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Farm and Ranch Economic Review for South Dakota

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Summary
The stage is set for another year of high-level economic activity. In this type of an economy, agricultural prospects are generally good. But, some weakening is possible late in the year.

A stable or gently-rising level of wholesale prices is expected during most of 1953. Prices received by farmers may tend downward and prices paid, steady to upward. Net farm income may be a little lower than in 1952.

Businessmen’s Capital Investments
One of the big questions in the outlook for 1953 is the level of investments in plants, machinery, inventories and housing. By the end of this year, industrial capacity of this country will have increased by 50 percent since the end of World War II. House construction has reached a high level. Investments of business in inventories is in better balance with sales than a year ago.

In light of this situation, it appears probable that investments in new plants and equipment may decline moderately late in 1953. It seems likely that house construction will decline slightly in the year ahead and a little more in future years. The chief reasons include a decline in family formations and higher capital costs.

Total decline in capital investment, should it occur, may be less than ten percent. The greatest strain on our economy may come in the winter and spring of 1953-54. There is no absolute assurance that a decline in non-defense capital spending may continue into the year.

The International Situation
The international situation is one key to the economic outlook for the year ahead. Our analysis of the outlook is based on the assumption that the cold war will continue at about its present intensity.

Our government’s spending for defense is now at a rate of 50 billion dollars a year. This rate of spending is likely to increase to a level of 55 to 60 billion a year by the middle of 1954. For the last of 1953 it may be held at 45 to 50 billion dollars and probably down to a minimum of 40 billion dollars a couple of years hence, depending upon the intensity of the international situation.

In addition the spending for defense, other government (federal, state and local) expenditures will tend upward in 1953. The needs in public investments are greatest in schools, roads, and power production.

Consumer Expenditures
Personal income, after taxes, continues to rise. This rise is likely to continue well into the next year. Such a rise has come about through larger employment and higher wage rates.

In addition, our savings have been high and more and easier credit is available. In response to higher income and easier credit, consumers may be expected to continue current levels of spending and a fairly high level of savings during the coming year. In many new lines of consumer goods there is a great opportunity for expansion.

Industrial and Agricultural Production
Both agriculture and industry have developed a plant much larger than the end of World War II. Production will continue high on the industrial side so long as the expenditures of government, housing and consumers continue high. Agriculture is a little different since it is influenced greatly by weather. However, livestock production is not high enough and are continuing to rise.

Crop production will be maintained around present levels if weather is favorable.

Agricultural Exports
Foreign demand for farm products is declining. Exports in 1953 may decline 20 percent below the record level of 4 billion dollars in 1951-52. This drop will affect mainly, wheat, rice, dairy products, cotton, and tobacco.

Three factors account for this expected decline. First, the shortage of dollars will continue in many countries which are important buyers of our products. Part of the dollar shortage is caused by reduced imports of our products. The third reason for lower exports is delays in adequate agricultural production in importing countries and competing export countries.

Price Trends Mixed
Price trends for the coming year will be mixed. Consumers may be expected to continue their slowly upward movement. Wholesale prices are likely to continue fairly firm with some little further over-all rise, if the higher level of defense spending is reached.

Prices affecting farmers may show the greatest amount of change. The average of prices received by farmers in the U. S. is
Outlook for Feed in 1953

Summary
Supplies of feed grains and other concentrates for 1952-53 are again much larger than in pre-war years but are a little smaller than in 1951-52. Total supply appears generally adequate for current needs but differs greatly by areas. Overall level of feed prices is not expected to change much because demand is expected to be strong.

Prices Down
The total supply of feed grains and other concentrates for the 1952-53 feeding season is estimated to be about 165 million tons. This is about 5 million tons less than 1951-52. The drain on reserve stocks during 1952-53 was largely responsible for the difference in total supply. With fewer hogs being raised, the total number of grain-consuming animal units will be a little smaller. Hay supplies are adequate, and supply of feed per grain-consuming animal unit about the same as a year ago. With the total supply available, prices are expected to be lower than last year.

Feed Supplies Down a Little
The total supply of feed grains and other concentrates for the 1952-53 feeding season is estimated to be about 165 million tons. This is about 5 million tons less than 1951-52. The drain on reserve stocks during 1952-53 was largely responsible for the difference in total supply. With fewer hogs being raised, the total number of grain-consuming animal units will be a little smaller. Hay supplies are adequate, and supply of feed per grain-consuming animal unit about the same as a year ago.

Prices Up
Prices for dairy products in 1953 will average a little above last year. Consumer demand for most dairy products will continue strong. Exports will be off a bit. Milk production may increase slightly. Cash receipts from dairy marketing will be a little higher. However, production costs will be up, resulting in no great change in net income.

Dairy Outlook
Summary
Prices for dairy products in 1953 will average a little above last year. Consumer demand for most dairy products will continue strong. Exports will be off a bit. Milk production may increase slightly. Cash receipts from dairy marketing will be a little higher. However, production costs will be up, resulting in no great change in net income.

Demand Strong
Demand for dairy products, except butter, should at least be maintained in the year ahead. Domestic demand will be a little better than last year due to increases in our population and larger consumer incomes. The demand for butter and butterfat will be adequate. The prospects of dairy products will decline. This decline will be due to an increase in milk production in many countries, a decline in foreign relief aid, and some decrease in domestic demand.

A Little More Milk
On the supply side, total milk production in 1953 may be a little above a year ago. For the U.S., little change is expected in

Sheep and lamb slaughter in 1953 was 10 percent (or 8 to 10 million) above last year. Some strong pressure on fed cattle prices, which could result in lower prices for milk relative to meat products.

Meat Consumption Up
In relation to our growing population, meat supplies for next year do not appear too large. Consumption of meat per person is forecast at 144 pounds. This compares with 142 pounds in 1952 and with 138 pounds in 1951. The progressive growth in meat consumption has been slow, and little change in meat consumption is expected next year.

Meat Outlook
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Turkey production may increase slightly during the year. The reduction is likely to be greatest in the eastern one-third of the state. The reduction is likely to be greatest in the eastern one-third of the state. The reduction is likely to be greatest in the eastern one-third of the state. The reduction is likely to be greatest in the eastern one-third of the state. The reduction is likely to be greatest in the eastern one-third of the state.
Wheat Outlook

Summary

The present wheat supply in the U. S. is large although not excessive. The demand for wheat next year is likely to lessen, and prices for the 1953 crop are likely to average a little below government support prices.

1952 Production Large

Production of winter wheat in the U. S. for 1952 was 1,053 million bushels, the largest on record. Durum wheat production was down 40 percent from the 1951 crop, and other spring wheat production was 30 percent smaller than last year’s crop. The total U. S. production of all wheat in 1952 amounted to 1,299 million bushels, second only to the record crop of 1,359 million bushels in 1947.

Stocks Up, Exports Down

With this large supply of wheat for the 1952-53 marketing year, the carryover of old wheat in July 1953 may total about 550 million bushels compared with 254 million bushels in July 1952. Demand for wheat in the U. S. for food, feed, and seed will continue at about the levels of the past year. But foreign demand for U. S. wheat in the 1952-53 marketing year is expected to be down sharply. Exports may be down about 30 percent from the 473 million bushels exported in 1951-52. A large wheat crop in Canada, improved production in western Europe, and a prospective large crop in Argentina this winter all point to reduced U. S. wheat exports this marketing year.

1953 Production

The national wheat production goal for the 1953 harvest calls for 72 million seeded acres compared with 77.5 million acres in 1952 and the 1947-51 average of 78 million acres. Under high support levels, changes are greatest that the 1953 seeding will be near that seeded in 1952.

Prices Near Support

Wheat prices are expected to continue a little below the effective support price until late this fall or early winter. For the 1952-53 marketing year as a whole, prices of wheat probably will average near the effective loan level, that is, the support price minus a storage deduction.

The support price for South Dakota ranges from counties from $2.12 to $2.53 per bushel. The United States average support price for 1953 wheat has been announced to be at least $2.21 per bushel, compared with the national average of $2.20 for the 1952 crop.

Farm Finance Outlook

Summary

Farm assets will continue to increase in the year ahead. Farm debts will also increase. Some moderate decrease in land values is possible if the demand for farm land, as an inflationary hedge by non-farmers increases in land values have exceeded increases in farm income. Under these circumstances, some down-turn in land values possible in 1953.

Land Values

Land values in the North Central State of which South Dakota is a part, are influenced not only by price trends of farm products, but also by the demand for farm land as an inflationary hedge by non-farmers. Increases in land values have exceeded increases in farm income. Under these circumstances, some down-turn in land values is possible in 1953.

Real Estate Credit

In general non-real estate credit in the North Central region is sound in view of the high farm income. There are some spots. Poor feeding operations in the Corn Belt coupled with poorer crops in some sections will leave some operators with a large debt to be paid out of income in 1953. Some repayment difficulties are occurring. Indications are that a few farmers are overburdened on farm machinery and are finding it difficult to get extensions on credit. Farm mortgage interest rates in the past year and a half have increased, but little increase is expected. Non-real estate credit probably will experience some decrease because of income in loan rates.

Flax and Soybeans

Flax Production and Prices

The 1952 flaxseed crop in the U. S. declined about 3 million bushels from the 1951 crop of 31 million bushels, due mainly to reduced acreage. Plantings were reduced by about 10 percent in the spring and by competition from other crops.

The use of flaxseed and linseed oil, before another crop is harvested still will be reduced. With prices of production items and supplies and current price trends, it would appear that prices next spring of smooth bromegrass and crested wheatgrass seed will be higher than in the spring of 1952, while prices of alfalfa seed should be lower. Little change from the spring of 1952 is indicated in prices for red clover and sweetclover seed.

Soybeans Production and Prices

The 1952 soybean crop in the U. S. is estimated at 286 million bushels, 6 million more than in 1951. Prices to farmers for 1952 crop soybeans probably will average at least as high as last season’s average price of $2.70 per bushel.

Production is only slightly larger than in 1951, and a good demand for soybean meal is expected. Last year the value of meal in a bushel of soybeans was substantially greater than the value of the oil, and the same relationship probably will continue.

Market reports indicate that prices received by farmers for soybeans in early October averaged about $2.75 a bushel, 19 cents above support. The U. S. average support price level for 1953 crop soybeans has been announced at $2.65 per bushel (farm basis), the same as for the 1952 crop.

Summary

Cost rates for most items necessary in farm production are likely to continue to edge upward in 1953. Meanwhile, prices received by farmers for products sold will probably stay about the same or average slightly lower than in 1952. This means that the cost-price squeeze on farmers will be intensified in 1953.

As of October 1952 the U. S. parity ratio (ratio of prices received to prices paid by farmers) stood at 100, compared to a ratio of 105 for October 1951. The parity ratio may average somewhat lower in 1953 than in 1952, as rising prices of production items catch up with stable-to-weaker farm product prices.

With prices of production items likely to be a little higher, total farm expenditures in 1953 probably will be slightly above 1952 expenses. Both prices of production items and quantities used have increased during recent years. Total farm expenditures in 1952 were the highest on record, being 3 to 4 percent higher than in 1951. Supplies of most farm production items in 1953 are expected to be sufficient to meet requirements.

Fertilizer—Commercial fertilizer prices in South Dakota averaged 14 percent higher than a year ago. Based on end of season current price trends, it would appear that prices next spring of superphosphate, muriate of potash, and anhydrous ammonia will be higher than in the spring of 1952, while prices of alfalfa seed should be lower. Little change from the spring of 1952 is indicated in prices for red clover and sweetclover seed.

Fertilizer Cost Summary

- Superphosphate, Muriate of Potash, and Anhydrous Ammonia
- Prices are likely to be higher than a year ago.
- End of season current price trends indicate increases.

Real Estate Credit

- Non-real estate credit in the North Central region is sound.
- Some areas may experience repayment difficulties.

Farm Production Expenses

Summary

- Farm assets will continue to increase in the year ahead.
- Farm debts will also increase.
- Some moderate decrease in land values is possible.

Land Values

- Increased not only by price trends of farm products, but also the demand for farm land as an inflationary hedge by non-farmers.
- Increases in land values have exceeded increases in farm income.

Real Estate Credit

- Non-real estate credit in the North Central region is sound.
- Some areas may experience repayment difficulties.

Building and Fencing Materials

- Prices of building materials have generally been stable for nearly two years.
- The present level is 2 percent below the record high reached in the spring of 1951.
- Building materials probably will not be much higher than for 1952.
- Prices of fencing materials are expected to continue scarce through most of 1953.
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take care of the demand. All carpet wool is
imported and about two-thirds of apparel
wool is imported and that market will
continue steady. We can assume an ample sup-
ply of rayon and acetate.

To quote the editors of a trade journal
magazine, "No fiber is really yielding to an-
other but actually all are joining together
to produce better textiles." One of the con-
sumer problems today is that even if he or
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Clothing

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goods on the market and so far as can be
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Employment will remain up and we will
find more women working outside the
home.

Food

Food supplies and the demand for goods
are such as to maintain prices near the pres-
ent level. There is the possibility of slightly
larger food output due, largely, to greater
production of fruits and vegetables, in-
creased marketing of cattle and continued
plentiful supplies of cereal products.

Home production of food for family use
is one of the reasons for cost differences.
Cherries and two-thirds of total money value
of farm family food is supplied by home
production.

However, it appears that the long-time
trend in home food production on farms is
downward. As they can afford it, farm fam-
ilies are choosing to lighten the work of
homemakers by purchasing packaged foods
and are taking advantage of the greater
variety now available.

There is a danger in this trend. Surveys
have shown that the families using home
produced foods have more balanced diets
from the nutritional standpoint. We must
continue emphasis on those foods that make
the greatest nutritional contribution to the
diet.

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the year.

Housing

There is every evidence that about as
much new construction of all sorts will be
put in place this year. Home building (farm
and non-farm) has accounted for about as
large a part of construction as all public
construction together.

Increasing populations of metropolitan
areas have greatly affected this trend. Population is increasing and there
is a steady rise in the number of families. Continued high levels of employment have
enabled single women to have separate
dwelling units. At the same time, many
small or new families find an apartment or
their present housing inadequate.

Implications of the Outlook
for South Dakota Farmers

Farmers in South Dakota face two impor-
tant hazards—changes in prices and changes
in yields per acre. They also seem vulner-
able to over-borrowing in periods of high
income.
The economic outlook for agriculture is
fairly good for 1953 as a whole. The cur-
lack of moisture, makes production
continue. Prices that farmers re-
ceive for their products could slip consider-
ably by late 1953. Prices paid by farmers are
not likely to reverse their current trend up-
ward. This would put a squeeze on net
farm income.

Always, farmers must recognize the ever-
present possibility of change. This is very
important now as international tensions are
great.

Generally, farmers are well situated to
adapt themselves to a change in either direc-
tion as far as production is concerned.

In planning farm operations for the coming year, consideration should be
given to two areas of farm organization. These two phases are (1.) farm
management and (2.) financial management.

The farm management considerations might include:

1. Improve farming methods. When profitable, effort should be made to
increase crop yields, and to get better gains from livestock and poultry.

2. Strive for a better balance in farm production. Special consideration
should be given to the feed and livestock balance. Cash wheat farmers
should consider other enterprises.

3. Aim for a farm size large enough to be efficient in terms of family labor.

The farm management considerations might include:

1. Improve farming methods. When profitable, effort should be made to
assets while agricultural conditions are favorable.

2. Many farmers will find it advantageous to accumulate a special reserve
for depreciation of their machinery and buildings.

3. Other farmers will find in their interest to convert short-term debts
into long-term debts.

4. Many farmers could most effectively strengthen their positions by reduc-
ing their debts while agricultural income is high.