

What's AHEAD for Minnesota Farmers

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1961



1962
GENERAL ECONOMY

AGRICULTURAL EXTENSION SERVICE • UNIVERSITY OF MINNESOTA • INSTITUTE OF AGRICULTURE

AT A GLANCE: Economic activity appears to be on the upswing during 1961-62. Consumer income and population will continue to increase, and unemployment will continue to fall. The demand for farm products will continue to be strong with the long term trend toward increased consumption of meat and dairy products. Farm income in 1962 is expected to remain at the same level as 1961.

SITUATION

OUTLOOK

TRENDS IN GENERAL ECONOMIC ACTIVITY, CONSUMER INCOME, AND POPULATION

- Economic activity rose sharply in the second quarter of 1961. Gross national product reached an annual rate of \$515 billion, nearly 3% above the first quarter and 2% above the 1960 average of \$504.4 billion. Factors accounting for the increase were increases in government spending, new construction, consumer expenditures and a halt to inventory liquidation.
- Unemployment has been averaging 6.5-7% of the civilian work force so far during 1961.
- Personal consumer incomes surged to a record high in July 1961. This was 4.5% above the level in May 1961, the peak month of the last business expansion period.

- Gross national product in 1962 is expected to increase to 6% above the 1961 level.
- There is a strong prospect of an 8% increase in government purchases of goods and services in 1962.
- Unemployment could decline to 5% of the civilian work force in late 1962.
- Consumer incomes and expenditures will push beyond the present record levels in 1962. However, the increases in personal consumption expenditures in 1961-62 are expected to be mostly for services, automobiles, household equipment, and furniture rather than for food.

TRENDS IN TOTAL CONSUMPTION OF FARM PRODUCTS

- Population has been increasing at the rate of 1.8% each year (based on U.S. Population Estimates 1954-1960).
- As the economy expands and disposable income increases, expenditures for food are likely to account for a declining portion of total expenditures.
- However, during periods of recession as incomes are reduced, the greatest impact will be upon purchases that can be postponed such as durable goods rather than food purchases.

The U. S. Population is expected to increase by 21% by 1970. United States food consumption would increase by 23-26% above present levels by 1970 which will raise the consumption of farm products. This is related in the following table:

Table 1. Percent Change 1970 Total Consumption Levels from 1960.

Commodity	Percentage change
Meats and poultry	+ 27 to + 33
Dairy products (except butter)	+ 23 to + 26
Cereals & potatoes	+ 10 to + 17
Fats and oils	+ 21
Vegetables	+ 21

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- Meats, poultry, and dairy consumption will increase faster than the other commodity groups.

TRENDS IN PER CAPITA CONSUMPTION OF FARM PRODUCTS

Total consumption per person rose very slightly between 1950-60.

Changes in per person consumption are the result of changes in consumers incomes and preferences for food and changes in food consumption patterns.

Consumption trends differed among commodities. Consumption of livestock products has increased over the last 30 years while consumption of cereal crops has declined over the same period.

Table 2. Percent Change 1970 Per Capita Consumption Level from 1960.

Commodity	Percentage change
Meats and poultry	+ 5 to + 10
Dairy products (except butter)	+ 2 to + 4
Cereals and potatoes	- 3 to - 9
Food fats and oils	0
Fruits and vegetables	0

AGRICULTURAL SITUATION

Gross Receipts

January-July 1961 cash receipts from livestock and livestock products and crops totaled \$17.1 billion, up 2 1/2% above the same period in 1960.

Cash receipts from livestock may decline in 1962 due to the outlook for lower prices for hogs, eggs, and poultry. However, cash receipts plus government payments to farms are likely to total larger than the 1961 amounts.

Farm Costs

Farm products expenses increased less than four-tenths of 1% in 1960. This was the smallest increase since 1949. Wage rates, fertilizer, and farm supplies increased 1%, motor supplies and farm machinery 2%, and real estate taxes 8%.

Farm costs are likely to continue to advance throughout 1961-62. Items that will increase are real estate taxes, wage rates, power machinery, motor supplies, feed, and building materials. Items that will change little or will be lower are farm supplies, fertilizer, feeds, livestock replacement, and farm real estate.

Net Income

Farmers' realized net income in the first half of this year was at an annual rate of \$12.6 billion. This was 12% more than the first half of 1960.

Prospects for 1962 are for little over-all change from the estimated 1961 level. This presumes a continuation of present support levels, and probable effects of the Agricultural Act of 1961.