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# General OUTLOOK

for Agriculture

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A strong demand for most farm products is expected in 1949. If economic trends and government programs develop in accordance with present indications, prices of farm products and cash receipts from farm marketings in 1949 will remain high. They are expected, however, to average somewhat lower than in 1948. Farm production costs are expected to remain high, and net incomes to farm operators are likely to be less than in 1948.

## LOOKING AHEAD



UNIVERSITY OF MINNESOTA  
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# FARMERS CAN EXPECT FAIR TO GOOD YEAR

## *Economic Situation*

**E**CONOMIC CONDITIONS should be fairly stable during the first half of 1949. Large amounts of foreign aid and increased government expenditures for defense should keep demand high, at least for the first half of the year. These expenditures, coming on top of an economy that is already tight, may cause some further price inflation. Any further price advances, however, are likely to be mainly in non-agricultural commodities.

The situation for the latter half of 1949 is more uncertain. If crops are normal, crop and livestock marketings will be heavy. The main uncertainty is government spending for national defense and foreign aid. This will depend on Congressional action during the next few months.

In any event, it is unlikely that cash receipts from farm marketings in 1949 will be more than 10 per cent below the 30 billion dollars estimated for 1948. Even with lower prices, larger marketings of livestock may keep total cash farm sales near the 1948 level.

## Industrial Activity

**Production of manufactured goods has remained high all through 1948. Indications are that it will continue high through 1949. This is important to farm people, not only because farmers need manufactured goods, but also because the workers in these plants need to have steady wages with which to buy farm products.**

During 1948 we produced nearly twice as much manufactured goods as the average for 1935-39. Industrial workers' income was over three times as great.

**DURABLE GOODS**—Production in the durable goods group, which includes such industries as steel, machinery, and building materials, has more than doubled since prewar. In some fields, notably steel and automobiles, production has not been sufficient to meet the heavy demands that piled up during and after the war.

**NONDURABLE GOODS**—The nondurable goods industries, which were relatively well maintained during the war, have been producing about 75 per cent more than before the war. Production has caught

up with demand. In fact, recent production of textiles and shoes has fallen. Mineral production (mainly coal and oil) has been relatively stable at about 60 per cent above prewar.

**HOUSING**—The demand for housing is still great. Almost a million new residential units were started in 1948. This new record compares with 850,000 in 1947 and 937,000 in the previous high year of 1925. Recently, however, the number of new starts has fallen.

Business capital outlays for plants and equipment have been very large during the past two years. Business inventories continued to expand in 1948. Factory building may be less in 1949.

The large excess of our exports over imports has been partly responsible for some of our shortages. These include steel and other industrial supplies as well as food products which were shipped abroad.

Increased production of armaments and other defense preparations have used large supplies of materials and labor. As a result there is just that much less available for automobiles, houses, furnishings, and other scarce articles for domestic use.

## Economic Recovery in Europe

Under the European Recovery Program (Marshall Plan) the United States undertook to aid 16 countries of western Europe in working out a program of economic recovery. The present program will cover five years. In May, 1948, the United States appropriated five billion dollars for the first year of the plan.

Total industrial production in western Europe at the end of 1947 was approximately 15 per cent below the prewar level. The United Kingdom, Belgium, and the Scandinavian countries are now producing above the prewar level. Germany, Greece, and Italy are below.

Under the European Recovery Program it is expected that by 1952 production for western Europe should be well above prewar levels. With a much larger population than before the war and with a gigantic program of reconstruction before them, however, they must go still further if they are to develop good standards of living.

Europeans formerly were our best customers. They bought wheat, lard, fruit, cotton, tobacco, and many other farm products as well as many manufactured

products. They in turn exported textiles, cutlery, precision instruments, and many other products.

The question is, can Europe hope, in the near future, to get back into a commercial program of buying and selling? It appears that the five-year set-up under the Marshall Plan may be too short to accomplish permanent results in reconstruction and recovery of an effective manufacturing and trading program. Much recovery can be expected in that period, and Europe's manufactured goods can help materially in paying for their needs for food and industrial materials. However, unless their exports are expanded more than seems likely or unless foreign loans and investments continue, their rate of recovery will be materially reduced.

Western Europe can again become an important commercial and trade area, as well as a strong bulwark of democracy. It will take vigorous effort on their part as well as patient and constructive aid on our part for this to happen.

## Population and Employment

United States population is now about 145 million. For the next 25 years it is expected to grow at the rate of about one million a year.

But while the total population is increasing, farm population is decreasing. There are now about 28 million persons on farms as compared to 30 million in 1940 and larger numbers before that.

A large population is a good thing if a high percentage are employed and have incomes large enough and steady enough to make them good customers. This is the case now, and it is one of the big reasons why farm prices are as good as they are. In August, 1948, there were 61 million workers employed in the United States. This was 15 million more than in 1939. All of the increase in employment since prewar has occurred off the farm. A million fewer persons are employed on farms than a year ago.

Here's how employment increased from 1939 to 1948:

Manufacturing .....	6,000,000
Trade .....	3,000,000
Services .....	1,500,000
Federal, state, and local governments .....	1,500,000
Construction .....	1,000,000
Transportation and public utilities .....	1,000,000
Others .....	2,000,000

# Agricultural Situation

The big crops of 1948 have shifted the emphasis in farm production. Previously, with a good demand and high prices for corn, wheat, flax, soybeans, and other crops, the tendency was to shift out of livestock and produce crops for sale.

**In 1949 livestock production will have the advantage.** Even if livestock prices average considerably below the 1948 levels, there will be an advantage in feeding corn rather than selling it. The long-time corn-hog ratio in Minnesota is about 12.7. This means that 100 pounds of hogs would buy 12.7 bushels of corn. At prices anticipated for 1949, the corn-hog ratio probably will be considerably higher and more favorable to feeding than the average. Prices indicate also that it will pay to feed more grain than usual to other livestock, especially dairy cows and chickens.

## Grain and Livestock

**Grain**—Prices are expected to remain at or near support levels. While there will still be need of wheat for export to Europe, an expected large carry-over from the 1948 crop will have a depressing effect on prices. Flax and soybean prices are expected to depend on support levels.

**Hogs**—Numbers are expected to increase in 1949 and again in 1950. Liberal corn supplies will invite feeding to heavy weights, and price discounts may be encountered on heavy hogs. **Hog prices are expected to average lower than in 1948.**

**Beef Cows**—Numbers are still declining, and may continue to decline through 1949. However, there are still huge numbers of cattle. Except for the five high years of 1943-1947, there were more cattle on farms in the United States on January 1, 1948, than at any other January in history. The decline in horse and mule numbers makes more cattle possible, and with an increase in human population, more cattle are desirable.

**Feeder Cattle**—With corn more plentiful, it was expected that more cattle would be fed this year than a year ago. However, with high feeder prices and with a feeling of uncertainty as to what will happen to meat prices, the tendency is to buy and feed cautiously. Fewer feeder and stocker cattle were shipped from Chicago, Kansas City, Omaha, and South St. Paul in September and again in October of 1948 than in the same months of 1947.

**Dairy Cattle**—Dairy cow numbers are down to the level of 1940 and below the average numbers of the periods 1941-1947 and 1933-1936. High production per cow in 1948 brought a total production exceeded only by the years 1942-1947. With large grain supplies available, liberal feeding should be profitable all

through 1949. Prices for dairy products are expected to average close to the 1948 levels. Consumption of dairy products per person in 1948 was below that of 1947 and 1946.

**Sheep**—Numbers are still low and may continue low for another year or two.

**Eggs and Poultry**—The number of laying hens this winter is expected to be the lowest since 1940. Egg production per hen, however, is expected to be high due to liberal feeding. The egg-feed ratio is expected to be favorable, at least during the early part of the year, and this in turn is expected to result in considerable expansion in pullet numbers for 1949-50.

**Turkeys**—Numbers are expected to increase substantially for 1949. The larger feed supplies and an expected good demand should result in a favorable turkey-feed ratio.

## Farm Costs

Most farm production costs, except feed, will be higher at the beginning of 1949 than a year earlier.

**Protein Feeds**—Prices of most high protein feeds in September, 1948, were substantially lower than a year earlier. Supplies of cotton seed meal, linseed oil meal, and soybean oilmeal are larger due to big crops of these oil seeds. The supply of tankage is less than for the 1947-48 feeding season.

**Farm Labor**—High industrial activity will continue to take farm workers. The supply of experienced year-round farm workers will continue to be limited.

**Machinery**—Production of machinery in 1948 is expected to be the highest on record, and the high rate is expected to continue through 1949. Prices are expected to remain high.

**Building Materials and Supplies**—Production of cement in 1948 was running ahead of 1947, but the huge demand will continue to cause shortages. Nails and staples, barbed wire, woven wire, bale ties, and galvanized sheet metal were being produced in 1948 in greater quantities than in 1947. Sheet steel, pipe, and metal lath continue to be short. During the summer of 1948 there was more lumber available in retail yards than a year earlier.

**Fertilizers, Insecticides, Fungicides**—Supplies are expected to be sufficient to meet the requirements in 1949. Prices will average higher than in 1948.

**Grass Seeds**—Good supplies of red clover, alsike clover, and white dutch clover are expected, but supplies of alfalfa, timothy, red top, and Kentucky blue grass are smaller than a year ago.

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