

AGRICULTURAL

NEWS LETTER

THE FEDERAL RESERVE BANK OF DALLAS

Vol. I

Dallas, Texas, December 15, 1946

Number 10-12

FARM RECORDS AND ACCOUNTS

The increasing importance of year-to-year data on agricultural production and income as a basis for making loans to farmers calls for greater attention than is usually given to the matter of farm records and accounts. Records and accounts are helpful to farmers also in filing income tax returns, in analyzing their farm business to discover its strong and weak points, in determining their net worth and profits and losses from year to year, and in many other ways. To lenders engaged in extending credit to farmers, records are helpful in appraising the possibilities that the production and income of the farms will be sufficient to defray the expenses of operation and repay the loans. Of course, changes in the price level and extreme irregularities in climate affect earnings, and they cannot always be foretold accurately, but there remains much to be gained, both by the farmers and by the lenders, if accurate farm records are kept. The lenders' relations with the farmers may be placed on a firmer basis, and a better understanding may be gained of the farmers' problems and needs.

Major factors to be considered at the time a loan is sought are the net worth of the borrower and his ability to repay the loan from earnings on the farm. All too often, however, the information on farm production and income that the operator is able to supply may be insufficient. In such cases, the farmer may not be able to secure the desired loan, or, if he does, it may be only from a lender who makes high-risk loans and therefore charges high interest rates or carrying charges. This lack of vital information is not felt where farm operators keep an adequate system of records and accounts.

For many years agricultural colleges, commercial banks, and other agencies interested

in agriculture have sought to encourage farmers to keep records. They have developed account books and record forms that require no special knowledge of accounting and which can be kept by most farmers after a few instructions. In some states, including Louisiana, New Mexico, and Texas, the Extension Service reports that it gives assistance to farmers in setting up records at the beginning of the year and in closing the books at the end. In Louisiana and Texas the Extension Service gives direct aid to a limited number of farmers in keeping complete farm records, and in both states plans call for an expansion of this service in the near future. The New Mexico Extension Service likewise encourages farmers to keep records in a special Farm Account Book so designed as to conform with income tax blank 1040F, thereby facilitating use of the book in making tax returns. In Oklahoma the Farm Account Book is being reprinted and should soon be off the press.

Many records important to a farm are kept by local governments, such as deeds of sale, deeds of trust, and leases. Additional records, including bills of sale and check stubs, result from frequently recurring transactions. But other more detailed and inclusive accounts of the farm operations need to be kept.

One of the important records to be kept is a cash account of farm operations. Both cash receipts and cash expenditures need to be recorded accurately and systematically so that at the end of the year the totals of these two can be used in computing the year's net cash income. Equally important is the farm inventory, for net cash income cannot serve as a dependable basis for loan negotiations, unless changes in inventory also are known. For any given year the net farm cash income may appear to have been large, but with in-

ventory records it is possible to see whether or not this net cash income resulted from a large farm income or partly from a reduction in total inventory. Therefore, it is advisable that farmers keep inventory records so that changes from year to year can be measured and adjustments made in cash income to determine the actual yearly income of the farm.

A farm inventory is a list of what is owned and what is owed. It includes a list of all property and debts at a given time and their respective values. From such an inventory the net worth can be determined by subtraction. Used with a second inventory taken a year later, the change in net worth—gain or loss—can be determined. It does not tell why the change nor the factors which contributed to the change. Neither does it tell the amount of profit from the farm business for the year. Used, however, in connection with the farm cash account, it provides the data needed to obtain a financial picture of the entire farm business and to make an analysis of its strong and weak points.

Another important record for the farmer to keep is that of acreages and yields of crops and production of livestock and poultry. By comparing his yields with recognized norms or averages, he can judge the degree of success he is achieving. Such a record also helps him to determine which of his farm enterprises should be expanded or contracted and to arrive at the most profitable combination of enterprises and the best utilization of his land, labor, and equipment.

It is also very worthwhile to keep a record of where various crops are grown or to what use each field is put each year. These records can be kept on a small outline map of the farm. Whether it is carefully drawn or roughly traced is not important. The map may be made to serve also as a record of soil treatment and crop yields. On a large map records of these matters may be kept for a number of years for purposes of comparison. Such records are helpful in appraising the land utilization practices of the farmer and the care he is giving to the soil of his farm. They will show crop rotations and plantings of soil-building crops. These

are of particular interest to lenders who make long-term loans because the failure of the operator to take care of the soil from year to year may seriously jeopardize the possibilities of repaying the loan.

There are more specialized records that operators of particular types of farms find it valuable to keep. For instance, many dairy farmers keep breeding records and testing records for cows. Frequently producers of poultry and livestock keep feeding records, and growers of field crops often record planting dates and harvesting dates. In addition, breakdowns of the major records may be kept, such as a special accounting of truck, tractor, or automobile expenses, or of debts, charge accounts, and so on.

Suitable standardized record books for general use by farm and ranch operators have been developed at the Agricultural Colleges of Louisiana, Oklahoma, New Mexico, and Texas. Copies of the *Texas Farm Record Book* may be secured from The Exchange Store, College Station; of the *New Mexico Farm Account Book* from The Extension Service, State College; of the *Louisiana Farm Record Book* from The Extension Service, University Station, Baton Rouge; and of the *Oklahoma Farm Account Book* from the Extension Service, Stillwater.

FARM PRICES

Price Support Program Discussed

Representative Clifford R. Hope of Kansas, incoming Chairman of the House Agricultural Committee in the 80th Congress, has indicated his belief that the Steagall amendment will prevent any sharp general recession in farm prices and will, at the same time, give Congress a two-year period in which to deal with long-range problems of agriculture. Though stressing that the 90 per cent guarantee of parity must and will be maintained, he stated that "Congress will probably have to give consideration to the matter of limiting the quantity of each commodity on which the guarantee will be applicable, or at least setting up some standard which can be applied."

Meanwhile, the Department of Agriculture has notified Congress that it believes it neces-

sary to invoke some sort of production control if the piling up of surpluses of farm commodities is to be avoided under the Government's price support program. Secretary Anderson has asked the present chairmen of the House and Senate Agricultural Committees and their prospective successors in the next Congress to meet with members of the Department in a conference to consider the problems posed by the current price support laws. The Department has announced its intentions to proceed with production control plans for potatoes if such a conference is not arranged before the beginning of the new Congress. Some Congressmen have indicated a belief that the establishment of such controls would be illegal; attorneys for the Department of Agriculture, however, are reported to have advised the Secretary that the Department's plans to restrict production through withholding the benefits of the support program from farmers who do not plant within their quotas come within the legal framework of existing legislation.

FARM MANAGEMENT

Conservation Program of Production and Marketing Administration Announced

Under the Agricultural Conservation Program for 1947, \$20 million will be available to Texas farmers for carrying out various soil conservation practices, according to a recent announcement of B. F. Vance, Texas Director of the Production and Marketing Administration. Pointing out that the intensive wartime production on American farms took heavy toll of the fertility stored up during the preceding decade, Mr. Vance stated that now is the time to restore lost fertility and to improve the productivity of the soil.

The program provides for assistance to farmers in two ways: (1) in cash payments for the performance of approved conservation practices, and (2) payment for materials and services used in carrying out such practices. The \$20 million available in Texas has been prorated among various counties according to their need. County funds, in turn, will be prorated among individual farmers.

Forty practices have been approved for this State, and from this group county commit-

tees may select those practices most badly needed in their individual counties. In addition, each county committee may select one practice which is believed to have definite local conservation value. Ranchers will be particularly interested in such approved practices as the installation of pipe lines for livestock water, the elimination of noxious plants, and deferred grazing. Farmers may be more interested in the construction of terraces, drainage ditches, and dams, or in strip cropping, or in the growing of legumes and other plants as cover or green manure crops.

In order to qualify for payments under the 1947 program, a farmer first must have the county committee's approval of the practices which he proposes to adopt on his farm. Then he may apply to the committee for the amount of assistance needed in carrying out each practice. After completion of the work he is required to report to his county committee. Detailed information can be secured from any county committeeman or from the county office of the Production and Marketing Administration.

Cotton Growers Advised to Secure Supplies Early

Agricultural Extension Service workers in the various states are urging all cotton growers to make plans now for the coming year. The farm labor and machinery situation in 1947 is expected to be somewhat brighter, but shortages of good quality seed and supplies are expected to develop. Supplies of breeders' seed available to growers in 1947 are expected to be particularly short. The Extension Service, therefore, urges farmers with sound seed one or two years removed from the breeders to save them for their own use or to supply their neighbors. It advises that all cottonseed kept or planted should be pure as to variety and should be tested for germination after they have cured from 60 to 90 days.

Clayborn Wayne, Agronomist of the New Mexico Extension Service, recently announced that the supply of wilt-resistant cottonseed in that state will be inadequate to meet demands, and, therefore, advised farmers to use wilt-

resistant seed only on land where wilt usually occurs and to plant regular seed on land where wilt is not present.

I. W. Carson, Associate Agronomist at the Louisiana State University Agricultural Extension Service, recently urged cotton growers to secure ample supplies of both planting seed and fertilizer as early as possible and to get their land ready now instead of waiting until spring. He reinforced his advice with the admonition, "These things done in time will save trouble and mean more money in the bank."

TECHNOLOGICAL DEVELOPMENTS

New Use Developed for Grain Sorghums

A new process for converting grain sorghums into starch and dextrose sugar has reached the stage which makes possible the early commercial manufacture of those products, according to an announcement by Harold Vagtborg of the Midwest Research Institute of Kansas City, in the November issue of *The Chemurgic Digest*. This development opens a promising new market for grain sorghums in the large scale commercial production of food products. The protein and cellulose residue of the process can be utilized in the manufacture of feeds, plastics, and other products.

Experiments which led to the development of the new process were started in 1945 under the sponsorship of the Corn Products Refining Company, in cooperation with the agricultural colleges of Texas, Oklahoma, Nebraska, and Kansas and the Midwest Research Institute. The laboratory experiments were completed in 1945, and it was decided to test the new process in pilot plant operations in 1946. A full scale commercial refining plant was secured for the test, and more than one million bushels of grain sorghums were processed into starch and dextrose between July 16 and September 1, 1946. Difficulties in processing these grains were ironed out, and it was successfully demonstrated that grain sorghums were satisfactory for extensive commercial production of starch and dextrose.

As a result of this development, the Corn

Products Refining Company has announced that it will construct a \$10,000,000 plant somewhere in the Texas Gulf Coast region. The plant, which will have a capacity of 20,000 bushels of grain per day, or about 7,000,000 bushels per year, is expected to be in operation some time in 1948. The company also plans to construct smaller processing plants throughout the grain sorghum belt for the production of starch to be shipped to the main refining plant.

ANNOUNCEMENTS

State Wool Show in February

The Seventh Annual State Wool Show will be held at Albuquerque, New Mexico, on February 4 and 5. All New Mexico wool exhibitors are invited to submit fleeces to the show. There will be separate divisions for fleeces from sheep run under herd and for those from sheep grown on pastures. Champion fleeces in each division will compete for grand championship honors.

Fruit Growers to Meet

The second annual meeting of the North Louisiana Fruit Growers Association will be held in the Agricultural Auditorium at Ruston on December 18, according to an announcement of Dr. D. C. Alderman, Assistant Horticulturist of the Louisiana State University Agricultural Experiment Station. Topics to be discussed include recent developments in the marketing of fruits, the laying out and planting of young orchards, and the development of new cultural practices and of new methods of insect control.

RECENT PUBLICATIONS

The Cotton Flea Hopper in Oklahoma, Bulletin B-303, Charles H. Brett, Oklahoma Agricultural Experiment Station, Stillwater.

Publications of Texas Agricultural Experiment Station, College Station, Texas:

Fruits for Home Use and Local Markets, W. H. Friend.

Strawberry Growing in the Lower Rio Grande Valley, W. H. Friend.

Fight the Boll Weevil Now by Plowing Under the Cotton Stalks, K. P. Ewing, Chas. A. King, Jr., and F. L. Thomas.