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## GENERAL AGRICULTURAL OUTLOOK FOR 1947\*

The 1947 Outlook reports prepared by the United States Department of Agriculture and the tenor of discussion at the Agricultural Outlook Conference in Washington in October indicate another generally prosperous year for agriculture in 1947. It is not expected, however, that farmers will receive as high incomes as during the past two years or that they will enjoy as favorable a financial position as in 1946.

The Agriculture Department's production goals for 1947 contemplate a total volume of farm produce approximately equal to that of 1946. The call for continuation of large production in 1947 is based partly on the belief that relatively high domestic consumption will continue, and partly on the expectation that many war-ravaged countries will not regain prewar levels of production in 1947 and will continue to import a relatively large volume of agricultural goods. Another reason for high production goals next year is the need to replenish domestic and world food stocks, considerably reduced during the war years. Though achievement of these goals will mean a further drain on the fertility of American farms, already seriously reduced by the demands of war, agricultural leaders believe that such a course of action is justified in view of the demand and price situation expected to exist during the coming year.

For the reasons above indicated the demand for farm products in 1947 is likely to continue strong, although for the year as a whole,

\*This issue of the *Agricultural News Letter* is devoted to a summary of the farm outlook for 1947 as viewed by the United States Department of Agriculture and by participants in the Agricultural Outlook Conference held in Washington in October of this year.

total demand may fall somewhat below that of 1946. An anticipated high level of domestic industrial activity and relatively full employment during most of 1947 are counted upon to contribute substantially to higher consumer incomes and purchasing power. The decline in industrial activity, which is expected to occur during the latter part of 1947 if by that time the backlog of demand for many consumer goods has been met, may slow the rate of consumption of agricultural products, but will not likely reduce it to prewar levels. If the progress of industry is not retarded by major work stoppages, the index of industrial production in 1947 may average more than 10 per cent above that of 1946 and 85 per cent above the 1935-39 level. It is also forecast that a small increase in total civilian employment will occur in 1947. Given such relatively high levels of industrial production and employment, the agricultural economists feel that a substantial increase in national income can be expected.

The increase in consumer incomes accompanying the increase in national income may not, however, be so strongly reflected in domestic demand for farm products as might be anticipated under normal conditions. The larger volume of consumer's durable goods expected on the market at higher prices in 1947 will probably absorb a considerable share of the increased purchasing power. Therefore, consumer expenditures for food and other farm products might not be increased, but might even drop somewhat in the latter part of the year, particularly if industrial production and incomes should decline during that time.

The demand for agricultural products will likely be further restricted by a decline in agricultural exports. These are expected to

fall considerably in 1947, though continuing at well above prewar levels. A drop is forecast in the volume of most food exports, the principal exceptions being fresh and canned fruit, which may increase. Cotton exports are also expected to decline. The volume of exports of all farm products from the United States will be determined largely by the supplies of agricultural products abroad, the quantity of dollar exchange available for the purchase of exports from this country, and the extent to which the needs of war-devastated countries for non-agricultural products compete with food and fiber requirements for such available exchange.

Due to possibly lowered demand, prices received by farmers may average slightly less in 1947 than the estimated average index of 225 in 1946. Prices are expected to continue at near their October 1946 levels at least during the first quarter, but in the latter part of next year may fall well below those levels if production goals are reached and the decline in demand materializes. However, the Government's commitment to support prices of most farm crops will maintain at relatively high levels the prices of commodities covered by the support program even if produced in price-depressing volume.

Prices which farmers must pay for what they buy are expected to continue upward at least through the first part of 1947 and to average as much as seven or eight per cent above prices paid in 1946. Continued high levels of employment, general business activity, and cash farm income will exert an upward pressure on farm wage rates as industrial employers and farmers compete for workers. Farm wages, therefore, will probably be higher than in 1946. However, the effect of the higher wage rates on production costs will be offset, at least partially, by a somewhat larger and more efficient agricultural labor force as members of many farm families return from military service. Prices of farm machinery, equipment, building materials, and other farm supplies are also expected to prolong their advance at least through the first part of 1947. Persistent material

shortages, however, will adversely influence the volume of production of farm machinery and equipment. The supply of building materials will probably continue short, and prices may go higher. Total supplies of the major plant nutrients, nitrogen, phosphorus, and potash, are estimated to be about nine per cent larger for the year ending June 30, 1947, than for the previous year. Prices of fertilizer, as well as the quantities used, are expected to continue upward, resulting in a substantial increase in total fertilizer costs. Farmers' seed costs are expected to advance slightly in 1947, and supplies of some varieties of seed will be short. Supplies of insecticides and fungicides, with the exception of nicotine compounds and rotenone, will probably be adequate at prices near present levels.

Feed prices are also expected to increase in 1947. In spite of the favorable production of feed in 1946, supplies for feeding may not be overly abundant during the coming year due to the small carry-over at the beginning of the season and to the expected large demand for grains for industrial use and for export. Total expenditures for feed will be held down to some extent, however, by the reduced numbers of livestock. Even so, some increase may occur in overall feeding costs since the expected higher feed prices may more than offset the effect of the reduction in herds and flocks.

Farm land values and rentals during the coming year are expected to average higher than for any year of record except for 1920. If farm production, prices, and incomes hold at anywhere near present levels during the next year, land values and rentals are likely to continue to rise in spite of uncertainties as to long-run commodity prices and farm incomes. Interest rates on farm loans are expected to remain at about present levels, but anticipated increases in the volume of agricultural loans for the purchase of farm land, machinery, equipment, and supplies will probably result in some increase in total interest charges.

Assuming at least average yields per acre and only a relatively small decline in the av-

erage of prices received by farmers, the United States Department of Agriculture expects cash receipts from farm marketings in 1947 to total somewhat less than the August estimate of \$23 billion for 1946. Government payments to farmers are likely to show a sharp decline, as no payments are anticipated for dairy products, beef cattle, and sheep. Thus with a slight decline in receipts from marketings and a sharp reduction in Government payments, total cash farm income in 1947 is expected to fall about five per cent below this year. Farmers' profits may be further reduced by increases in prices of equipment and supplies and in other production expenses, with the result that realized net income of farm operators may be from 10 to 15 per cent below 1946, totaling only 12.5 or 13 billion dollars, as compared with an estimated 14.7 billion dollars this year.

## OUTLOOK FOR MAJOR FARM COMMODITIES

### Wheat

Wheat acreage in 1947, according to the United States Department of Agriculture's forecast, will be approximately 72 million acres, about the same as in 1946. With average yield this acreage would produce about 930 million bushels to supply domestic needs of perhaps 730 million bushels and provide 200 million bushels for export or addition to carry-over. The Department points out that wheat prices next year will be affected greatly by the quantities of wheat exported. If, however, currently high exports taper off, thereby exerting a downward price pressure, the price of wheat will be supported under present legislation at 90 per cent of parity.

### Cotton

Increased supplies of labor and of machinery and spare parts are expected to improve the cotton textile industry's position with reference to domestic cotton consumption during the 1946-47 marketing season, according to reports of the United States Department of Agriculture published in the 1947 Out-

look Issue of *The Cotton Situation*. The consumption rate of cotton has continued high since the end of the war, and no immediate change is anticipated. However, certain forces may tend to weaken the demand for cotton goods during the latter part of 1947. The increased supply of durable goods expected on the market at that time may reduce the amount of consumer expenditures for food and clothing. Rayon textiles are becoming more plentiful and are expected to compete more effectively with cotton goods in the months ahead. It is estimated, in view of these considerations, that domestic mill consumption of cotton may proceed at an annual rate of  $9\frac{3}{4}$  million bales during the first part of the 1946-47 marketing season, but will be slower during the latter half, and for the entire season consumption may total only about  $9\frac{1}{2}$  million bales. It appears that this rate of domestic consumption will supply any current backlog requirements for cotton goods, so that for the season 1947-48 the demand for cotton is expected to decline still further, probably falling to around  $8\frac{1}{2}$  million bales.

The United States cotton export arrangements with Japan and Germany, UNRRA purchases, Export-Import Bank loans, export payments, and the loan to Britain will favorably influence the export of American cotton during the 1946-47 season. However, the large stocks of foreign cotton and the high price of American cotton relative to that of foreign growths are unfavorable factors in the export outlook. While it is too early to forecast accurately United States exports for the current season, it is expected that they will total about three million bales. The volume of exports during the 1947-48 season will depend largely upon the dollar exchange and credit available to importing countries and the competition of other goods for this exchange and credit, but even under the most favorable conditions, it is not believed that cotton exports can total more than  $3\frac{1}{2}$  million bales for that season.

Total stocks of cotton available for consumption in the United States and for export in 1946-47 are expected to total about 16.7

million bales (assuming imports of about 200,000 bales). Total disappearance during this season, including the estimated 9½ million bales consumed domestically and three million bales for export, would reduce these stocks to about four million bales on August 1, 1947.

The greater availability of labor, machinery, fertilizers, and other supplies, and the favorable price of cotton which has prevailed thus far in spite of wide fluctuations are expected to result in a substantial increase in cotton acreage in 1947. Proposed goals, based on the above estimates of domestic and foreign demand, place the acreage next year at 22½ million acres. On the assumption of average yields, this acreage would result in a total production of some 12 million bales, or just about the estimated total consumption and export for the 1947-48 season. However, if the acreage planted exceeds the proposed goals, and if favorable weather conditions prevail during the 1947 cotton growing season, total production may be considerably above 12 million bales. In that event, a further decline in cotton prices will likely occur during the coming year, despite the relatively favorable statistical position of cotton in regard to disappearance of stocks and carry-over.

### Wool

Prices of wool to United States mills may be somewhat higher in 1947 than in 1946. Selling prices for domestic wool held by the Commodity Credit Corporation may also be increased because of the continuing rise in the index upon which wool parity is based. The present CCC program will continue until April 1947, and, under existing legislation, the Corporation cannot sell its wool at less than parity.

Because of reduced sheep numbers, it is expected that shorn wool production in 1947 will continue the decline which has been in progress since 1942. Nevertheless, prospects are that total apparel wool supplies in the United States in 1947 will remain unusually large compared with consumption, because of ample imports and large carry-over stocks.

United States mill consumption of apparel wool will probably decline moderately from the record annual rate which has been maintained since 1941, but will still be almost half again as large as the 1935-39 average. Demand for woolen goods will continue strong during most of 1947 because of high consumer incomes and need for replenishment of commercial inventories.

With the possibility that world consumption of wool will exceed production in the 1946-47 season, world stocks probably will be reduced for the first time since shortly before the war.

### Meats

With high consumer incomes in prospect, the United States Department of Agriculture expects domestic demand for meat to continue strong through early 1947. Some decline may occur in late 1947 and early 1948, however, because of a possible drop in total consumer incomes by that time. Also, there may be some shift in consumer spending from food to other items, such as automobiles, refrigerators, and furniture, as they become more abundant. Domestic supplies of meat per capita in 1947 may be as large as in 1946, partly because of the numbers of cattle now on the ranges and the current favorable feed and price conditions, and partly because United States meat exports will probably decline as continental Europe's demand for imported meat diminishes.

The slaughter of cattle in 1947 is expected to equal or perhaps exceed the estimated 30 to 32 million head of 1946. Slaughter will be heavy during the winter and spring, falling off if prices begin to decline. Sheep and lamb slaughter will decline in 1947 from this year's levels. Fewer lambs will be available for grain-feeding this winter than last, and the lamb crop next year will probably be smaller because of the continuing reduction in ewe numbers. Pork production next year may be smaller than in 1946, as there was a reduction of 15 to 20 per cent in this fall's crop of pigs. This may be offset slightly during the latter part of 1947 by an increase in the spring pig crop.