AAA Payments and Practices in Southeastern Minnesota, 1939

G. E. Toben

Ninety-two per cent of the farmers in the Southeastern Minnesota Farm Management Service in 1939 participated in the Agricultural Conservation Program. The average payment received by these cooperating farmers was $410. A special study was made to determine the specific purposes for which these payments were made, the differences in the amount of payment received by each farmer, the adjustment in crops required, the soil-building practices performed on these cooperating farms, and the differences between participating and non-participating farmers. The information from farm management records was supplemented with information from the AAA records.

The proportion of the farmers in the Southeastern Farm Management Service who participated in the 1939 AAA program was larger than it was for all farmers in the same area. Only 66 per cent of all farmers in the 15 counties in this area were in the program. The farmers analyzed, however, are sufficiently typical to be representative of the area.

Of the average AAA payment received per farmer, $6 was for the increase in payment less than $200, $118 was for parity, and $286 was for general compliance. The payment on the corn acreage allotment accounted for 55 per cent of the compliance payment. The payment on the general soil-depleting crops other than corn, wheat, and potatoes accounted for an additional 24 per cent. The balance of the performance payment was for wheat, potatoes, and soil-building practices.

In addition to the performance payment, a corn and wheat parity payment was received by those farmers who did not exceed their acreage allotment in these crops. The average corn parity payment received by those farmers who stayed within their allotment was $105. Since 2 per cent of the cooperating farmers exceeded their allotment and did not receive any corn parity payment, the average for the whole group was $102.

The average wheat parity payment received by the participating farmers was $16; however, only 74 per cent of the farmers were paid a wheat parity payment. Of the farmers receiving a wheat parity payment, 11 per cent had such a small wheat base that they did not raise any wheat for harvest in 1939. Those farmers not harvesting any wheat were paid an average wheat parity payment of $4 per farm, while the farmers that actually grew and harvested wheat received an average parity of $24. As in the case of corn, only 2 per cent of the farmers participating in the program planted more wheat than was allotted.

The average AAA payment received amounted to 8 per cent of the total cash receipts on these farms. This payment represented a greater proportion of the total cash receipts on the larger farms than it did on the smaller farms. In general, the payment per acre of crop land was about the same on the small, medium, and large farms.

Three fourths of all farmers in the Farm Management Service who received Agricultural Conservation payments were paid the maximum that they could earn. The rest of the farmers were not paid the maximum because they over-planted on soil-depleting crops or failed to perform sufficient soil-building practices. Even though payment to one fourth of the farmers was below the maximum, it was not very far below for the average payment received by all farmers was 97 per cent of the maximum that could have been received for compliance.

To be in full compliance with the program, the farmers who received AAA payments in 1939 were required to make a reduction of 19 per cent in corn acreage from the 1936-37 adjusted acreage. This adjusted acreage represents the acreage that probably would have been grown if the AAA program had not influenced the planting. The farmers on the one third of the farms that were smallest in size had to make a 13 per cent larger reduction in corn acreage per 100 acres of crop land than the farmers operating the one third of the farms largest in size. The farmers on the smallest farms had the largest historical bases as well as the largest allotments, per 100 acres of crop land, and also had to make the largest actual reduction.

The percentage reduction in total soil-depleting crops was a little less than that for corn. The average cooperating farmer had to make a reduction of 16 per cent in total soil-depleting acreage from the 1936-37 adjusted acreage. As in the case of corn, a smaller percentage reduction was...
required on the larger farms than on the smaller farms. In 1939 an average reduction of 12 acres in total soil depleting crops per 100 crop acres was required. The reduction in corn on the same land area was 6 acres, and the acreage reduction required in other soil-depleting crops was also 6 acres.

The acreage allotments for the various farms are established on the basis of cropping history and indicated acreage. The indicated acreage was based on a soil management appraisal rating for the farm and represents the amount of land that may be planted to soil-depleting crops under a good system of soil management. On the farms studied the corn acreage allotment was practically the same as the indicated acreage. This suggests that the allotted corn acreage represents approximately the acreage which was estimated that could be grown without depleting the soil if the farms were handled in a workman-like manner and in accordance with good farming practices for the locality. The total soil-depleting acreage allotment, on the other hand, was approximately 4 per cent less than the indicated goal. This indicates that the Agricultural Conservation Program, except as it acts as a production control program, could permit slightly larger soil-depleting allotments on the farms in the Southeastern Farm Management Service.

The seeding of legumes was the most common practice performed to earn the soil-building payment. Of all the practices performed, 40 per cent was for the seeding of alfalfa. An additional 56 per cent was accounted for by the seeding of biennial legumes, perennial legumes, or mixtures of legumes and grasses. Other practices performed to earn the $35 soil-building payment on these farms included spreading of limestone and planting, improving, and maintaining of a forest. An average of 18 acres of legumes or mixtures of legumes and grasses were seeded per 100 crop acres. Since 37 acres of crop land must be in some use other than soil-depleting crops, the majority of the seeding must be perennial legumes or grasses in order to maintain the stand.

On the cooperating farms studied, 20 per cent of the farmers failed to perform sufficient practices to earn the maximum soil-building payment. The other 80 per cent of the farmers performed an average of 89 per cent more practices than was required to earn the maximum soil-building payment. This fact seems to indicate that many farmers are performing soil-building practices for reasons other than meeting the requirements of the Agricultural Conservation Program.

Since 92 per cent of the farmers in the Southeastern Minnesota Farm Management Service were in the program, there are too few non-cooperators to make a significant comparison of cooperating and non-cooperating farmers but possible relationships may be indicated. Had this non-participating group elected to comply with the program they would have had to reduce their corn acreage 16 per cent and soil-depleting acreage 14 per cent from the 1936-37 adjusted acreage. This is somewhat smaller than the reduction of 19 per cent in corn and 16 per cent in soil-depleting acreage that the cooperating farmers had to make. However, the adjustment would have been more difficult to make even though the reduction would have been less

because the allotted acreage is 9 per cent below that of the cooperating farms on soil-depleting crops and 15 per cent below on corn. In addition to this the corn yield allowance and production index were also lower.

The total performance payment which these non-cooperating farmers could have earned was 11 per cent less than the maximum payment that could have been earned by the group of farmers that cooperated. The performance payment that the non-cooperating farmers could have earned was 4 per cent of the total cash receipts during the year. On the participating farms the maximum payment was 6 per cent of the total cash receipts other than the AAA payment. The results of this comparison may suggest a reason why some of these farmers did not participate in the program.

More Farmers Must File Income Tax Returns

G. E. Tohen

The 1940 Federal Income Tax law lowered the personal exemptions and changed the requirements for filing income tax returns. According to the new law, each married individual living with his wife or husband during the entire year, who received a total gross income of $2,000 or more during the calendar year 1940, must now file a return. Also, any single individual or married person not living with his wife or husband whose gross income for 1940 was $800 or more is required to file a return. This return is to be filed with the Collector of Internal Revenue for the district not later than March 15; it must be filed even though no tax is due.

The new Income Tax law requires many individuals to file returns who have never done so before. Many of these persons preparing a report for the first time will find it advisable to secure the assistance of someone familiar with the details of filing a return and engage his services in preparing their first report. The local banker can usually give this assistance or suggest someone who can. Forms necessary for filing the Federal Income Tax returns may be secured from the post office or from banks. Farmers requesting income tax forms should be sure to request the special schedules (form 1040 and 1040F) for reporting farm income and expenses.

Either the cash or the accrual basis may be used in the preparation of the income tax schedule. The cash basis is the method of reporting the net farm income on the basis of actual income and expenses, while the accrual method is based on inventory change and net cash income. Only those farmers with a complete inventory record taken annually in addition to a complete cash record will be in a position to prepare the report on the accrual basis. All other farmers will report on the cash receipts and expenses basis. Many of the farmers with complete inventory and cash record may find it more convenient to report on the cash basis.

When filing returns on the cash basis the net farm

2 The section in the previous laws which exempted those individuals from filing a return whose net income did not exceed the allowable credit or whose gross income did not exceed $5,000 has been removed from the present law.
Marketing Poultry and Eggs Through Cooperative Creameries in West Central Minnesota

E. BAUGHMAN and W. H. DANKERS

In a survey of 29 creameries located in 10 counties in West Central Minnesota in 1940 it was found that 13 plants handled eggs, 21 handled live poultry (largely chickens), and 9 handled turkeys (dressed or live). An average of 64,670 dozens of eggs with a value of $8,612 were marketed by the 13 plants handling eggs. The average volume of live poultry handled by 21 plants was 56,437 pounds with a value of $5,559. Figures on the volume and value of turkeys handled were not available.

The 22 creameries which handled eggs or poultry or both had an average investment in facilities used for this enterprise in the amount of $890 in building and $253 in equipment. Eight of these plants indicated no additional investment in buildings at the time the sideline was added to the creamery business. Unless a creamery starts poultry dressing operations, the investment needed for handling poultry and eggs is very small.

Operators of these creameries reported three major adjustments necessary for more effective egg and poultry marketing:

1. Delivery by producers of higher quality eggs and poultry.
2. Purchase of eggs and poultry on a grade basis so that farmers will be paid more for high quality.
3. Eggs and poultry handled by fewer dealers so each will have a larger volume and can adopt more effective handling and marketing methods.

As operated at present this group of creameries handles eggs and poultry much the same as other buying agencies. Little grading is done. A flat margin sufficient to cover costs of handling is taken by the creamery. Eight plants sold eggs and 19 sold poultry to local produce concerns. Thus, these creameries function largely as assembly points for local produce buyers in the area. The margin needed for handling eggs ranged from ½ cent to 1.7 cents per dozen and from ½ cent to 2 cents per pound for live poultry.

Since most of these creameries have adequate refrigeration facilities for holding eggs and since 73 per cent of the eggs were delivered by patrons at the time they delivered cream, these plants appear to be in a favorable position to do more effective work in egg marketing. It will be necessary to develop an arrangement whereby this group of creameries can bring together a sufficient volume of eggs for economical grading and for shipment to market in car-load lots with as little delay as possible. Rapid movement from farm to consumer is essential if a high quality egg is to be marketed. Frequent gathering of eggs on the farm, holding in a cool place, and frequent deliveries are also essential. It is important that creameries refrigerate eggs while holding them for shipment.

Some of these creameries dress poultry during certain seasons of the year. Efficient operation of a dressing plant requires a large volume of poultry. As long as each creamery sells its live poultry individually to “the first buyer that comes along” little progress will be made toward a higher quality product and toward more efficient marketing, which could result in higher returns to the farmer.

Since the poultry enterprise is a sideline on most farms in West Central Minnesota, a small number of marketing agencies could handle these products most efficiently. In order to keep marketing costs at a minimum the poultry and eggs should be handled through existing facilities insofar as is possible. Grading, shipping, and selling done by a central group within a limited area should make for uniformity and lower costs, resulting in higher returns to farmers.
Minneapolis Farm Prices for January, 1941

Prepared by W. C. Waite and W. B. Garver

The index number of Minnesota farm prices for the month of January, 1941, was 78. When the average of farm prices of the three Januarys 1924-25-26, is represented by 100, the indexes for January of each year from 1924 to date are as follows:

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The price index of 78 for the past month is the net result of increases and decreases in the prices of farm products in January, 1941, over the average of January, 1924-25-26, weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, January 15, 1941, with Comparisons

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The rise of 10 points in the price index from December 15 reflects substantial advances for most of the 16 commodities. The only commodities declining were eggs, milk, and butterfat. The drop in price of butterfat and milk was only the amount of the usual seasonal decline. Eggs declined considerably more than seasonally due in large part to relatively mild weather and receipts at markets somewhat more than ample to meet demand. Greatest strength was shown in the livestock group, especially for hogs, which rose $1.90 above the December quotation.

Increasing Incomes, Demand, and Farm Prices

Latest available figures indicate that weekly incomes of industrial workers total about 10 per cent more than they did a year ago. This in general indicates an improvement in demand for farm products, although by no means does it necessarily suggest a like proportional (10 per cent) increase in demand. Some of the increased income is undoubtedly being used as purchasing power for semi-durable consumers goods. The increased incomes express themselves as demand for farm products only to the extent that the spenders purchase increased quantities of agricultural products.

Some commodities, for example flax, are apt to be more influenced by industrial demand than by consumer demand. Other commodities, such as corn and oats, are chiefly influenced by demand for farm uses, and are supported only rather indirectly by consumer demand.

Furthermore, farm products are not all alike in the extent to which consumer demand changes with changing incomes. Consumption is increased somewhat more readily for some foods than for others.

The difference in price movements may be roughly indicated by considering the three price groups composing the Minnesota farm price index number. These are crops, livestock, and livestock products. Using the period 1924 to 1926 as a base, the figures for January, 1941 indicate that prices for the crops group were only 58 per cent of the base period; for the livestock group the level was 98 per cent of the base months; and for livestock products (dairy and poultry products) the prices were only 71 per cent of the base period.

Each commodity has its own market behavior, and its price is very largely affected also by supply conditions within that market, where relative market receipts, amounts in storage, and the position of close substitutes all have an important bearing upon price apart from the demand situation.