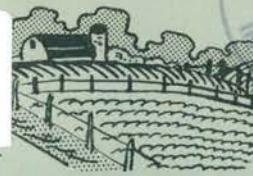


What's AHEAD for Minnesota Farmers

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1962



GENERAL ECONOMY

AGRICULTURAL EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

INSTITUTE OF AGRICULTURE

AT A GLANCE:

Economic activity continues to advance during 1962. The levels of disposable income and consumer spending in 1963 will depend partially on whether a tax cut or other counter cyclical action is taken. The demand for farm products will continue to be stable with expected increases in the consumption of meat products and decreases in dairy products and eggs. Net farm income in 1963 may decline below 1962 levels.

SITUATION

OUTLOOK

TRENDS IN GENERAL ECONOMIC ACTIVITY, AND CONSUMER INCOME

- . Economic activity continued to advance in the second quarter of 1962. Gross national product reached an annual rate of \$550 billion, nearly 9% above 1961.
- . Unemployment has been averaging 5.5-6.0% of the civilian work force so far during 1962.
- . Consumer disposable income was up 6% from the first half of 1961.

. Scheduled increases in Government spending, business capital outlays, together with prospective gains in consumer buying, indicates a continued rise in economic activity in 1963, with little change in consumer income combined with rising unemployment levels.

. A tax cut effective in the closing months of 1962 or early 1963 could result in a sizeable increase in economic activity (income and consumer spending) and possibly some upward pressure on prices during 1963.

TRENDS IN CONSUMPTION OF FARM PRODUCTS

- . During the past 6 years domestic food use of farm products has changed very little, and non-food uses (fibers, industrial oils) per person has declined. Increased total consumer expenditures for food reflect primarily rising population and more marketing and processing services.
- . A 10% increase in consumer income is usually accompanied by an increase of about 9% in the amount consumers pay for processing and marketing food products.

. Domestic use of food in 1963 will continue to expand about in line with the population growth rate of 1.7%.

. The general stability in per capita food consumption will continue in 1963.

. If consumer incomes are maintained in 1963, per capita consumption of meat and poultry is expected to increase with the exception of lamb.

. Per capita consumption of dairy products and eggs is expected to drift downward while per capita cereal consumption will be steady.

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SITUATION

OUTLOOK

. Total exports of farm products in 1962 is about 2% less than 1961. Presently exports equal about 16% of farm output.

Table 1. Exports as a Percent of Farm Product Output in 1961

Commodity	Percentage
Total agricultural production	15.5
Wheat	58.1
Soybeans	26.4
Corn	8.6

. The present levels of exports will be difficult to maintain in 1963. Major drop in exports is expected in wheat while exports of food fats and oils are expected to remain at 1962 export levels.

. Government assistance programs will continue to assist nearly half of the agricultural exports.

AGRICULTURAL SITUATION

. Output of farm products in 1962 is running 1% below 1961 levels. The small increase in livestock production is more than offset by the reduction in crop production, mainly the grains.

. Prices received by farmers through mid-1962 averaged 1% higher than 1961. Crop prices were up 3%, while livestock products averaged fractionally lower.

. Price supports and reduced crop output have contributed mainly to the gain in crop prices.

. Prices paid by farmers, including interest taxes and wages, averaged 1% higher through mid-1962, than the first half of 1961.

. In 1962 gains in gross farm incomes are being largely offset by rising farm production expenses which are at a rate of \$600 million above 1961.

. Realized net income is expected to total about \$12.8 billion, the same as in 1961.

. Prospects look reasonably good for a further increase in livestock production during 1963.

. Under present Government programs, gross farm income in 1963 may rise some, particularly with prospects for a continued rise in livestock production.

. The upward trend in farm production expenses is also expected to continue in 1963.

. With existing farm programs and prospective trends in economic activity for 1963, it will be difficult to maintain net farm incomes at 1962 levels. Returns to farms will depend to a large extent on agricultural policy, farm output and accompanying prices for farm products.