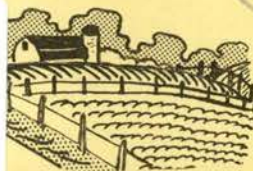


Misc 3

What's AHEAD for Minnesota Farmers

MAGR
GOVS
MN 2000
WH/FC-
1960



4

FARM COSTS

2

AGRICULTURAL EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

INSTITUTE OF AGRICULTURE

AT A GLANCE: The farmer's income problem has been and will continue to be closely associated with the relentless rise in the quantity and price of the production items he buys. During 1960-61, items bought from other farmers (livestock, feed and seeds) will likely trend lower. Most other items, particularly those coming from, or competing with, industry will likely remain at present levels or rise. Fertilizer may be a notable exception.

Net incomes on typical hog-dairy farms will remain fairly constant, a minor increase in cash expenses being offset by improved gross returns on hogs. On typical hog-beef fattening farms, net incomes will likewise show little change with a 6-8% decline in total cash expenses being offset by lower slaughter cattle prices.

SITUATION

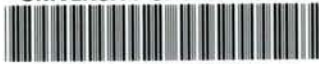
OUTLOOK

Expected Trends in Operating Costs — 1960-61

- Purchased Feed
(See Feed Situation and Soybean Outlook Sheets)
- Purchased Livestock
(See Beef, Hog, Dairy and Poultry Outlook Sheets)
- Prices paid by farmers for fertilizer have changed little from the spring of 1959. They remain at about 6% above the 1947-49 average. The availability of basic fertilizer materials is adequate, though they will cost the manufacturer about \$1.75 more per ton of average analysis fertilizer.
- The production totals on all seeds are not available now. The ones harvested would indicate that the production of most grass seeds will exceed the rather short crop of 1959.
- Motor supplies were priced about 1% higher this July than a year ago. Gasoline prices had increased .8¢ per gal. at filling stations and .6¢ from tank wagons. Motor oil and grease prices rose 2¢ per gal. and .3¢ per lb. respectively. Tire prices declined slightly, battery prices remained the same.
- Farm wage rates averaged 2% higher this July than a year earlier. Increased minimum wage law and full employment in other segments of our economy will force farm wages up more rapidly.
- Feed grain and protein supplement prices are expected to average slightly below 1959-60 levels. Minnesota hay prices will average considerably below a year ago due to an abundant supply and poor quality.
- Most feeder cattle will be bought at prices about 15% below last year. Feeder pigs will command prices 25% above year ago levels, while dairy replacement prices will be steady to slightly lower.
- Supplies of fertilizer will be adequate, and any increase in price will probably not exceed 1%.
- With the exception of alfalfa, most legume and grass seeds will average considerably below last year's prices.
- Most motor supply prices should remain near present levels.
- Farm wages will continue their upward trend. However, the actual expenditure for farm labor will be about the same as last year. As wages rise, less hired labor is used.

(Continued on back)

This archival publication may not reflect current scientific knowledge or recommendations.
Current information available from University of Minnesota Extension: <http://www.extension.umn.edu>



Expected Trends in Ownership Costs — 1960-61

- In recent years, prices of farm machinery have been increasing at about 4% each year. It appears that this rate of increase has slowed during 1960, due perhaps to present high inventories of machinery on farms, and lower farm incomes.

• Motor vehicle prices have remained about the same this year as last. Inventories of motor vehicles are high. Some price reductions are likely on 1960 models this fall.

• The price index on building materials has remained steady during the first half of 1960, with 1959. Lumber prices have varied slightly, depending on grade. Composition roofing prices are down slightly while galvanized steel roofing is up slightly. Bricks and cement have increased slightly, while paints have generally declined.

• The rapid advance in farm real estate values of the past four years has slowed down. Values in the corn belt and lake states increased only 1% from March 1959 to March 1960.

• Interest rates continue the general decline which began six months ago. Interest rates to farmers are sticky and lag behind changes in the money markets.

• Tax payments on farm property in 1960 will increase 6% over 1959, as will personal property tax.
- There is nothing to indicate that machinery prices won't continue to rise. The increase could be some less, but still up 2-3%.

• Prices of 1961 models will likely increase, perhaps less than the 3.5% of recent years.

• Little change is expected in the cost of building and fencing materials during the coming year.

• Farm land values will probably remain near present levels throughout next year. However, there is an indication that values of highly productive, better lying farm land, and land to be used for non-agricultural purposes will continue to rise, though somewhat more slowly. Poorer rolling land, less suitable for the use of large machinery may actually decrease in value.

• There may be a gradual easing of interest rates during the coming year, while taxes will continue to increase in 1961, but at a slower rate.

Management Considerations

- Greatest cost-cuttings can usually be made by giving special attention to the major cost items in the farm business. Here are the important cost items on some typical corn belt farms.

Cost Item	Hog-Dairy Farms % of total cash expense	Cost Item	Hog-Beef Fattening Farms % of total cash expense
Machinery	38	Livestock purchased	51
Feed purchased	18	Machinery	17
Crop expense	10	Feed purchased	13
Buildings and fences	10		
Total of major items	76	Total of major items	81

- But remember, cutting costs will not fully overcome the problems associated with an inadequate volume of business. Under these conditions, an increase in cash expenditures will be needed in order to increase volume sufficiently to insure an adequate income.