1-1939

Times Look Better! The 1939 Outlook is Mostly Favorable

S. W. Jones

Times Look Better!

the 1939 Outlook is Mostly Favorable

S. W. JONES, Farm Management Specialist

SOUTH DAKOTA STATE COLLEGE
Extension Service

JANUARY, 1939 EXTENSION CIRCULAR 379

Here's Good News!
---Demand Picking Up

The domestic demand for farm products in 1939 will be considerably better than in 1938, according to present indications. Industrial production during 1939 will average materially higher than in 1938 but not as high as in 1937. The improvement is expected to come mainly in the higher rate of production of automobiles, building, steel, textiles and miscellaneous consumers' goods.

Automobile production in 1938 was less than half the 1937 production. The expected increase in the 1939 production will be a result of lower prices, pronounced changes in design, unusually small stocks of new and used cars and a larger number of potential buyers. There has been a drop in building from 1937 to 1938. However, a slight increase in building seems evident in 1939. Residential building was greater in 1938 than in 1937. Considerable activity is expected in the medium and lower priced homes in 1939. Nonresidential building will probably remain at a low level. There will also be a considerable increase in public construction. The average rate of steel production in 1939 will be materially greater than in 1938. Textile production will make advances in 1939. The production of cotton goods was not as great as consumption in 1938, thus reducing inventories of finished goods. A number of other miscellaneous lines of consumers' goods, such as radios, refrigerators, heating systems, furniture, etc., also are expected to contribute to the recovery of industrial activity.

Tabulated below are some of the "high spots" in the 1939 demand situation for farm products:

Favorable

1. Improved business conditions in the United States.
2. Some rise in prices of farm products as a whole, is in prospect.
3. No rise in farm production cost is expected.
4. Trade agreements have been signed with the United Kingdom and Canada.
5. Income from government benefit payments to farmers larger.

Unfavorable

1. Unsettled conditions in foreign countries.
2. Many important farm products are now weak and low in price.
3. Large actual and prospective supplies of some farm products, both domestic and foreign.
4. Stiffening in some countries against farm imports from the United States.

Here's a Good Tip
---*Reduce Your Wheat Acreage*

Will wheat acreage be reduced in 1939? This is the biggest single question in the United States and world wheat situation. The present world wheat acreage is 285 million acres, fully five per cent more than is necessary to produce a crop equal to usual world annual consumption. The past 10-year average annual world consumption or disappearance of wheat was 3,775 million bushels.

Unless there should be a greater improvement in economic conditions or in the general price level than is at present indicated, domestic wheat prices in 1939-40 are expected to continue low compared with recent years, although probably higher than in the 1938-39 marketing season.

A material reduction in the United States wheat acreage seeded for harvest in 1939 is expected from adjustment operations and the prevailing low prices resulting from the record world production in 1938. The acreage allotted for seeding for the 1939 wheat crop (under the Agricultural Adjustment Act of 1939) is 55 million acres. This compares with the 1928-32 average seeding of 67 million acres, and 81 million acres seeded for the 1938 crop. The extent of farmer participation in the acreage reduction program is uncertain.

Tabulated below are the high lights of the next year's outlook for wheat, giving the favorable and unfavorable factors:

Favorable

1. Trade agreements signed with the United Kingdom removes "empire preference" on wheat imports, permitting U.S.wheat to enter their ports duty-free.
2. Small crops harvested in Canada and Australia.
3. Improved United States business conditions.
4. AAA allots 55 million acres for 1939, compared with 81 million seeded last year.
5. Acreage reductions in the winter wheat belt, this fall are estimated at 19 per cent.

Unfavorable

1. World acreage and supplies are the largest in history.
2. Large crops harvested in the United States, the Argentine and Europe.
3. Both the world and domestic price of wheat is very low.
4. Large domestic carry-over is indicated for July 1, 1939; nearly twice as large as on July 1, 1938.
3. Increased production and drastic wheat import restrictions against United States wheat in many importing countries.

ET THE WHOLE OUTLOOK REP

Feed is Cheap

---Feed More Livestock!

Supplies of feed grain in the United States are still large when we consider the number of livestock on hand to eat it. Hay supplies per animal unit, are second largest in the past 30 years.

However, South Dakota's feed situation doesn't compare so well with the national picture. The November 1 crop report for the state estimates the South Dakota corn crop at about half of normal and only three-fourths as large as it was last year. Oats and barley supplies are a little above average in South Dakota while hay supplies are 91 per cent of normal. Pastures and ranges in South Dakota were only 58 per cent of normal on November 1.

There are two ways of looking at the feed situation. While the large supplies of feed are favorable to the livestock feeder, they are unfavorable to the man who raises the feed to sell. There are also favorable and unfavorable angles in the expected situation for 1939 for the man who plans to feed livestock. These are brought out in the comparison below:

Favorable

1. Abundance of feed grains.
2. Large carry-over of corn, especially from the 1937 large corn crop.
3. Abundance of hay and roughage in the United States as a whole.
4. Large carry-over of hay from '37 crop.
5. Pastures and ranges have made considerable recovery in the Great Plains region.
6. Mild weather this fall in Great Plains has conserved the feed supply.

Unfavorable

1. AAA corn loans tend to keep corn prices higher than demand and supply would ordinarily warrant.
2. Hay and roughage supplies somewhat below normal in northern and western Great Plains.
3. Drouth in the northwestern part of the Great Plains has retarded range recovery. In the winter wheat sections this fall drouth has seriously reduced the value of winter wheat for pasture.

Won't Be Many Spuds

---Planted This Year

Because of low prices as a result of large production the past two years, the 1939 potato acreage is expected to be smaller than in 1938 and prices should be higher. Increased consumer income in 1939 is also expected to stimulate prices.

Nobody's Selling Cows
---Herds Getting Bigger

Beef cattle numbers will probably increase slightly in 1939 above what they were in 1938, but total cattle and calf slaughter will no doubt be smaller in 1939 than in 1938. These two forecasts stand out above all else in the United States Department of Agriculture beef cattle outlook report.

The report points out that January 1 a year ago probably marked the low point in the present cattle numbers cycle. For the next few years, the tendency will be to increase cattle numbers all over the United States and especially in the Great Plains region where drouth in recent years forced a drastic cut in the size of the herds. The increase in cattle numbers will be at the expense of market supplies; cows and calves will be held off the market to build up breeding herds.

Cattle feeding in South Dakota has increased over a year ago, but is still below normal according to a report from the State-Federal Agricultural Statistician, E. V. Jones. The tendancy in South Dakota, too, he reports, is to build up breeding herds.

Favorable

1. Some improvement in consumer demand for meat in prospect.
2. Marketings of cows and heifers to be less than a year ago.
3. Abundant feed supply over most of the United States.
4. Feed grain prices low in relation to livestock prices.
5. Small amount of beef now in storage.

Unfavorable

1. Larger total meat supplies in prospect.
2. Increased competition for beef from large pork supplies.
3. Short feed supplies in some sections of the Great Plains Region.
4. Corn loan is holding price of corn higher than the supply and demand warrant.
5. Large market supplies now.

Flax Looks Good Again
---Price Is Usually High

The outlook for flax in the United States in 1939 is for higher per-acre returns from flax than from spring wheat, assuming at least average yields of these grains next season. World supplies of flaxseed for 1938-39 will be but little larger than in 1937-38 whereas world wheat supplies are the largest on record. Demand for flaxseed is expected to be better in 1939 than in 1938.

Who Wants Pork?

---*There's a Lot of It*

Slaughter supplies of hogs in the 1938-39 marketing year, which began October 1, will be materially larger than in 1937-38. Slaughter during the current year will be larger than in any year since 1933-34, but it will be approximately 15 per cent smaller than the average of the 10 years prior to the 1934 drought. Average weights of hogs marketed will continue relatively heavy.

Domestic demand for hog products, including both consumer and storage demand, in the current marketing year probably will be more favorable than in 1937-38, and the foreign demand for hog products also may be a little stronger, but the effects of the stronger demand upon hog prices may only partially offset the effects of the large supplies.

The 1938 pig crop—spring and fall combined—is about 12 per cent larger than that of 1937. The upswing in hog production this year is primarily a reflection of the abundant feed supplies produced in 1937 and the fact that corn prices have been low in relation to hog prices in the past year. With feed supplies for 1938-3[illegible] large in relation to livestock numbers and the hog-corn price ratio continuing high, a further increase is expected in the number of pigs raised in 1939. The percentage increase in the 1939 pig crop over that of 1938 very likely will be no larger and may be smaller than the increase in 1938 over 1937. The increase in the pig crop next year will be limited to some extent by the fact that the corn crop is again short in Nebraska, Kansas and South Dakota. The South Dakota spring pig crop in 1938 was 29 per cent larger than a year ago.

The hog situation is briefly summed up as follows:

Favorable

1. Large supplies of feed at low prices.
2. One hundred pounds of hogs (live-weight) will buy from 17 to 19 bushels of corn—the most favorable hog-corn ratio since 1926.
3. Both consumer and storage demand growing.
4. United Kingdom trade agreement removes 10 per cent duty on American lard.

Unfavorable

1. Corn loan program of AAA maintaining corn prices above what demand and supply warrant.
2. Hog prices not expected to rise in 1939 above present levels, except seasonally.
3. Large supplies of hogs for market in prospect for 1939.
4. Further increase in hog numbers in prospect for at least the next two years.

Good Cows on Good Pasture

---*You Can't Go Wrong*

Cows kept for milk in South Dakota declined from 600,000 in 1933 to 513,000 on January 1, 1938. Farm ers now show an inclination to increase their herds, which indicates that the low point in cow numbers has been reached.

The price of butterfat is lower than it was at the same time last year. This situation is very likely to continue through the winter months.

The dairy outlook in South Dakota seems to justify the recommendation that farmers who live in the section of the state adapted to dairying would do well to improve their dairy herds by using good dairy sires, by culling out the low producers and, in special cases, by purchasing good dairy heifers or calves. If this procedure, together with a crop program of legumes and good cultivated pastures is followed, they can hardly go wrong.

The dairy situation seems to balance out about like this:

Favorable

1. Large supply of all kinds of feed at low prices.
2. The government has bought up surplus butter.
3. Consumer incomes improving.
4. Butterfat prices high in relation to feed grain prices.
5. Imports of butter light and no big increase in butter exports by foreign countries seen.

Unfavorable

1. Milk cow numbers and production per cow are both increasing.
2. Butter consumption still low; oleo consumption high.
3. Fluid milk consumption not yet up to 1937 level.
4. Dairy cattle prices low.
5. Manufactured dairy products consumption still below 1937.

The Hen Does Her Bit

---*Egg Prices Good*

Poultry prices during 1939 are likely to be at least as good as in 1938.

Egg prices probably will be somewhat higher during the first half of 1939, and somewhat lower during the last half of 1939, compared with the corresponding periods of 1938.

The feed-egg ratio, at least for the first six months of 1939, will be more favorable than the first six months in 1938.

Hatchings for both chickens and turkeys will probably be larger in 1939 than in 1938.

Good Lamb Year Ahead
---Demand Good; Feed Cheap

The trend in numbers of sheep may be upward durin the next few years. If weather and range conditions in the western states are favorable, some increase in that area probably will occur. Likewise, favorable feed conditions and shifts in crop acreage from food and fiber crops to feed crops and pasture may result in some further increase in the native sheep states and in Texas.

Prospects for higher profits from feeding lambs look more favorable. Large feed supplies have resulted in more lambs on feed in some states but losses suffered by many feeders last year discouraged much 1938 feeding.

There probably will be a large increase in western South Dakota in sheep numbers excluding the grasshopper-stricken area. Sheep numbers in eastern South Dakota will likely continue to be about the same as during the past year.

Wool—Domestic mill consumption of wool has increased considerably from the low level of last spring, and wool prices in this country have risen moderately since June. Available supplies of wool in this country and abroad are larger than a year earlier.

The sheep and lamb situation is divided along the following lines:

Favorable

1. Improved consumer demand should result in good prices for fed lambs.
2. Lambs went into feed lots at lower prices than a year ago.
3. Plentiful supply of cheap feed
4. Open fall has been easy on feed supplies on the range.

Unfavorable

1. Larger slaughter supplies of lambs in prospect for 1939.
2. Sheep numbers are expected to increase for the United States as a whole.
3. Ranges still below normal in the northern and western parts of the Great Plains.

The wool situation can be summed up about like this:

Favorable

1. Mill consumption of wool is increasing.
2. Imports of wool will probably remain small.
3. Stocks of wool on April 1, 1939 will probably be smaller than they were a year ago.
4. World wool production in 1938 was below that of 1937.

Unfavorable

1. Trade agreements have reduced duty on imports of fine woolens from Great Britain.
2. Low prices of foreign wools are holding prices down in this country.
3. Present stocks of wool in the United States and abroad are still large.

EXTENSION SERVICE, SOUTH DAKOTA STATE COLLEGE OF AGRICULTURE AND MECHANIC ARTS, BROOKINGS, SOUTH DAKOTA

Published and distributed under Acts of Congress, May 8 and June 30, 1914 by the Agricultural Extension Service of the South Dakota State College of Agriculture and Mechanic Arts, Brookings, A. M. Eberle, director, U. S. Department of Agriculture cooperating.