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Annual Outlook Issue

The AGRICULTURAL SITUATION

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Outlook for 1947.....	Clinton P. Anderson	1
1947 Outlook for Agricultural Exports.....	Leslie A. Wheeler	2
Farm Prices and Income.....	Oscar C. Stine	4
Agricultural Production Outlook.....	Carl P. Heisig	21
Farm Family Living Prospects	Margaret G. Reid and W. C. McKain	30

Outlook for 1947

FARMERS are entitled to the best information and judgment that the Department of Agriculture can give them on the outlook for agriculture next year, as a guide for their 1947 operations. This issue of *The Agricultural Situation* is offered to help meet this need. It presents a summary of the present outlook, as developed at the Annual Outlook Conference held in Washington in October.

One thing is clear. Next year should be another one of top farm production. There are some uncertainties, of course. There may be a few exceptions to the need for top production—as with potatoes and some types of tobacco—but on most farms the goal will again be more and more output.

Supplies of many foods are short of world needs. Many people in Europe and the Far East will again be underfed in the coming year. Thus exports will again be an important outlet for farm products.

At home, the market for farm products will continue large. Some decline in prices received by farm-

ers can be expected in the latter part of 1947. But with weather about average, the year will still be a good one generally, even if not as good as this year. With consumer incomes higher than in 1946, domestic consumption of agricultural products will continue at wartime levels.

However, need for high production should not be taken for granted. Some time in the future it can be expected that demand for agricultural production will turn downward. Agriculture as a whole must be on the watch for it if we are to avoid serious difficulties.

Farmers now face three major problems. The first is the problem of adjusting their production away from the wartime pattern and over to peacetime requirements. The second is the problem of maintaining market outlets on a permanent basis that will make full use of their ever-increasing productive capacity. And finally, there is the need for maintaining and restoring soil fertility for the long pull ahead.

CLINTON P. ANDERSON
Secretary of Agriculture

1947 Outlook for Agricultural Exports

AGRICULTURAL exports will continue large in 1947, but probably will not be as great as in the first half of 1946, when huge quantities of food were shipped abroad to relieve acute hunger.

Next year's supplies of crop and livestock products in this country will be large if crop yields are normal or better. However, large domestic demand, and in some cases depletion of stocks, will limit supplies available for export of such commodities as wheat and livestock products.

Despite the record wheat crop in 1946, the big preharvest export program depleted stocks. Also, if the large exports planned for the second half of 1946 are carried out, export possibilities for the first half of 1947 will be reduced. Wheat exports in the second half of 1947 naturally will depend on the size of next year's crop.

Little change is expected in livestock production in 1947. And because domestic consumers probably will get a larger share of the output of meats, dairy products, and eggs next year, a smaller proportion will be exported.

Because of good crops in 1946, supplies sufficient to fill any prospective foreign demand will be available in the case of corn, and most kinds of fruits and vegetables. Despite another small crop in 1946, there should be enough cotton to meet foreign demand, since the carry-over, while below the level of recent years, can be further reduced.

Foreign demand for such agricultural products as grains, the principal food items the United States will export in 1947, will remain high because of emergency conditions still prevailing in large areas of Europe and Asia. In general, however, the foreign need for United States farm products will be less pressing than during the last few preharvest months in 1946.

Price competition will become increasingly important in world trade in 1947. Lower prices of competing exporters may affect next year's United States exports of cotton, and of apples and dried fruits.

Other limiting factors include the change in the financial conditions under which other countries can obtain United States products, and the extensive trade controls still in effect in most countries. These factors may be unimportant in the case of products still scarce in many countries, and of which the United States will have less to export in 1947 than in 1946, such as wheat, meats, lard, most dairy products, and perhaps dried eggs. They also may not affect tobacco. Their effect is likely to be felt more strongly in the case of cotton and fruits. Fats and oils will not be exported in large quantities because of the domestic shortage.

With lend-lease ended and UNRRA shipments approaching an end, foreign countries will have to depend on their exchange resources and on dollar loans for the payment of more than four-fifths of their prospective imports of United States agricultural products in 1947, with relief shipments accounting for most of the rest. By comparison, nearly half this country's agricultural exports during the first half of 1946 consisted of lend-lease, UNRRA, and private relief shipments. Military shipments, which are not included in the usual trade statistics, will probably continue on a large scale.

Foreign holdings of gold and dollars greatly increased during the war, but this increase has been chiefly in neutral Western Hemisphere countries. Only a few of these countries, such as Canada and Cuba, were important buyers of United States agricultural products before the war. In their case, and that of other countries in this group such as Brazil and Mexico, improved exchange position has increased the demand for United States farm commodities.

By contrast, the exchange position of most of the European and Asiatic countries which participated actively in the war has deteriorated greatly. As long as the productive capacity of these countries is not restored, they will have little to sell and will need very large imports.

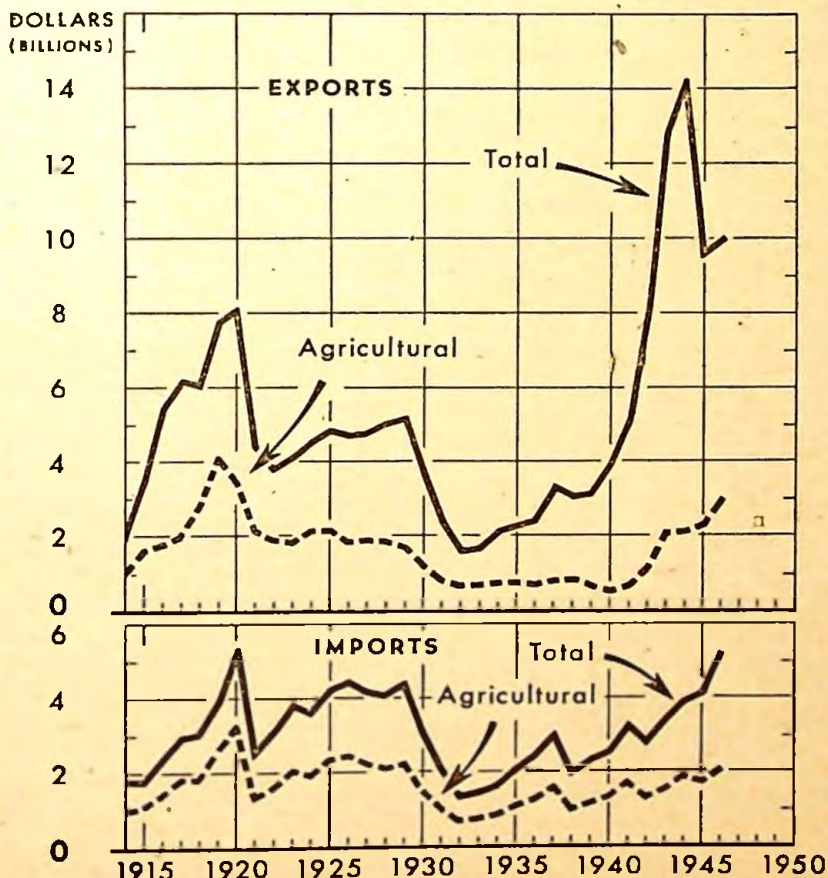
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Countries in western and central Europe, which participated in the war, as well as Japan, were large buyers of United States agricultural exports before the war. The United Kingdom alone took more than one-third of these exports in 1938, while the other countries in this group accounted for another third.

The United States probably will continue to look to these European countries and Japan for a large part of its foreign market for agricultural products, even though the mar-

ket's in other countries should expand considerably. In the case of most of these countries, their current earnings of gold and dollars will probably remain below their current needs in 1947, even though further progress should be made in the rebuilding of their productive capacity. Therefore, their ability to buy United States farm products will depend ultimately on the amount of dollars they receive through international loans.

VALUE OF U. S. EXPORTS AND IMPORTS, 1914-46



SOURCE: OFFICE OF FOREIGN AGRICULTURAL RELATIONS 1946 ESTIMATED

The proceeds of these loans made will be used to a smaller part for the purchase of American food, tobacco, and cotton. By far the larger part will be used for purchases of capital goods and other nonagricultural items. But the loans will enable them to use more of their current dollars to buy United States farm products.

Even though international loans may be of great assistance to the countries in balance-of-payment difficulties for a transitional period, they will not eliminate all of them in 1947. Moreover, some countries in balance-of-payment difficulties will hesitate to borrow for more than their minimum needs because of fear of the long-run burden of debts. Hence, they will continue to control imports. Also, with certain other countries, they will tend to keep such controls as a feature of war-strengthened trends toward self-sufficiency and government planning. Further, they may tend to supplement these controls by a vari-

ety of international trading arrangements.

Regardless of how these controls are exercised, foreign government ideas regarding the importance of certain commodities will be given preference over consumer desire for semiluxury commodities such as many fresh and canned fruits. Similarly, these governments tend to give preference to imports which can be paid for in currency which they have more readily available.

While in 1948 primarily such products as cotton and fruits will be affected by foreign trade controls, others are likely to become affected if these controls should be continued on an extensive scale beyond the period of acute emergency. Price competition also is likely to be felt increasingly in agricultural trade, especially if foreign countries should support producer prices at lower levels than in the United States.

LESLIE A. WHEELER, *Director,*
Office of Foreign Agricultural
Relations

Farm Prices and Income in 1947

DEMAND for farm products probably will continue on a high level for another year. Prices of farm products probably will average near present levels through the remainder of the current marketing season, but good crops in 1947 may encounter some weakening in both foreign and domestic demands. Since prices are rising for many of the nonfarm products farmers buy for use in production, and farm wages are likely to be maintained or increased, the cost of production in 1947 may be somewhat higher than in 1946.

Present prices, together with the prospect of some improvement in the availability of materials, including machinery, are favorable to maintaining and even increasing crop production in 1947 above the levels of recent years. A limiting factor is the opportunity for higher-paying jobs with shorter hours in nonagricultural pursuits. With favorable weather, the volume of crop production marketed in the latter part of 1947 and early 1948 could be larger than the supplies now being marketed. A relatively large supply of feedstuffs and high prices for products will encourage an increase in

livestock production in the latter part of 1947.

Prices received by farmers in 1947 as a whole may average 10 percent below the present level and be lower at the end of the year so that the average for the 1947-48 marketing season may be as much as 15 to 20 percent below the present level. With declining prices in the latter half of the year receipts from marketings in 1947 may be 5 to 10 percent lower than in 1946, and higher costs may result in the net income realized by farm operators as much as 15 percent below that of 1946. This would not be a low level of income. Even with such reductions in prices and income in 1947, the average for the year would be at a level about equal to or as high as any year previous to 1946. However, the significant point is that farmers probably reached in 1946 the peak of demand and the highest net income from farm products.

In analyzing the outlook for marketing products in 1947 and beyond, three factors must be considered: (1) the purchasing power and wants of consumers, (2) the probable foreign takings of the several farm products, and (3) the available supplies in relation to demand and the general price level.

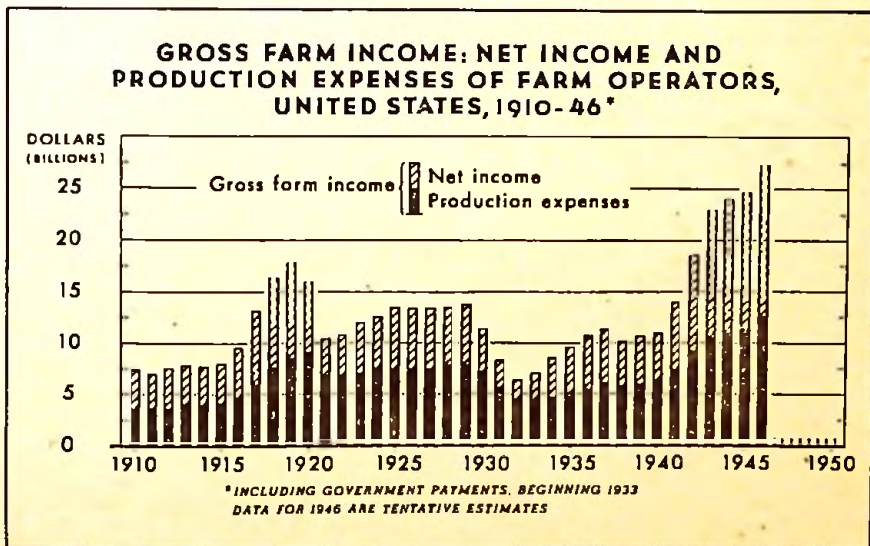
Domestic and foreign demands are now strong enough to absorb all that can be produced of most products at an inflated price level. The lapse of price control last summer revealed the pressure of demand against supplies even at relatively high ceiling prices. In that very short period of free markets, the average of farm prices advanced 15 percent to a point above the highest level reached following the end of the First World War.

Business activity in the United States may slump to some extent sometime in 1947 as in 1920 in the course of readjustments after war and postwar expansions. Looking back at developments in 1920, it will be remembered that the prices of farm products started a long downward course in June of that year, and dropped to a very low level in May 1921. Must the experience of those years be repeated in 1947 and 1948? Although conditions similar in many respects to those in 1919 now exist, it is possible to work out the readjustments after this war period without such an extensive and disastrous reduction in the prices of farm products.

The demand for farm products in 1946 has exceeded expectations, owing largely to the maintenance of a high level of income payments to individuals in spite of an extensive decline in industrial activity during the past twelve months from the

high level at the end of the war. The volume of payments to consumers has been maintained and the accumulated savings have been so large that consumers have been in a position to greatly increase expenditures for whatever was available and wanted. But now the special payments to individuals, associated with the release of military servicemen and the conversion of industry from war to peace, have been completed. In the months ahead, consumer purchasing power will be more closely related than it has in the past several years to industrial pay rolls.

There is now practically full employment, with some men on strike. But it is quite evident that production along some lines is now in excess of normal requirements and that the excess of accumulated demands will be met within a few months. Some unemployment is likely to develop. While the requirements of construction and heavy industry are such as to provide opportunities for everyone who wants to work, it will not be possible to make promptly all the adjustments necessary to maintain full employment. Consequently, there is likely to be a period of business recession variously estimated to begin sometime in the second quarter of 1947 or later in the year. This will reduce the demand for agricultural raw materials and lower consumer purchasing power. It may be of a



Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. A average of reports covering the United States weighted according to relative importance of district and State]

Commodity	- 5-year average		Oct. 15, 1915	Sept. 15, 1916	Oct. 15, 1916	Parity price Oct. 15, 1916
	August 1907-July 1911	January 1935- December 1939				
Wheat (bushel).....dollars	0.854	0.837	1.51	1.79	1.88	1.83
Rice (bushel).....do	.813	.742	1.78	1.88	2.14	1.69
Corn (bushel).....do	.642	.601	1.13	1.73	1.71	1.33
Oats.....do	.399	.340	.628	.747	.709	.820
Hay (ton).....do	11.87	8.87	14.30	15.40	10.10	24.60
Cotton (pound).....cents	12.4	10.34	22.26	35.30	37.69	25.67
Soybeans (bushel).....dollars	1.06	.954	2.04	2.13	2.28	1.99
Peanuts (pound).....cents	4.8	3.55	6.06	6.94	6.78	9.91
Potatoes (bushel).....dollars	.697	.717	1.26	1.28	1.22	1.52
Apples (bushel).....do	.86	.90	2.84	2.37	2.37	1.99
Oranges on tree, per box.....do	4.81	1.11	2.05	3.01	2.81	2.46
Hogs (hundredweight).....do	7.27	8.38	14.10	15.70	23.00	15.00
Beef cattle (hundredweight).....do	5.42	6.56	11.50	15.20	18.40	11.20
Veal calves (hundredweight).....do	6.75	7.80	12.70	15.50	17.00	14.00
Lambs (hundredweight).....do	5.88	7.79	12.50	15.80	17.50	12.20
Butterfat (pound).....cents	26.3	29.1	50.4	75.6	90.0	56.1
Milk, wholesale (100-pound).....dollars	1.60	1.81	3.32	4.55	7.47	3.63
Chickens (pound).....cents	11.4	14.9	24.2	29.3	34.4	23.6
Eggs (dozen).....do	21.5	21.7	42.6	44.5	51.5	50.7
Wool (pound).....do	18.3	23.8	41.7	41.1	41.1	37.9

¹ Revised.

² Comparable base price, August 1909-July 1914.

³ Comparable price computed under section 3 (b) Price Control Act.

⁴ Comparable base price, August 1919-July 1920.

⁵ Does not include dairy production payments made directly to farmers by county PMA offices October 1943 to June 1946.

⁶ Adjusted for seasonality.

⁷ Preliminary.

comparatively short duration, but several months and possibly even a year may be required to make the adjustments and return to a level of full employment.

Such a decline in purchasing power is likely to be less significant than it was in 1920 for the reason that there are now several shock absorbers. Perhaps the most significant is unemployment compensation. This will contribute to maintaining income payments on a level somewhat higher than industrial pay rolls. Furthermore, the country is now in a position to more promptly shift the labor force and to expand other lines of production to take up the slack resulting from the readjustments of many lines of consumer-goods production to normal levels.

Foreign demands for the farm products of the United States also will decline in 1947. However, shipments of a large volume of wheat and considerable quantities of some other farm products to foreign countries for relief purposes contributed to the pressure on the domestic market in 1946 and will continue into 1947. World crop produc-

tion in 1946 was still short of average prewar levels. Foreign countries will take about all of the wheat and some other products for a few months until another crop is harvested that this country can spare. Another round of good world crops in 1947 will bring more competition to the United States and restrict outlets in world markets.

In this war period, farmers have increased agricultural production by more than 30 percent, the population of the United States has increased about 8 percent, and the per capita consumption of foods about 15 percent. Thus, the domestic market is nearly 25 percent larger while production is over 30 percent more. In the last years of the war this margin was too narrow to meet all overseas requirements. But now farmers are facing a contracting foreign market. While the export is a small percentage of the total supplies, it is a very significant margin for some lines of production.

Inevitably, the readjustments to a more normal domestic and foreign market will result in lower prices for agricultural products. Some short

crops in 1947 might delay downward price adjustments by reducing available supplies. With a repetition of good crop conditions at home and abroad, there would be still a market for the available supplies but probably at somewhat lower prices. Fortunately, price-support measures provided for the domestic market, together with such stabilization arrangements as the Canadian-United Kingdom wheat deal and arrangements for supporting British Empire wool, will cushion any sharp declines.

The prices of many farm products in the United States are so far above support commitments that the average of farm prices could decline materially before encountering the support levels. But the decline probably would be checked at a level about halfway from the top to the prewar level. However, such a decline is not likely to be realized in 1947. It might develop in 1948 as a result of a large volume of production with some weakening in demand for some of the important farm products.

OSCAR C. STINE, *Asst. Chief
Bureau of Agricultural Economics*

Marketing and Transportation

SOME shortages in the facilities for processing and distributing farm products will continue in 1947, with those of rail transportation remaining critical while those of other phases of marketing are not likely to be more than local or temporary problems.

Rail-transportation shortages which hampered marketings of foodstuffs and agricultural raw materials in 1946 probably will not improve materially in 1947. Farmers, processors, and other handlers who ship fruits, vegetables, meats, and other commodities that normally move in refrigerator cars will feel the shortage most seriously. The supply of these cars is now at a record low and replacements will be limited by material shortages. Box-cars suitable for grain and grain products and other nonperishable products also will fall short of requirements. The degree of the shortage will, of course, depend on the size of next year's grain crops as well as on industrial requirements for this type of equipment. In general, shippers of livestock need not

expect serious problems in 1947 caused by inadequate supplies of stock cars.

Intercity motortruck facilities can be expected to improve considerably in 1947. But water transport of agricultural products, both coastwise and intercoastal, probably will not be fully restored to prewar levels in the coming year. A new transportation outlet for some farmers which has had a remarkable development in the past year or two is air freight. Movement of certain fruits, vegetables, and flowers by this means will continue to increase in 1947, particularly as air-freight rates continue to decrease.

Farmers can look for a continued decline in their share of the consumer's dollar spent for food in the year ahead. From a peak of 55 cents in late 1945 and early 1946 this share has been declining in recent months because of increasing marketing costs such as for labor and materials. And as price controls and subsidies are removed, further increases in marketing charges can be expected, averaging substantially higher in 1947 than in 1946.

Despite the production of much new food-processing equipment since the war, it is not enough to meet requirements of a great many food processors whose present equipment is generally depreciated by continuous war use. In the flour and milling industry, for example, the need for more modern equipment is especially urgent. But reasonable progress in industrial reconversion next year should result in gradual improvement in the situation for food-processing equipment in 1947.

The over-all container picture for 1947 looks a little brighter than in 1946, though farmers and others handling food will have to continue to conserve and salvage their supplies if they are to be sufficient. Supplies of wooden containers for shipping fruits and vegetables will continue to be tight, but the lack of wooden containers for poultry and eggs will be made up by increased use of fiber containers. The supply of tin cans is likely to be much better than in 1946, if there are no further work stoppages in steel production. Supplies of paper bags and open-mesh bags should improve, though burlap supplies may continue tight.

Freezer space in public warehouses will continue to be tight for many months to come, as will space in

cold-storage warehouses, to a lesser extent, until freezer capacity is greatly expanded. The future extent of the shortage will depend largely on the trend of freezing fruits and vegetables which have been in tremendous quantities this season.

The prepackaging of fresh fruits and vegetables which has developed into a fairly large operation within the past year or so will become even more widespread in 1947. Because prepackaging has certain fundamental advantages, it will have an important place in the long-time development of fruit and vegetable merchandising—at least, for many products. Other products will continue to be handled in bulk form, while still others may be handled largely in frozen form.

The spectacular development in the quick freezing of many foods during the war has brought many overstatements as to probable future developments in the immediate future, particularly in 1947. At all levels of the industry there are factors that will hold these developments to no more than minor gains in 1947. Chief among these will be inadequate supplies of freezer equipment from the processor down to the consumer. Shortages of low-temperature equipment anywhere along the line can block further expansion. And not the least important are consumers, few of whom have such equipment. Most refrigerators now in homes will permit no more than minimum amounts of frozen food to be stored at any one time.

Distributors of whole milk for fluid consumption will again face the familiar problem of stimulating milk production this fall and winter. During the past three winters, supplies of such milk have been seriously short in many markets.

Marketing facilities for cotton, wool, and textile products in 1947 are expected to be adequate for handling the supplies available. Few, if any, major changes in methods and practices within the next year or so are anticipated. The rate of production of many textile products in 1947 probably will be substantially greater than in the prewar period, but considerable time will be required to satisfy the accumulated needs of consumers. Shortages of many textile products are expected to continue into next year at least.

Textile manufacturers will continue to be handicapped during the next few years by inadequate supplies of

new and improved equipment for replacing outmoded machinery now in use. In recent years the rate of wear and tear on textile machinery has been accelerated, while the rate of replacement has been retarded. Consequently, new and improved equipment is greatly needed.

C. C. CURTIS, BAE

Food Supplies

FOOD supplies for American people will again be large in 1947 though some foods will still be short of the expected strong demand. Food production next year may not be quite as high as in 1946. Exports probably will be much smaller.

Supplies of eggs, fresh vegetables, and total milk in all forms will probably be slightly smaller than this year. Consumption of fluid milk and cream and ice cream may be somewhat reduced by higher prices, particularly if there is a decline in consumer purchasing power in the latter part of the year.

On the other hand, the 1947 supplies of many foods, such as butter, lard, evaporated milk, cheese, citrus fruit, canned and frozen fruit, wheat flour, corn products, rice, sugar, and fish are expected to be a little larger than in 1946.

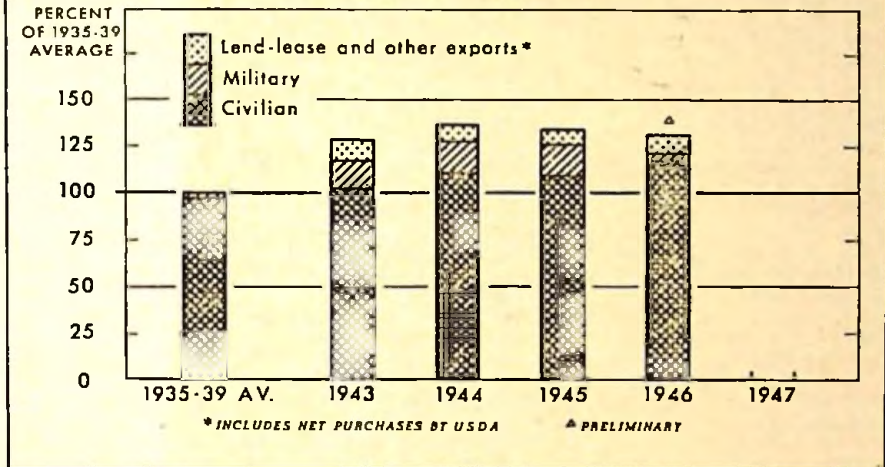
Civilian Consumption of Principal Foods, 1941, 1945, and 1946, compared with 1935-39 average

Food groups	Percent change in average civilian per capita consumption from 1935-39 average		
	1941	1945	1946
	Percent	Percent	Percent
Processed fruits ¹	+28	+29	+56
Processed vegetables.....	+25	+47	+51
Poultry meats.....	+12	+44	+32
Fluid milk and cream.....	+3	+20	+27
Cheese.....	+9	+7	+25
Eggs.....	+4	+32	+23
Coffee.....	+11	+10	+23
Fresh vegetables.....	+3	+14	+17
Red meats.....	+13	+10	+13
Fresh fruits.....	+6	+4	+3
Corn products.....	+4	+9	+3
Wheat flour.....	-1	+7	+1
Potatoes, sweet potatoes.....	-4	-4	-3
Tea.....	+16	-12	-4
Fats and oils ¹	+12	0	-5
Cocoa.....	+0	-0	-7
Sugar.....	+7	-24	-25
Butter.....	-5	-35	-40

¹ Includes canned fruits and juices, dried and frozen.

¹ Excludes butter.

TOTAL UNITED STATES FOOD DISAPPEARANCE, 1935-39 AVERAGE, AND 1943-46



U. S. DEPARTMENT OF AGRICULTURE

NEG. #102A-2

BUREAU OF AGRICULTURAL ECONOMICS

Supplies of most nutrients are expected to continue high in the months ahead if the present enrichment program for white flour and bread is continued. A slightly larger per capita supply of food energy is expected because of prospective increases in consumption of grain products, fats, and sugar. The decrease in fluid milk and cream consumption will result in a little less intake of calcium and riboflavin. But quantities of all major nutrients, except carbohydrates, will be well above prewar levels.

Total disappearance of food in 1946, including exports, is estimated to be somewhat smaller than in the past two years. However, about 89 percent of the year's food appears to be going to civilians, 8 percent for export, and 3 percent for military use. A much larger proportion of the total food supply has been available for civilians in 1946 than in the last four years. Per capita food consumption in 1946 is estimated to be about 15 percent higher than before the war.

MARGUERITE C. BURK, BAE

Feed

TOTAL feed concentrate supplies including feed grains, wheat and rye for feeding, and the numerous byproduct feeds) for the 1946-47 feeding season, beginning October, will be the third largest on record.

On the basis of number of animals to be fed it would be the largest on record. The supply of corn, oats, barley, and sorghum grains for 1946-47 is the largest on record, and considerably larger than the supply last season. Feed grains alone account for about 80 to 85 percent of the total feed concentrate supplies each season.

Supplies of byproduct feeds, per animal unit, will be larger, with output of lower-protein feeds considerably above that of the 1945-46 season. But supplies of high-protein feeds will be short of demand except at considerably higher prices than a year ago.

About 97 million tons of hay were cut this year. This production, together with a record large carry-over and large crops of rough forages, will provide a liberal supply for the coming winter and spring.

Use of grains for feed during 1946-47 is expected to be less than last season because of fewer animals to feed and because this year's corn crop is better quality. However, utilization of feed grain for food and industrial purposes and for export is expected to be larger. Nearly 17 million tons of all feed grains may be so used during the coming year, compared with an estimated 13 million tons in 1945-46. Much of the expected increase in nonfeed uses in 1946-47 will be in corn exports, which may total as much as 100 mil-

lion bushels, but food and industrial use of corn, oats, and barley also is expected to be larger than during the past year.

The supply of feed indicated for 1946-47 could support more livestock feeding than now seems likely. As a result, the combined carry-overs of corn, oats, and barley in 1947 probably will be materially larger than the 10½-million ton carry-over this year. Carry-over of corn by October 1, 1947, may be increased to a total of 400 to 500 million bushels, compared with 163 million on October 1, 1946. Also, the carry-over of oats will be larger on July 1, 1947, than the large carry-over on July 1 this year. Carry-over of barley next year, however, is likely to be down to an even lower level than that of 1946 when it was the smallest in recent years.

Feed grain prices, generally, probably have passed their peaks for the immediate postwar years. The strong commercial demand for domestic purposes and for export, together with Government price supports on corn at about \$1.15 per bushel, will maintain corn prices next winter and spring at higher levels than during the winter and spring of 1945-46. But prices of feed grains are likely to average lower from May to September 1947 than in the corresponding period of 1946,

when they reached the highest levels since 1920. Prices of mixed feeds will be considerably higher during the winter and spring than a year earlier. Hay prices also are expected to be higher than a year ago.

R. A. PHILLIPS, BAE

Livestock

MEAT production in 1947 probably will be at least as large as in 1946 and may be larger. Total output this year may be about a billion pounds under the 22.9 billion pounds produced in 1945, with most of the decline in September and early October. Slaughter of cattle, calves, and hogs, is expected to run ahead of last year during the balance of 1946. Slaughter of sheep and lambs, however, is likely to continue less than last year because of the small number of lambs available from the reduced lamb crop this year.

Cattle marketings are likely to continue large throughout the winter and spring, even though many producers realize that prices probably will not be maintained at the high fall levels. In addition to the large numbers of grass-fed cattle now coming to market, the slaughter supply will be augmented in a few months by large numbers of grain-

SPRING, FALL, AND TOTAL PIG CROPS, UNITED STATES, 1940-46



FALL PIG CROP BASED ON SOWS INDICATED TO FARROW AND 1935-44 AVERAGE NUMBER OF PIGS SAVED PER LITTER

fed cattle. Shipments of stocker and feeder cattle into the 11 Corn Belt States from July through mid-October this year were of near-record size.

As the balance of the 1946 spring pigs come to market, hog slaughter will be large through March but a more-than-seasonal reduction in slaughter is in prospect for the spring and summer months of 1947, as a result of the sharp drop in the 1946 fall pig crop. Because of the current high prices for hogs and declining prices for corn, the number of sows and gilts bred for spring farrow is likely to show a substantial increase over last year. The spring pig crop of 1947 probably will be the largest since the record crop of 1943. This will mean an increase in hog marketings in the fall and winter of 1947-48.

Sheep and lamb slaughter in 1946, though smaller than in 1945, is still relatively large, and a further reduction in the number of sheep and lambs on farms is anticipated for January 1, 1947. With fewer breeding sheep available, the lamb crop in 1947 is likely to show another decline, for the sixth successive year.

Despite reduced pork output in the spring and summer of 1947, and a probable further reduction in output of lamb and mutton, civilian supplies of meat next year will be at least as large as the 145 pounds per person consumed in 1946. United States exports of meat are expected to be smaller than in 1946, because of curtailed UNRRA activities, probable increased exports from countries of the Southern Hemisphere and the high prices likely in the United States. Military takings also will be less next year than this.

As marketings increase seasonally this fall and winter, prices of cattle and hogs may decline to somewhat lower levels. However, by spring, when hog marketings will decline fairly sharply and cattle marketings will be down seasonally, prices may again advance. There are some indications that over-all consumer demand may weaken in 1947, possibly in the second half of the year. Should this develop, prices of meat animals probably would be lower in the marketing year beginning October 1947 than they will be in the current season.

R. M. WALSH and G. J. SIMS, BAE

Dairy Products

DAIRY products will continue in strong demand, at least through the first half of 1947. Domestic demand may fall off in the latter part of next year while foreign demand in 1947 will be the smallest since 1941, though still above prewar. In total, demand will be large enough to provide most farmers a good outlet for their milk and butterfat.

Consumption of fluid milk and cream may decline somewhat from the 1946 average, but consumption of manufactured products containing butterfat is not likely to change much. Farmers will be able to continue to sell a large proportion of their milk production as whole milk. Therefore average returns will not be greatly affected in the coming year by the channeling of milk to cheaper uses. Returns to farmers per hundred pounds of milk or per pound of butterfat, probably will be greater than in 1946 during the first half of 1947 but less in the second half. Average returns per unit sold for the year as a whole should be about equal to 1945.

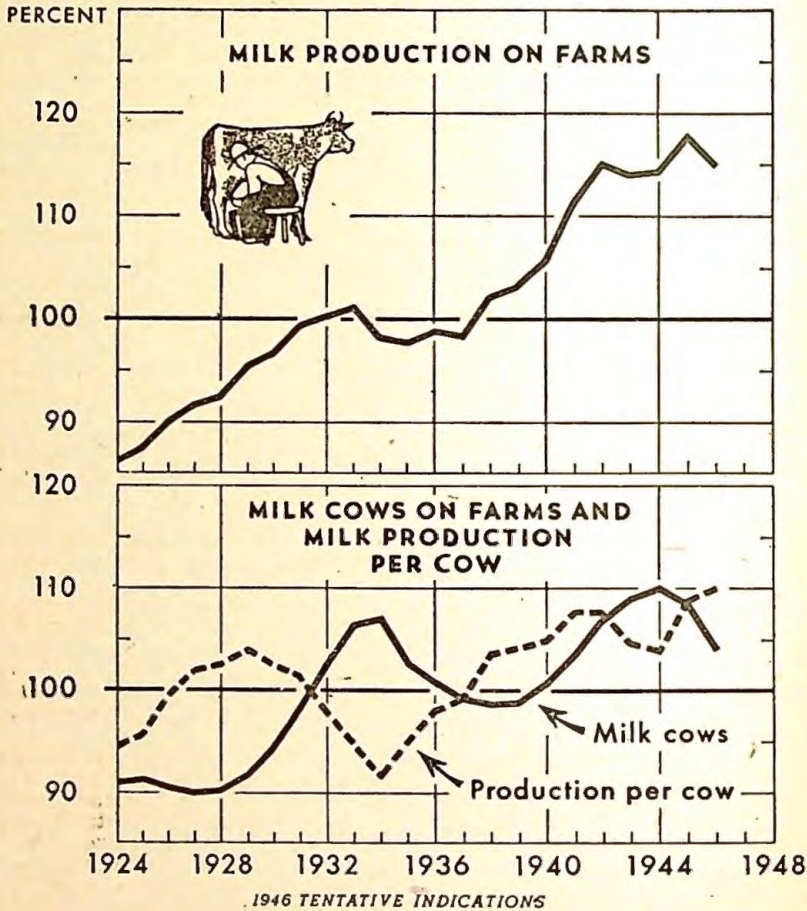
In relation to prices of feed, farm prices of dairy products may be more favorable than in the past summer and are likely to be about average at least through the first half of 1947. However, in relation to prices of competing livestock products, prices of dairy products are likely to be a little less favorable than usual. Costs to dairy farmers for items other than feed probably will be higher than in 1946.

Farmers will begin next year with fewer milk cows than they had at the beginning of 1946. The number of milk cows on farms has been declining since late in 1944 and on last June 1 the average herd in the country was 4.3 percent smaller than a year earlier. Severe culling of mature cows appears to have accounted for most of the recent reduction in cow numbers. The number of young stock is still above average in relation to the number of mature stock. A slower rate of decline and perhaps a halt in reduction of cow numbers may come during 1947.

Production of milk per cow has been increasing in recent years and may continue to increase in the years immediately ahead. Production per cow in 1947 may exceed the 1946

MILK COWS, AND MILK PRODUCTION, UNITED STATES, 1924-46

INDEX NUMBERS (1935-39=100)



U.S. DEPARTMENT OF AGRICULTURE NEG. 39573-X BUREAU OF AGRICULTURAL ECONOMICS

record. If so, total milk flow will be little different from the output this year despite fewer cows at the outset.

With the volume of sales by farmers and prices in prospect for 1947 it is likely that cash returns from dairying next year will be about the same as the returns in 1946 of about 3.9 billion dollars from production payments and regular market outlets. Cash receipts from dairy products have increased at about the

same rate since prewar as those from other farm products—in 1945 both were about 2½ times the 1935-39 average.

H. C. KRIESEL, BAE

About as much corn was produced during the war as in the previous 7 years—over 15 billion bushels in 1941-45 and nearly 15½ billion in 1934-40.

Poultry and Eggs

FARMERS in 1947 will receive higher average egg prices than in 1946 particularly during the flush production season. Minimum support levels (90 percent of parity) will be above actual returns in 1946. Supports are dependent on the prices which farmers pay—this rose about 10 percent from June to September. Further increases in prices paid by farmers are in prospect so that support levels will be at least 7 percent higher during the 1947 flush egg-production season than in the corresponding period of 1946.

Egg production in 1947 is expected to be 6 to 9 percent lower than in 1946. The number of chickens raised this year decreased 18 percent from 1945 levels largely because of the tight feed situation. This will result in substantially fewer layers on farms January 1, 1947, than a year earlier.

Feed prices during the 1947 hatching season are expected to be higher than during the 1946 hatch, but lower than at present. If this occurs, the number of chickens raised will probably be about as many as in 1946. On this basis the size of laying flocks on January 1, 1948, will not differ much from January 1, 1947.

Chicken prices, on the removal of ceilings on red meats, declined sharply from the all-time high reached in early October. But further decreases from the late October levels are not expected. Seasonally smaller supplies, high prices for red meats, continuation of a record level of consumer purchasing power will tend to keep chicken prices relatively high at least until mid-1947.

Broiler growers are expected to expand operations in 1947, particularly during the early part of the year. Large feed supplies and high prices will probably make this possible.

Next year turkey growers probably will increase their output from the 1946 levels and may exceed the 1945 record production. The reason: favorable returns for the past 4 years and large supplies of feed at least through the first half of 1947. Turkey prices during the 1947 marketing season are expected to be moderately below the 1946 levels.

GERSON LEVIN, BAE

Food Grains

WHHEAT supplies are sufficiently large so that the carry-over July 1, 1947, may be increased from the small stocks last July. However, the carry-over of old crop rye and rice will again be small.

Production of wheat and rice in 1947 are expected to be large, but the rye crop may again be small. Wheat and rice prices in 1947-48 will depend largely on foreign demand, and may be moderately below those of the current year. A significant increase in rye production would be expected to reduce rye prices below current high levels.

Wheat

Under present conditions, wheat growers undoubtedly will seed about the same acreage as they did for the 1946 crop. With average development, such an acreage would produce in 1947 a crop of about 930 million bushels. If domestic use totals about 730 million bushels, as now estimated, a crop of this size would leave 200 million bushels for export or to add to carry-over stocks July 1, 1948. Exports of 200 million bushels in 1947-48 are likely unless crops in other exporting countries and principal importing countries are better than average. Accordingly, the carry-over on July 1, 1948, may not differ much from the 250 million to 275 million bushels expected for July 1, 1947. The carry-over July 1, 1946, was 101 million bushels—the lowest in 20 years, except for 1937.

Wheat prices for the 1947 crop may be only moderately lower unless yields per acre in this and other important producing countries are very large. Should prices go to the support levels, they would probably be about 10 percent below those of the current marketing year. There will be no wheat-marketing quotas or acreage allotments during the 1947-48 wheat-marketing year.

Rye

With high prices for rye, some increase is likely in the acreage harvested for grain in 1947 over the 1.8 million acres for the present crop. If the increase should be as large as the acreage goal of 2.4 million acres, average yields would produce a crop of about 295 million bushels. In 1947-48 there will be a desire on the part of civilians to resume a normal

consumption of rye for food following the limited supplies available in 1946-47. If this happens it would be necessary to continue to use less than average quantities for feed and spirits and to greatly restrict exports. The carry-over of rye on July 1, 1946, at 2.4 million bushels was the smallest on record, and likely rye production in 1947 is not expected to be large enough to significantly increase the carry-over at the end of the 1947-48 marketing year.

With the likelihood that the acreage for rye will be expanded to some extent, although not enough to satisfy all requirements, rye prices are expected to be moderately below the high current level though well above prewar.

Rice

The general outlook for rice is dependent on supplies in Oriental countries. With Oriental crop prospects for the harvest in November 1946 again below normal and distribution facilities disrupted by war, import requirements in these countries are expected to be important again in 1947-48. Under these conditions, another year of large rice production in the United States is desirable.

Requirements of normal markets in 1947-48 are estimated about as follows, in million bushels of rough-rice equivalent: Food and industrial use, 33.5; exports to Cuba and Canada, 14.8; shipments to possessions, 11.8; military, 1.6; and seed and feed, 4.2. These total about 66 million bushels. If the large acreage is maintained for another year, and a crop approximating the 70 million bushels produced in 1946 is obtained, normal outlets for 66 million bushels would leave only 4 million bushels for abnormal, war-created needs.

R. E. Post, BAE

Fats and Oils

FACTORY and warehouse stocks of fats and oils on October 1, 1946, were over 400 million pounds lower than a year earlier, about 700 million pounds below the 1932-41 average, and the lowest for October 1 in 16 years. Inventories are likely to increase in the next several months, when output will rise seasonally. In addition to the need for restoring stocks, there may be withholding of stocks from the market in

anticipation of price rises. If inventory building becomes excessive, prices of fats and oils undoubtedly will decline fairly sharply when the general demand for commodities weakens, possibly in the spring or summer of 1947.

Production of fats from domestic materials probably will decline moderately in the crop year beginning October 1946. With the 1945 fall pig crop substantially smaller than in 1945, the output of lard and grease next spring and summer will be below last year. Production of flaxseed in 1946 was substantially smaller than in 1945, and production of soybeans and cottonseed showed moderate decline. These decreases will be offset in part by increased production of butter and corn oil.

Total imports of fats and oils into the United States in 1947 probably will not be much more than half the 2 billion pounds imported annually in the immediate prewar years. Imports of copra will be substantially larger than in 1946 but imports of most other oil-bearing materials and fats will continue to be small. Prospects for early resumption of exports of palm oil in large volume from politically unsettled Java and Sumatra are remote. Edible oils from South America, Africa, and India are being allocated to deficit areas of greatest need. Exportable supplies of Argentine flaxseed must be shared with Europe. Tung, fish, perilla, and edible oils from the Orient will still be in short supply in 1947.

Because of short supplies in the United States, exports of lard and other fats are likely to be reduced in 1947 to or below the prewar level of approximately 500 million pounds. The United States in 1947 will have a net balance of imports of fats and oils for the first time since 1942.

Even with price ceilings on oilseed products and oilseeds in early October, the average prices to farmers for oilseeds in the 1946-47 season would have been at record or near-record levels. With ceilings removed, prices for the current season will average the highest for all years of record. For 1947-48, prices of soybeans, flaxseed, and peanuts will be supported at not less than 90 percent of parity or comparable prices for those commodities. Ninety percent of the present parity for soybeans and flaxseed is nearly double the 1935-39 average prices—more

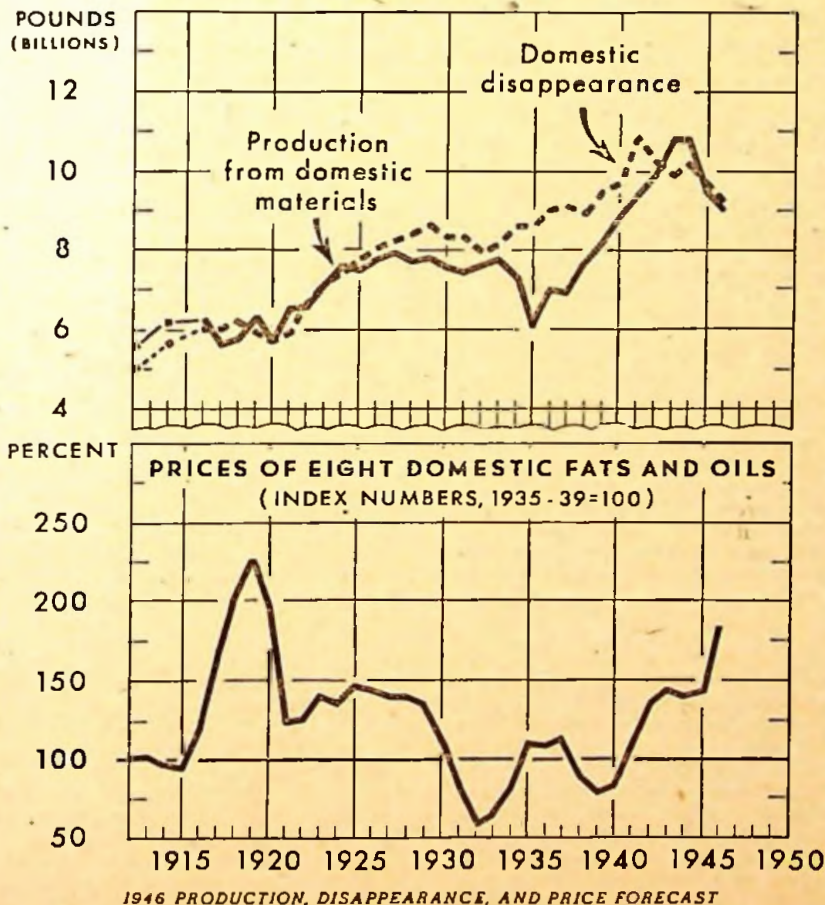
than double in the case of peanuts. For flaxseed, a specified support price of \$4 per bushel, Minneapolis, has been announced for the 1947 crop, which is equivalent to $2\frac{1}{4}$ times the prewar price.

Although prices of fats, oils, and oilseeds may fluctuate widely in the next two or three years, they are likely to stay above prewar. Industrial activity and consumer incomes will be considerably higher than be-

fore the war. Moreover, imports into this country probably will not return to prewar levels before 1948 at the earliest. It may be several years before imports return to prewar levels, because several areas formerly exporting in large volume, such as India, now retain a larger part of their production to satisfy domestic demands.

R. M. WALSH AND
E. L. BURTIS, BAE

FATS AND OILS: DOMESTIC PRODUCTION AND DISAPPEARANCE, AND WHOLESALE PRICES, 1912-46



Fruit

FRUIT growers can look for a strong demand for fruit and fruit products in 1947. Prices will be well above prewar, though generally not as high as the peak and near-peak levels of 1946. Supplies of fruit should again be large.

Consumer demand is expected to continue strong at least until late in 1947, when it may weaken somewhat. Strong processor demand for fruit for canning, freezing and drying, will tend to sustain the market throughout 1947. Part of the processor demand comes from the need to replenish war-depleted stocks in trade channels. Military fruit procurement in 1947, being well below wartime levels, will be but a small proportion of total supplies.

Fruit exports in 1947 will still be below prewar, though much more than in the last year or so. Fresh apples, pears, some canned fruits, and considerable quantities of raisins and dried prunes are expected to go to the United Kingdom and Scandinavian countries. And Canada will probably take substantial amounts of fresh citrus fruits.

Total fruit supplies in 1947 are expected to be about as large as in 1946. The new citrus crop, most of which will be harvested in 1947, may set a new record. And with average weather, the present large acreage could produce another big crop in 1947-48. But it is unlikely that 1947 will see as many production records of deciduous fruits as in 1946 which will mean a slightly smaller total output next year. Such a reduction, though, will be partially offset by increased imports and carry-over stocks of processed fruits.

Because of the expected record citrus crop now being harvested, growers will probably receive slightly lower prices than for the 1945-46 crop. And they may receive still lower prices for the 1947-48 crop, particularly if it approaches record size. Grapefruit and lemon prices have already eased off from the wartime peaks.

Similarly, the prices of certain deciduous fruits seem to be weakening somewhat. Further decreases in 1947 seem likely, especially for above average crops. Deciduous fruit growers can look for a weakening of domestic demand for their products as well as competition from bananas and other imported fruit.

Even with these unfavorable factors, season average prices received by growers in 1947 for the principal fruits will range somewhere between 1½ and 2 times prewar levels.

With the large fruit production in prospect for 1947 and after, together with the possibility of a weakening in demand for fresh fruit, new outlets for the utilization of fruit will have to be developed in order to sustain the market in the years ahead. This will be particularly true of citrus and to a lesser degree, of peaches. In recent years canned citrus has aided materially in supporting the market.

Large 1947 packs of canned, dried, and frozen fruits seem probable. But the high prices at which the 1946 packs are offered to consumers may result in a substantial increase in carry-over stocks, particularly canned fruits and juices of all types. This would tend to pull prices down, and might lead to smaller 1947 packs than are now in prospect.

The 1947 outlook for edible tree nuts is for a slightly smaller domestic production than in 1946, larger imports of the kinds restricted during the war, and prices received by growers not quite as high as in 1946.

B. H. FUBOLS, BAE

Vegetables

GROWERS of truck crops for fresh market in 1947 probably will not equal their record 1946 output. They are expected to plant slightly smaller acreages next year, as prices received this season were significantly lower than in recent years. Producers of truck crops for canning are also likely to plant less, in view of the probable increase in trade stocks by the end of the 1946-47 pack year.

Demand for fresh market truck crops will be strong during the first half of 1947, although it may be weaker in the latter half. Fresh market producers can look for prices nearer those of the latter part of 1946 than the record wartime levels.

Stocks of canned and frozen vegetables are building up rapidly. Larger stocks may weaken next year's demand for contract acreages for processing truck crops. Prices received by growers of processing crops probably will be slightly lower than in 1946, though well above prewar. However, the long-time up-

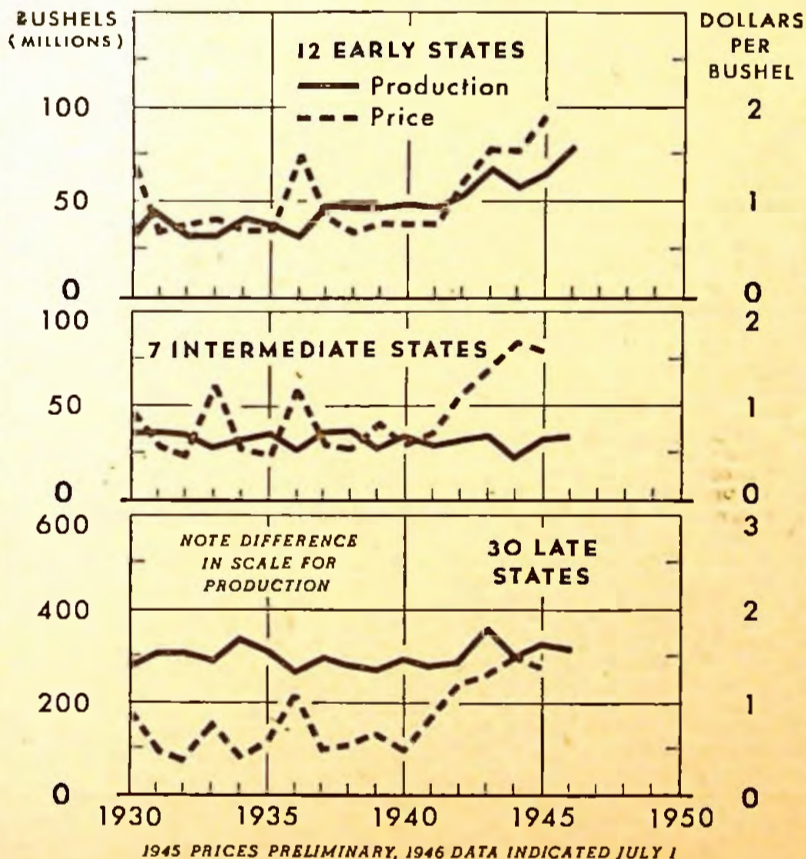
trend in consumption of canned and frozen vegetables will continue for many years.

Potatoes

The market probably could absorb a production of 370 million to 390 million bushels of potatoes next year. The January 1, 1947, carry-over of commercial stocks will probably be about 125 to 135 million bushels, a part of the record 471 million bushels produced in 1946. If

production in 1947 were to exceed the goal of 373 million bushels, the prices potato growers receive in 1947 would be at or close to price-support levels. As a "Steagall" commodity, potatoes under specified conditions are to be supported so as to return 90 percent of parity. If parity for potatoes next fall did not differ much from the September 15, 1946, level, then 90 percent of parity would be about \$1.30 to \$1.35 per bushel, U. S. average. This compares with

POTATOES: PRODUCTION AND SEASON AVERAGE PRICE, BY GROUPS OF STATES, 1930-46



the season average price received by farmers for the 1945 crop of \$1.44 a bushel.

Demand for sweetpotatoes is expected to be strong enough to move an above-average size crop at prices to growers averaging close to support levels, well above prewar.

Dry Beans and Peas

Demand for dry edible beans is expected to continue strong in 1947, with the domestic market absorbing most of the output. Military procurement will continue to be low. The high bean prices in prospect for 1947 will mean that few will be exported. Next year the domestic market probably could absorb a production moderately larger than the 15.1 million-bag crop of 1946 at prices to growers somewhat above support levels, though below the wartime peaks.

Foreign outlets for dry peas, which have taken most of the large wartime production increases, will probably shrink substantially at the end of the present marketing season. And the greater availability of other foods in the domestic market means that domestic demand for dry peas will also decline in the year ahead. Thus a 1947 crop considerably smaller than the 6.8 million-bag crop for 1946 should be produced if prices to growers are to continue above support levels.

H. W. MUMFORD, BAE

Sugar

WITH some recovery expected in sugar production in Europe and other war-damaged areas, the United States probably will get more sugar next year. The expected larger United States production of sugar this fall helps to brighten the prospects for next year. However, the supply situation in 1947 will depend also on production in the possessions—Hawaii, Puerto Rico, and the Virgin Islands—and, above all, on allocations of sugar from Cuba. Even with substantial increases in production in the areas supplying the United States, supplies available for consumption in this country will depend on the policy adopted for division of available world supplies.

Despite expected improvements in 1947 supplies of sugar, requirements for consumption and stock replenishment next year are expected to exceed available supplies. This excess, of course, is dependent on the

ceiling prices of sugar. At present ceiling prices and the expected level of demand in 1947, the United States probably would purchase for consumption and stock replenishment, without rationing, from 7.5 to 8 million tons of sugar (raw value) in 1947 compared with about 5.6 million tons available in 1946.

Preliminary reports on the European crop indicate that production of beet sugar this fall may average 35 to 40 percent above last year. Any increase in European sugar production helps to reduce the demand for exports to those countries from the Western Hemisphere.

The Philippine cane crop for harvest this fall may produce only 65 to 70 thousand tons of sugar, compared with over 1 million tons produced in prewar years. This means the Philippines will continue to import sugar in 1947. Some recovery in 1946-47 is expected in Java and Formosa, though significant production increases in these war-damaged areas are not expected before 1948.

Based on recent reports in production and on the acreage used for cane production in Cuba, favorable prices and good growing weather may result in a Cuban crop well above 5 million tons of sugar in 1947. Puerto Rican production may exceed a million tons, and the Hawaiian crop may turn out between 875 and 900 thousand tons of sugar in 1947 with good growing weather and favorable prices.

The minimum basis price for sugar in the United States until January 1, 1948, will be determined by the price paid for Cuban sugar under terms of the contract which provides for the purchase of the 1946 and 1947 crops. Under present legislation, ceiling prices on sugar will terminate June 30, 1947. Assuming expected continuation through 1947 of the strong demand for sugar for consumption and stock replenishment and probable short supplies of sugar available for use in 1947, it is highly probable that sugar prices would exceed present levels if ceiling and rationing restrictions are removed. Continuation of rationing would limit the effective demand for sugar.

R. F. DALY, BAE

In 1945 over 300 percent more popcorn was produced than in any prewar year. The 1945 output was 400 million pounds, with a fourth coming from Iowa.

Cotton

THE first year of peace after World War II brought material improvement in both the domestic and the foreign cotton situations. World consumption for the past season was some 2 million bales larger than in 1944-45, the last war year.

Domestic consumption in September was running at 10.2 million bales, an unprecedented high peacetime rate. Some decline in this rate may occur before the end of the current season, but the total for the year is expected to be higher than in 1945-46. Exports, on the other hand, are expected to be less than last season. But total disappearance (domestic consumption plus exports) is expected to greatly exceed the 1946 United States crop plus the relatively small imports so that the carry-over in this country next August 1 probably will be only about half as large as this year.

Cotton consumption in foreign countries is expected to increase from $3\frac{1}{2}$ to 4 million bales over last season's total. This, along with the indicated production, is expected to materially reduce the foreign carry-over of commercial cotton next August 1.

The increased world consumption during the season just passed, together with the smallest world production in more than 20 years, resulted in a sharp decline in the carry-over of cotton, both in the United States and in foreign countries. Most of the decline in the world total, however, resulted from reduced stocks in the United States, where there was a reduction between August 1, 1945, and August 1, 1946, of almost $3\frac{1}{2}$ million bales. Record high peacetime domestic consumption, an extremely small United States crop, and a sharp increase in exports over the low levels prevailing during the war period largely accounted for the drop in the carry-over in this country.

MAURICE R. COOPER AND
TROY MULLINS, BAE

Tobacco

TOBACCO farmers can expect consumer demand for cigarettes and cigars to continue at a high level in 1947. Cigarette production for 1946 will set a new record, about 10 billion cigarettes above the 1945 output.

Cigar production will probably range between 5.8 and 6.0 billion compared to the estimated 1945 production of about 5.3 billion.

Manufacture and consumption of chewing and smoking tobacco has been running sharply below last year and also prewar. Snuff has been below a year ago but above prewar.

Exports are well above prewar and are expected to continue strong throughout the marketing year 1946-47. The British loan agreement and other loans will influence exports of tobacco leaf favorably.

The 1946 tobacco crop of almost $2\frac{1}{4}$ billion pounds of tobacco is about a quarter of a billion pounds more than the previous record output of 1945, with record crops of flue-cured, burley, and Maryland harvested. Production of all other types, except Georgia-Florida wrapper and perique, exceeded last year.

Flue-cured tobacco marketings this fall were bringing farmers prices averaging close to 50 cents a pound, some 5 to 6 cents higher than in 1945. A strong demand by domestic manufacturers and for exports is expected to raise total disappearance in the 1946-47 marketing year well above the previous season.

Three successive years of large burley crops have brought total supplies to a high level. The 602-million pound crop this year exceeds probable disappearance by about 100 million pounds. Loans based on 90 percent of parity will be in effect for the 1946 crop. In October burley producers voted for marketing quotas for 1947, 1948, and 1949. The quota calls for a considerably smaller 1947 acreage planted in burley than in 1946.

Maryland is expected to be in strong demand when marketed next spring and summer. The demand for fire-cured for export and domestic use will also be strong. Fire-cured and dark air-cured types will have price-supporting loan rates based on 75 percent and 66 $\frac{2}{3}$ percent, respectively, of the burley loan rate.

Cigar filler prices are expected to top those of the 1945 crop. Wisconsin types of cigar binder are also expected to be higher than last year, while Connecticut binder was sold in the field in midsummer at record prices.

A. G. CONOVER, BAE

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-79 = 100) ¹	Income of industrial workers (1935-79 = 100) ²	1910-14 = 100				Index of prices received by farmers (August 1909-July 1911 = 100)			
			Wholesale prices of all commodities ³	Prices paid by farmers		Farm wage rates ⁴	Livestock and products			
				Commodities	Commodities, interest, and taxes		Dairy products	Poultry and eggs	Ment animals	All livestock
1910-14 average.....	58	50	100	100	100	100	101	101	101	
1915-19 average.....	72	60	158	151	150	148	151	163	158	
1920-24 average.....	75	122	160	161	173	178	159	163	142	
1925-29 average.....	98	159	143	155	168	170	160	153	114	
1930-34 average.....	74	78	107	122	135	115	105	91	93	
1935-39 average.....	100	100	118	125	128	118	119	109	119	
1940-44 average.....	192	237	139	150	148	212	162	140	171	
1945 average.....	203	286	154	180	174	350	197	106	203	
1945										
October.....	162	225	155	182	175	345	199	204	202	
November.....	168	229	150	182	175	-----	202	218	203	
December.....	163	233	156	183	176	-----	201	222	204	
1946										
January.....	160	235	150	184	177	361	203	197	206	
February.....	153	218	157	185	178	-----	202	168	214	
March.....	168	238	150	187	180	-----	201	167	210	
April.....	165	247	161	188	181	362	199	169	225	
May.....	159	248	162	192	185	-----	198	173	226	
June.....	171	269	165	190	185	-----	207	178	230	
July.....	172	278	182	209	199	378	245	197	268	
August.....	177	288	189	211	204	-----	257	199	294	
September.....	177	-----	183	210	200	-----	271	221	240	
October.....	-----	-----	-----	218	207	378	300	257	318	

Year and month	Index of prices received by farmers (August 1909-July 1914 = 100)								All crops and livestock	Parity ratio ⁷
	Crops							All crops		
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil-bearing crops	Fruit	Truck crops			
1910-14 average.....	100	101	102	96	98	99	-----	99	100	100
1915-19 average.....	163	164	187	168	187	125	-----	168	162	100
1920-24 average.....	147	126	192	189	149	148	143	160	151	80
1925-29 average.....	140	110	172	145	129	141	140	143	149	89
1930-34 average.....	70	76	119	74	72	91	100	80	90	60
1935-39 average.....	94	95	125	83	100	83	102	97	107	81
1940-44 average.....	123	110	245	131	159	133	172	143	154	103
1945 average.....	172	161	366	171	215	220	224	201	202	116
1946										
October.....	175	160	373	180	210	219	181	196	199	114
November.....	178	161	375	182	213	217	235	203	205	117
December.....	178	162	378	184	213	230	223	206	207	118
1946										
January.....	179	164	375	187	213	225	240	207	206	116
February.....	180	166	368	180	212	233	275	213	207	116
March.....	185	171	307	183	208	229	283	215	209	116
April.....	185	171	368	190	210	241	282	220	212	117
May.....	198	188	369	194	214	48	177	215	211	114
June.....	200	195	370	210	219	201	185	223	218	116
July.....	215	244	369	249	242	249	103	240	244	123
August.....	203	225	388	271	242	203	102	333	310	122
September.....	207	291	306	285	236	210	151	236	243	122
October.....	218	222	410	304	255	208	151	244	273	132

¹ Federal Reserve Board; represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised May 1946.

³ Bureau of Labor Statistics.

⁴ Monthly data adjusted for seasonal variation.

⁵ Corrected.

⁶ Revised.

⁷ Ratio of prices received to prices paid for commodities, interest, and taxes.

⁸ 1924 only.

Wool

BECAUSE of large stocks and ample imports total supplies of apparel wool in the United States in 1947 probably will continue to be unusually large though domestic production next year will be the smallest since 1927. This expected decline in 1947 wool production is based largely on the prospective reduction in sheep numbers. The carry-over of domestic and imported wool on January 1, 1947, is expected to be larger than the 1946 carry-over of 798 million pounds and may equal or exceed the quantity to be consumed during 1947.

Prices to growers will be supported at about 42 cents a pound by CCC purchase, at least until April 15, 1947. Foreign prices probably will not increase sufficiently to raise duty-paid prices of imported wool to the level of present CCC purchase prices. Consequently, growers may receive somewhat lower prices later in 1947 unless the price support in effect since 1943 is continued through the next marketing season.

United States mill consumption of apparel wool in 1947 probably will decline moderately from the record annual rate of about one billion pounds, grease basis, which has been maintained consistently since 1941. But consumption still may be almost half again as large as the 1935-39

average. A major part of the pent-up consumer demand for wool clothing may be met by the end of 1946, but demand will continue high during 1947 because of high consumer incomes and demand for replenishment of commercial inventories. Consumption of domestic wool, which has been small, may increase and possibly may equal or exceed domestic production in 1947 provided domestic prices are reasonably in line with prices of duty-paid imported wools.

With the possibility that world consumption of wool will exceed production in the 1946-47 season, world stocks probably will be reduced substantially for the first time since 1939 or 1940. The world carry-over of apparel wool at the beginning of the 1946-47 season (about July 1) was about 5 billion pounds, grease basis, more than three times as large as the 1934-38 average stocks and much larger than in any previous peacetime year.

The Governments of the United Kingdom, Australia, New Zealand, and South Africa have formed a Joint Organization and through this are cooperating to market the large Government-owned stocks accumulated during the war and to support prices of new clips in the British Southern Dominions while these stocks are being liquidated.

JOHN W. KLEIN AND
FLORENCE M. HAMILTON, BAE

Production Outlook for 1947

FARMERS this year are again adding a new production record to the procession of records set since the beginning of the war. The 1946 volume of crop production will be 2 to 3 percent above the previous peak of 1942, while livestock production will be only slightly below the 1943 record.

The job facing American farmers for 1947 is for a continued high level of production, but with some adjustments from the wartime pattern. Prospective changes in demand, both domestic and foreign, suggest contraction of production in some commodities and expansion in others to meet peacetime needs.

Many farmers, who want to restore the fertility reserves drawn on

heavily during the war, will once more have to change their plans as 1947 will again call for a large acreage of intertilled crops. This will delay the time when more permanent systems of farming can be re-established, but next year may see some reestablishment of soil-conserving grass and legume crops reduced in acreage during the war.

More farmers are becoming aware also of the tremendous productive capacity of agriculture. During the past three years gross farm production has been maintained at almost 25 percent above the 1935-39 average. And this production could be increased still further with more widespread adoption of improved farming practices, use of more fer-

tillizer, and other proved techniques, particularly as wartime shortages are eased. Peacetime outlets for this greatly expanded production capacity will become of more and more concern to farmers in the years ahead.

With some easing in the pressure of both foreign and domestic demand for some farm products in prospect for 1947, gross farm income next year may be somewhat smaller than in 1946. Farm costs on the contrary are expected to remain at or above 1946 levels. Prices of new machinery and most supply and equipment items in 1947 are expected to be higher than in 1946, at least for the first part of the year. Prices of some feeds probably will be lower than in 1946, which will lower a major cost item on those farms where feed is purchased.

Net farm income for the country as a whole may be smaller in 1947 than in 1946 because of some prospective declines in prices received and not much change in production costs. But net income changes will vary greatly among different types of farms. Farmers generally will need to give increasing attention to ways and means of reducing production costs through increased efficiency if they expect to continue the high net farm income of recent years.

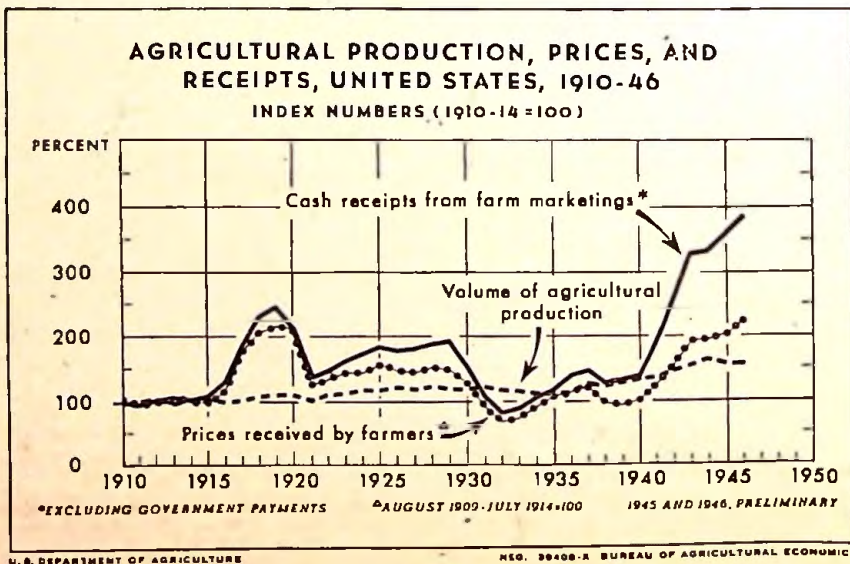
Although the over-all needs for

food and fibers will continue to be at high levels in 1947, the direction of adjustments in production for specific crops will vary. Attractive prospective prices for some crops may result in expansion of acreage further than is in the best interest of desirable long-term farming systems or in expansion of intertilled crops on lands that might better be left in sod crops. In these cases, the immediate gain from one or two years of high returns must be balanced against future losses either in income or soil resources.

Many farmers in the North Central States are aware that production of feed grains during the last six years has been pushed further than is desirable for permanent farming. A better balance is needed between corn, small grains, and legumes and grass. High-volume production of feed grains in 1946 will allow replenishing inventories and will ease the pressure for continued large acreages of feed crops.

In other parts of the country, particularly in deficit feed-producing areas, farmers want to increase feed-grain production in 1947, mainly because of the tight feed situation that prevailed in these areas in 1946. Inshipments of feed grains to these deficit areas should be much more adequate in 1947.

Wheat farmers have produced three successive record-breaking



crops, with the largest in 1946. Except for some drought in the Southern Plains, weather has been generally favorable, and conditions have been favorable again this fall for another large planting of winter wheat. Prices at present levels encourage increased plantings for harvest in 1947. But the prospective acreage is larger than desirable for the balanced farming systems and good land use that should be maintained after the emergency period of high demand for wheat is past. Some sod lands that have been broken out will need to be returned to grass when rainfall and prices are less favorable. Increased acreages of summer fallow and other moisture- and soil-conserving practices are needed in some areas.

Present prices for cotton may encourage an expansion in the 1947 acreage above the 1946 level. Increases are probable in Texas and Arkansas, where unfavorable weather in 1945 and 1946 caused reduced plantings. Some shift in acreage to cotton may be expected in some peanut and tobacco areas, though these adjustments will be minor because prices probably will continue to favor production of both tobacco and peanuts. Some increase in numbers of farm workers will facilitate production of these high labor-consuming crops.

The continuing sugar scarcity calls for further expansion in domestic sugar production in 1947. More farm labor and further mechanization of the sugar-beet harvest will encourage additional sugar-beet acreage.

Potato production in 1946 is far above available market outlets. Downward adjustment in production next year would provide a better balance in use of resources.

Conditions will be favorable in 1947 for high levels of production of livestock and livestock products, especially for meats and milk. Adequate feed supplies will make possible some expansion in hog production and in feeding out of more beef cattle and lambs. As farmers begin to place more emphasis on desirable long-time farming systems and to reduced acreages of intertilled crops, more roughages will become available for use by livestock.

The production outlook is generally favorable for farmers. But 1947 is one year closer to adjustments that will need to be made to more perma-

nent farming systems and to peacetime markets. Close attention to market and other developments during the fall and winter months will help in determining how far these adjustments should go on each farm in 1947.

CARL P. HEISIG
Bureau of Agricultural Economics

Production Costs

FARMERS can expect little change in 1947 cost-price relationships from those in 1946. Supplies of many production items, inadequate during the last few years, will be more plentiful in 1947. But demands for these production items will also continue high so that the costs to farmers are expected to continue relatively high through 1947. Manufacturers are increasing the output of a variety of machines and equipment to meet specific conditions. The psychological reaction of farmers to high costs (although not necessarily high in relation to prices) will be to give more emphasis to increased efficiencies in production methods.

Operating costs of most farmers are now nearly two-thirds more than they were a half dozen years ago. War-born scarcities of manpower and material sent farm wage rates and feed prices soaring, pushed up prices of building materials, equipment, and supplies, and consequently forced total cash production expenses upward at a rapid clip. And further increases are in prospect for some expense items in 1947.

Farmers' out-of-pocket operating expenses mounted from something less than 6.2 billions in 1940 to nearly 11.3 billions in 1945, an increase of 82 percent. At the same time, gross farm production increased 15 percent—leaving the outlay per unit of product nearly 60 percent above the 1940 level. In 1946 prices of production goods, particularly feed and labor, will rise sharply above 1945. And further increases in prospect will raise the over-all level of farm-production costs still higher in 1947. But farm-production expenses are incurred chiefly to produce commodities for sale, and prices for most farm products also appear likely to continue at relatively high levels through 1947.

Few farmers produce a single commodity. Some raise nearly all

of the feed for their livestock; others buy from their neighbors or in the market. High feed prices mean high gross returns to the farmer who sells, but high cash costs to the farmer who buys.

Many farmers hire little or no labor. To these farmers higher farm wage rates do not materially increase cash outlays. Operators and other family labor now perform about three-fourths of the work on farms and are paid out of returns above other expenditures. Some of this labor is effectively utilized and some not, but it supplies most of the farm labor as well as a reserve for peak labor seasons.

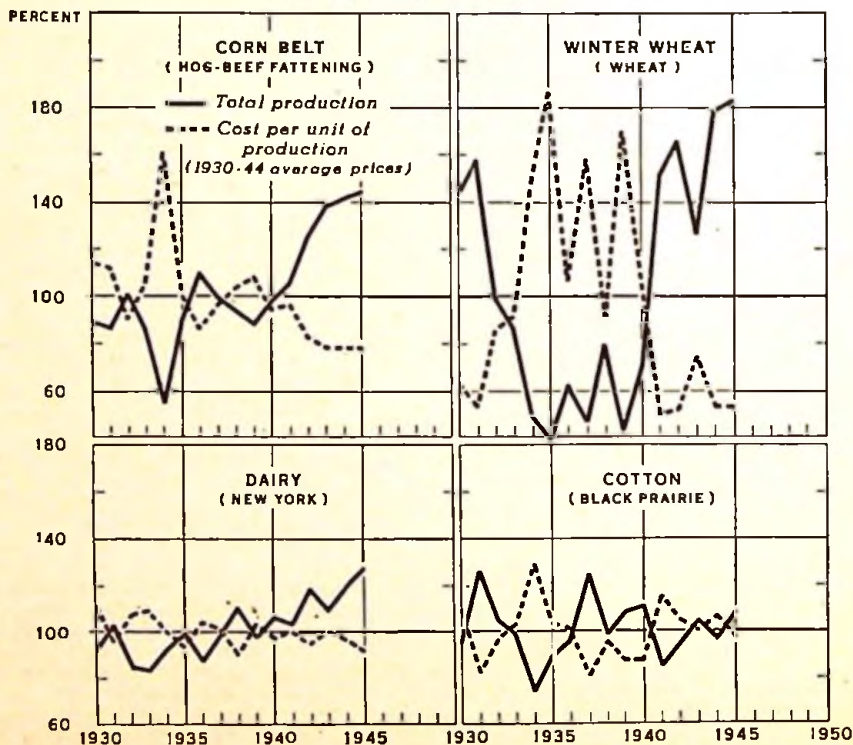
In general, farmers use family labor and home-raised feed in combination with other resources to produce a product for the market. Operator and unpaid family labor and home-raised feeds are noncash costs

of production and make up well over half of total farm costs. During recent years the costs for feed and labor have risen at a rapid rate. In July 1946 feed costs were over 2½ times and farm wages 3 times their 1940 rates, compared with only 1½ times for the average of all goods and services used in production.

A large part of farm production costs are "fixed costs," fixed in the sense that when production is reduced operator and family labor, land, and machinery costs (considered among fixed-cost items) still continue. Thus, a smaller volume of output has to bear the same total overhead as cost per unit of product rises. With no change in price, the net return per unit is smaller and the operator's earnings are reduced. Very few individual farmers can reduce output without increasing their real costs per unit.

TOTAL PRODUCTION AND COST PER UNIT OF PRODUCTION, FAMILY OPERATED FARMS, BY TYPE, 1930-45

INDEX NUMBERS (1930-44 = 100)



Farmers, therefore, do not consider only the current general price or cost level, but must consider the price-cost relationships of several enterprises—both separately and in combination. Depending upon price-cost relationships, farmers may profitably use more land, labor, feed, seed, fertilizer, and other production factors or they may use less of some and more of others. This is the setting in which farmers will consider 1947 prices and costs.

Costs per unit of product based on current prices has increased materially on all farms during the last 5 to 7 years. The extent of the increase has been materially different by type and location of farm. Cost of production differs materially from farm to farm and from area to area, depending on how efficiently farmers use cash-cost items and noncash items such as his own labor and feed.

Cost per unit of product at 1930-44 average prices has generally declined on most farms during the past decade. This indicates that substantial gains have been made in production efficiency on most farms. A number of factors have contributed to a general reduction in the amount of labor, land, and other resources required per unit of farm output.

Labor-saving machines, better crop rotations, improved crop varieties, better livestock, and other good farming practices have materially increased the output per man and have permitted farm families to operate larger farms, thereby increasing total output and reducing real costs per unit. Although many family operated farms are yet too small to permit the most effective use of machinery and family labor, substantial progress has been made in obtaining greater efficiency in production on many farms.

Those producers who were able to substantially reduce the quantity of cost goods going into each unit of product have best been able to hold their production costs in check. They will also be in a better position to withstand any future price declines than those making fewer cost-reducing adjustments. In particularly unfavorable economic position are those farmers who produce crops with hand-and-horse methods in direct competition with others using tractors and power equipment.

The future holds great promise of advances in the efficiency of farm production far surpassing those of

the past decade. Farmers who are able to take advantage of improved practices will profit not only from lower unit costs but also from larger output per farm commonly associated with such improvements. Unit production costs, in terms of quantities of cost goods used, will surely continue to decline except as interrupted by drought, depression, or other adverse conditions.

WYLIE D. GOODSSELL, BAE

Farm Machinery

PRODUCTION of farm machinery, equipment, attachments, and repair parts for the year ending June 30, 1947, may show little, if any, increase over the production last season. Continued material shortages are expected to adversely influence the volume of production next year. Production for the year ended June 30, 1946, was about 5 percent below the relatively favorable output of the 1945 production year, but it would have been much larger if there had been no material shortages and work stoppages.

Improvement in farm transportation is expected in 1947. Motortruck production was at prewar levels by July 1, 1946, with further increases in production expected. Automobile production in 1947 will increase materially over 1946. For the last half of 1946 production of new automobiles will more than double the 642,000 units produced in the first half of the year.

Supplies of tires of all types are expected to be ample in 1947. Production of farm implement tires and tires for motortrucks were generally adequate in 1946. Production of automobile tires in 1946 is at a record high and should provide about 2 new tires for every registered automobile.

Prices of most items of new machinery in 1946 are higher than in 1945. This is also true for supply items and services essential for using the machines. With more power machines expected in 1947 and with further increases in prices the total expense to farmers for using tractors, automobiles, motortrucks, and other machinery and equipment in 1947 will be larger than in any previous year and more than double the 1935-39 prewar average.

The trend toward farm mechanization, accelerated during the war, will continue in 1947. The 1½ million tractors on farms in 1940 will

probably increase to over 2½ million in 1947. Replacement needs, especially for motor transport vehicles, tractors, and some other machines is great. When new machines are available in adequate supply the number of machines discarded probably will be at a high level and an important proportion of new purchases will be required to replace discarded machines.

Farmers during the war years have turned increasingly toward mechanization because the costs of performing farm work with machines has increased much less than has the cost of doing the same work with animal power or by hand methods. Increases in feed prices and in wage rates have since 1939 been greater than the increases in prices of new machines, or the increase in the cost of operating these machines. Largely because of the advantages of using machine power there has been but little increase in the price of work stock during the war and the continued decrease in the size of colt crops since 1940 is due largely to the fact that farmers could obtain better returns for their feed and labor by producing meat animals and animal products than could be obtained by raising work stock.

The 1946 and 1947 colt crops are not likely to show an increase over the small colt crop of 1945 since continued high farm wage rates and high feed prices are expected to continue to favor the use of machine power.

A. P. BRODELL, BAE

Farm Labor

SUPPLIES of both regular and seasonal farm workers are expected to be somewhat larger in 1947 than in 1946, and the quality of labor is expected to improve. In general, lack of farm labor should not be a major obstacle to continued high farm production next year. But some areas will obtain sufficient workers only with difficulty. This is likely to be true in those areas where acreages of crops requiring large amounts of hand labor are maintained at high levels.

The turning point in the war-restricted supply of farm labor has apparently been reached. Total farm population on January 1, 1946, was above that of a year ago. This is the first reversal of the downward trend in farm population since 1933;

farm employment in the first ten months of 1946 averaged higher than in the corresponding period of 1945.

The million veterans who returned to farms by July 1, 1946, the most important factor in the increase of both farm population and employment, are about three-fourths of the number of farm workers who entered the armed forces up to the middle of 1945. Return of war-industry workers to farm work has thus far been much less important than the return of veterans.

Although some general increase in the supply of farm labor is expected in 1947, the situation again will vary among areas and commodities. Nationally, a high level of nonfarm production and employment is probable during 1947, and nonfarm wage rates are expected to continue at high levels.

Farm wage rates in 1946 are continuing their upward trend, while employment of hired workers is slightly above that of last year. Farm wage rates will probably average somewhat higher at least through early 1947 than in corresponding periods of 1946. Continued high levels of employment, general business activity, and cash farm income will exert an upward pressure on farm wage rates.

More veterans may become available for farm work next year. Greater use of labor-saving machines, such as the beet harvester, may ease the seasonal labor problem in some areas. But further drains on the farm labor supply may occur in many areas as road-building and house-construction activities increase in volume.

The potential supply of married year-round farm workers has increased over most of the country, but lack of adequate farm housing for this group of workers is seriously obstructing their return to farms. Inadequate housing facilities are also an obstacle to placement and efficient utilization of seasonal workers. Migratory seasonal workers will probably move in greater volume next year as tires and automobiles become more plentiful. Aids in direction and timing of the migratory movements will insure fuller utilization of these workers.

Improvement in the average quality of the farm working force is of at least as great significance as the increased numbers. Veterans have returned to farms in sufficient numbers, not only to increase farm em-

ployment but also to replace part of the wartime farm working force. Many of the replaced workers are less able-bodied than the veterans. Additional replacement of less-able-bodied farm workers will mean a further improvement in average quality of farm workers next year. But many of the replaced workers will provide a potential labor supply for emergency use on farms.

G. T. BARTON, BAE

Fertilizer

FERTILIZER consumption for the crop season of 1947 will press heavily on supplies. Supplies are expected to be only slightly larger than this season, when approximately 2¾ million tons of nitrogen, phosphoric acid, and potash were delivered, compared with a prewar average consumption of about 1½ million tons.

Fertilizer supplies during the war rose sufficiently to permit an average increase in use of about 10 percent per year. The upward trend in consumption has been relatively stronger in the areas formerly using little fertilizer, particularly the Corn Belt and Lake States, than in the areas where extensive use has been rather common for some time. The distribution of supplies for 1947 will probably reflect a continuation of this trend.

The outlook for 1947 is favorable not only for maintenance of present high levels of use, but for such increases as supplies will permit. Since 1941 the ratio of prices farmers receive for their products to fertilizer costs has been quite favorable, and will likely continue to be in 1947. The wartime rise in prices of farm products has been the most important factor in creating the favorable ratio. Also, the trend toward use of higher-analysis fertilizers, and the general price-control program, have been of considerable assistance.

If present trends toward wider use of fertilizer to support more stable systems of farming are continued or accelerated, demand for fertilizer in the future may be less dependent on export crops, primarily cotton and tobacco, than it has been in the past. Systems of farming that include more feed crops and livestock in areas that have been users of fertilizer, should not decrease total fertilizer consumption, but rather should sustain high demands for

fertilizer. Future demand for fertilizer will also be influenced by consumption in areas that have previously used relatively small quantities. Wartime consumption of plant nutrients in the older and heavier using areas rose about 70 percent over prewar levels.

There is need for considerable capital investment in soil improvement, such as additions of phosphate and potash, particularly to many of the soils in humid areas.

D. B. IBACH, BAE

Farm Supplies

WITH lumber supplies far short of demand and not likely to become plentiful for some time, farmer prospects are poor indeed for getting all the lumber they want next year for new construction and deferred maintenance. Production during 1946 promises to be near the 1941 peak, but stocks are extremely low and demand for new housing tremendous. Even at record levels, lumber production cannot keep pace with demands during the home-construction boom.

Lumber stocks in retail yards are down to a near low of some 1 billion board feet—about a sixth the normal level—and current receipts are running less than half the 1940 volume. A large part of the current production is moving directly from mills to consumers, mostly large contractors building new housing. Priority authorizations probably will be continued into 1947 to enhance the flow of building materials into essential dwelling construction.

Even so, farmers will get an increasing amount of lumber compared to the war years—less than they want but enough to avoid any serious interference with farm production. Under such circumstances it is likely that building material prices may increase.

Seeds

Prospective supplies of field and garden seeds for 1947 crops should be adequate to meet ordinary farm needs but will fall short in some items of the quantities desired to meet high levels of production. Due largely to low production in 1945, dealer stocks of 34 kinds of field seeds in July 1946 were only about half as large as a year earlier and

though this year's output will be more, the short stocks leave supplies relatively scarce. The extraordinary demand for the short supply means that seed prices in 1947 will be above 1945-46 levels.

Northern grown alfalfa, white clover, Kentucky bluegrass, and some vegetable seeds are in particularly short supply. More ladino, alsike, and sweet clovers are needed for pasture and soil improvement. Orchard grass and fescue supplies, however, will be more than adequate as the market for these seeds returns to a domestic basis. Timothy seed is plentiful and red top is in good supply. Some winter cover crop seeds, especially crimson clover, hairy vetch and common rye grass, are scarce but supplies of Austrian winter peas and other vetch appear adequate.

Seed growers may look forward to a strong demand for legume, hay, pasture and cover crop seeds for some years to come. Increased seedings of green-manure crops to rebuild the wartime damage to soil resources will call for large quantities of seeds suitable for this purpose.

Pesticides

Supplies of insecticides and fungicides will be adequate generally to meet 1947 demands, but prices will continue to be high. Nicotine compounds, naphthalene, and paradichlorobenzene are still relatively scarce. Given settled labor conditions and the resumption of rotenone imports from the Far East, however, arsenicals and copper chemicals, pyrethrum, rotenone, synthetic compounds such as DDT and thiocyanate, and the various fluorine compounds should be in good supply during the coming year. The same is true for all insect and soil fumigants (except naphthalene and paradichlorobenzene) and for sulphur, dust dilutents, and petroleum insecticides carriers.

R. W. JONES, BAE

Feed Costs

FEEED costs are expected to be lower for the country as a whole in 1947 than in recent months but probably a little higher than during most of the war period. During the war they were about 50 percent above the pre-war average. From the longer view-

point they may be expected to move downward though support prices will tend to prevent too large a drop for two years or longer.

Livestock-feed price relationships are expected to be favorable for feeding most kinds of livestock and poultry in 1947. This is resulting from a decline in feed prices from the peaks of recent months as new corn becomes available and as higher prices for most livestock prevails. However, a strong commercial and foreign demand for corn and existing price supports will limit the extent of the decline in feed prices.

The difference in the cost of feed between surplus and deficit feed areas is expected to be about same as it has been in recent years. The cost of dairy and poultry rations in recent years usually has been from 50 cents to \$1.00 higher per 100 pounds in deficit feed regions than in surplus regions. The differences are due to lower feed prices in surplus feed areas and also to the greater use of home-grown grains in relation to the higher-priced supplements and commercial mixed feeds in surplus areas. There is less difference between feed surplus and deficit areas in the cost of commercial mixed feeds such as a 16 percent protein content dairy feed or laying mash. But the average cost of corn in recent years in the New England States was 30 to 40 percent higher than in the West North Central States and for oats was 40 to 50 percent higher.

Although most farmers raise the hay they feed even in deficit feed areas, some hay is bought and sold in every community. Hay costs are much higher in feed deficit areas, such as the New England States and most of the Southern States, than in the North Central States. Wide differentials in cost rates for hay are likely to continue in 1946-47.

R. D. JENNINGS, BAE

Land Values

CONTINUED rise in farm-land values is in prospect. On the average they have increased steadily by one percent per month since 1941. This rate of increase is likely to continue in 1947 though some leveling off is likely before the end of the year.

The 1947 peak will probably average about 10 percent above the level

prevailing in the fall of 1946. Varying rates of change will continue in different regions, and in limited areas it is possible that land values may even decline some.

The demand for farm land continues brisk but some decrease in the volume of sales in 1947 is likely. Estate liquidation is expected to continue at about the present volume. Retirement of elderly farmers will probably absorb increased buying pressure arising from returned veterans and urban workers. Sale of farms obtained through foreclosures will be of little importance during the coming year.

Even with slightly lower farm incomes in prospect, the rate of return on land investment will remain relatively favorable. The money value of share rents follows rather closely changes in farm income. Cash rents paid in 1947, however, may average somewhat higher than in 1946. With an increase in insurance, interest, taxes, and costs of building repairs, net land returns to farm owners may be expected to decrease, but probably remain above the 1919 peak. The continuing high level of prices and income will stimulate further value increases during the year ahead despite uncertainties as to longer run trends.

J. A. BAKER, BAE

Interest, Taxes, and Insurance

NEXT year farmers will pay more for interest, taxes, and insurance, in the aggregate, than in recent years because of increased borrowing, higher insurance coverage, and a rise in tax levies.

Interest

The decline in total farm-mortgage interest charges which has been continuous since 1922 appears to be nearing an end. Since 1944 the average farm-mortgage interest rate has shown a slight increase because of the elimination of the subsidized interest rate of the major Federal lending agencies and also because higher-rate lenders are getting a larger proportion of the mortgage loans. A continuation of this shift could mean a higher average interest rate for the total mortgage debt in the years immediately ahead.

During 1945 the net reduction in debt was about 190 million dollars,

or less than half of the average annual reduction of the two preceding years. In addition to the slower rate of decline in the United States total, there were 20 States in which indebtedness showed an increase for the year, as compared with only 8 States showing such an increase in the preceding year.

Short-term credit costs may rise more significantly than mortgage credit in 1947. Increased expenditures for automobiles, machinery, tractors, and building materials at higher prices may involve credit financing in larger amounts by more farmers. Much of the increased credit will be obtained from such creditors as dealers and finance companies whose rates are considerably higher than those of banks and production credit associations. If so, there will probably be a higher average rate as well as a rise in total non-real-estate interest charges.

Notwithstanding the expected increases, the cost of both mortgage and non-real-estate credit will still be relatively low compared to prewar. Although now small compared with other production costs, these interest charges, which are largely fixed, may prove burdensome if and when farm income declines.

Taxes

Property-tax payments made by farmers in 1947 probably will be up from those made in 1946. The 1945 levies on farm real estate, payable largely late in 1945 and early in 1946, were more than 10 percent higher than those of 1944. A further rise is expected in 1946. Property taxes are trending upward after fluctuating very narrowly for 10 years. Higher salaries and wage rates, increased services and facilities, and increased prices of materials have placed greater demands and higher costs on local governments.

Insurance

The increase in valuation of farm buildings and equipment, and the wide gap between insured value and replacement cost that now exists on many farms, will undoubtedly cause many farmers to obtain more insurance, particularly where policies are coming up for renewal. This means that insurance costs (premium outlays) will increase in total amount, perhaps as much as 5 percent.

NORMAN J. WALL, BAE

Farm Family Living Prospects in 1947

FARM families will probably spend more for living expenses in 1947 than in any previous year. Despite higher prices, increased expenditures by farmers for a growing abundance of consumer goods will bring an improved level of living to most farm people.

Farm Population

Since the end of the war the farm population has increased moderately. Between April 1945 and April 1946 it increased 6 percent, though still 11 percent under the 1940 figure. In this change the size of the farm family, which shrank perceptibly during the war, has increased. Much of the net gain in farm population during 1945 and 1946 was the direct result of the demobilization process. Consequently a continuation of this trend to farms is not expected in 1947.

Not only have wartime losses in the farm population been partially recovered but the composition of the farm population also has been restored to something near its prewar condition. The proportion of men, particularly young men, in the farm population declined between 1940 and 1944. During 1945 and 1946 sufficient numbers of young men returned to farms to restore the 1940 proportion that men aged 20-44 make up of all males 14 years of age and over. By April 1946 the proportion of men in the age group 20-44 increased to the point where there were equal numbers of men and women. In 1940 there were about 10 percent more men than women in this age group.

Incomes and Expenditures

A decline of 5 percent in cash receipts from farm marketings and Government payments now anticipated, coupled with increased production costs, seems likely to reduce the total net income of farm operators by as much as 10-15 percent in 1947. Opportunities for off-farm income now look good, and with the return of veterans there are probably more persons on farms seeking off-farm work than last year. Wages for hired farm laborers are likely to continue near 1946 levels.

Accumulated savings by many farmers in the form of cash on hand, bonds and bank deposits will swell

the 1947 expenditures of farm families. Debts were greatly reduced during the war, leaving a larger proportion of 1947 income available for current living expenses. This will help meet the generally increased prices for things the family wants.

Spending during 1947 will not be evenly distributed among farm people. There are wide variations in farm incomes and even wider disparities in savings. On January 1, 1946, a fourth of the population had no savings in any form. Even a slight reduction in income next year will severely pinch the budget of some farm families. And for others considerable increase in income will be needed if they are to maintain adequate living standards in the face of expected rising living costs.

The recent rise in food prices means that farm families in 1947 will spend more for food than in 1946. There is every indication that farm families will continue to supply a very large part of their vegetables and much of their fruits from the home garden. But now that meat controls are ended, farm families may to a lesser extent use beef and other meats from their own farms as more will go to market.

Freezing as a method of preserving home foods appears to be increasing in popularity. Many farm families want to acquire a home freezer as soon as possible.

Housing

Farm housing conditions showed distinct gains between 1940 and 1945. A part of this improvement can be traced to the larger incomes enjoyed by farm families. A part was the result of families leaving farms, as many of the abandoned farm homes were smaller and less well-equipped. A general decline in farm tenancy since 1940 was also an important factor, as there is more incentive to improve residences on owner-operated farms.

About one-seventh of farm operators planned house construction and repairs during 1946. Shortage of building supplies and veteran priorities, as well as restrictions on expenditures, and high prices undoubtedly prevented fulfillment of these intentions. As a result, in 1947 there will be a large carry-over of farm families who would like to improve their housing.

Requirements for new construction and deferred maintenance, some of which was accumulated during depression years, plus high incomes and considerable savings, provide an unprecedented demand for new housing and repairs. The supply of building materials will increase in 1947, although not sufficiently to meet the demand. The cost of house construction and repairs will remain high. In June 1946 it was 60 percent above the prewar level. Restrictions on expenditures per family and limited supplies are likely to continue. Consequently, less improvement in farm housing conditions can be expected than the demand and the ability to pay would indicate.

Home Equipment

Refrigerators, furniture, washing machines, and radios are still in great demand among farm families. More than 12 million American families expected to purchase consumer durables of this type in 1946, of which a proportionate number was living on farms. The extension of rural electric lines has contributed to this demand. Production of these items slumped briefly during the early part of 1946, but by now has achieved or surpassed 1941 production levels. Nevertheless, there is still a large backlog of demand, and many durables are still in short supply. Despite higher prices, it is expected that many farm families will purchase a considerable number of these durable goods in 1947.

Automobiles

The automobile industry hopes to produce about six million passenger cars in 1947. According to consumer-preference surveys, potential buyers are proportionately as numerous in rural areas as in cities. A large backlog of demand accumulated during war years. But purchases by many farm families will be deferred if prices continue to rise. On cars of about the same quality present prices are nearly half again higher than in 1939. However, many farm families will purchase new cars in 1947. Complete breakdown of old cars, savings set aside specifically for new cars, and anticipation of further price increases will lead to car buying by rural families.

Tire production has increased and tire quality has improved. Despite recent price increases for tires, many farm families will purchase new ones for their cars in 1947. Rural safety

campaigns are also expected to swell tire purchases.

Clothing

Production in many lines was greater during the first half of 1946 than in prewar years, but supplies of wearing apparel are still spotty. So-called "scarcities" will probably continue for some time.

Many conditions make demand high. An increase in population occurred during war years. Both farm and nonfarm families have increased incomes, and all the evidence available indicates that they have been purchasing more clothing than they did before the war. Inventories of manufacturers, wholesalers, and retailers have been extremely low, and some of the clothing now being produced will be held back in order to increase such supplies. Consumers who purchased relatively little during the war years are now finding it necessary to make replacements. Veterans returning from military service need clothing—in some cases entirely new wardrobes.

Health

Although expenditures for medical care in rural areas may increase in 1947, the rural health situation will continue to be a serious problem. Before the war, rural areas were understaffed with health personnel. They contributed more than their quotas of professional personnel to the armed forces. Since the war, doctors have not returned to rural areas in the same proportion as they left. Substandard facilities in rural areas and greater opportunity elsewhere are drawing doctors to cities.

Recent passage of the Hill-Burton Hospital Survey and Construction Act and various local and State programs may add next year to the number of rural hospitals and health centers. Renewed activity can also be expected in the field of prepayment health insurance. A recent survey indicates that three-fourths of the farm operators would like to have a prepaid medical program in their community. Health-education programs will increase in volume and effectiveness during 1947. Despite these encouraging signs, rural health remains one of the most challenging problems confronting farm people.

Education

A shortage of well-trained school teachers existed in rural areas

throughout the war. Many schools were forced to close and send their children to other school districts. Teacher requirements were lowered, and some areas suspended them entirely during the war. It is expected that qualified school teachers will be difficult to secure in many rural areas during 1947. Some teachers demobilized from the Army are using the GI Bill of Rights to continue their training. Others have accepted more lucrative types of employment. Graduating classes in teachers' colleges declined during the war,

and increased enrollments in these colleges during 1946 will not yield many teachers until late in 1947.

Rural communities should begin to plan for the large number of children who will be ready to enter school in the next few years. Although the rural birth rate did not increase as rapidly as the urban birth rate during the first part of the war, it increased sufficiently to swell substantially the number of rural children soon to be ready for school.

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