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Farm Outlook for 1960

by Francis Kutish

Farm income dropped in 1959 from the levels of a year earlier. Looking ahead to 1960, we expect a further drop—mainly from lower prices for cattle and hogs, lower crop incomes and a slight rise in the costs of farm production. But the 1960 income drop isn’t expected to be as great as was the slump of 1959, unless crops are very short.

Demand and supply are both important in determining farm outlook. Prospects are for stronger demand in 1960 than in 1959. But supplies of farm products are so burdensome that prices haven’t responded to the favorable demand developments.

Farm output has risen faster than has the market for farm products. The results have been lower prices to the farmer and mounting government stocks of farm products—but lower retail food prices to consumers than would otherwise have occurred.

Output of farm products would have been still greater if it hadn’t been for the Conservation Reserve which retired 22.5 million acres. Supply difficulties center around the uptrend in crop yields in the last decade. This has led to a steady pile-up of feed grains.

The rate of increase in surplus feed grains has been speeding up. On Oct. 1, 1958, our total carry-over on corn, oats, barley and sorghum grain was 59 million tons. On Oct. 1, 1959, it had increased to 67 million tons. By Oct. 1, 1960, we estimate that it will increase to about 80 million tons—or about equal to half a year’s crop.

Feed grains are piling up despite sharp increases both in the number of livestock fed and in the amount fed per head. Corn is by far the most important feed grain. It’s the main feed grain carried over from year to year. On Oct. 1, 1959, we had a carry-over of 1.5 billion bushels of corn. On Oct. 1, 1960, we expect the carryover to be over 2 billion bushels.

Population is increasing. The level of consumers’ incomes is rising. So the demand for livestock products must rise over the years. But these long-term trends don’t prevent surpluses and low prices in the immediate period ahead. Of course, there’s always the possibility of drought. But current stocks of feed grains are larger than most people think are needed for this purpose.

Thus, until some way is found to bring output of farm products in better balance with the demand, farm incomes are going to be under pressure.

Business

The rapid recovery from the bottom of the business recession of 1958 was interrupted by the steel strike in 1959. Assuming no further interruption in steel production in 1960, the outlook is for a further rise in employment and income in 1960. In mid-1959, per capita purchasing power was about 5 percent above that of the year earlier, and more than 20 percent above the level of 10 years ago.

Government spending in the year ahead is likely to rise, but less than in the year just ended. Most of the increase is expected to come through higher state and local government expenditures.

Private investment went up sharply in the past year. And while the rise isn’t likely to be as great as it was in mid-1959 when industry was attempting to stockpile steel ahead of the steel strike, the expansion should continue in 1960. Housing, on the other hand, may ease off more in 1960. Construction costs have increased, and high interest rates have tightened the availability of mortgaged financing.

Farm Costs

Farm costs have been trending upward in recent years. Prices paid by farmers in 1959 are estimated to be 2 or 3 percent higher than in 1958. This represents a rise of about a fifth over the average for the late 1940′s.
There are some indications that the rise in farm costs is tapering off. Costs levels this past fall were a shade below those of last spring. But most of the decline has been due to lower prices for farm-produced items. Farmers paid less money for feed and for feeder livestock than they did a year earlier. In contrast, prices paid for many industrial items continued to rise—as wage rates, interest rates and taxes.

Prices of industrial goods are expected to creep still farther in 1960. So even with further declines in farm-produced items, prices paid in 1960 may average a little higher than in 1959.

**Government Programs . . .**

Government programs in 1960 will be about the same as in 1959. The Conservation Reserve is expected to expand around 5 million acres in 1960. Public Law 480, which provides for assistance to farm exports, has been continued.

Price supports on grains next summer and fall will be somewhat lower than supports for the 1959 crop. This is because of the adjustment to the 65-percent-of-parity support for corn. Other feed crops—oats, barley and grain sorghums—will be supported at a level reasonable in relation to the corn loan.

The incentive price for wool will be 62 cents a pound—the same as for the past several years.

Feed-grain supplies are at a new record high. But this in itself is nothing new—supplies have been smashing records each of the past 6 years. Some cutback in total feed-grain acreage is in prospect for 1960, mainly because of the further expansion in the Conservation Reserve. But if yields follow their uptrend, feed supplies likely will be large again.

Corn and sorghum have been largely responsible for the total increase in feed-grain supplies in the last few years. Oat supply is down, as farmers cut their oat acreage. Further drop in oat acreage is expected in 1960.

Total tonnage of high-protein feed available for feeding in the current year will be a little larger than that of the past year. Soybean meal supplies will be about the same; there will be more cottonseed meal and more tankage. But we also have more high protein feed consuming animals to use the feed. So the quantity available per head will be about the same as a year ago.

Feed-grain prices are expected to average a little lower than in 1958-59 because of the large production and the decline in the general level of livestock prices. Main area of decline in feed-grain prices is expected to be in corn and sorghum. Because of the short crop, oat and barley prices have been averaging higher.

Meat supplies this year will be larger than the 158.5 pounds of meat per person eaten in 1959. Last year's gain over 1958 was largely in pork, as beef production has been held down by withholding some slaughter for herd expansion.

Meat consumption in 1960 will be up around 3 pounds. This year's increase, however, will be largely in beef. There'll be more pork, too, but the increase will be partly offset by the gain in population. Most of the beef increases will occur after mid-1960 when slaughter marketings of grass fat cattle will be stepped up.

Farmers and ranchers have been holding back cattle numbers the last 2 years to expand their herds. Cattle numbers are expected to continue up next year. We're reaching the stage of the cattle cycle where slaughter be-
gins to expand also. Typically, in the early stages of the cattle cycle, slaughter of cows, calves and steers is cut back. Steer slaughter is postponed only shortly by holding back for additional weight, but it soon increases.

The gain in steer and heifer slaughter has held beef output at a high level, despite the reduction in cow slaughter the past year. Marketings of fed cattle have been unusually high for this stage of the cattle cycle.

In 1960, combined steer and heifer slaughter will show a further increase. Cow and calf slaughter also is expected to turn up in 1960. Cattle prices rose steadily from late 1956 to early 1958. Since then, prices of slaughter cattle have tended to level out while feeder prices increased. Then feeder prices and cow prices began to turn down in late 1959.

The outlook for 1960 is that cattle prices are likely to continue to drift downward. Proportionately, a greater share of the decline will take place in prices for feeders and cows than for fed cattle. Fed cattle prices probably will average $1 to $2 lower in 1960 than in 1959.

Prices of fed and nonfed cattle depend somewhat upon each other. Fed cattle prices next summer and fall depend to a large extent on how much we increase marketings of lower grades of slaughter cattle and cows. If these marketings increase sharply, we could have a greater price decline for fed cattle in the latter part of the year. Barring this, the pattern of cattle prices in 1960 is likely to follow much the same lines as in 1959—except at a lower level and with less of a spring price rise.

Prices of cows and feeder cattle are expected to decline proportionately more during the next few years than prices of slaughter cattle. Sharpest break in cattle prices—barring a drought in 1960—still is a year or two off. For this reason, farmers with beef-cow herds will want to take the opportunity to shape up their herds and cull out nonproducing or off-quality cattle early—ahead of the sharper drop in cattle prices expected later.

Hogs

Hog slaughter shot up sharply last year, and prices have been lower than in 1958. Hog slaughter in 1959 was about 12 percent greater than in 1958. And prices received by farmers averaged about $5 lower per hundredweight.

The outlook for hogs in 1960 hinges on how large the 1959 fall pig crop was and on the size of the 1960 spring pig crop. In June 1959, farmers were intending to increase fall farrowings 8 percent. Later pig surveys indicated that they were planning fewer farrowings than back in June. Nevertheless, hog slaughter in the first 4 to 6 months of 1960 will be larger than during the same period of 1959. As a result, prices of hogs are likely to hold near present levels during winter and early spring.

Market hogs in the last half of the year largely will come from the 1960 spring pig crop. Best indication of the size of this crop can be obtained when the December 1959 pig survey is released in late December. If it indicates a change of only a couple of percentage points either up or down, profit conditions for hogs marketed next summer and fall will
continue weak. If the estimate is up 5 percent or more, profit prospects become poor. But if there’s a reduction in the 1960 spring pig crop of 5 percent or more, prospects will be fair to good.

As we saw this year, the short-term demand for pork is inelastic—a small percentage change in quantity will produce a much greater percentage change in price.

Dairy

The 1960 dairy outlook is one of cautious optimism. Improved prospects for the dairy industry reflect the recent cut in milk production. This has followed 5 years in a row of new production records. The downturn in milk production the last 2 years stems primarily from the rise in beef cattle prices compared with milk prices.

Even with some boost in milk production next year, the supply of milk products per person will still be under the level of 1959. Consumer incomes are at a new high, so retail prices of dairy products will probably rise. In most of 1960, farmers probably will get higher prices for milk and butterfat than in 1959. And the average for the year is practically certain to be above 1959.

The growing influence of the beef cattle industry on dairying stems from an expanding demand for beef relative to other farm products. For a number of years now, farmers have switched their grass and hay from dairying to beef production. If we should have a letup in the shift out of dairying to beef, we could get a substantial rise in milk output—and in a comparatively short time. Remember the rise of 5½ billion pounds of milk in 1953—the last time beef profits slumped sharply. Beef cattle numbers have been building up rapidly in the last 2 years, and the end isn’t in sight. But the increase in cattle marketings has begun. And prices are beginning to drop.

The big boost in dairy production will come some time in the next few years. And the stage for such a reaction is probably being set now with just enough price strengthening among dairy products to give farmers renewed confidence.

Studies indicate that little increase in the per capita demand for dairy products can be expected over the next 10 years—in fact, there may be some further decreases. On the other hand, some rise is possible in the consumer demand for nonfat milk solids. For the time being, however, excess supplies of solids not fat are still a drag on the price-making forces in the dairy industry.

Thus, the short-run outlook for dairying is good. The intermediate outlook is more questionable.

Poultry

Prospects for the poultry business in 1960 are better. Number of potential layers on farms Jan. 1 is down from a year earlier. This cutback will reduce egg output, with the change most pronounced in the late spring of 1960. But per-capita egg consumption has dropped in the last several years. Demand for eggs has been slipping, and with the abundant supplies of poultry, red meat and other substitute foods, there’s little indication that the demand will turn around and strengthen in 1960.

Egg production hasn’t responded to recent low prices. It takes a lower price to move a given amount of eggs today than it did 15 or 20 years ago. The reason most generally given is the slump in the importance of breakfast, along with a general change in American food habits.

Egg prices in early 1960 are expected to be nearly as high as a year ago and, during late spring, should be well above prices received last year. Egg prices during the later months of 1960 will probably be above those of the same period in 1959, but by a smaller amount. The improvement in egg prices during the spring and summer of 1960 probably will cause a late pickup in demand for chicks. Number of chicks hatched early in the year probably will be down from 1959.

Thus, the improved egg outlook is expected to extend into early 1961. But by late spring of 1961, some of the bloom probably will be off the egg outlook. This points up the desirability of purchasing chicks as early as possible in 1960—with a view of cashing in on the good egg market before the tide has a chance to turn in the late spring of 1961.

Sheep

Output of lamb and mutton has gained more during the past year than have numbers. This gain largely is an outgrowth of higher lambing rates and lower death losses. Number of lambs saved as a percentage of ewes 1 year old and older has risen nearly 1 percent per year the last decade.

Outlook is for no change in the wool program next year. With lower cattle prices, some downward pressure can be expected on sheep and lamb prices. But the output is still small enough to provide a relatively good sheep outlook for the next few years. With average weather, sheep numbers will continue their slow expansion. But several factors at work will prevent a sharp increase in the sheep business.