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FARM BUSINESS NOTES

Prepared by the Divisions of Agricultural Economics and Agricultural Extension
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Problems in Marketing Minnesota Eggs

W. A. Newman and W. H. Dankers

Merchants still constitute the most important agency through which Minnesota farmers market their eggs. Of 5,243 licenses issued by the Division of Poultry and Eggs of the Minnesota Department of Agriculture in 1938, 78.5 per cent were issued to merchants. The remaining 21.5 per cent were issued to the following: produce dealers, 6.7 per cent; chain stores, 5.5 per cent; co-operative creameries and co-operative stores, 3.2 per cent; packers, 2.2 per cent; centralizers and private creameries, 2.2 per cent, and others, 1.7 per cent.

The merchant has been a buyer of eggs for a long period of time. In many cases, he is a buyer merely because he believes it stimulates his store sales and brings him additional customers. To the extent that some merchants buy eggs and others in the same town do not, this may be true. If all merchants in a town discontinued handling eggs, this condition would not prevail. There is indication that some merchants handle eggs at a loss and meet this loss from margins in store sales. From studies made, it is obvious that other types of dealers can handle eggs more efficiently. However, until there is a change in marketing methods, it is necessary to give attention to the system that now prevails, so as to make it as workable as possible.

Some of the many problems in marketing eggs are:

1. Lack of care and handling of eggs on the farm
2. Delay by producers in delivering products to market
3. Securing adequate volume for low-cost operation under the present system
4. Lack of care while eggs are in the dealer's hands
5. Lack of satisfactory grading
6. Securing satisfactory market outlets under existing conditions.

Table 1 shows the various types of dealers and the extent to which certain marketing practices are followed. In some cases, producers delivered eggs on an average of only once a week. If the quality of Minnesota eggs is to be improved, and competition is to be met on eastern markets, more frequent delivery is necessary.

Co-operative creameries that are handling eggs are doing a fairly good job of refrigerating, while the eggs are in their possession; however, considerable improvement is still possible. They are, no doubt, in the most favorable position to carry out this requirement for quality maintenance, since refrigeration facilities are available for their main enterprise. The co-operative stores and the merchants, on the other hand, are paying little attention to quality maintenance, since only 13.5 and 4.7 per cent, respectively, refrigerated the eggs while in their possession. It is evident that emphasis on maintaining egg quality, and refrigerating during seasons of high temperatures, is fully as necessary with dealers as with producers.

Eighty-five per cent of the co-operative creameries graded their eggs before they were sold. Less than one half of the co-operative stores and only one fourth of the merchants were grading. Where grading was done, little uniformity existed as to the grades used. A lack of grading leaves little incentive for the flock owner to produce clean eggs of uniform size and quality and to use careful methods of storing and packing. Without a proper grading program, it is impossible for the midwest to compete effectively with other producing regions.

One of the major needs for increasing efficiency in Minnesota egg marketing is to reduce the many duplications that exist in the present system, where one local buyer sells to another. Instances of four and five such transfers of one lot of eggs have been found in the state. Twenty-nine per cent of the co-operative creameries, 63 per cent of the other co-operatives, and 93 per cent of the merchants were moving their eggs to other local buyers. The eastern markets offer a good outlet for high-quality eggs to dealers having sufficient volume to ship in carload lots, yet only 11 of the co-operative creameries and only one merchant were shipping directly east. Economy in distribution requires that the produce go through as few hands as possible and move to market in the shortest possible time. An interesting development in this connection is three merchants' co-operative egg pools in the southern part of the state. Although they have many problems to solve, especially in grading, they are overcoming the problems of unnecessary handling, as well as unnecessary deterioration through delay in getting a perishable product to market. It is not essential that such an organization

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consist of merchants, but it is more essential that the largest possible volume of quality eggs is brought together from a small area for direct movement in carload lots to consuming centers.

Table 1. Practices in Handling Eggs by Minnesota Dealers, 1938

Practices	Per cent of dealers following certain practices		
	Co-op. creamery	Other co-ops.	Merchants
Average no. of times producer delivers eggs:			
6 times a week	1.9	16.7	5.2
5 times a week	0.0	0.0	0.0
4 times a week	1.9	0.0	1.7
3 times a week	23.1	19.4	28.4
2 times a week	67.4	52.8	48.0
Once a week	5.7	11.1	16.7
Refrigeration:			
Yes	67.4	13.5	4.7
No	32.6	86.5	95.3
Grading:			
Yes	84.9	48.8	25.0
No	15.1	51.2	75.0
Market outlets:*			
Retail trade	11.8	28.6	4.3
Local buyers	29.4	63.0	88.6
Central co-op. org.	35.4	5.7	1.6
Merchants' egg pool	0.0	2.7	3.5
Chicago buyers	1.8	0.0	1.6
Eastern buyers	21.6	0.0	0.4
Educational work:			
Some	33.0	45.0	29.3
None	67.0	55.0	70.7
No. of competing dealers and location:			
In same town:			
None	0.0	10.3	Not secured
1-2	11.7	33.3	
3-4	8.3	15.4	
5-6	18.3	12.8	
7-8	10.0	12.8	
9-10	25.0	0.0	
11 and over	26.7	15.4	
Within a 10-mile radius:			
Less than 5	0.0	10.3	
5- 9	8.3	30.8	
10-14	13.3	7.7	
15-19	21.7	25.6	
20-24	23.3	7.7	
25-29	10.0	10.3	
30-34	6.7	0.0	
35-39	5.0	2.5	
40 and over	11.7	5.1	

* Classified according to major outlets.

The volume of eggs that can be secured by a dealer depends on the number of competing buyers in the territory and the total poultry population. Competition within the same town, as the co-operative creameries and the co-operative stores that are handling eggs, is extremely severe. This is no doubt typical of all towns in the state. More than one fourth of the creameries reporting had more than 10 competing buyers, two had 30 within the same town. One sixth of the co-operative stores had more than 10 competing buyers within the same town. When the area is extended to a 10-mile radius, more than one half of the creameries and one fourth of the co-operative stores had 20 or more competing buyers. Seven creameries had more than 40 competing buyers within a 10-mile radius, and one creamery had 53. There were no creameries and only 10 per cent of the co-operative stores that had less than five competing dealers within the 10-mile radius.

Little educational work has been carried on by dealers with producers in the care and handling of eggs. Such work as was carried on consisted principally of talking quality to the patron when he delivered his eggs. There is need for an effective, comprehensive, educational program with egg producers. Such a program might be carried on through discussions with farmers at the point of marketing, distribution of pamphlets and bulletins, and the posting of information on bulletin boards.

Egg marketing in Minnesota is not well organized. Quality improvement is necessary if midwestern eggs are to compete with those coming from other areas. Emphasis needs to be placed on standardization of grades and more careful handling, refrigerating, packing, and shipping. This calls for joint action from producers, merchants, and wholesale dealers. Regardless of the type of marketing organization, it is fundamental to the solution of the problem that eggs are gathered from as small an area as possible, yet from a sufficiently large area to allow shipment in carload lots, with delivery frequent enough to maintain high quality.

The Agricultural Price Situation

W. C. Waite and R. W. Cox

The Bureau of Labor Statistics index of wholesale prices of agricultural products is now at its lowest level since October 1937. These prices in May 1939 were about 7 per cent below May 1938 and about 30 per cent below May 1937. As is usual in a period of price recession, non-agricultural prices have experienced a smaller decline, the B.L.S. index of commodities other than farm and food products in May 1939 being about 1 per cent below May 1938 and about 6 per cent below May 1937. Most of the price decline thus had taken place before May a year ago, and the declines of the last year have been only moderate. There are some indications at the present time that further declines are unlikely. Stock prices on the New York Stock Exchange have shown some tendency to rise, as have likewise the indexes of sensitive commodity prices. Price movements of agricultural commodities have differed. Hogs, grains, and butterfat are considerably lower than a year ago, eggs are about the same, and cattle and calves are higher.

Any improvement in business conditions will tend to strengthen agricultural prices. Business forecasters generally, however, do not expect much improvement in the near future and there is usually some lag in the increase in consumers' incomes. Hogs, cattle, and butterfat would especially benefit from larger consumer incomes.

While it is too early to judge the probable supply situation with accuracy, certain indications are now fairly clear. In the case of wheat there is considerable evidence of deterioration of the crop in the Southwest and moisture deficiency in the spring-wheat region. This indicates a

comparatively small domestic crop, but world stocks are double those of a year ago and world conditions are not especially poor. In view of the probable short domestic crop, it is not likely that wheat prices will decline. There are considerable farm stocks of corn and as yet no evidence of a small crop. Corn is probably in a weaker situation than wheat. The acreage planted to flax is considerably larger than a year ago, but growing conditions are probably not so favorable.

The fall pig crop in 1938 was 18 per cent larger than the 1937 fall crop, and the sows expected to farrow in the spring of 1939 were reported as 21 per cent more than in 1938. Large losses in spring pigs have been reported, but the prospective marketings through the remainder of 1939 will probably be considerably in excess of last year and this suggests a smaller than usual late summer price rise and comparatively low winter prices. The prospects for beef-cattle prices are somewhat better. Owing to active replacement demand, the slaughter of cows and heifers during the summer months probably will be smaller than a year earlier and will more than offset the expected increase in steer slaughter. Total slaughterings are expected to be smaller than last year.

The price of butterfat is low relative to a year ago. There is some indication that production may be smaller than last year during the remainder of 1939. Thus far there has been no government buying for the support of prices, and hence present levels are not artificial. This would indicate that one might expect the normal seasonal rise to develop.

The poultry and egg enterprise has been expanded considerably relative to last year. Farm holdings of young chickens were 5 per cent larger than last year on May 1 and hatchery production of chicks and turkey poults has exceeded last year. Both egg and poultry marketings will probably run above those of a year ago.

In general, the present prospects are for some slight increase in domestic demand during the fall and winter. Larger supplies are in prospect for hogs, poultry, and eggs, perhaps slightly less for butter and for beef cattle, and considerably smaller for wheat.

Wise Selection of Crops Increases The Farmers' Earnings

W. P. Ranney

The selection of crops has an important bearing on farmers' earnings. There are variations among sale crops in the net returns per acre and among feed crops in the costs of producing one hundred pounds of nutrients. Moreover, there are variations among crops in the percentage of nutrients produced that is protein and in their consumption of soil-fertility elements. Various crops demand labor and power at different times of the year; some crops serve well as nurse crops to others that are being established on the same land, and some crops are more effective than others for purposes of weed control. Also, the purpose for which a crop is grown (i.e., for feeding as concentrates, as roughages, or for pasturing) has a bearing on its relative profitableness.

These variations among crops constitute the basis for a wise selection of crops for farms in any area. For example, on the basis of above considerations, and using average yields and prices for a ten-year period, crops may be grouped roughly as follows for tillable land in most of southeastern Minnesota: Class A crops (high return)—alfalfa, canning peas, sugar beets, potatoes, truck crops, and hybrid seed corn; Class B crops (medium returns)—red clover, sweet clover pasture, rape pasture, corn for grain, sweet corn, winter wheat, barley, flax, and flax and wheat; Class C crops (low returns)—clover and timothy, sweet clover hay, soybeans, field peas, oats and peas, oats and barley, spring wheat, oats and wheat, corn silage; Class D crops (very low returns)—timothy, wild hay, bluegrass pasture, oats, rye, buckwheat, and corn for fodder.

In most cases, the above classification may serve as a general guide to farmers of southeastern Minnesota in the selection of crops to raise. The real test of the usefulness of any such classification is the relationship of crop selection on the above basis to farmers' earnings. Data are available to show the relationship for about 150 dairy farmers each year for the ten-year period from 1928 to 1937. An index of crop selection was constructed to show the weighted per cent of tillable land in high-return crops on each farm, the acreages in Class A crops being given a weight of 100 per cent; those in Class B, 50 per cent; those in Class C, 25 per cent, and those in Class D, 0 per cent. The relationship of this index of crop selection to earnings on these farms is shown in table 1. The average earnings for those farms ranking highest in crop selection was more than twice as high as those with poorest choice of crops.

Table 1. Relationship of Selection of Crops to Earnings of Dairy Farmers of Southeastern Minnesota, 1928 to 1937

Index of crop selection	Average	Number of farms	Average earnings*
19 and less	16	41	$1,188
20-25	23	122	1,423
26-31	29	256	1,527
32-37	35	391	1,581
38-43	41	348	1,880
44-49	46	185	2,043
50 and more	55	119	2,425

* Operator's labor earnings adjusted to the 1928-1929 price level.

While the classification as shown above applies generally in southeastern Minnesota, similar classifications adapted to other parts of the state would undoubtedly show the same relationships to earnings. Although there are differences in soils, topography, climatic conditions, and markets among areas, there are in any region certain combinations of crops that are more profitable than others.

The data in table 1 show that a farmer can well afford to determine the most profitable crops for his farm, and to go to some expense, if necessary, to put his farm in shape to grow those crops. On some farms, an investment of limestone in order to grow alfalfa and sweet clover would bring financial returns well worth while.

Minnesota Farm Prices for May 1939

Prepared by W. C. WAITE and W. B. GARVER

The index number of Minnesota farm prices for the month of May 1939 was 68. When the average of farm prices of the three Mays 1924, 1925, and 1926 is represented by 100, the indexes for May of each year from 1924 to date are as follows:

1924— 84	1928—113	1932— 43	1936— 79
1925—106	1929—113	1933— 49	1937— 97
1926—110	1930— 98	1934— 53	1938— 74*
1927—109	1931— 64	1935— 86	1939— 68*

* Preliminary.

The price index of 68 for the past month is the net result of increases and decreases in the prices of farm products in May 1939 over the average of May 1924, 1925, and 1926, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, May 15, 1939, with Comparisons*

	May 15 1939	April 15 1939	May 15 1938		May 15 1939	April 15 1939	May 15 1938
Wheat	$0.66	$0.60	$0.79	Cattle	$7.10	$6.90	$6.30
Corn	.37	.35	.44	Calves	8.30	8.40	7.50
Oats	.25	.22	.21	Lambs-sheep	8.09	7.73	6.82
Barley	.36	.35	.49	Chickens	.12	.12	.14
Rye	.34	.30	.46	Eggs	.14	.14	.16
Flax	1.62	1.66	1.75	Butterfat	.23	.23	.27
Potatoes	.50	.50	.40	Hay	4.28	4.26	5.42
Hogs	6.50	6.80	7.40	Milk	1.30	1.30	1.55

* These are the average prices for Minnesota as reported by the United States Department of Agriculture.

All the crop items in the index except flax rose substantially over the April 15 prices. Wheat, oats, and rye rose somewhat more than the usual seasonal amount. These rises are in part, at least, accounted for by the threat of drouth in mid-May. The rises in corn and barley were largely seasonal in extent. Hogs dropped off 30 cents to $6.50 from the previous month. Sharply increased marketings have brought the level of hog prices to the lowest point since 1934. Lamb and sheep prices were up from April levels, with marketings somewhat less than the usual seasonal expectation. Butterfat and milk prices showed some strength, maintaining their April levels as against the usual seasonal decline.

Indexes and Ratios of Minnesota Agriculture*

	May 1939	April 1939	May 1938	Average May 1924-1926
U. S. farm price index	65.2	64.0	66.7	100
Minnesota farm price index	67.7	67.3	74.0	100
U. S. purchasing power of farm products	85.3	83.8	83.8	100
Minn. purchasing power of farm products	88.6	88.1	93.0	100
Minn. farmer's share of consumer's food dollar	.....	41.6	43.7	52.7
U. S. hog-corn ratio	13.2	14.5	13.9	12.1
Minnesota hog-corn ratio	17.6	19.4	16.8	15.1
Minnesota egg-grain ratio	15.6	17.2	16.9	14.4
Minnesota butterfat-farm-grain ratio	30.9	33.7	34.6	34.5

* Explanation of the computation of these data may be had upon request.

Milk Cow and Butterfat Prices

In spite of relatively low current prices for butterfat, the price of milk cows rests at a relatively high level. A measure of the relationship between the two is derived by dividing the price of milk cows by the price of butterfat. This gives the number of pounds of butterfat required to buy one milk cow.

May 15 Minnesota Butterfat and Milk Cow Prices

Year	Cow price	B. F. price	Lbs. B. F. to buy 1 cow	Year	Cow price	B. F. price	Lbs. B. F. to buy 1 cow
1910	$40	$0.28	143	1933	$34	$0.21	162
1915	57	.29	197	1934	32	.24	133
1920	93	.61	152	1935	55	.29	190
1925	63	.41	154	1936	57	.29	197
1930	81	.39	208	1937	61	.34	179
1931	54	.23	235	1938	61	.27	226
1932	34	.18	189	1939	62	.23	270

At 270 pounds, the ratio for May 1939 is the highest on record. The ratio has dropped as low as 125 pounds for May 1923 and 133 for 1932. The average over the period is 182 pounds. There have been only 4 times in the past 30 years when the ratio has exceeded 210 pounds. These were in 1914, 1931, 1938, and 1939. The extremely high current ratio indicates that the present is an appropriate time for those who contemplate such action to cull their herds. The high price of milk cows in spite of low butterfat prices appears to indicate anticipated further expansion of herds with consequent increasing production. Whether such expansion is wise depends, of course, upon the future of feed prices and of butterfat prices, with the latter in turn dependent upon consumer buying power and to a less extent upon governmental supporting programs, such as the D.P.M.A., relief buying, and food stamp distribution. The feed price ratio is dependent to some extent upon this year's crops in setting the quantity of feed supplies, but barring drouth or other disasters the butterfat-feed price ratio will probably not drop substantially below present levels.

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