Volume 14 | Number 2 Article 7

8-1-1959

Farm Outlook

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A YEAR AGO our economy had started up from the bottom of the third postwar recession. The 1958 drop in gross national product—the total value of all goods and services produced in the nation—was greater than in 1954 and about twice as great as in 1949. The buildup in gross national product (GNP), in the first year of recovery, has been about the same for all three recessions. Thus, the net percentage change from the previous peak through the first year of recovery was greatest after 1949 and smallest after 1958.

No two of these cyclical economic movements can be compared in more than general terms. Each is marked by special features, and 1957-59 is no exception. Some people display an impatient attitude toward the small net change noted in the GNP growth relative to the 1958 pre-recession peak. The first year of recovery, however, has been made at a rate comparable with other recovery periods. Recognition of this situation lies behind the current fiscal policy aimed at curbing inflation.

Some voices, on the other hand, are urging a faster economic pace to overcome the remaining unemployment situation. Unemployment peaked at more than 7½ percent of the total labor force in mid-1958. By May of this year, the figure was slightly under 5 percent. (Because of people shifting jobs and the like, about a 4- to 4½-percent unemployment has become accepted even at a high level of economic activity.)

The number of people at work has increased by 2 million during the past year. And business investment in new plant and equipment is gaining strength after a year in the doldrums. Once the steel difficulties are settled, a vigorous expansion seems likely that may push GNP over the 500-billion-dollar rate by early 1960. So it's quite possible in 1960 for the economy to return to the same rate of unemployment (about 4.3 percent) that prevailed in 1956-57.

The economic confidence of the average citizen has been a prominent feature of the recent recovery period. Personal spending for consumption wasn't appreciably dampened by the recession. Small investors, in increasing numbers, have traded in the stock market, giving it support on a broad base. People generally feel more optimistic about their financial prospects and the business outlook than a year ago. More spending is planned, and the rise in borrowing has been substantial. Banks have had a favorable experience with consumer loans in the recent recession, with only a ¼ of 1 percent write-off.

Consumer spending passed the 300-billion-dollar rate in the first quarter of 1959 for a new record. As expected, the biggest percentage gain was in durable goods after the slack of the recession. Compared with previous recessions, however, the durable market seems to have less recovery steam. Consumers apparently have fewer unsatisfied needs and are content with less—as may be indicated, for example, by the drift toward smaller cars.

In the past 10 years, consumer spending for nondurables has drifted below 50 percent of total spending. Spending for nondurables (including food and fiber) formerly amounted to nearly 60 percent of total spending. Spending for durable goods varies the most from recession troughs to recovery peaks, but the trend line has been stable near the 15-percent level. Spending for services has had the strongest and most marked upward trend — from nearly 30 percent in 1947 to near 40 percent in 1958.

The activity in the stock market, meanwhile, has led to a highly unusual situation when compared with the historical record of the past 60 years. The sharp rise in common and industrial stocks has reduced their yield consistently since late 1957 to a record low. For a year now, in contrast, the yields on bonds have been moving up with the rise in interest rates. Relative to the past 25 years, bond yields are now high. If purchased today, the return on bonds would exceed the return on many common stocks.

Dairy . . .

To consumers, the dairy industry must seem changeless. Day in and day out, year by year, cows are milked, and consumers receive supplies of the prized beverage at their doorsteps without interruption. Yet, season by season and year by year, sweeping changes do occur to which the dairy industry must respond. This is true in this year, too.

Fluid consumption of milk and cream per person in the nation hasn't changed significantly. But the total quantity consumed has risen with increasing population. And offsetting the 16-percent decline over the last 20 years in per-person use of milk fat (because of the substitution of margarine for butter) has been a 20-percent increase in the use of

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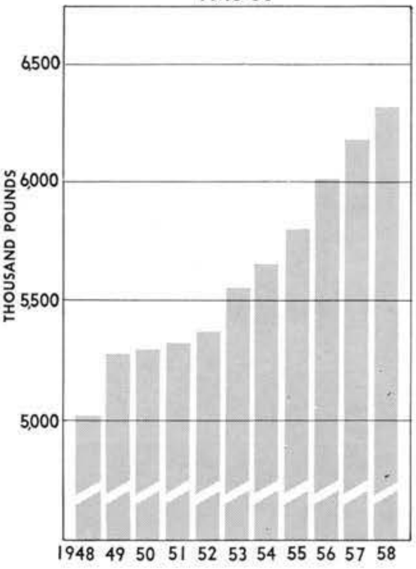
Annual U. S. Milk Production per Cow, 1948-58



nonfat milk solids in such products as cottage cheese and ice cream.

Total 1958 farm sales of milk in all forms reached a record 113 billion pounds. Sales of 99.4 billion pounds of whole milk made up 79 percent of farm production in 1958 as compared with 50 percent in 1942 and less than 30 percent in the mid-20's.

Less than a tenth of total production was used on the farm for household milk and butter and for calf-feeding in 1958. This compares with a fourth of total production used on farms in the 20's. Producers now sell more than 90 percent of their total milk production. Factors contributing to this are the higher cash returns to producers for fluid milk, the greatly expanded market, the improvement in marketing facilities (such as roads and bulk-tank technology) and the disappearance of the family cow.

Slightly less milk was produced in total in 1958 than the record 125.9 billion pounds of 1957. But more milk was marketed. Because of this—and even though more milk and milk products were consumed—there was still an excess production over domestic needs, with the surplus going into increasing stocks of nonfat dry milk.

This situation, however, is expected to come into better balance. Except for powdered milk, the 1958 cut in support prices plus disposal operations led to a marked reduction in CCC-held stocks of dairy products. As the 1959 season progresses, however, there may be some revival in dairy-production activity because of record supplies of feed grains, lower dairy ration costs and relatively less favorable conditions in the hog industry.

Probably the most striking changes in the industry at the producer level are the decline in dairy cow numbers and the continued rise in average productivity per cow. Many small producers have abandoned milk cows for livestock feeding, while full-time dairymen have increased their efficiency both technologically and with larger, more productive herds. The result has been a drop in the nation's milk cow herd to less than 20 million head, with an increase in average production per cow to 6,330 pounds annually—a 1,000-pound increase from 10 years ago.

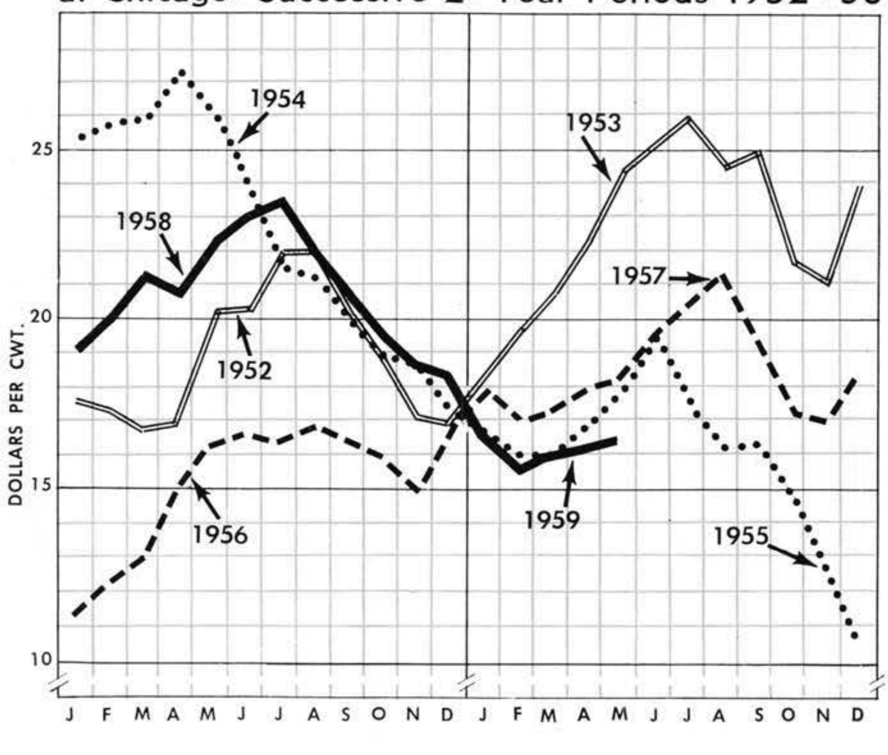
Specialized dairy states (Wisconsin, Minnesota, Pennsylvania, New York) have forged ahead in total milk production. States where farmers have major alternative livestock enterprises have shown less change or fallen back relative to others. Milk cow numbers were up 94 percent in the northern Atlantic states and up 80 percent in the east-north-central states from the 1941-45 average. Production was up 122 and 112 percent in these two areas, respectively. In the west-north-central states, by contrast, milk cow numbers dropped to 68 percent of the 1941-45 average, and production was 93 percent of the average for that period.

Hogs . . .

The 1959 spring pig crop totaled 58 million head—a 10 percent hike over the 1958 spring crop. The trend toward increased litters continued. December-February farrowings were up 16 percent; March-May litters, only 5 percent.

Thus, hog marketings will increase rapidly in later summer and early fall. Most of the fall seasonal price drop will have occurred by the end of October. The larger hog production will result in prices continuing below those of a year earlier. May prices averaged about $6 less at Chicago than a year ago.

Monthly Average Prices of Barrows and Gilts at Chicago - Successive 2 - Year Periods 1952 - 58



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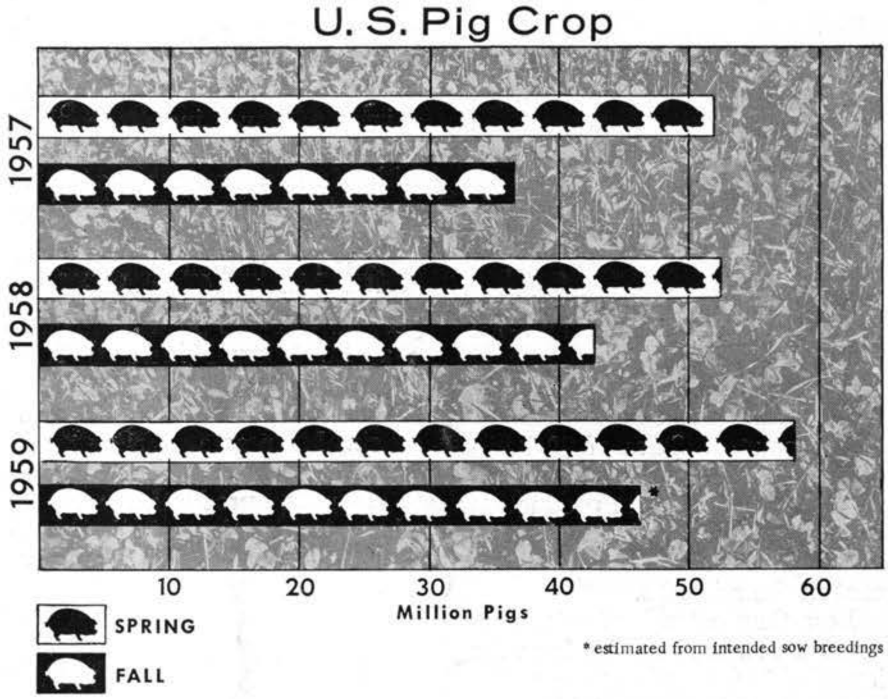
The sharp boost in early litters also has prevented much of a spring-summer hog price rise. But it will, likewise, keep hogs from going as low later this fall as would otherwise be the case with a 58-million-head spring pig crop. The hog-corn feeding ratio likely will remain favorable for feeding corn to hogs rather than selling for cash all through the summer and fall.

On June 1, farmers were planning to raise about 9 percent more fall pigs than a year ago. Coming on top of a 17-percent larger 1958 fall crop, this means sizable hog marketings all of next winter. There isn't likely to be much winter price rise in hogs next year.

Still, with lots of cheap corn in sight, the hog-corn ratio will favor the average-or-better operator's putting corn into hogs rather than selling it for cash next winter. But income from hogs will be down because the fall pig crop in prospect will depress prices below the levels of last winter.



Lambs . . .

In Iowa, best profits are made with early lambs. Price relationships favor early-dropped lambs over late-dropped lambs. Also, native lambs don't gain as fast during warm weather. And, as the rate of gain slows down in summer, it takes longer to get late-dropped lambs ready for market. Maximum returns from high-quality pasture may be obtained from lambing early.

So, both from the production and economic point of view, early lambing should stack up high in appeal for the Iowa lamb grower.