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Federal Reserve Bank of Chicago - -

October 14, 1955



"THE AGRICULTURAL SITUATION" was the subject of a talk given last week by Bushrod Allin of the U.S. Department of Agriculture before the Annual Convention of the National Poultry, Butter and Egg Association.

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As Chairman of the Outlook and Situation Board, Mr. Allin is the kingpin at the Annual Agricultural Outlook Conference. This year the Outlook Conference will not be held until the first of December; thus, his views at this time assume additional significance to Midwest farmers and bankers.

Among the long-term forces shaping the agricultural situation, Mr. Allin cited first the tremendous strides that have been made in farm production and labor productivity. "In the past 15 years, total output of American farms has increased more than one-third. During the same period, the number of farms decreased 15 per cent and the number of people on farms went down by 27 per cent. Output per man-hour of labor on farms nearly doubled, which is an average increase of more than 6 per cent per year."

Even with droughts and government efforts to control output, farm production has been as large or larger than the year before in every year since 1950. And this year, with farm output placed at 3-4 per cent above the year-earlier amount, it will again be at a new all-time high.

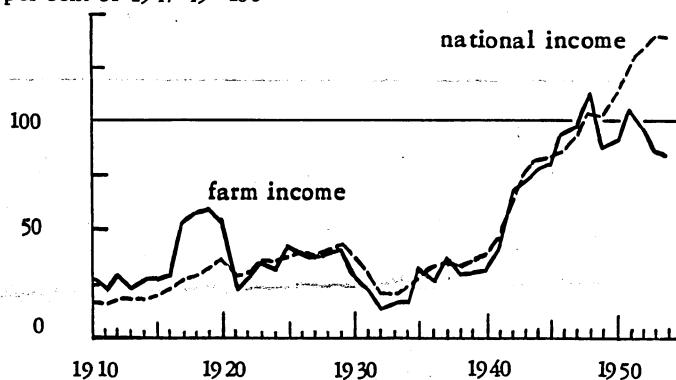
With the farm plant capable of this amount of progress, Mr. Allin cautioned that the farm price problem may not be solved by the growth in population alone. During the last 15 years "total agricultural production increased at an average of more than 2 per cent a year while total population was increasing less than 2 per cent per year."

The most obvious long-term feature of trends in farm and nonfarm incomes (as well as prices received and paid by farmers), according to Mr. Allin, is that they have followed the same general pattern (see chart). However, from time to time disparities have arisen and lasted for a number of years. The divergent trends in national income and farm income since the Korean war are, of course, the basis for the current concern over the farm situation.

Despite the current disparity and the probability that the gap may widen further in 1955, "the long-term view confirms the fact that the level of living of American people generally, including farm people, is steadily rising and is likely to continue to do so."

NATIONAL AND FARM INCOME

per cent of 1947-49 = 100



Turning to the shorter-term picture, the speaker stated that "one of the most important single factors in the current agricultural situation is that we now have the largest supply of feed grains and other concentrates we have ever had."

He attributed the record supply to three related developments: (1) the increase in productivity, (2) accumulation of stocks under price support programs and (3) diversion of acreage to feed grain crops from such allotment crops as cotton and wheat.

Mr. Allin believes that these large and relatively cheap feed supplies provide an inducement for a further expansion of livestock output. He also noted that not only will large supplies of feed tend to boost livestock output but that we are also learning how to get more livestock products per pound of feed.

In concluding his outlook for the next year, Mr. Allin stated that, even though there will be about 2½ million more people in the U.S. and their purchasing power will be about as large as this year, "it looks as though supply will continue pressing against demand." And since over short periods of time prices tend to drop relatively more than supply increases, it is probable that gross farm income will decline further. Net income per farm, therefore, would also decline unless offset by lower expenses and/or larger output per farm.

Research Department