36th ANNUAL NATIONAL AGRICULTURAL

OUTLOOK CONFERENCE

November 17-21, 1958
Washington 25, D.C.

Program

U.S. DEPARTMENT OF AGRICULTURE

agricultural marketing service
agricultural research service
commodity stabilization service
foreign agricultural service
forest service
federal extention service cooperating

MONDAY (November 17) MORNING

(Thomas Jefferson Auditorium - South Building)

C. M. Ferguson, Administrator
Federal Extension Service, Chairman

9:00	Registration	
9:30	Opening of Conference	Ezra T. Benson Secretary of Agriculture
9:45	National Economic Situation and Outlook	Nathan M. Koffsky, Chief Farm Income Branch Agricultural Marketing Service
10:15	Intermission	

10:30 Panel Discussion - James P. Cavin, Chief
Statistical and Historical Research Branch
Agricultural Marketing Service, Moderator

Nathan M. Koffsky
Agricultural Marketing Service

Louis J. Paradiso, Assistant Director-Chief Statistician
Office of Business Economics
Department of Commerce

John W. Lehman, Clerk
Joint Economic Committee

William Butler, Vice President
Chase National Bank, New York City

J. A. Livingston
Philadelphia Bulletin

12:30 - 2:00 Lunch Time

AEP-234 (11-58)

MONDAY (November 17) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

Bushrod W. Allin, Chairman of Outlook and Situation Board
Agricultural Marketing Service, Chairman

2:00	World Situation as it Affects the Outlook for Agriculture	Max Myers, Administrator Foreign Agricultural Service
2:30	Agricultural Outlook for 1959	Fred V. Waugh, Director Agricultural Economics Division Agricultural Marketing Service
3:15	Intermission	
3:30	Panel Discussion - Bushrod W. Allin, Moderator	

Max Myers, Administrator
Foreign Agricultural Service

Gustave Burmeister, Assistant Administrator
Agricultural Trade Policy & Analysis
Foreign Agricultural Service

Faith Clark, Director
Household Economics Research Division
Agricultural Research Service

Carl P. Heisig, Director
Farm Economics Research Division
Agricultural Marketing Service

Fred V. Waugh
Agricultural Marketing Service

George W. Campbell
Extension Economist
University of Arizona

William M. Carroll
Extension Economist
Pennsylvania State University

Karl Hobson
Extension Economist
State College of Washington

Francis A. Kutish
Extension Economist
Iowa State College

5:00 Adjournment

TUESDAY (November 18) MORNING

(Thomas Jefferson Auditorium - South Building)

The Outlook for and the Impact of Resource Adjustments on Agriculture

Sherman E. Johnson, Chief Economist
Agricultural Research Service, Chairman

9:15	Prospects for Adjustments in Production and Resource Use	Hugh L. Stewart, Chief Agricultural Adjustments Research Branch Agricultural Research Service
9:45	Prospective Changes in the Structure of Farming	Kenneth L. Bachman, Asst. Director Farm Economics Research Division Agricultural Research Service
10:15	Discussion	
10:35	Intermission	
10:50	Needs and Prospects for Public Action to Facilitate Resource Adjustments	George E. Brandow, Professor Department of Agricultural Economics Pennsylvania State University
11:10	Needs and Prospects for Private Action to Facilitate Resource Adjustments	Earl O. Heady, Professor Department of Agricultural Economics & Rural Sociology Iowa State College

11:30 Panel Discussion - Sherman E. Johnson, Moderator

Hugh L. Stewart
Agricultural Research Service

Kenneth L. Bachman
Agricultural Research Service

George E. Brandow
Pennsylvania State University

Earl O. Heady
Iowa State College

Ronald H. Bauman
Extension Economist
Purdue University

Marion D. Thomas
Extension Economist
Oregon State College

12:30 - 2:00 Lunch Time

TUESDAY (November 18) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

How USDA Outlook is Developed

Richard G. Ford, Extension Economist
Agricultural Economics Division, FES, Chairman

2:00	Purpose and Scope	Bushrod W. Allin, Chairman Outlook and Situation Board Agricultural Marketing Service
2:20	Role of Agricultural Estimates	Sterling R. Newell, Director Agricultural Estimates Division Agricultural Marketing Service
2:40	Other Sources of Outlook Data	C. Kyle Randall, Head Statistical and Historical Research Branch Agricultural Marketing Service
3:00	Intermission	
3:15	Developing the General Outlook	Carroll E. Downey Farm Income Branch Agricultural Economics Division Agricultural Marketing Service
3:35	Developing the Outlook for Individual Commodities	Martin J. Gerra Statistical and Historical Research Branch Agricultural Economics Division Agricultural Marketing Service
3:55	How Outlook is Developed in my State	Leonard W. Schruben Extension Economist Kansas State College
4:15	Discussion	
5:15	Adjournment	
6:30	Home Management Specialists Dinner Little Tea House, Arlington, Virginia	

Wednesday, November 19, 1958

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 11:30	Fats, Oils and Peanuts - Freer Art Gallery Auditorium Karl G. Shoemaker, FES, Chairman George W. Kromer, AMS, Outlook Statement	
	Forest Products - Room 3048 South Building Paul O. Mohn, FES, Chairman Dwight Hair, FS, Outlook Statement	
9:15 - 10:20	Vegetables - Room 1351 South Building R. L. Childress, FES, Chairman Will M Simmons, AMS, Outlook Statement	
10:25 - 11:30	Potatoes - Room 1351 South Building R. L. Childress, FES, Chairman Will M. Simmons, AMS, Outlook Statement	
11:30 - 12:45	Lunch Time	
12:45 - 3:15	Food Grains (Wheat & Rice) - Room 509 Adm. Building Thomas E. Hall, FES, Chairman Robert E. Post, AMS, Outlook Statement	
	Tobacco - Room 3048 South Building Buel F. Lanpher, FES, Chairman Arthur G. Conover, AMS, Outlook Statement	
	Sugar - Room 5219 South Building Herbert G. Folken, CSS. Chairman	
3:30 - 5:15	Grass and Legume Seeds - Room 5219 South Building Paul O. Mohn, FES, Chairman William R. Askew, AMS, Outlook Statement	
	Fruits and Tree Nuts - Room 1351 South Building Lloyd H. Davis, FES, Chairman Ben H. Pubols, AMS, Outlook Statement	
	Cotton - Jefferson Auditorium E. P. Callahan, FES, Chairman Doris D. Rafler, AMS, Outlook Statement	
5:15	Adjournment	

Wednesday, November 19, 1958

Room 216 Administration Building

Family Living Sessions

Frances Scudder, Director
Division of Home Economics Programs, FES, Chairman

9:15	Food Outlook	Harry Sherr Agricultural Economics Division Agricultural Marketing Service
10:15	Housing and Durable Household Equipment Outlook	George Johnson Bureau of Labor Statistics Department of Labor
11:00	Textiles and Clothing Outlook	Harry Kahan Bureau of Labor Statistics Department of Labor

11:45 - 1:30 Lunch Time

Planning for Intermediate and Long-Term Family Financial Adjustments

Faith Clark, Director
Household Economics Research Division, ARS, Chairman

1:30	Using Spending Patterns From Expenditure Studies as Guides	Lucile Mork Household Economics Research Division, ARS
	Income and Job-Related Expenditures of Working Wives	Emma Holmes Household Economics Research Division, ARS
	Seasonal Variations in Spending of Farm Families	Marcia Gillespie Household Economics Research Division, ARS
	Using Food Budgets in Planning	Eloise Cofer Household Economics Research Division, ARS

5:00 Adjournment

Thursday, November 20, 1958

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 12:00	Feed, Livestock and Meat - Jefferson Auditorium Richard G. Ford, FES, Chairman Outlook Statements: Malcolm Clough, AMS Harold F. Breimyer, AMS
12:00 - 1:30	Lunch Time
1:30 - 3:15	Dairy - Jefferson Auditorium Max K. Hinds, FES, Chairman Herbert C. Kriesel, AMS, Outlook Statement
3:30 - 5:00	Poultry - Jefferson Auditorium Homer S. Porteus, FES, Chairman Edward Karpoff, AMS, Outlook Statement
5:00	Adjournment

Thursday, November 20, 1958

Room 216 Administration Building

Family Living Sessions

Planning for Intermediate and Long-Term Family Financial Adjustments (cont'd)

Emma Holmes, Home Economist
Household Economics Research Division, ARS, Chairman

9:15	Planning for Replacements of Durable Goods	Jean Pennock Household Economics Research Division, ARS
	Family Use of Consumer Credit	Janis Moore Household Economics Research Division, ARS
	Considerations in Developing and Using Standard Budgets	Helen H. Lamale Bureau of Labor Statistics Department of Labor
11:30 - 1:00	Lunch Time	

Planning for Intermediate and Long-Term Family Financial Adjustments (cont'd)

Starley M. Hunter, Family Economics and Home Management Specialist
Division of Home Economics Programs, FES, Chairman

1:00	Guiding Family Spending Discussion	Alice H. Jones Household Economics Research Division, ARS
2:30	Meat Outlook as It Affects Families	Harold F. Breimyer, Head Livestock, Fats & Oils Section Agricultural Economics Div., AMS
	Dairy Outlook as It Affects Families	Herbert C. Kriesel, Head Dairy and Poultry Section Agricultural Economics Div., AMS
4:30	Adjournment	

STATE DELEGATES PREREGISTERED FOR THE 36th OUTLOOK CONFERENCE
November 17-21, 1958

ALABAMA
Foy Helms,

ALASKA
Allan H. Mick

ARIZONA
George W. Campbell, Jean M. Stewart

ARKANSAS
Clay R. Moore, Crystol C. Tenborg

CALIFORNIA
Robert C. Rock, Mildred Novotny

COLORADO
S. Avery Bice

CONNECTICUT
George Ecker, Florence Walker

DELAWARE
W. T. McAllister, Patricia Middleton

FLORIDA
C. C. Moxley, Bonnie J. Carter

GEORGIA
J. J. Lancaster, Hilda Dailey
Paul C. Bunce

HAWAII
Stephen Doue

IDAHO
Wayne Robinson

ILLINOIS
L. H. Simerl, Catherine Sullivan

INDIANA
Ronald Bauman, Elkin Minter
James Stevenson, Clara Wendt

IOWA
Francis Kutish, Helen T. Sorensen

KANSAS
Leonard Schruben, Ruth Wells
Sykes Trieb

KENTUCKY
Steve Allen, Catherine Knarr
Wilmer Browning, Letta W. Jasper

LOUISIANA
W. D. Curtis, Celia Hissong

MAINE
Arling C. Hazlett, Doris D. Ladd

MARYLAND
George A. Stevens, Joanne W. Reitz

MASSACHUSETTS
Adrian H. Lindsey, Barbara Higgins

MICHIGAN
Charles L. Beer, Lucile Ketchum
John N. Ferris

MINNESOTA
Luther Pickrel, Margaret Jacobson

MISSISSIPPI
Rupert B. Johnston, Katherine Simpson

MISSOURI
Coy G. McNabb
Thomas Brown
Elmer Kiehl

MONTANA
John Bower

NEBRASKA
T. Allen Evans, Clara Leopold

NEVADA
George Myles

NEW HAMPSHIRE
Silas B. Weeks, Ann F. Beggs
Louise C. Dix

STATE DELEGATES PREREGISTERED FOR THE 36th OUTLOOK CONFERENCE (continued)
November 17-21, 1958

NEW JERSEY
Frank V. Beck, Hildreth M. Flitcraft
John T. Hunter
George T. McCloskey

NEW MEXICO
C. R. Keaton

NEW YORK
L. C. Cunningham, Leola Cooper
D. C. Goodrich, Gwen Bymers
V. B. Hart
R. B. How
C. W. Loomis
R. G. Murphy
R. S. Smith
C. E. Wright

NORTH CAROLINA
Guy Cassell, Mamie Whisnant
Clyde Weathers

NORTH DAKOTA
Harry G. Anderson, Irene Crouch

OHIO
Wallace Barr, Jr., Mabel Spray
Lyle H. Barnes

OKLAHOMA
Houston Ward, Evelyn Nantz

OREGON
M. D. Thomas

PENNSYLVANIA
Monroe Armes, Helen Bell
H. LouieeMoore
William Carroll
Wesley Kriebel

PUERTO RICO
Roberto Lefebre-Munoz
Andreita Vazquez de Reyna

RHODE ISLAND
Arthur Domike, Evelyn Lyman

SOUTH CAROLINA
M. C. Rochester, Ruby Craven

SOUTH DAKOTA
Lyle M. Bender, Isabel McGibney

TENNESSEE
Eugene Gambill, Mary Sue Mayo
Phyllis Ilett

TEXAS
John G. McHaney, Eula J. Newman

UTAH
Morris Taylor

VERMONT
Verle Houghaboom, Doris Steele

VIRGINIA
James B. Bell, Ocie J. O'Brien
D. U. Livermore
K. E. Loope
W. J. Nuckolls, Jr.
Harold W. Walker

WASHINGTON
Karl Hobson, Lila Dickerson

WEST VIRGINIA
Vernon Sheppard, Louise Knight

WISCONSIN
Gustof Peterson, Louise Young

WYOMING
Bob Frary, Alberta Johnston

Release date:
Nov. 17, 1958 AM

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

NATIONAL ECONOMIC SITUATION AND OUTLOOK FOR 1959

Talk by Nathan M. Koffsky
Agricultural Economics Division
at the 36th Annual Agricultural Outlook Conference
Washington D. C., November 17, 1958

This year, in sharp contrast to the outlook of a year ago, we can look forward, with considerable assurance, to a growing economy over the year ahead. We are still recovering from the recession and we expect that recovery to be steadily reinforced by rising demands from consumers, from business and from all levels of government, including Federal, State and local units. Consumer incomes, which were well maintained during the recession, have risen to a new high in recent months. A further significant gain is in prospect in 1959, and with recent price trends showing some degree of stability, the purchasing power of the average consumer could well be enhanced.

The events of the past year divide rather neatly into two periods of about equal length, recession in the fall and winter a year ago and recovery since spring. The recession cut somewhat deeper into most economic indicators than the previous post-war declines of 1948-49 and 1953-54. Gross national product--the value of all goods and services produced--dropped some 20 billion dollars, or about 4 1/2 percent between the third quarter of 1957 and the first quarter of 1958, and after allowing for the continued rise in prices, the decline in real output was close to 6 percent. Total nonagricultural employment declined some 5 percent from the 1957 summer high by April, with factory employment and output down substantially more, particularly in the durable goods industries. The work week in manufacturing earlier this year was the shortest in the post-war period. Unemployment, aggravated by rapid growth of new entries into the labor force as well as reduced employment, exceeded 5 million persons.

The recovery, which developed sooner this time than in the previous post-war recessions, has brought significant gains in output and employment even though the 1957 summer highs have not yet been regained. Although gross national product was up some 14 billion dollars between the first and third quarters of 1958, the physical volume of goods and services produced in the recent quarter was still some 3-4 percent lower than in the third quarter of 1957, after adjusting for generally higher prices than a year ago. In the manufacturing sector, employment has not risen as fast as production, reflecting a lengthening in the work week close to last year's level, and apparently a substantial increase in overall productivity per man-hour. In recent months, however, there have been some reductions in total unemployment, including a decline in the number of persons out of work 15 weeks or longer. Nevertheless, in October, the number unemployed totaled about 3.8 million compared with 2.5 million in October 1957.

In recent months, the persistent rise in prices of the past several years appears to have leveled off. The BLS wholesale commodity price index has shown little change since mid-year with some declines in prices of farm products and processed foods offsetting slight increases in wholesale industrial commodity prices. Similarly, the BLS consumer price index and the AMS index of prices paid by farmers for family living have moved in a relatively narrow range for some months, with a tendency toward lower prices of food but some increases for automobiles and medical service rates. Although the price indexes show increases over the fall of 1957 of about 1 percent at wholesale and 2 percent at the consumer level, the rises were substantially less than those that occurred in the preceding 12 month period.

Let us turn now to the areas of weakness and strength in the economy which brought recession and then the recovery. Table 1 summarizes the ebb and flow of expenditures over the past year from the 3 main sources of demand--consumers, business and government.

Table 1.- Gross National Product

	3rd quarter 1957	1st quarter 1958	3rd quarter 1958	Change: 3rd 1957 to 1st 1958	Change: 1st 1958 to 3rd 1958
	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.
Gross National Product	445.6	425.8	440.0	-19.8	+14.2
Personal consumption expenditures	288.3	286.2	292.0	- 2.1	+ 5.8
Private investment	70.3	50.1	55.0	-20.2	+ 4.9
Government purchases of goods and services	87.0	89.5	93.0	+ 2.5	+ 3.5

(Seasonally adjusted annual rates)

Source:
U. S. Department of Commerce

In the recession stage, from the third quarter high of 1957 to the first quarter low of 1958, most of the decline was concentrated in the business private investment sector where the rate of expenditures was reduced by some 20 billion dollars or almost 30 percent. Consumer expenditures, in total, showed only a small decline of 2 billion dollars, less than 1 percent, while government outlays for goods and services increased 2 1/2 billions, about 3 percent.

In the recovery phase so far, from the first quarter of 1958 to the third quarter, each of the sectors has contributed to the recovery. The rate of consumer expenditures rose almost 6 billions to a new high. Investment outlays regained one-fourth of the preceding sharp drop. Government outlays rose 4 percent in the 6 month period, somewhat more than the increase in the preceding 6 months.

Table 2.- Personal Consumption Expenditures

	3rd quarter 1957	1st quarter 1958	3rd quarter 1958	Change 3rd 1957 to 1st 1958	Change 1st 1958 to 3rd 1958
	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.	
Personal consumption expenditures	288.3	286.2	292.0	- 2.1	+ 5.8
Durable goods	40.4	36.3	36.5	- 4.1	+ 0.2
Nondurable goods	140.5	139.8	143.0	- 0.7	+ 3.2
Services	107.4	110.1	112.5	+ 2.7	+ 2.4
Consumer disposable income	308.7	305.0	314.0	- 3.7	+ 9.0
Savings	20.4	18.8	22.0	- 1.6	+ 3.2
Personal savings rate	6.6%	6.2%	7.0%	- 0.4%	+ 0.8%

(Seasonally adjusted annual rates)

Source:
U. S. Department of Commerce

The detail for the consumer shows that weakness in this sector in the recession period was limited very largely to a sharp reduction in expenditures for durable goods, particularly for automobiles. Expenditures for nondurable goods showed only a slight reduction and within that group, expenditures for food increased substantially. Rising consumer spending for services, such as rent and medical care offset much of the drop in other consumer outlays.

In the more recent period, consumer spending for nondurables and services has risen sharply, even though expenditures for durable goods have not improved. Even with automobile sales running one-fourth below 1957, the total volume of goods and services purchased by consumers in the third quarter of this year was only slightly less than the total volume taken a year earlier.

It should be noted, in considering the strength in consumer markets generally that the aggregate flow of income to consumers was reduced very little during the recession period, and in recovery has been substantially enlarged. Much of the impact of the decline in wage and salary payments on the consumer markets was offset by larger unemployment compensation and social security payments and by a substantial improvement in farm income. Thus, consumer income, after taxes, in the first quarter of 1958 was only a little more than 1 percent below the pre-recession peak. Further, dollar income in the third quarter of 1958, exceeded the previous high by 2 percent, although with higher prices and increasing population, the purchasing power per capita of that income was still somewhat below that of a year earlier.

As usual during a recession, consumer spending was reduced somewhat less than income, and the personal savings rate out of current income showed some decline by early 1958. Generally also, in the early stages of recovery, the growth in income exceeds that of expenditures. Thus, the rate of savings increased between the first and third quarters of this year. Total consumer installment credit outstanding at the end of September was slightly less than a year earlier, in contrast to substantial increases each year since 1954.

Table 3.- Private Investment Expenditures

	3rd quarter 1957	1st quarter 1958	3rd quarter 1958	Change	
				3rd 1957 to 1st 1958	1st 1958 to 3rd 1958
	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.	
Private investment	70.3	50.1	55.0	-20.2	+ 4.9
Residential construction	16.9	17.1	17.9	+ 0.2	+ 0.8
Non-residential construction	19.7	19.2	18.4	- 0.5	- 0.8
Producers' durable equipment	28.0	22.9	22.3	- 5.1	- 0.6
Change in business inventories	2.2	- 9.5	- 4.0	-11.7	+ 5.5
Net foreign investment	3.6	0.5	0.5	- 3.1	0

(Seasonally adjusted annual rates)

Source:
U. S. Department of Commerce

Most categories in the investment sector showed sharp reductions in expenditures by the first quarter of 1958. The rate of business outlays for inventory purposes declined some 12 billion dollars as the inventory position shifted from a modest build-up in the third quarter of 1957 to the heaviest rate of liquidation of the post-war period, earlier this year. This factor alone accounted for half of the total drop in expenditures in the economy. Much of the reduction in inventories was in the durable goods industries. Business investment outlays for new construction and equipment, after 3 years of steady build-up, fell off reflecting, among other factors, a substantially enlarged capacity. However, farmers' expenditures for new machinery, showed improvement. Merchandise exports of the United States dropped almost 20 percent while imports were down relatively little. Thus, contrary to general expectations, our exports have been more vulnerable to the recent slowing of economic activity in some foreign countries than their exports to us have been when our economy moved down. During this period from the third quarter 1957 to the first quarter 1958, expenditures for residential construction did not change significantly from the relatively low levels of the summer of 1957. Expenditures for new housing had dropped appreciably since 1955.

The increase in investment outlays during the recovery period has come largely from a slackening in the rate of inventory reductions. The level of business inventories is now some 6 billion dollars under a year ago. Stock-sales ratios have trended down and currently are below those of a year earlier. Residential construction has improved significantly following rapid commitment of funds made available for federal purchases of mortgages under the new program enacted early this year, and from more liberal credit terms for FHA and VA assisted housing. The rate of new housing starts has risen from less than 1 million units earlier this year to over 1.2 million in September, the highest in 3 years. The decline in business investment outlays for new plant and equipment has been fairly small in the last 6 months. Nor has there been significant change in our net foreign trade position with the levels of both exports and imports continuing about at the first quarter levels.

Table 4.- Government Purchases of Goods and Services

	3rd quarter 1957	1st quarter 1958	3rd quarter 1958	Change: 3rd 1957 to 1st 1958	Change: 1st 1958 to 3rd 1958
	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.	Bil. Dol.
Government purchases of goods and services	87.0	89.5	93.0	+ 2.5	+ 3.5
Federal	50.9	50.9	53.0	0	+ 2.1
National Security	(46.9)	(45.6)	(46.5)	(- 1.3)	(+ 0.9)
State and local	36.1	38.6	40.0	+ 2.5	+ 1.4

(Seasonally adjusted annual rates)

Source:
U. S. Department of Commerce

During the recession phase, the government sector provided an increasing flow of expenditures to the economy. Federal purchases of goods and services in total, were about the same in the first quarter of 1958 as in the third quarter of 1957 but transfer payments, such as unemployment compensation, rose sharply while the flow of taxes to the government was reduced. There was, however, some reduction in outlays for national security. State and local government expenditures, which have risen at the rate of about 3 billion dollars annually for some time, increased 2 1/2 billions in the 6 month period.

In the recovery period, total government expenditures have increased somewhat faster than in the earlier period. Federal outlays have risen for national security as well as for other programs, including expanded Commodity Credit Corporation activities. State and local government expenditures continued to rise but at a somewhat slower rate than in the previous 6 month period. The expanding federal-aided highway program is expected to account for almost 30 percent of total capital expenditures for highways by all units of government this year.

Before turning to the outlook for 1959, it would be well to summarize that the recovery so far has reflected an increasing contribution to economic activity by government, continued strength in some consumer markets, improvement in residential construction, and a lessening in the rate of business inventory liquidation. Some strength also derives from the apparent leveling off of the declines in the other areas, including consumer durable goods purchases, business capital outlays for new plant and equipment and our export trade.

With respect to the prospective major expenditure flows which will likely shape the economy in 1959, it seems clear that government outlays will continue to rise. State and local government expenditures for schools, highways and other facilities, particularly those associated with suburban growth, will very likely continue their strong uptrend. The federal contribution to the highway program, according to estimates of the Bureau of Public Roads, will be much larger next year than this year and will account for some 40 percent of total capital expenditures for highways in 1959. Federal budget expenditures, according to the Budget Review of September, will total over 7 billion dollars more in the current fiscal year and a substantially larger budget deficit is being incurred this fiscal year than in fiscal 1957-58. While part of the increase in expenditures reflects increased outflows such as social security and unemployment compensation payments, and interest on the public debt, a further significant increase from current levels is in prospect for direct federal purchases of goods and services, particularly for national defense.

There is likelihood also of a substantial increase in outlays in the investment sector, primarily as a result of changes in the business inventory situation. The reduction in business inventories, which has lessened appreciably in recent months, will likely come to a halt. Inventory policy may well turn again to some build-up as 1959 progresses. Final consumption of goods is high and increasing. Business inventories have declined substantially and in relation to sales are below a year ago and back to the level of the fall of 1956. Residential construction outlays will in all probability also increase from current levels reflecting the current high rate of new housing starts. Requests for VA appraisals and FHA commitments are running substantially higher than earlier this year and there has been resurgence in apartment construction. Construction costs have held relatively stable during the past year.

It now appears that the sharp decline in business investment in new plant and equipment has come to a halt. The third quarter survey of business plans for capital outlays conducted jointly by the Securities and Exchange Commission and the U. S. Department of Commerce indicates that prospective expenditures for the fourth quarter are much the same as in the third quarter with only the railroad industry continuing to retrench. The very recent McGraw-Hill survey of anticipated capital outlays in 1959 indicates that present plans are for about the same level of expenditures overall as for this year. But it would not be surprising to find some increase in capital outlays developing during 1959. Corporate profits are rising sharply. According to the National Science Foundation, research and development expenditures in industry increased from 3 1/2 billion dollars to 6 1/2 billions between 1953 and 1956. Such activities lead to new products and new processes requiring capital outlays. It seems likely, however, that such improvement as may be realized in capital outlays next year will be modest considering the heavy investment programs of previous years. Also, the improvement may come more in outlays for machinery to improve efficiency than in new plants. Thus, industrial construction may continue weak for some time. But commercial construction, including office buildings and stores, which has remained high, should continue so.

The net contribution of our foreign transactions to economic activity here could well show some improvement. These transactions in the past year have sharply increased foreign gold and dollar holdings in the United Kingdom and some other industralized nations. In some countries also, declines in economic activity earlier this year appear to have been reversed.

Thus, the prospects are for an increased flow of expenditures from the broad range of categories in the government and private investment sectors, although some investment categories may show only slight increases. Under these conditions we would expect output and employment to continue to improve and wage rates to rise further. Wage and salary income, currently near its previous peak, will probably be increased substantially although some part of the increase may be offset by some drop in farmers' income from farming. Higher consumer incomes will most likely mean higher consumer spending, thus augmenting the rising demands in the other sectors of the economy. For nondurable goods, such as foods, and for services, the increase in spending may be roughly proportional to the rise in consumer income. Consumer expenditures for durable goods, however, may well show a more substantial increase. This year automobile sales are totaling perhaps 4 1/2 million, including an increased proportion of foreign makes, compared with a level of close to 6 million in each of the 2 preceding years. The rate of sales this year is not much above the annual rate of scrappage of used cars. In addition, consumer installment credit outstanding on automobiles has been substantially reduced over the past year. With respect to other durable goods, the rising rate of housing completions will likely strengthen demand for household appliances, as well as for household goods generally.

These are the demand prospects for 1959 as we see them. They provide for continued gains in economic activity and in the level of living for the average consumer. The recent relative stability in prices overall could well continue into 1959 as supplies of some foods increase. Whether the residue of higher unemployment remains or diminishes depends substantially on how fast the labor force and productivity increase over the year ahead, both of which have shown considerable variation in growth rates in recent years.

It may be that our appraisal has been on the conservative side, especially for capital goods outlays and perhaps for automobile sales. These increased sharply in the boom which followed the 1954 recession. But we think they are more likely to rise less this time. Further, the history of these annual conferences in the 1950's suggests that we should not underrate the continuing cold war which more often than not tightens the economy as well as international relations. We need to remember Korea, Suez, Sputnik and outer space, and the Far East as economic factors.

For Release
Nov. 18, 1958

UNITED STATES DEPARTMENT OF AGRICULTURE

NEEDS AND PROSPECTS FOR PUBLIC ACTION TO FACILITATE RESOURCE ADJUSTMENTS

(Excerpts of a talk given by George E. Brandow, Professor, Department of Agricultural Economics, Pennsylvania State University, at the 36th Annual Agricultural Outlook Conference, Washington, D. C., November 18, 1958)

Government action can make a significant contribution in helping agriculture solve its adjustment problems of the future. Five adjustments which offer real opportunities for government or public action include the following:

(1) Reduction of the Agricultural labor force--especially in low income areas. Excess labor in such areas tends to perpetuate itself. Also, when these people overflow into other areas, they often aren't equipped to do well for themselves. Hence a chief need is for education to give them skills which will help them adjust to their new situation. This is not strictly a farm program. It requires, in my judgment, federal aid for education, a long-range effort. It also offers opportunities for a more immediate type of action such as vocational training, employment information, some financial assistance for cost of relocation,etc.

(2) Building up small farms to form adequate business unit. This requires farm management type of information enabling farmers to appraise their opportunities on the farm.

(3) Shifting land to lower uses, such as converting crop land to pasture. Government could lease land and develop it into forest and recreational areas. State governments could have substantial roles in this.

(4) Changes in type of farming--especially in some wheat and cotton areas. Again farm management advice is necessary for selecting the best farm enterprises and funds for new sorts of investments.

(5) Development of local non-farm resources to which farm people can turn. This is a question of stimulating local action and providing some funds for investments which may be necessary.

As for prospects for public action, we might think of three kinds of approaches for public action. They are:

(1) A frontal attack on major adjustment problems. This means identifying a problem and undertaking aggressive programs directed at solving it. Several such programs would have the result of reducing employment of agricultural resources in fairly large regions of the country. These programs have very little political support and will

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probably not be developed in the near future. Programs looking toward building up local resources are more acceptable. The Rural Development program could be expanded. And quite possibly, the next Congress will pass and the President will approve an Area Redevelopment bill which would include depressed rural areas.

(2) Indirect action taken by modifying existing programs of government agencies now serving agriculture. For example, the Extension Service can direct a larger part of its program to assisting farmers with adjustment problems. Farmers Home Administration and Agricultural Credit Agencies could also adapt their programs to supply credit more suitable for financing some of these adjustments. The greatest opportunities lie in indirect action.

(3) Adopting price and income programs that make some contribution to agricultural adjustment. An example: Conservation Reserve. Production control devices of the future may involve negotiable quotas on quantities sold and the negotiability characteristic would tend toward locating agricultural production in the areas of greatest comparative advantage.