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What's AHEAD for Minnesota Farmers

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GENERAL ECONOMY

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AT A GLANCE: General business conditions and the demand for farm products should continue strong in 1960. As in the past, prices received by farmers will be greatly influenced by supply conditions.

SITUATION

The U. S. economy continued to expand its production of goods and services during 1959. Gross national product reached \$476.8 billion during the first half (seasonally adjusted annual rate). This was an increase of about \$44 billion over the first half of 1958.

	1st Half 1959	Change from 1st Half 1958
	billions*	
G. N. P.	\$476.8	+44.0
Personal consump. exp.	307.7	+18.6
Private investment	72.7	+20.9
Net exports	-1.2	- 2.8
Fed., state, & local goods purchased	97.6	+ 7.4
Disposable income	331.4	+19.4

* Seasonally adjusted annual rate.

The three main categories of demand, personal consumption, private investment, and government expenditures, all showed substantial increases between the two periods. The greatest gains were in the category of private investment -- \$20.9 billion. This was to be expected since investment was reduced severely during the 1957-58 contraction. Lost ground was regained during the recovery period.

Disposable income (income after taxes) showed a gain between the two periods. On a per person basis, real disposable income (which takes into account price level changes) increased by \$58 a year.

The increase in government purchases was largely accounted for by state and local governments.

OUTLOOK

The outlook is good for continued increases in the output of the economy in 1960. Gross national product should exceed \$500 billion for the year.

Business investment should be a strong element for the year ahead. Inventories are still low and will probably be built up. Expenditures for plant and equipment are also likely to be increased. Of longer term significance is the fact that business is spending large sums on research and development. This should induce new investment as new technologies are developed.

Consumers' incomes and expenditures should continue to increase in 1960. This should mean a continuing strong demand for farm products. However, as in the past, prices received by farmers will be influenced heavily by supplies.

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SITUATION

\$4.3 billion of the \$7.4 billion increase was accounted for by these units of government.

. Between the periods we were on a net importing basis. This occurred largely because of reduction in foreign sales of cotton, coal, and certain industrial products.

. Employment reached a new record high of 67.3 million in June of 1959. However, because of increased size of the work force, unemployment still totaled 4 million.

. Farm income -- Fairly heavy supplies of most farm commodities during the first half of 1959 resulted in lower cash income than in the first half of 1958. Volume of farm marketings was up about 3% and prices down about 3%.

OUTLOOK

. Increased incomes and consequently tax revenues should result in a balanced federal budget in 1960. However, international events will play an important part.

. We can expect a small export balance in 1960 as we regain some foreign sales.

. Employment should continue to improve.

. Livestock marketings are likely to increase over the next year and a half with associated declines in prices. The prospects, therefore, appear to be for a decline in farm cash income.

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