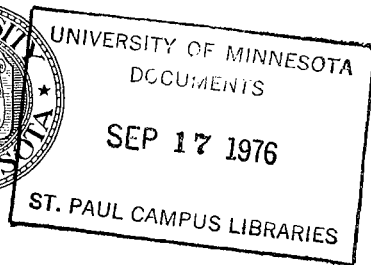


UNIVERSITY OF MINNESOTA
AGRICULTURAL EXTENSION DIVISION

Agricultural Outlook and Farm Family Living Outlook in Minnesota for 1936



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AGRICULTURAL OUTLOOK IN MINNESOTA FOR 1936

DOMESTIC AND FOREIGN DEMAND

Consumer incomes are expected to be about 10 per cent higher in 1936 than in 1935, mostly from an increase in the payrolls of factory workers. This should result in a stronger domestic demand for agricultural products.

The 1935 production of automobiles, estimated at 3,700,000 cars and trucks, is an increase of 32 per cent over 1934. A further increase is expected in 1936. The sharp drop in the number of cars purchased annually since 1929 has materially increased the average age of cars now in use. A continuation in the recovery of incomes may be expected to increase further the purchase of new cars to offset the reduced replacements of the last few years. Next to the automobile demand, the demand for iron and steel for miscellaneous uses has been showing the greatest improvement. Machine tool orders, an excellent indicator of future industrial output, increased each month from February to August 1935, and on the latter date were the highest since 1929. Purchases of equipment and supplies for railroads in 1936 are also likely to show some increase over 1935.

The expected increase in farm incomes in 1936, though relatively small, will have a tendency to maintain the present active demand for farm machinery and tools. The building activity in the United States in 1936 is likely to be at a higher level than in 1935, chiefly because of an expected increase of 50 to 100 per cent in residence building. However, the buildings trade industry is expected to be at a much lower level in 1936 than in pre-depression years.

The demand for cotton textiles is likely to result in an increase of about 10 per cent in the textile industry in 1936. In the food industries no major change is expected in 1936, though, on account of larger hog marketings, there is likely to be some increase in the volume of livestock slaughtered by meat packers in the last quarter of 1936.

It appears, therefore, that a general improvement in industrial conditions in the United States is likely to result in a stronger demand for agricultural products in 1936 than existed in 1935. This will tend to increase the prices of agricultural products if the supply is not increased, and to lessen the decline in price that may result from any substantial increase in the production of agricultural products. Prices for higher quality meats, dairy and poultry products, fruits, and vegetables, are particularly sensitive to changes in the payrolls of industrial workers, and are, therefore, likely to be strengthened more as a result of the expected increase in consumer buying power.

Improved industrial conditions in the United States have been paralleled in most foreign nations. However, the increase in the demand for American farm products is likely, because of restrictions on world trade, to be much less than the increase in the consumer buying power of foreign nations. Though the industrial situation of many foreign nations was better in 1935 than in 1934, there has been but little increase in the volume of international trade from the low levels of the world depression. In many respects, barriers to world trade have increased in the last twelve months.

The trade agreement policy, recently inaugurated by the United States government, is expected to increase the export sales of American farm and industrial products. The Canadian-United States trade agreement of recent date is not likely to result in any substantial disadvantage to Minnesota farmers. Though the import duties are reduced on cream, live cattle, and seed potatoes, the restrictions on the volume of imports to which the lower rates apply, are likely to prevent any marked increase in the imports of these products above the level of recent years. If exports from the United States to Canada increase, as expected, Minnesota farmers are likely to be benefited, through an improved industrial condition in the United States.

Under the terms of the Cuban agreement with the United States, the Cuban tariff on American pork products is lowered in return for a reduction of the American tariff on a definite quota of Cuban sugar. Some increase in the American export sales of pork products to Cuba has already resulted from this agreement. Unfortunately the United States has not been able to make treaties with such European nations as Germany, England, France, and Italy, hitherto, large purchasers of American pork, lard, wheat, and cotton. Therefore, no important increase in foreign outlets for American farm products is in immediate prospect. However, trade agreements which result in larger imports, indirectly result in an increase in the demand for, and, therefore, in the price of, the agricultural products with which the United States has the greatest relative advantage—pork, lard, wheat, and cotton.

In 1935, cotton prices were maintained at relatively high levels as a result of the lending policy of the federal government, and exports dropped very decidedly. Under the new control agreement, cotton producers may sell at world prices and some increase in exports in 1936 is expected.

Trade barriers of various kinds such as quotas, exchange restrictions and tariffs were largely responsible for the low level to which exports of pork, lard, and wheat had declined on January 1, 1935. Relatively high prices for pork, lard, and wheat in the United States in 1935, due to an unusually short supply, was an important factor in the marked decline in exports of these products. Since the drought of 1934 was to a large extent responsible for this situation, this impediment to foreign sales will be removed when domestic supplies are increased above the abnormally low level of 1934. Trade barriers, however, constitute a constant menace to American producers of pork, lard, and wheat.

A generally improved industrial condition in the United States, and in some foreign nations, for the next few years, as well as for 1936, is expected. However, farmers should bear in mind that the probability of error in a forecast of the industrial situation becomes much greater as the period is extended. Changes in the domestic and foreign trade policies, the monetary systems, the internal conditions with reference to war, are but suggestive of the type and variety of conditions, impossible to foresee, and yet having serious effects possibly on the industrial situation in the United States.

THE PRICE SITUATION

In general in 1935 prices of farm products tended to increase faster than prices of things that farmers buy. This has resulted in some increase in purchasing power, particularly among those farmers whose fixed charges, such as taxes and interest on debts, are a substantial item. However, despite the improvement in prices in 1935, cattle were the only important commodity whose farm price on October 15, 1935, was equal to the October 15, 1924-26, average. If the October 15, 1924-26, average price of 16 important Minnesota farm products were taken as 100, then \$100 obtained from the sale of those products on October 15, 1935, would buy about 90 per cent as much of the commodities and household goods which farmers purchase as they would have bought in 1924-26. In general the purchasing power of meat animals, including poultry, on October 15, 1935, was about equal to, and that of grains below, the October 15 average for the 3-year period, 1924-26. Wheat, on October 15, 1935, had a purchasing power about equal to the average of 1924-26.

A major cause of the improvement in prices for farm products in 1935 was the unusually low supply which resulted from the drought of 1934. With volume of sales reduced, the increase in farm incomes was relatively much less than the increase in prices.

Since buying power is dependent upon income, the situation of the farmer in 1935 was not so favorable as is indicated by a comparison of indices of purchasing power.

The purchasing power of important Minnesota farm products with 1910-14 as a base period would be substantially the same as the purchasing power with 1924-26 as the base period.

It is quite probable that the index of purchasing power for 16 leading farm products in Minnesota will be higher for the year 1936 than it was for the year 1935. In general, in 1936 livestock products are likely to continue to have higher purchasing power than crops.

FARM CREDIT

The high level of bank reserves, the low rate of interest, and the general improvement in business are all favorable to an adequate supply of credit for Minnesota farmers in 1936. Farmers who can furnish adequate security are, therefore, not likely to have any difficulty in obtaining loans at reasonable terms from either private or government-supervised loan agencies.

Through national farm-loan associations, loans on farm real estate, and, through production credit associations, loans on chattel security are available at uniform rates for those who have adequate security. The current Federal Land Bank rate of 4 per cent and the production credit rate of 5 per cent are the lowest interest rates ever available to farmers. In addition, credit for agricultural cooperatives is available at correspondingly low rates. Furthermore, loan policies designed to meet the need of farmer borrowers are now being adopted by other loan agencies. This, together with an increase in the funds available for making loans, and the general improvement in business conditions, is likely to result in competition for loans between loan agencies, and that should tend to maintain comparatively low interest rates on sound agricultural loans.

Land bank commissioner loans which may be obtained by second mortgages on real estate are available from funds provided by congress. These loans, along with the regular Federal Land Bank loans, have enabled many farmers to refinance existing indebtedness. The period during which commissioner loans may be made has been extended to February 1, 1940.

In recent years funds appropriated from the United States treasury by special acts of congress have been available for emergency drought and seed loans. Special appropriations for emergency seed loans in the northwestern states have been made annually by congress since 1930. Emergency seed loans can not be made in 1936, unless congress makes another special appropriation.

For certain capable farmers who have no adequate security for commercial loans, the rural rehabilitation section of the Rural Resettlement Division may make small loans, when it appears that such loans will re-establish the borrower on a basis that will enable him to make a living and gradually repay the loan.

The distinction between loans from federal funds made for emergency purposes and loans made by national farm loan associations and production credit associations from borrowed funds secured by first mortgages on real estate and chattels is important. The former are temporary; the latter are permanent sources of credit.

Recent experiences have made farmers more cautious in the use of credit than formerly. This attitude is desirable, and, if maintained, should result in more intelligent use of credit by farmers.

The credit costs of some farmers could be reduced by borrowing from production credit associations or banks, instead of using store or installment credit. An analysis of installment contracts indicates that the costs of such credit may exceed 20 per cent.

THE TAX SITUATION

The 1934 Minnesota index of farm real-estate taxes on a per acre basis stood at 196, with 1913 taken as 100. In 1930 this index was 291. Thus, while farm real estate taxes in 1934 were nearly twice as large as in 1913, they were about one-third less than in 1930. Future trends in farm real-estate taxes in Minnesota will be influenced considerably by the amount used for relief purposes and by the system of taxation in use. At present no general reduction is in prospect. Taxes may be higher or lower in some communities in the next year or two than at present. Variations between communities will depend quite largely on whether county and township expenditures are higher or lower.

FEED CROPS

Total supplies of feed grains in the United States are sufficient to provide about as much grain for each grain-consuming animal unit in 1936-37 as was provided on the average for the five-year period from 1928-29 to 1932-33. Allowance is made for an average carry-over and for grain expected to be used for commercial purposes. This indicates that the reduction in grains from pre-drought levels has been in about the same proportion as the reduction of livestock numbers. A late spring, accompanied by excess rainfall in some of the corn-belt sections, contributed to a reduction in acres planted to corn as well as in the yields obtained. The corn-hog program was also a factor in reducing acres planted. Though the 1935 corn crop was about 40 per cent larger than the 1934 crop, it was about 10 per cent below the five-year average, 1928-32. The oats crop was about 3 per cent below the five-year average. Barley production was slightly above the 1928-32 average. Though wheat was only 70 per cent of an average crop, the amount used for feed will probably be about the same as in 1934, when about 80,000,000 bushels were fed. The spread between the price of wheat and corn, particularly before the 1935 corn crop matured, was narrower than usual. Another factor favorable to the use of wheat as a feed is the relatively large amount of wheat of a low milling quality. Unusually large crops of the grain sorghums, soybeans and rye were harvested in 1935. Supplementing the grains available for feeding purposes are relatively large supplies of such high protein concentrates as cottonseed and linseed cake and meal.

Hay supplies, relative to the number of roughage-consuming animals in the United States, are higher than the average for the ten-year period, 1920-29. The crop of alfalfa hay was the largest on record.

The Minnesota 1935 crop of corn, estimated on October 1 at 149,282,000 bushels, is slightly higher than the five-year average, 1928-32, and nearly twice that of 1934. A total of 175,602,000 bushels of oats is estimated for Minnesota for 1935. This is 18 per cent above the five-year average, and more than twice that of 1934. Barley, estimated at 57,600,000 bushels is 16 per cent above the five-year average, and nearly $2\frac{1}{2}$ times as large as the 1934 crop.

The 1935 Minnesota hay crop estimated at 4,214,000 tons is about twice as large as in 1934. The supply of hay would permit some increase in the amount ordinarily fed to each roughage-consuming animal unit.

The livestock farmers of Minnesota who were caught without some carry-over of feed grains and roughage in 1934 will be likely to take steps to avoid a recurrence of that experience. A general policy of carrying over a moderate feed reserve makes a farmer's position much more secure when poor-crop years come. Ample grain storage space is a useful and profitable piece of equipment for every land-owning farmer. Farm incomes would be increased and much uneasiness would be avoided, if a few hours were spent once each year in making an estimate of the probable feed production and of the

livestock needs for a full year in advance. The estimate may be made on the basis of average yields with a liberal allowance for losses due to unfavorable weather.

As an emergency pasture crop during the months of July and August, when permanent pastures are likely to be poor, Sudan grass has a definite place on many central, western, and southern Minnesota farms. More pasturage will be provided if the acreage to be used for Sudan grass is divided into two fields and used alternately.

THE LIVESTOCK ENTERPRISES

Dairy

Minnesota dairymen have a liberal supply of cheap feed. This is in marked contrast to the short feed supplies of 1934-35. However, prices for their product have been low as compared with prices for beef cattle, hogs, lambs, and wool. This is because the drought caused much less reduction in dairy herds than in other livestock. In general, dairymen should plan to maintain and improve their herds rather than to shift to livestock that at the moment is relatively high in price. By the time the shift is made, dairy cattle may be in as favorable a position as other livestock.

The number of cows in the United States kept principally for milk production for the eleven-year period 1925-35 is shown in Table 1, page 9.

Milk cows, per 1,000 of our human population in 1936, will be about equal to the ten-year average, despite a reduction of about 1,600,000 since January 1, 1934. This is based upon an estimated milk-cow population of 24,500,000 for January 1, 1936. No significant change in the number of cows kept principally for milk is expected during the next year or two. Federal-inspected slaughter of cows and heifers, a large per cent of which were of dairy and dual purpose breeding, was larger in the first nine months of 1935 than in any like period for seventeen years. This was in part due to the relatively high price for the lower grades of beef. The 737,000 reactors to tuberculosis and Bang's disease tests during the twelve-month period ending July 1, 1935, included a high per cent of cows and heifers kept principally for milk production. Reductions arising from the tuberculosis and Bang's disease programs were, therefore, equal to about 3 per cent of our total milk-cow population. Out of 600,000 cattle tested in Minnesota since the Bang's disease eradication program began in the fall of 1934, about 75,000 or 12½ per cent have been condemned. There will be fewer milk cows in Minnesota on January 1, 1936, than on January 1, 1935. Reductions in the total number of milk cows sold because of tuberculosis and Bang's disease programs may be as large in 1936 as in 1935. Prices for the lower grades of beef are likely to be at a relatively high level in 1936, and fairly rigid culling of low-producing milk cows and heifers may be expected, unless there is a marked improvement in butter prices over the 23-29 cent level during the five-month period, May to October, 1935. The number of heifers and calves raised in the United States in 1935 will not exceed the number needed for normal replacements.

Total milk production for 1936 is likely to be 4 or 5 per cent higher than in 1935, and about equal to the ten-year average. Among a number of unknown factors that may cause a considerable variation in this estimate is that of pasturage conditions, especially in the spring and summer months. In the whole-milk districts of the eastern section of the United States, where the number of milk cows was only slightly reduced by the drought and where prices are high enough to justify fairly liberal grain feedings, some increase may result in the winter of 1935-36 from the reduced costs for concentrates.

In the butter-producing areas where the supply of other livestock, particularly hogs, is low, dairymen are likely to feed the usual amount of grains and concentrates during the winter of 1935-36. Feed supplies are sufficient to permit some increase in grain feeding, should prices of butter increase to a point at which more liberal feeding would be profitable.

The extent to which the reduction from sales for slaughter and from the disease-control programs has removed a relatively large proportion of milk cows of low productive capacity is also unknown, but it seems probable that it will be sufficient to result in a milk-cow population with an average productive capacity somewhat higher than the ten-year average. If this assumption be correct, and if the price of dairy products relative to the price of meats and poultry products should approach a more nearly normal relationship, the amount of milk produced might be higher than this estimate, particularly if pasturage conditions in 1936 are better than normal, and if, as seems probable, there is an increase in the percentage of cows freshening in the spring.

Storage stocks of butter, which were at an unusually high level in September of this year, have been considerably reduced, because of the reduced production of milk in recent months, and are expected to be about equal to the ten-year average by spring.

The difference between the price of butter in the United States and in foreign countries on November 1, 1935, was considerably less than the 14 cent tariff on imports into the United States. This price relationship indicates that imports of butter into the United States in 1936 are likely to be much lower than in 1935. In the first nine months of 1935, 22,182,600 pounds, or 1 per cent of our total annual consumption, was imported. Practically no butter has been imported into the United States since July 1. Under the terms of the recent trade treaty with Canada, the duty on cream imported from Canada into the United States was reduced from 56.6 cents to 35 cents per gallon. However, the volume of cream that will be admitted under the lower tariff rate is limited to 1,500,000 gallons. Imports in excess of this amount will be charged the former rate of 56.6 cents per gallon. Since the maximum amount of butter that could be replaced by 1,500,000 gallons of cream would be equal to only a fraction of 1 per cent of our annual production of butter in the United States, it is not likely to have any significant influence on the price of butterfat received by Minnesota farmers. From 1922 to 1930, the duty on cream imported from Canada was 20 cents per gallon.

Since the demand for butter is affected by the total payrolls of factory workers, and since this group is likely to receive most of the expected 10 per cent increase in consumer incomes, some increase in the demand for butter in 1936 seems quite certain. This will tend to raise the price of butter in 1936, if the amount produced is not increased, and to lessen the decline in price which would be likely to result from a considerable increase in the production of butter.

Beef Cattle

Over a period of years, conditions on the larger farms in the surplus feed sections of Minnesota are favorable to an expansion of beef production as rapidly as large supplies of alfalfa hay, other roughages, sweet clover, and other pasture are available or can be made available at small cost.

However, purchasers of breeding herds, at present prices, may find that when the product is ready for market, the total meat supply of the country has become decidedly larger than at present.

Marketings of grain-fed cattle in the first half of 1936 are likely to be larger than in 1935, and to be maintained at a relatively high level, particularly in the early months of 1936. The average price for 1936 may be lower than that of 1935. Purchased feeder cattle cost decidedly more in the fall of 1935 than in 1934 and the margin between buying and selling prices is certain to be smaller than during the first half of 1935. Reduced supplies of the lower grades of beef, due to liberal feed supplies, and a continued small supply of pork products during the first 9 months of 1936, are likely to result in a price for the lower grades of beef that is relatively higher than the price for the better grades. Prices of lower grades may average as high in 1936 as in 1935.

Table 1
Total Cattle, Cattle Other Than Milk Cows, and Cows Kept Principally for Milk,
for Eleven-Year Period, 1925-1935, in the United States

Year	Total cattle	Cattle other than milk cows	Cows kept mainly for milk
1925	63,115,000	40,610,000	22,505,000
1926	59,977,000	37,666,000	22,311,000
1927	57,528,000	35,369,000	22,159,000
1928	56,701,000	34,572,000	22,129,000
1929	57,878,000	35,548,000	22,330,000
1930	59,730,000	36,820,000	22,910,000
1931	60,987,000	37,411,000	23,576,000
1932	62,656,000	38,181,000	24,475,000
1933	65,704,000	40,419,000	25,285,000
1934	68,290,000	42,105,000	26,185,000
1935	60,667,000	35,567,000	25,100,000

Table 1 shows that the reduction in total cattle in the United States, which resulted chiefly from the severe drought of 1934, was numerically and proportionately much greater among cattle kept principally for beef than for cows kept for milk purposes. When the total number of cattle of January 1, 1935, is compared with January 1, 1928, the low point in the cycle, it will be noted that the increase in milk cows was about three times as much as the increase in cows kept mainly for beef.

If the present short supply of hogs is increased to pre-drought levels in late 1936 or 1937, the total supply of beef and pork will permit a considerably larger consumption of meat than in 1935. This will result in lower prices for meats, except in so far as it may be partially offset by a rise in demand due to an increased industrial activity. This is based upon the fact that cattle numbers could be maintained at about present levels and permit an annual inspected slaughter of 15,000,000 cattle and calves. This would be 10 per cent more than the ten-year average of 1924-33. But since the proportion of calves would be somewhat higher, the total live weight would be about equal to the ten-year average.

The number of cattle kept principally for beef is likely to have an upward trend during the next few years, and by 1939 may equal the high level of 1934. In some of the states of the Great Plains section, the number of cattle on January 1, 1935, was only one-third of the number of January, 1934. Since large areas of these states are better adapted to cattle-raising than to any other agricultural enterprise, a material increase may be expected in such states during the next few years. The rate and amount of increase will depend quite largely upon feed conditions, prices, and the availability of credit. A crop control program that would restrict acreage used for feed grains is likely to result in an increase in the number of acres used for pasturage and hay, and in the long run, to stimulate the production of cattle as well as other roughage-consuming animals.

In 1936 tuberculosis and Bang's disease eradication programs are likely to be more effective in preventing an increase in the number of dairy or dual purpose cattle than in the number kept mainly for beef. Such was the result in 1935. The tendency for producers to sell cattle for slaughter purposes in response to relatively high prices for low-grade beef is likely to be much less in 1936 than in 1935, because of a more adequate feed supply on hand and in prospect. The number of cows and heifers sold under federal-inspected slaughter during the first 9 months of 1935 was larger than in any like period for 17 years. Calves sold under federal-inspected slaughter were the largest on record,

except for 1934. The large marketings of cattle, especially of "she-stock" will be a factor in preventing much increase in total domestic beef supply in 1936. But with ample feed supplies and favorable range conditions during the next few years, the number of cattle kept mainly for beef may be expected to increase. In many sections of the Great Plains area, there will be no better alternative use for hay and pasture. In other areas where reductions were much less drastic, there will be a tendency to restore to former levels numbers of cattle kept principally for beef.

A relatively high level of prices for beef cattle in the United States attracted the largest number of imports of live cattle in 1935 since 1929. Most of these imports came from Mexico and Canada. In 1935 there was an import tariff of 3 cents per pound on all cattle weighing 700 pounds or more, and $2\frac{1}{2}$ cents per pound on cattle weighing less than 700 pounds. The recent trade treaty with Canada, effective January 1, 1936, reduces the duty on cattle imported from Canada. However, these lower rates apply to only $\frac{3}{4}$ of 1 per cent of the total annual slaughter of cattle and $\frac{1}{4}$ of 1 per cent of the total annual slaughter of calves in the United States. Therefore, the increase in imports of cattle from Canada resulting from the lower tariff duties is not likely to have any significant influence on the total supply or the price of cattle in the United States.

Importations may be expected to decline as the differentials between the prices of beef in the United States and in countries exporting to the United States become narrower, and to be eliminated when the price in the United States is higher than the price in exporting countries by an amount that is less than the tariff plus transportation costs. In 1933 the total number of cattle in Canada was 8,511,000 or about one-eighth as many as in the United States. Importations of cattle from Canada are, therefore, not likely to be large in relation to the total meat supply of the United States. Reliable estimates of the number of cattle in Mexico at present are not available. In 1930 the number in Mexico was 10,083,000 or about one-sixth as many as in the United States.

Imports of canned beef, in which Argentina and Uruguay shared in about equal proportions, were nearly twice as large during the first 8 months of 1935 as in the similar period of 1934. Imports of canned beef are subject to a duty of 6 cents per pound.

In terms of live weight, total imports of cattle and beef including canned beef during the first 8 months of 1935 were roughly equivalent to about 4 per cent of the total slaughter of cattle and calves, and less than 2 per cent of the total slaughter of cattle and hogs.

Hogs

Hogs normally furnish about 58 per cent of the inspected meat and lard consumption of the United States, so that a shortage in hogs without any increase in beef supplies means a decided shortage in the total meat supply. The high prices that have prevailed for meat animals have been due primarily to the short supply of hogs. High prices for hogs seem assured until the spring pig crop of 1936 begins to come to market, but if the 1935 fall pig crop proves to be substantially larger than that of 1934, as is likely, the number of hogs on the market in the spring and summer of 1936 will likely be greater than the record short supply in the spring and summer of 1935.

Minnesota farmers in the surplus grain sections will probably find it profitable to raise about as many pigs in the spring of 1936 as their contracts will permit. It is likely that those who can handle early pigs will find that there is more than the usual advantage in raising March-farrowed pigs and crowding them for early September market.

The 1935 spring pig crop was only 61 per cent of the ten-year average (1925-34), and was 19.6 per cent smaller than the relatively small 1934 spring crop.

Table 2
Number of Spring and Fall Pigs Raised in the United States During the
Eleven-Year Period, 1925-1935

Year	No. raised in spring	No. raised in fall
1925	49,669,000	22,567,000
1926	50,944,000	24,507,000
1927	54,123,000	26,340,000
1928	52,586,000	25,797,000
1929	50,535,000	25,175,000
1930	49,526,000	24,701,000
1931	53,661,000	28,739,000
1932	50,342,000	30,668,000
1933	52,089,000	29,668,000
1934	37,801,000	15,432,000
1935	30,402,000	*20,272,000

* December 23 estimate of 3,344,000 fall litters, and 6.06 pigs saved per litter, as compared with 5.9, the ten-year average.

The number of sows to farrow in the fall of 1935 is estimated at 3,344,000 head. This is an increase of 30.6 per cent over the small 1934 number, but gives a smaller fall-pig crop than any other year for many years. One large non-governmental agency has estimated the 1935 fall-pig crop to be less than 30.6 per cent above the 1934 fall crop.

Federal-inspected slaughter from October 1, 1934, to September 30, 1935, was the lowest in 25 years and the number slaughtered from October 1, 1935, to September 30, 1936, will probably be even smaller. However, the more favorable corn-hog ratio in 1936 is likely to result in feeding hogs to heavier weights. This may result in considerable discount for heavy hogs late in the winter of 1935-36. A considerable increase in the number marketed in the last quarter of 1936 as compared to the similar period in 1935 may be expected.

The maximum effect of the drought of 1934 on hog numbers in the United States was experienced in the fall of 1934 and spring of 1935, when farrowings were the lowest for many years. A gradual increase in hog numbers is, therefore, to be expected for several years. This suggests that 1935 fall pigs should be crowded for the March-to-May market, and that the 1936 early spring pigs should be crowded for the September and early October market; also that brood sows that are to be fattened after weaning spring litters should be sold as quickly as it is possible to get them ready for market.

A reduction in the time required to get the 1936 spring crop of pigs to a marketable size is likely to result in a price advantage above the average. Pigs farrowed in the fall of 1936 may also command a higher price if the time required to get them on the market is reduced. Minnesota Agricultural Experiment Station Bulletin No. 320 entitled, "A Six Years' Study of Crossbreeding Swine," gives interesting information on this matter. A copy may be obtained free upon request to your county agent or to the Bulletin Room, University Farm, St. Paul, Minnesota.

The average price of pork is likely to be higher for the 1936 marketing year, October 1, 1935, to September 30, 1936, than for the year 1934-35. Storage supplies of pork are the lowest in 20 years, and 47 per cent lower than in 1934-35, and the five-year average. With the exception of the last 3 months of 1936, when hog and poultry receipts are likely to be considerably increased, the total supply of all meats is not expected to be much larger in 1936 than in 1935, when it was the lowest in many years.

If, as estimated, consumers incomes in 1936 are 10 per cent higher than in 1935, there will be an increase in the demand for pork. This will affect prices of pork and all other meats favorably.

During the period 1921-30, the export trade took 10 per cent of our pork and 50 per cent of our lard. In 1934, we exported 2.5 per cent of pork and 32 per cent of our lard. Approximately one-third less pork and two-thirds less lard will be exported in 1935 than was exported in 1934. Relatively high prices for pork and lard were largely responsible for the drastic reduction in the exports of these products in the last half of 1935, and are likely to hold exports at a low level for the first 9 months of 1936.

However, the chief causal factor in the decline of exports of pork and lard from the 1921-30 ten-year average to the extremely low level of 1934 was not one of price but of restrictions on foreign trade. This suggests that the corn-hog farmer has a vital interest in promoting a revival of world trade. An expansion in world trade, however, is largely dependent on a more general understanding of the simple truth that we cannot expect to sell our surplus commodities except as we are willing to buy the goods of other nations.

Horses

The number of horses on farms in the United States has declined steadily since 1918. Increases in colt production which started in 1933 continued through 1935 and should terminate the long decline in horse numbers by 1936. The number of horses of working age, however, will not reach the low point for several years. In the meantime, good sound young work horses will be in strong demand. But, there is no longer any large demand for horses except on farms. Even on farms there has been an increasing substitution of mechanical power for horsepower, for several years. The possibility of the general use of tractors has been greatly increased by the introduction of tractors that are satisfactory for the cultivation of corn and other row-crops, and, in certain sections, by the adaptability of the combine. The trend toward increasing use of mechanical power was retarded from 1930 to 1933. Apparently, it was again accelerated in 1934. The farmers' purchasing power has been increased, motor fuel has been low in price and good horses have been difficult to get. The number of horses needed in the future will probably be not greater, and, possibly, less, than at present, unless motor fuel should rise decidedly in price as compared with farm feeds and hired labor. Farmers who are located in cheap feed areas may continue to raise colts for replacements on their own farms, but by the time colts produced from mares bred in 1936 are ready to work they may not command prices equal to those prevailing for good horses at present.

Sheep, Lambs, and Wool

Sheep owners seem likely to enjoy relatively favorable markets for wool and lambs during the coming year. The basis of this forecast is largely the fact that the number of ewes in 1936 is likely to be little if any larger than in 1935. The number of ewes in 1935 was 7 per cent lower than in 1934. Woolen mill activity has been at a high level and the carry-over of wool in the United States is likely to be the smallest for several years.

Although mill consumption of wool in the United States in 1936 is not likely to be as large as in 1935, it is not expected to decline to the low level of 1934, because of the expected improvement in consumer incomes. With a small carry-over after April or May, 1936, with a relatively small increase in the 1936 clip in prospect, and with an expected increase in consumer incomes, wool prices in the spring of 1936 should be higher than in the corresponding season for several years.

The 1935 wool clip in leading exporting foreign nations was about 4 per cent below that of 1934, and the wool carry-over was 30 per cent less than one year ago.

Prices are likely to be higher for fed lambs marketed from December 1935 to May 1936 than in the same period a year earlier. A reduced crop of late lambs in the western

states resulted in a short supply of feeder lambs for winter feed lots. Some increase in demand may be expected from higher consumer incomes. Prices for lambs in 1936 are likely to average the highest of any year since 1924.

Table 3
Number of Breeding Ewes One Year Old and Over, and the Estimated Lamb Crops for the United States for the Eleven-Year Period, 1925-1935

Year	Number of breeding ewes one year old and over	Estimated lamb crop
1925	25,983,000	22,198,000
1926	27,134,000	23,772,000
1927	27,748,000	24,153,000
1928	29,414,000	26,363,000
1929	31,530,000	26,953,000
1930	34,567,000	29,826,000
1931	36,213,000	32,230,000
1932	36,641,000	29,613,000
1933	36,205,000	29,064,000
1934	36,156,000	29,660,000
1935	34,280,000	27,630,000

As shown in Table 3, the number of sheep in the United States has increased fairly consistently since 1925, except in 1934, when the drought caused a decrease of about 5 per cent. Numbers of breeding ewes are likely to have an upward trend for several years, especially in the range states, where numbers were depleted by drought.

If crop-control programs result in a general reduction in corn and small grains, there is likely to be some increase in hay and pasture production. Sheep fit in well with a program of more acres in pasture and hay, and some increase from present levels may be warranted, but a country-wide program of grass and pasture expansion might in the long run stimulate sheep production and result in relatively low prices.

In the past, world prices of mutton and lamb have been at too low a level for the American sheep raiser to produce such products for the export market; therefore, any marked increase in the production of mutton and lambs above the level of the years preceding the drought of 1934 is likely to result in prices lower than is desirable for satisfactory returns to domestic producers, unless such increase in production is coincident with an increase in the domestic demand.

Poultry and Eggs

Relatively short supplies and higher prices for chickens may be expected during the first half of 1936. A reduced supply of all meats and an expected increase in consumer income will tend to strengthen prices for poultry the coming year. But if producers react to the favorable prices of 1935 and to lower feed costs in prospect for 1936, in the usual way, production will be increased sufficiently to result in lower prices, particularly in the last half of 1936.

Minnesota and ten other north central states normally produce about one-half of the nation's total annual supply of poultry and eggs. In this area the reduction in the numbers of poultry as a result of the drought of 1934 was much greater than in other sections; and the natural tendency will be to increase the numbers of poultry to pre-drought levels. On Minnesota farms where the size of the poultry flock can be increased without hiring much additional labor and where feed supplies are adequate, farm incomes over a period of time should be raised by increasing the size of the poultry flock. However, producers who borrow money on the basis of present prices of poultry and eggs for the purpose

of making a significant increase in the poultry enterprise are likely to encounter some difficulty if such loans have to be paid with poultry products marketed in the last half of 1936.

Storage stocks of dressed poultry, chickens and turkeys, which were among the highest on record on January 1, 1935, were on September 1, 1935, reduced to the lowest since 1924, with the exception of 1932. Storage stocks of chickens were actually the lowest on record. Both marketings and storage stocks of poultry are likely to be below the average up to July 1, 1936.

Exports have exceeded imports of dressed poultry since 1931, and are expected to do so in 1935. However, exports constitute too small a part of the total annual production in the United States to have any significant effect on the price to domestic producers.

The number of laying hens in farm flocks in the United States on January 1, 1936, is expected to be about 5 per cent higher than on January 1, 1935, but somewhat lower than the 1930-34 average. The per cent of pullets and young hens will be somewhat higher than in 1934, and the five-year average. The increase in the number of laying hens in Minnesota from January 1, 1935, to January 1, 1936, will be less than the 5 per cent estimated for the United States and may not be more than 1 per cent. More liberal feeding during the winter and spring of 1936, than for the same period in 1935, is likely to result from the more favorable relationship between prices of feeds and prices of eggs. The production of eggs for the first half of 1936 may, therefore, be expected to be higher than for the first half of 1935, but probably lower than the half-year average for the years 1930 to 1934. Prices for eggs in 1936 will depend quite largely on the extent to which consumer incomes are increased.

The combined stock of shell and frozen eggs in storage August 1, 1935, was lower than on August 1, 1934, or for the five-year average, 1930-34. The increase in the production of eggs since August 1, 1935, has tended to offset the favorable influence of low storage supplies or the price of eggs.

Imports of shell, dried and frozen eggs were higher in 1935 than in 1934, and are likely to continue at about 1935 levels during the first half of 1936, as a result of relatively high prices for eggs in the United States. In 1934 exports and imports of eggs and egg products were practically equal. However, the excess of imports over exports in 1935, formed too small a part of the total egg production to influence the domestic price for eggs to any appreciable extent.

The tariff duty on dressed poultry imported into the United States is 10 cents a pound. Eggs in the shell are charged a duty of 10 cents a dozen. The duty on frozen eggs is 11 cents a pound and on dried eggs 27 cents. However, the volume of poultry and egg imports and exports is of little significance to domestic producers.

Turkeys

An increase in the number of turkeys in 1936 is likely to result from the increase in 1935 over 1934 prices and from the more abundant and cheaper supply of feed. An important factor in the higher prices received for the 1935 turkey crop was the low supply of all other meats. Some increase in the total supply of meats is expected in 1936, particularly during the last three months when marketings of chickens and pork are likely to be considerably higher than for the similar period in 1935. It therefore appears that a lower total meat supply may have much less influence in strengthening prices for turkeys in 1936 than in 1935.

The price of all meat animals, turkeys in particular, is largely dependent upon the level of consumer buying power. Quite likely turkey prices in 1935 were strengthened by some improvement in consumers' incomes. The influence of consumer buying power in strengthening turkey prices is likely to be greater in 1936 than in 1935, because of the

expected increase in the payrolls of industrial workers. However, it is quite probable that the supply of turkeys will increase more than demand in 1936, and that prices will be lower than in 1935.

Storage stocks of dressed turkeys were maintained at a relatively high level in 1935, and on October 1, 1935, were 3,392,000 pounds greater than a year earlier. While the amount in storage constituted a very small per cent of the total annual production, it probably tended to check the advance in the price of turkeys in the fall of 1935. Turkey producers who are planning to increase production in 1936 may obtain some suggestion on the demand situation by checking on storage supplies in the early part of 1936.

Most of the decrease in the number of turkeys produced in the United States in 1935, roughly estimated at 13 per cent, resulted from a reduction in the number of farm flocks and from the number of birds in the flocks. The number of large flocks has been increasing for several years.

Apparently, modern production methods, sanitation included, can be practiced more successfully in the larger flocks. Labor costs per bird are lower in medium or large flocks than in small flocks. Probably the long-run tendency will be to produce a large proportion of the turkeys on general farms but in relatively large flocks of 100 to 1,000 birds. Turkeys fit in well on farms where capable family labor is available and where there is a good supply of cheap grain.

An active demand for hatching eggs and poults in 1936 seems quite probable. With increased supplies and lower costs for feed, producers are likely to find it profitable to keep enough breeding stock to supply the eggs needed for 1936.

In 1936, as in previous years, early hatches are likely to be more profitable than late hatches. Producers who can supply their own hatching eggs should have the advantages of an earlier start.

CASH CROPS

Wheat

While world prices for wheat for 1936-37 are likely to be lower than for the 1935-36 crop year, they are not expected to decline to the low levels of 1932 and 1933. Wheat prices on the relatively unprotected markets of the world are now higher than at any time since 1930.

Wheat prices in the United States have been from 20 to 30 cents above a level at which any significant volume could be exported for the three-year period, 1933-35. This relatively high price has been the result of three consecutive years of low yields, though acreage reduction and surplus wheat removal from the Pacific Northwest through government aid have also had some influence. The United States carry-over of wheat which was at a record high level on July 1, 1933, is likely to be reduced to about normal proportions by July, 1936.

No estimates of the acreage sown or to be sown for the 1936 harvest are available at this date. The 66,000,000 acres seeded in 1935 were about equal to the acreage seeded in the three-year period, 1930-32, but 5,000,000 more than in 1934. A consideration of the factors involved suggests that an acreage as large as, or larger than, that of 1935 is likely to be seeded in the United States in 1936. If so, a crop of 825,000,000 bushels would be produced with average yields. An analysis of average wheat yields in the United States since 1919 indicates that the probable yield in 1936 might be as low as 10 or as high as 14 bushels. On this basis total production might vary from 660,000,000 to 924,000,000 bushels. Thus, with low yields, a crop about equal to the 650,000,000 bushels required for domestic needs would be produced, and, with average yields, a considerable surplus above domestic requirements would result. In the absence of any special governmental aids to exports and storage, a supply greater than domestic needs would be likely to bring prices in the United States close to an export basis.

The world wheat situation will be significantly influenced by the policies of the Canadian Wheat Board. Out of 700,000,000 bushels of wheat in the principal exporting countries available for carry-over or export in 1935-36, 390,000,000 bushels, or nearly 60 per cent, is held in Canada. These large holdings, and the dominant position which Canada occupies in the export wheat trade of the world, make the policies of the wheat board of particular importance. In 1935, the Canadian government, through its wheat board, guaranteed growers a minimum price on wheat. Prices varied with grades—that on No. 1, Canadian northern spring wheat, being set at 87½ cents per bushel. The 1936 control program has not been announced at this date.

World supplies of wheat, excluding Russia and China, were slightly lower on August 1, 1935, than on August 1, 1934, and about 12 per cent lower than the very high levels of 1928-32. Should crops in the southern hemisphere turn out as expected, world stocks of wheat will be reduced to about a normal basis for the 1935-36 crop year. Wheat stocks were considerably reduced in all leading wheat-producing countries except Canada in 1935. But, with average yield on the present world acreage, a crop of 3,700,000,000 bushels could be produced. This would be equal to the average for the years of 1928-32, when there were large accumulations of surplus wheat. World prices for wheat have strengthened in recent months, and are expected to be strengthened in 1935-36, as a result of the general improvement in the world business situation.

It is highly improbable that Minnesota wheat growers will suffer as heavily from rust in 1936 as in 1935. Nevertheless, spring wheat growers may well attempt to reduce the possibilities of losses from rust and hot weather to a minimum by seeding as early as possible in the spring. If rust-resistant varieties such as Thatcher, Ceres, or Marquillo can be obtained at reasonable prices, they should be used. Marquillo is stronger strawed than Ceres but is not so good a milling wheat as either Thatcher or Ceres, and therefore is likely to sell at a substantial discount, if grown in large quantities.

Though Marquis wheat is likely to make a better showing relative to the rust-resistant varieties in 1936, than in 1935, the long-run tendency will be to grow relatively less Marquis wheat because of its susceptibility to black-stem rust. Thatcher wheat is likely to be more generally used because of the high yields obtained in 1935, when losses from rust were among the worst on record. Heretofore, practically all of the Thatcher wheat produced has been kept for seed, but with approximately 200,000 bushels produced this year, a considerable amount of this variety is likely to be sold for milling purposes in 1936-37.

In southeastern Minnesota where yields of winter wheat tend to exceed those of spring wheat, Minturki wheat is likely to be in most general use. As supplies of Thatcher spring wheat become more abundant there may be a tendency to grow more spring wheat in this area. Since the total production of wheat in this area is relatively small and since much of the wheat produced is fed to livestock, market supplies are not likely to increase much if Thatcher wheat is grown in southeastern Minnesota.

Shriveled wheat that germinates well may be expected to yield about as well as normal wheat of the same variety. Preliminary germination tests on samples of the 1935 spring wheat crop at University Farm show that shriveled wheat can be safely used for seed. Shriveled wheat should be well cleaned and tested for germination before it is seeded.

Flax

Flax and spring wheat are competing cash crops in most of the spring wheat area of Minnesota, North Dakota, South Dakota, and Montana. In 1935 yields of spring wheat in a large portion of this area were unusually low because of the severe infection of black-stem rust, but the average yield of flaxseed, 6.6 bushels per acre, was the highest in seven years.

In 1935 spring wheat (other than Durum) in Minnesota yielded close to 8.5 bushels, winter wheat 22 bushels, and flax 9 bushels per acre. On an acre basis, average returns for 1935 will, therefore, be higher for flax than for spring wheat in the spring wheat area, and particularly in Minnesota, even though the average farm price on September 15, 1935, of \$1.39 per bushel for flax was relatively lower than the average farm price in Minnesota of 98 cents per bushel for wheat.

Some increase in the acres seeded to flaxseed is therefore to be expected in 1936, unless conditions next spring are unfavorable, or the price of flaxseed is even less favorable with respect to wheat than at present. Largely because of higher yields, the 1935 domestic production of flaxseed was nearly three times that of 1934, but slightly lower than the five-year average for 1928-32. However, the 14,000,000 bushels of flaxseed produced in 1935 will be about one-half of our average annual domestic requirements for crushing and seed. Obviously there is little probability of flaxseed production being increased enough in 1936 to provide for our domestic needs.

In recent years the use of substitutes, particularly perilla and hempseed (imported), and soybean oil, for linseed oil has been increasing. Largely because of the unusually large domestic crop of soybeans, the disappearance of drying oils other than linseed is likely to be the largest on record in 1935-36. However, the amount of soybean and other oils, being used as substitutes for linseed as drying oils, is expected to be more effective in reducing imports of flaxseed and linseed oil than in reducing the price of flaxseed in the United States.

The tariff duty on flaxseed imported into the United States is 65 cents per bushel, and on linseed oil $4\frac{1}{2}$ cents per pound.

The increase expected in building activity in the United States and in the United Kingdom in 1936 will tend to strengthen the demand for paints and to offset the effect of the increase in the total supply of drying oils in the United States. The price of linseed meal is much lower than one year ago, and is not likely to strengthen appreciably, because the larger supplies of other concentrated feeds in the United States and because restrictions on imports in foreign countries are likely to prevent it. However, the price of linseed oil is the chief determinant of the price of flaxseed.

In the eight-year period ending July 1, 1935, the disappearance of linseed oil in the United States ranged from a low of 348,000,000 pounds to a high of 810,000,000 pounds. In that same period imports of oil and flaxseed in terms of oil, ranged from 114,000,000 pounds in 1932-33, to 439,000,000 pounds in 1928-29. This wide variation in the domestic use of linseed oil was due quite largely to the relatively higher building activities in 1928-29 than in 1932-33.

While domestic supplies of flaxseed are the largest in five years, world supplies, estimated from 17 countries which produced two-thirds of the world's total in 1934-35, are likely to be lower than in 1934-35 when it was about equal to the five years preceding. No tendency to increase the world acreage of flax has been in evidence in recent years. The demand for drying oils is expected to be stronger in 1936 than in 1935 as a result of an increase in building activities. A price for the 1936-37 crop of flax in Minnesota that will compare favorably with that of 1935-36 is therefore a reasonable expectation, but not a certainty.

If flax is seeded early and on clean land in those areas in Minnesota adapted to flax growing, the returns per acre over a period of years are likely to compare favorably with those of any other cash crop. Wilt-resistant varieties such as Bison and Red Wing should be used. Clean seed is also important. In the corn-raising sections, a crop rotation which includes a legume followed by corn which is given clean cultivation is a practical soil preparation for maximum yields of flaxseed.

Potatoes

The 1935 crop of potatoes for the United States, as estimated on October 1, is slightly higher than for the average of the five years, 1928 to 1932, but lower than the large crop of 1934.

The low prices, resulting chiefly from the large crops of 1934 and 1935, in the absence of a control program, would be expected in 1936 to result in the lowest potato acreage for the United States in ten years. On this reduced acreage a potato crop almost as small as that of 1925 would be in prospect, and, with prospective demand conditions, would return growers much higher prices and incomes than the large crops of the last two years.

The influence of a potato control program on potato production in the United States in 1936 can not be estimated at this early stage in its development. At present the indications are that an attempt will be made to have the total production of potatoes in 1936 below that of 1935, but above that which would be expected if there were no control program. An unusually high price due to a very short supply of potatoes, is likely to result in a large crop and a low price in subsequent years. Some shift from potatoes to other foods by consumers is also likely to result from very high prices. Neither of these is helpful to potato growers over a period of time.

The Minnesota potato crop for 1935 is estimated at 32,064,000 bushels. This is slightly higher than the average of the five years 1927-31. In 1934 a total of 23,380,000 bushels were produced in Minnesota. The potato acreage for Minnesota in 1935, 334,000 acres, was about the same as in 1934. However, the total production was about 37 per cent greater in 1935 than in 1934. The drought of 1934 was largely responsible for the relatively low total for Minnesota in 1934.

Clover Seed and Alfalfa Seed

Domestic supplies of red clover and alsike clover seed were much below normal, while supplies of alfalfa and sweet clover seed were about normal, on October 1, 1935. Prices on October 1, 1935, were lower than on a similar date in 1934, and lower than for the five-year average, 1928-32.

The demand for clover seed in 1936 is very difficult to estimate at present. Crop adjustment programs that restrict corn and grain acreage are likely to stimulate the demand for clover seeds. Offsetting this are the large supplies of timothy and soybean seed, and fairly large supplies of Korean lespedesza seed. The acreage of Korean lespedesza clover has increased in recent years, in some south central states, but it can not be grown successfully as far north as Minnesota. Present conditions of hay and pasturage are favorable to a good supply of roughage in 1936 and this may tend to weaken the demand for clover and alfalfa seed in 1936. The excellent condition of many meadows seeded in the fall of 1934 and spring of 1935 suggests the possibility of a larger acreage of clover seed for harvest next year and lower prices.

Exports and imports of red clover, alsike clover, alfalfa, and timothy seed have been relatively insignificant in recent years.

SPECIAL NOTE

Additional information on some of the economic and production questions discussed briefly in this report is contained in bulletins and other printed matters issued by the Agricultural Extension Division and the Agricultural Experiment Station of the University of Minnesota. Copies of this material will be mailed free upon request to Agricultural Extension Division, University Farm, St. Paul. Those making requests should state definitely the information needed and mention the Agricultural Outlook.

FARM FAMILY LIVING OUTLOOK FOR 1936

GROSS CASH INCOME RECEIVED FROM AGRICULTURE

The gross cash income from agriculture in the United States during 1935 continued the upward trend which began in the first half of 1933. According to preliminary estimates, the total received from the sale of farm products and from payments by the Agricultural Adjustment Administration for the calendar year 1935 will be about \$6,800,000,000. Although this amount is only 67 per cent as large as the average annual cash income received by farmers in the five years preceding 1930, it represents an increase of 59 per cent over the low level reached in 1932, and an increase of 6 per cent over the \$6,387,000,000 received in 1934. The outlook for 1936 is for a continuation of this upward trend.

The improvement in 1935 income is due largely to the marked advance in the prices of livestock, though greater crop production has been an important factor, also. It is estimated that Agricultural Adjustment Administration payments to farmers, including drought-cattle purchase payments, rental, and benefit payments will be approximately 10 per cent higher in 1935 than in 1934.

The most important factor in increasing 1935 farm income in this region is the higher level of farm prices for meat animals. Although shipments of cattle, calves, and hogs have been smaller than those of 1934, farmers' income from meat animals is appreciably higher. Larger marketings of grain may cause income to be greater in the first half of 1936 than in the corresponding months of the current year.

ADDITIONAL CASH INCOME

The 1935 cash incomes of some farm families are being supplemented by earnings of family members employed in non-agricultural industries, though there are no data for estimating amounts so received. As industrial activity increases and there are more opportunities for employment, it is probable that such supplemental earnings from industry will increase in 1936.

Some farm women have continued to contribute to cash income by selling home-baked and canned foods, and home-made articles. In addition, sales of poultry, eggs, dairy products, fruits, and vegetables through roadside stands and by direct delivery to homes have increased the incomes of some farm families. Farm families along main highways and near tourist resorts probably shared in the increased revenue from tourist trade reported during the vacation season of 1935. Compared with national income from agriculture, cash income of farm families from non-agricultural sources is relatively unimportant, but it may be very important to the individual families thus supplementing their farm-business receipts.

CASH AVAILABLE FOR FAMILY LIVING

Total cash available in 1935 for farm operators' labor, capital, and management showed some gain over 1934. Partly offsetting the benefits of this increase is the rise in farmers' production expenditures. In 1935 the larger crops produced have required more farm labor, and farm wage rates are higher than in 1934; hence, labor costs have increased. Prices of commodities used in production also are higher. However, these tendencies toward increased costs are balanced somewhat by the improved situation in regard to farm taxes, loans, and interest. Farm taxes are now about one-third less than in 1930. Some scaling down of debts, considerable refinancing of the remaining indebtedness on a longer amortization basis, and reduced interest rates have lessened farmers'

yearly debt payments. The net result is an increase in income available for family use in 1935.

The extent to which this increased available cash will be devoted to family living is problematical. There is evidence that household inventories which were much depleted during the depression have been somewhat restored by increased purchasing during 1934 and 1935. On the other hand, there has been comparatively little replacement of farm equipment during the last five years. Although sales reports indicate that farmers' expenditures for machinery, automobiles, building materials, and other capital equipment have increased sharply in 1935, the condition of farm equipment throughout the country is still much below normal. In addition, some farmers who were forced to liquidate their livestock in 1934 are this year paying materially higher prices in replacing their herds. The farm business, therefore, competed very closely with family living for the increased cash available in 1935, and this situation probably will continue into 1936.

PRICES PAID FOR GOODS PURCHASED

Prices paid by farm families for goods used for family living were slightly higher in the first six months of 1935 than in the corresponding period of 1934. Index numbers of the Bureau of Agricultural Economics, showing prices of all commodities for farm family maintenance, rose from 122 on June 15, 1934, to 124 on June 15, 1935, an increase of only 1.6 per cent.

This small increase, however, represents the balancing of somewhat pronounced opposite trends in prices of different commodities rather than a uniform small increase in the prices of all. A 13 per cent rise in food prices was offset by a fall of 5 per cent in prices paid for clothing and a small reduction in prices of other goods purchased.

With prices of different purchased goods moving in opposite directions, a farm family having increased cash expenditures for maintenance during 1935 may or may not have improved its level of living.

Food prices paid by farmers have not moved uniformly throughout late months. From midsummer to fall, 1935, they remained practically unchanged, according to the index numbers for all foods purchased. The higher prices paid in the fall for pork products, sugar, and dairy products have been offset by lower prices paid for beef, apples, coffee, tea, and some other foods. A downward trend in the prices of dairy products and in some vegetables probably will occur from January to midsummer, 1936.

Average expenditures for food by farm families differ greatly from region to region in the United States, but probably fall between \$32 and \$35 per capita per year, at September 1935 price levels. A large share of these expenditures, about 28 per cent, goes for bread, flour, and cereals; another 30 per cent goes for meats and fats. These are the foods of which supplies for 1935-36 are relatively short and for which prices somewhat higher than in 1935 probably will prevail in the first half of 1936.

Clothing prices for June 1935 were 5 per cent lower than in the same month, 1934. In September 1935, the index number for prices paid by farm families for clothing was 125, a slight increase over the June figure of 124. There may be slight increases in clothing and textile prices during 1936, especially in wool, silk, and rayon. Prices of shoes probably will rise, as prices of hides and leather have risen since summer, 1935.

Prices of goods used for household operation, such as kerosene, coal, gasoline, soap, and other supplies for laundry and cleaning, are practically the same as a year ago. Although an upward trend in industrial activity is increasing the demand for building materials, there is at this time no evidence of a probable increase in their prices, or in prices of automobiles.

ADJUSTMENTS IN FARM FAMILY CONSUMPTION

The consumption program of the farm family is related both to its program of money expenditures and to its program of production for family living. All resources, therefore, must be considered in making and carrying out consumption—not only the money available and the goods on hand, but also the time and energy of the family members and the production capacities of the farm itself. It is important, also, that the plans for consumption be made as a balanced whole, within which the parts supplement one another. Thus when cash income falls, as during the worst years of the depression, it becomes necessary to change plans for production for family use so that levels of living may not fall so low, relatively, as do cash receipts. With rising cash income, the farm family still must make important choices as to how it will use its resources in order to obtain maximum human values. What proportion of the increased income to devote to family living; what proportion to the farm business; and what to provision for the future; how best to use the money allocated to the family; the extent to which production for family living shall be emphasized in order to free more money for purchases of goods which cannot be home-produced; the balance between use of time for work and for leisure—these and related questions must be considered in making consumption plans, and must be decided by each family upon the basis of its own assets, needs, and desires.

Adjustments In Family Expenditures

Many farm families will have more cash available for living expenditures during 1936 than during the year previous. Indications are that improvements in levels of living, begun in 1933, will continue through 1936. The rise will be moderate, however, since a part of the anticipated increase in cash available from agriculture will go to repairs and replacement of farm equipment and other capital goods needed by the farm business.

Ways of spending the increased cash income available for family living will vary, depending in part upon the extent to which expenditures for different items have been cut during depression years. Families that have been unable to replenish their stock of clothing probably will spend a larger proportion of their increased cash for this item than will families which have made needed replacements each year. Families whose incomes have provided adequate food and clothing may spend a relatively large share of the increase for replacements of household furnishings and for the purchase and up-keep of automobiles. Studies comparing farm family expenditures for the year 1934 with those for 1933, when incomes were lower, indicate that the increase will be distributed somewhat unequally over many items of family living rather than devoted to only one or two.

More families than heretofore are making long-time plans for the use of total available cash, budgeting funds for both the farm business and for family living. Such budget-making should focus attention upon a consideration of all family needs in addition to emphasizing financial progress. Financial planning has been stimulated by the increased use of farm and home accounts.

Improvements in farm family well-being are indicated by the decrease in the number of farmers on relief. This fact is due in part to increased income from agriculture, although some of the farmers taken from relief rolls may have been given employment on public-works projects, and many have been aided by resettlement and rural-rehabilitation projects.

Adjustments In Home-Production Programs

Year in and year out, most farm families count on supplementing their cash incomes by farm-furnished income "in kind" in order to provide a higher level of living than they could purchase. The contribution of such production to family living varies from year

to year as is indicated by average figures for the country as a whole. In 1929, the farm products retained for family consumption constituted 12.8 per cent of the total gross income from agriculture. In the succeeding years, 1930-34, the relative importance of these products became considerably greater. A high point in production for family use was reached in 1932 when farm-furnished products constituted 18 per cent of the gross income from agriculture. These products helped families to reduce the cash outlay necessary for living expenses, and to sustain a higher level of living than would have been possible that year when the available cash from agriculture was only about 30 per cent as great as in 1929.

Planning a food-production program based on the year's requirements has long been promoted by the Agricultural Extension Service. As a result, this practice has been widely adopted, especially during 1935. Many families have raised and preserved food according to plans based on household needs and tastes, on local growing conditions, and on types of farming.

Farm families canned and stored many more vegetables and fruits than usual in 1935. There will probably be little change in the home-production activities of rural families, since they recognized the twofold value of such a program—the release of cash for other needed purposes and the nutritional values furnished by a liberal, home-grown vegetable supply. The comparatively high prices prevalent for livestock may have induced some families to retain less than the usual supply of meat products for home use, and, in consequence, to be somewhat more economical in their consumption—especially of fats.

Adjustments In Purchasing Practices

After planning expenditures and production for home use, farm families face the problem of effective buying of the goods and services they have decided to purchase. Since the amount of cash available for these purchases is limited, and market offerings and human wants are many and varied, these families are following various buying practices that are helpful in stretching the buying power of their dollars and in increasing their satisfactions from money spent.

Payment of cash rather than use of "open-book" or installment credit has been found to be an effective method of increasing the buying power of the farm family's dollar. Recent studies show a wide variation in interest rates on installment credit and on time purchases. Many stores hide such charges in their customary prices and do not give the cash customer the advantage he should receive if he does not use this credit service. Farm families who are able to pay cash have found it economical to buy at stores operating on a cash basis, thus eliminating payment of the costs of credit that they do not receive. With a more wide-spread knowledge of the costs of installment credit, many farm families probably will use less expensive facilities when they are unable to pay cash for their purchases.

Farm as well as urban families are showing increased interest in understanding their problems as consumers. More attention is being given to this subject by schools and colleges, by the Extension Service, and by other groups. Federal governmental agencies are playing an increasing rôle in developing an awareness of the difficulties met by consumers as purchasers and in supplying information to guide them in their choices.

The Consumers' Division of the National Recovery Administration is undertaking for 1935-36 a broad program of research, education, and representation, the aim being to assist the consuming public, raise living standards, and increase consumption of useful goods. That division will attempt to keep the consumer so informed as to help on his problems, through direct contact with the public and through county councils in the field, and it will represent the consumer's interest in various matters concerning public policy. A publication called "The Consumer" is being published.

The Consumers' Counsel in the Agricultural Adjustment Administration continues to work for consumer protection and education in cooperation with the Consumers' Division. The counsel participates in the formulation of marketing agreements and basic commodity programs, emphasizing in such work the necessity of insuring a normal and adequate food supply for consumers. The "Consumers' Guide" continues to be published and will undertake to explain the 1936 programs for agricultural adjustment and how they affect consumer interests.

The Bureau of Home Economics of the U. S. Department of Agriculture is continuing its publication of quality guides for consumer buying and of other educational material. The Bureau of Agricultural Economics continues to develop standardized grades for certain foods and to promote use of these grades in retail markets. Several other governmental agencies are preparing various types of economic information of help to consumer buyers. It is probable that the demand for material of these kinds will increase in 1936.

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