fairly good for 1967. The 1966 price supports have been extended to April 1968. Production may be up somewhat in 1967, with increased production per cow and a likely slowdown in culling. Farmers in some areas are pushing their cows harder in spite of increased feed costs. This situation will limit a price rise in 1967.

Longrun dairy prospects look favorable but not bright. A constantly growing population will produce an increasing demand for milk. However,

vegetable oils will continue to compete with butter and may offer increasing competition with other dairy products. So demand will not rise rapidly.

The large potential for increased milk production will further limit increased prices. Sanitation and other requirements will keep out some producers but many farmers can expand this enterprise. With a modern, efficient setup, one man can now handle a much bigger herd than in the past. However, a big investment may be required which will give a slow turnover. Considering the speed with which economic conditions change, longtime investments have a substantial risk.

Although **beef feeding** margins may increase slightly over the 1965-66 feeding year, they will not be high. Increased feed costs will wipe out much of the gain. Feeder cattle prices will be fairly high this fall. Watch purchase weights; as prices go up, you can afford to pay more for light than for heavy cattle of comparable quality.

Looking farther ahead, cattle feeders from the West and Southwest will give increased competition to Minnesota farmers for feeder cattle. So we can expect relatively high prices to continue. We are not sure whether the big feedlots in the West and Southwest really have an advantage over the typical Minnesota feeder. One study is being started to measure this advantage. Remember that the integrated feed grain livestock farm has survived many pressures. Nevertheless, you must study your own costs and management alternatives.

Nationally, the current decline in number of **beef cows** seems to be approaching its low point. Calves will bring high prices until their numbers are materially increased. If you find it desirable to add beef cows to your operation, do so soon. However, beef cows apparently are not high profit ventures on most Minnesota farms. Profitable operation requires:

1. A calf crop of at least 90 percent.
2. Calves that are good gainers.
3. Uniformity of calves so that buyers are attracted.
4. Effective selling to bring the top price.
5. Strict control of costs for cows. The biggest cost is feed, so the quantity fed per cow should be no more than is needed to get good conception, healthy calves, and continued production.

Current **hog** prospects look more favorable than they did a month ago. The December *Pig Crop Report* shows that farmers expect to farrow about the

same number of sows in March to May as they did last year. So fall prices should be near the 1966 level. High feed costs will hold profits down.

Over the long run, hogs likely will continue to be a profitable enterprise. But cost control is important. With good management, efficient production can be obtained with a limited investment in buildings and equipment. Records of one successful hog feeder show that he invests only 6 percent of his gross income in buildings and equipment. This figure usually averages 13 percent; for some, it is as much as 25 percent.

Egg production is running ahead of last year and should do so for the rest of 1967. Therefore, prices will continue below last year's level. Profitable egg production may be possible only for the producer who maintains healthy flocks, high production, and a volume large enough to use labor efficiently. The small producer will continue at a disadvantage.

MONEY MAY CONTINUE TIGHT

Credit may be tight and expensive this year, although there are some indications of a possible break. Early arrangements for credit will reduce the risk of being unable to get production supplies when you need them. However, keep borrowing and repayment terms as flexible as possible. You may be wise to postpone large long-term investments; interest rates should be more favorable in a year or two.

Adequate volume continues to be a requirement for a satisfactory level of net income. As an average, a farmer will have only about 20 to 30 cents for his own use out of each dollar of sales. Therefore, gross sales must be at least \$20,000 to \$30,000 to give a net of \$6,000. Farmers who depend upon borrowed money for most of their capital will need the larger figure.

Adequate volume frequently calls for expansion—more land, more machinery, more operating capital. Start moving on this requirement early but not too rapidly. When planning machinery investments, remember that if you make a large investment this year, you may be unable to get investment credit on all of it.

With the expected narrow margins, good management will be increasingly necessary. You must be able to:

- Assemble information about the best enterprises and practices.
- Evaluate this information to reach a good decision for your farm.
- Assemble and organize the resources needed.
- Get the job done on time. ■



In Review

National Trends in Farm Income

Arley D. Waldo

The estimated net income from farming in 1966 was approximately \$16 billion.¹ This figure represents an increase of almost \$2 billion over the comparable estimate of \$14.2 billion for 1965. In 1964, net farm income totaled \$12.9 billion.

Postwar Trends—Net farm income reached an alltime high of \$17.1 billion in 1947 and exceeded \$13 billion in all but 1 year from 1946 through 1953. Since 1954, however, net income for the farm industry has been less than \$13 billion in every year except 1965 and 1966. The postwar low was \$10.7 billion in 1957.

Recent gains in farm income reversed the general downward trend that followed World War II. Annual net income from farming averaged \$14.9 billion during 1946-50, \$13.2 billion in 1951-55, \$11.7 billion in 1956-60, and \$12.9 billion in 1961-65.

Net income per farm was \$4,210 in 1965 and around \$4,900 in 1966. Postwar declines in aggregate net income tended to be offset by a reduction in farm numbers and an increase in average farm size. Net income per farm averaged \$2,572 in 1946-50, \$2,623 in 1951-55, and \$2,762 in 1956-60. Increased net farm earnings and decreased farm numbers caused income per farm to climb to an average of \$3,625 in 1961-65.

Returns to Farm Inputs—Net farm income includes: (1) the money income of farmers from farming, and (2) the nonmoney income furnished by farms. But the income of farm people from nonfarm sources is excluded. Therefore, net farm income represents the return to farm operators and family members for farmwork, management of the farm business, and capital investment in farming.

Net farm income typically has been too low to provide returns on a par with nonfarm wages and investment earnings. Total returns to all farm capital in 1965 were estimated at a little

over \$9.3 billion on assets valued at \$186.5 billion. Farmers earned slightly under \$7.3 billion on their share—\$150.5 billion—of the total farm investment. The imputed rate of return to farmers on owned capital was 4.8 percent, sharply higher than in 1964.

The annual rate of return on farmer-owned capital was estimated at 2.9 percent for 1964 and averaged 3.5 percent from 1960 through 1964. Imputed returns to equity capital were even lower in 1955-59—only 2.9 percent per year. In contrast, the annual rate of return was 7.1 percent in 1945-49 and 4.8 percent in 1950-54.

Variations in Earnings—Labor and capital earnings vary widely within the farm industry, according to U.S. Department of Agriculture estimates of costs and returns on representative commercial farms. Among the 42 types and sizes of farms included in this statistical series, returns per \$100 of investment ranged in 1963-65 from a minus \$3.10 on egg-producing farms in New Jersey to \$18.08 on peanut-cotton farms in the Southern Coastal Plain. (Operator and family labor was valued at wage rates paid to hired labor.)

Returns to farm labor also vary greatly. Among 38 representative commercial farms, returns per hour to operator and family labor ranged in 1965 from a minus \$1.73 on cattle ranches in the Southwest to \$3.41 on irrigated farms in the Texas High Plains. (Returns to capital were calculated at current interest rates.)

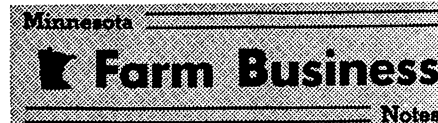
Labor and capital earnings vary almost as widely in the five-state area centered on Minnesota. Among 12 types

of farms in this region, returns ranged from a minus \$1.44 to \$9.65 per \$100 invested in 1963-65. And labor earnings in 1965 varied from \$0.11 to \$3.02 per hour.

Income of Farm People—The existence of a low average rate of return to labor and capital in farming does not mean that incomes are low on all farms or for all farm people. Income per farm is comparatively high on large, commercial, U.S. farms. And many farm families have substantial nonfarm earnings.

Counting only income from farming, net income per farm in 1965 averaged \$13,547 on farms with gross sales of \$20,000 and over and \$5,952 on farms with gross sales of \$10,000-\$19,999. Although the 1 million farms in these sale classes accounted for only 30 percent of all farms, they marketed 82 percent of all farm products sold in the country.

At the other extreme, nearly 1.5 million farms had gross sales of less than \$2,500 in 1965. While net farm income averaged only \$1,095 on these farms, income from off-farm sources totaled \$3,402 per farm. Total income per farm family for this sale class was \$4,497.



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

Published by the University of Minnesota, Agricultural Extension Service, Institute of Agriculture, St. Paul, Minnesota 55101.

Agricultural Extension Service
Institute of Agriculture
University of Minnesota
St. Paul, Minnesota

Luther J. Pickrel, Director
Cooperative Agricultural Extension Work
Acts of May 8 and June 30, 1914

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¹ All estimates of net farm income are for the 48 coterminous states and refer to realized net income from farming. They exclude the value of net changes in farm inventories but include government payments to farmers for agricultural programs.