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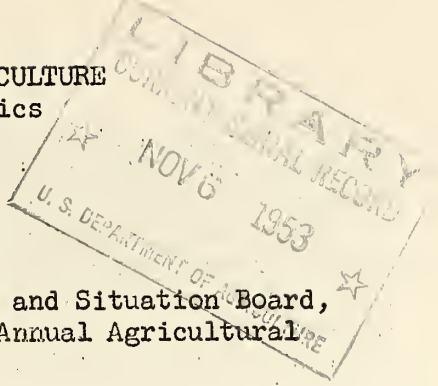
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington, D. C.

THE AGRICULTURAL OUTLOOK

Address by Bushrod W. Allin, Chairman, Outlook and Situation Board,  
Bureau of Agricultural Economics, at the 31st Annual Agricultural  
Outlook Conference, Monday, October 26, 1953.



The opening paragraphs of the Outlook Issue of the Demand and Price Situation which was released this morning summarize the agricultural outlook as follows:

"No marked change in the domestic demand for food and other agricultural products appears likely in 1954 as compared with the current year. Also, foreign takings of United States farm products, while sharply reduced in the 1952-53 season from other recent years, appear to be at a level sustainable over the next year or so. Supplies of most farm products are expected to continue large in 1954. Carryover stocks may increase further by the end of the current crop year, but a large part will be held by the Government. Acreage restrictions are likely to bring smaller wheat and cotton crops in 1954 and price support programs will continue to cushion the impact of large supplies on farm prices. With prospective conditions of demand and supply for farm products in 1954 approximately the same as in 1953, the average of prices received by farmers may hold near current levels. With cost rates to farmers stabilizing, the cost-price squeeze in agriculture is not likely to be intensified significantly in 1954.

Cash receipts from farm marketings in 1954 are not likely to equal the 31.2 billions received this year, partly because of the prospective reduction in the wheat and cotton crops. Production costs, which were slightly reduced in 1953, may show some further decline in 1954 as farmers adjust operations to lower output of some commodities and try to ease the burden of high costs. As a result, farm operators' realized net income may be fairly close to the 1953 level of 12.5 billion dollars."

This is the probable outlook as seen in the Bureau of Agricultural Economics. Yet it is worthwhile to indicate some developments that could cause significant changes in 1954. Two basic assumptions have been made: (1) that average weather will prevail and (2) that the international situation will remain much as is.

What happens to prices and incomes in 1954 depends to a large extent on how crops and pastures turn out. Drought conditions now prevail in the Central Mississippi Valley, the Southwest, and the Central Appalachian area. Pasture feed conditions on October 1, for the United States as a whole, were as poor for that date as in any year in the past 4 decades, except in 1934 and 1936. Still, most farmers got good crops this year with drought coming late and hitting pastures hardest. And next year's crops and pasture yields chiefly depend on next year's weather.

We should also keep in the back of our minds, the closing phrase in the short movie on the outlook which says, "We should always remember that we still live in a no-peace-no-war kind of a world." The possibilities of increased defense pressures, while checked today, might well come to the fore at some future date. It seems likely that the current supplies of farm products as well as our recent farm price experience from 1950 to date might cause farm prices and incomes to react less or certainly at a slower rate to renewed inflationary pressures than at the outbreak of the Korean conflict.

I would like to elaborate on a few points.

First, with the supply picture showing signs of stabilizing and with the domestic and foreign demand for United States farm products expected to continue at about 1953 levels, prices received by farmers next year may hold fairly close to current levels. In fact, over-all they have been reasonably stable since early this year.

Agricultural supplies will continue large in 1954, but production is likely to be less than this year and the rapid rise in stocks may well level off in the 1954 crop season. In some instances stocks may be reduced by the beginning of the 1955 crop year. The pressures of supply on price are not likely to be much different in 1954 than in 1953.

Total agricultural production in 1952 was record high, 6 percent above 1950 and 44 percent above the 1935-39 average. Total output in 1953, based on October 1 indications, will come very close to equaling the 1952 record. Despite strong domestic demand, high production and reduced exports have brought a rapid accumulation of stocks of most important farm products. Carryover stocks of cotton and wheat at the beginning of the current season were doubled or more than doubled from those of a year earlier. Large increases have also occurred in stocks of corn and of fats and oils. Except for the latter, further increases in carryover stocks are likely at the end of the 1953-54 season. But acreage restrictions in wheat, on cotton (if growers approve marketing quotas) and possibly on corn will likely bring reductions in output in 1954, and total supplies of these commodities in the 1954 crop year may level off or show some reduction. For livestock and livestock products generally, little change in production is indicated for 1954.

In connection with the supply picture, it is important to note that very substantial parts of the carryover stocks are currently held by the Commodity Credit Corporation and that CCC holdings will be increased during the current crop year and will likely comprise a larger proportion of total supplies available in the 1954 crop season. Total CCC investment in farm commodities totaled 3.7 billion dollars on August 31, 1953 and during the current crop season is expected to exceed the postwar high of about 4 billions reached in February 1950. However, we should also note the CCC is authorized to use as much as 6-3/4 billion dollars for support purposes if necessary.



Price support programs for basic commodities--wheat, corn, cotton, peanuts, some types of tobacco and rice--will continue at 90 percent of parity for the 1954 crops, unless marketing quotas for individual crops are disapproved. They have already been approved for wheat and a vote is pending for cotton. The support levels for oats, barley, rye and grain sorghums will be continued at 85 percent of parity. The price support for flaxseed will be at 70 percent of parity compared with 80 percent of parity for the 1953 crop. Support levels for several other commodities have not yet been announced.

Second, I would like to draw your attention to two important ratios--the parity ratio of prices received by farmers to prices paid by farmers including interest, taxes and wage rates which reflects the cost-price relationship in agriculture, and also to the one which measures the farmer's share of the consumer's food dollar.

Prices received by farmers, according to the latest figures, average 11 percent below a year ago. On the other hand, the average of prices paid by farmers is only 3 percent lower than a year earlier, and practically all of this decline was due to lower prices for feeder livestock and for feeds. Prices of industrial commodities purchased by farmers have held steady, close to their highs. The parity ratio in mid-September was 92 compared with 101 a year earlier. It was 94 last January, so that this ratio also has been fairly stable so far in 1953. And the prospects are for this situation to continue about as is in 1954, although there may be some fluctuations from time to time--for example, the ratio could drop a point or so as a result of the heavy seasonal marketings of crops and livestock now under way. The farmer will not have to contend with a much further worsening of the cost-price squeeze. In fact, price concessions on some items purchased by farmers, which do not show up in price indexes, are likely to be more general next year than this.

Although consumer expenditures for food have continued to rise over the past year reflecting expanding incomes, the continued increase in food marketing charges as well as declining farm prices have lowered the proportion of the consumer's food dollar received by the farmer to the lowest level in the postwar period. It is now about 45 percent compared with 47 percent a year earlier. But charges for transportation, labor and other costs involved in getting food products from the farmer to the consumer appear to be leveling off. With consumer expenditures for food likely to be about as large in 1954 as in 1953, there is little indication that this squeeze on the farmer's return for food products will worsen much.

Third, it would be well to recognize that despite prospects for stability in the year ahead, net realized farm income dollarwise is back close to the 1950 level, with the purchasing power of net realized farm income this year about the same as in 1941. In contrast, the average spendable income per person in the United States is currently at a record high, 15 percent larger than in 1950, and its purchasing power about a fifth greater than in 1941.

Despite the drops in income that have occurred in the last two years, the farm financial picture is still fairly good over-all. While debts have been rising, the ratio of assets to debts is still very high compared

with prewar years. Farmers as a group have enough financial assets to pay off all their liabilities, including real estate debt. In 1940, their liabilities were twice as large as their financial assets. While this is the situation for agriculture as a whole, it would be interesting to know the financial status of the one-fourth or more of farmers who purchased their farms since the end of World War II. It could be that liquidity among the older farmers is very good and that of the more recent group considerably less so.

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What this outlook means to the farmer is that the next year does not appear to be much different than this year. While there is little prospect for prices and incomes to be improved in 1954, there is also little likelihood of any further significant deterioration in the farmers' position.

The major problem for 1954 is the adjustment of large supplies more nearly in line with domestic and foreign requirements. A beginning has been made with the prospective acreage reductions in wheat and probably also in cotton. How well the over-all adjustments materialize depends also on what farmers do with the acreage that they will divert from these crops. This is the short-run problem and it may well be that the difficulties of adjustment over the next year or so obscure the fact that our population is growing very rapidly and with that growth a steadily expanding domestic demand for farm products. It is worthwhile remembering that our requirements for food and fiber in the domestic market will be about 10 percent larger in 1960 than now.

#### Commodity Summaries

Livestock and Meat.- A continued large supply of meat is in prospect for 1954 and, as in 1953 an unusually large part of it will be beef. Cattle and calf slaughter in 1953 will total around 36 million head. This is roughly equal to current production, and cattle numbers on January 1 are likely to be little different from January 1953. Slaughter will continue high in 1954 and, with a continued strong consumer demand, prices are expected to hold relatively stable around current levels. Fewer fed cattle will be marketed in the first half of 1954; prices may be higher than at their lows this year and profits from feeding are likely to be average or better. Hog production in 1953 is at a 5-year low and prices have been higher than in any other years except 1947 and 1948. Farrowings in prospect for this fall and next spring probably will result in larger hog slaughter after mid 1954. Hog prices should continue comparatively high in 1954 though somewhat lower next fall than this fall.

Dairy products.- Use of milk in regular commercial channels and on farms in 1954 probably will total around 115 billion pounds. Production next year is not expected to increase much over the 118 billion pounds in prospect for this year. But carryover stocks of manufactured dairy products into 1954 will be equal to more than 8 billion pounds of milk or about twice average carryover. Total supplies probably will exceed demand at prices approaching this year's level. Cash receipts from dairying may fall below 4 billion dollars in 1954 for the first time since 1950. However, costs are expected to decline a little and net income from dairying in 1954 may be little different than in 1953.



Eggs and Poultry.- Production of eggs and broilers will be record large in 1953 and output of each promises to be even larger next year. Prices may average somewhat lower in 1954 but the farm value of total production of eggs and poultry products probably will approximate the record high for this year.

Wheat.- With a carryover of about 560 million bushels and production around 1,163 million bushels, wheat supplies for the 1953-54 marketing year are estimated at a record of more than 1,700 million bushels. Domestic use may total 700 million bushels and exports possibly 250 million bushels indicating a further rise in the carryover in 1954. Marketing quotas implemented by acreage allotments will reduce the wheat crop in 1954. But prospective supplies for 1954-55 will provide for anticipated domestic use and export without reducing the large carryover stocks. Prices in 1954 will be supported at 90 percent of parity for growers who plant within their acreage allotments. The minimum loan level has been announced at \$2.20 per bushel compared with \$2.21 for the 1953 crop.

Corn and Other Feed.- Supplies of feed concentrates are estimated at 172 million tons for the 1953-54 feeding year, 3 million tons above last year and a near record supply per grain consuming animal unit. The supply appears adequate to meet 1953-54 feed requirements and leave a near record carryover of feed grains into the 1954-55 feeding year. Because of these large stocks, average or better feed concentrate supplies appear likely again for 1954-55. Total hay supplies for the current feeding year are slightly larger than last year but in Missouri and Kansas and throughout large areas of the South drought reduced production, and hay supplies are short.

Cotton.- The supply of cotton for the 1953-54 marketing year is estimated at 21 million running bales; production of 15.4 million bales, a carryover of 5.5 million bales, and small imports make up this total. Production is in excess of prospective domestic use and exports and the carryover may increase by nearly 3 million bales during the year. Exports are expected to rise moderately from the 3 million bales for 1952-53. The Secretary of Agriculture has proclaimed marketing quotas for the 1954 cotton crop. If growers approve marketing quotas, the support price for the 1954 crop will remain at 90 percent of parity.

Fats, Oils and Oilseeds.- Production of food fats and oils in the current marketing year will be less than domestic use and exports, and some decline in stocks is likely. Supplies of most nonfood fats will be more than adequate to meet all needs and prices of inedible tallow and greases are likely to remain comparatively low. Exports of tallow and greases are likely to continue large and food fat exports are expected to increase somewhat in 1953-54.

Tobacco.- Domestic use of flue-cured and Burley tobacco in 1952-53 was above any previous year and may be still larger in 1953-54. Total exports of unmanufactured tobacco are likely to be about as large as in 1952-53. The prospective supply of flue-cured is a little less and that of Burley is a little above the 1952-53 level.

Fruits and Vegetables. - With little change in demand for fruit expected, weather and yields will likely determine the direction of price changes. Production of both deciduous and citrus fruits in 1954 probably will be somewhat larger than the 1953 crop. Indicated production of vegetables for commercial processing and carryover stocks from earlier packs point to adequate supplies for the coming year. Storage stocks of potatoes next January are expected to be larger than a year earlier. With an average early commercial potato crop in 1954, prices of both old and new-crop potatoes early next year may be not much or any better than the prices this past spring.