

2-27-1975

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Recommended Citation

Olson, Robert E., "Recession, Inflation and Income in South Dakota, 1975" (1975). *Economics Commentator*. Paper 62.
http://openprairie.sdstate.edu/econ_comm/62

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Economics Newsletter

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No. 63

February 27, 1975

RECESSION, INFLATION AND INCOME IN SOUTH DAKOTA, 1975

Some salient characteristics of the economy of South Dakota that influence the income and well-being of its people are: 1) the dominant role and erratic nature of agricultural production and income, 2) relatively small but growing manufacturing, mining and tourist sectors and 3) significant public sectors that add a degree of stability to the economy.

The twin economic problems of inflation and recession, an uncertain food situation in some counties and OPEC's high-price oil policy have added to the usual uncertainties facing the South Dakota economy.

Because of the character of its economy, the recent decline in Gross National Product has not affected employment in South Dakota nearly as much as most other states. In January 1975 the seasonally adjusted rate of unemployment in South Dakota was 4.4 percent compared with 8.2 percent nationally and 3.3 percent a year ago. However, production shortfalls and reduced commodity prices together with continued inflation in prices paid by farmers have severely reduced the current income levels in the state below that of a year ago.

Economic Importance of Agriculture

South Dakota ranks near the top among the states in dependence upon agriculture as a source of personal income. The latest available data, for 1973, show that 31.9 percent of the \$3,229 million total personal income in the state went to farm proprietors and workers employed directly in agriculture, nearly all of that to farm proprietors. In addition, most of the

personal income generated by several other sectors, depends indirectly upon South Dakota agriculture.

In 1974, production and yields for all row crops were down considerably from 1973 due to the summer drought and early September frosts. Production of all small grain crops except winter and durum wheat were below 1973. The latter rose because of increased acreage. Prices received by South Dakota farmers for their products in mid-January 1975 were 18 percent less than January 1974.

Personal Income in South Dakota

Indications are that personal income in South Dakota was falling during the last quarter of 1974 and in January-February 1975 below the level of the first nine months of 1974 and the level of fourth quarter 1973. Personal income in the state had risen substantially from 1972 to 1973 to a level of \$3,229 million in 1973, an increase of 26 percent over the previous year. This compared with an increase of 12 percent for the nation as a whole. The greater increase in South Dakota was due primarily to increased farm income resulting from higher farm commodity prices and larger quantities marketed including some grains stored from previous years; shipments associated with the sudden step-up in grain exports that occurred in the summer of 1973.

However, unofficial estimates show that personal income in South Dakota for the first ten months of 1974 may have increased by only 1.7 percent over the same period in 1973. South Dakota apparently registered the smallest income gain in 1974 of any state except

North Dakota and its income increase was far below the national average of 8.8 percent.

Year	Gross Farm Income	Farm Prop. Income	Total Personal Income
Millions of Dollars			
1970	1,166	332	2,065
1971	1,195	374	2,213
1972	1,467	571	2,561
1973	2,003	1,031	3,229

Moreover, the estimates show that income in South Dakota during October 1974 dropped 10.9 percent below its income in October 1973. This change is no doubt heavily influenced by the sharp drop in prices of livestock products and production, shortfall in corn, oilseeds and spring wheat. If we assume the October level of income has been maintained through November and December as seems likely, income in current dollars probably was not materially changed in 1974 from 1973.

With reduced grain and oilseed prices since January 1, state income in the first half of 1975 will likely be down substantially from the 1974 level. Probabilities of substantial increases in livestock prices during the next few months are small and prospects are that prices on remaining unsold old crop oilseeds and grains will continue lower than the levels of fall 1973. Barring another nation-wide shortfall in agri-

cultural production, prices for the new crop in 1975 will likely be below current market prices.

Cattle producers are now caught not only with record high inventory numbers while feed supplies have declined, but also with apparently reduced consumer demand. Consumers are currently buying more pounds of meat per capita than a year ago, but only at lower prices for the reduced supply of fed beef and a sharply higher proportion of lower-priced nonfed beef. The lower prices probably reflect the effects of recession and unemployment on the ability and willingness of people to buy meat as well as the pressure from increased rates of slaughter.

Prices paid for inputs by South Dakota farmers generally follow national trends. Data for December 1974 show that compared with a year earlier, feed prices were up 20 percent, motor vehicles 24 percent, farm machinery 23 percent, and fertilizer 81 percent. Except for feed prices, most other major farm inputs will remain at current levels of increase in 1975 in spite of the recession.

Because of the importance of agriculture and tourism and the distribution of our sparse population over a large area, the prices of petroleum and petroleum-based products such as fertilizer and farm chemicals vitally affect the health of the state's economy.

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