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Outlook For Agriculture 1942

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FILE COPY

For NEBRASKA

Higher prices
Greater production
More purchasing power
Higher costs

For the UNITED STATES

Higher prices
Increased production
More purchasing power
Higher consumer income
Greater export market
More employment
Higher taxes

AGRICULTURAL ECONOMICS
FARM MANAGEMENT, EXTENSION

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This report was prepared prior to the declarations of war involving the United States, and undoubtedly the demand for many agricultural products will be greatly increased as a result of accelerated activity due to the war.

THE UNIVERSITY OF NEBRASKA
COLLEGE OF AGRICULTURE—EXTENSION SERVICE
U. S. DEPARTMENT OF AGRICULTURE COOPERATING
W. H. BROKAW, DIRECTOR—LINCOLN, NEBRASKA
CC No. 31

Demand for Agricultural Products Greater in 1942

INDICATIONS are that the domestic demand for agricultural products in 1942 will be greater than in 1941. Agriculture in the United States depends for its market primarily upon the demand within the borders of this country. The population of the United States is about 132,000,000 people, 30,000,000 of whom are dependent upon agriculture for their livelihood. The other 102,000,000 people are engaged in various types of activity other than agriculture and constitute the main source of demand for agricultural products. With the bread-winners for these 102,000,000 people fully employed and drawing regular and adequate wages, they will buy more food products of better quality and they will buy more clothes and other commodities, which will increase the demand for farm products and the incomes to farm people.

This increased demand for agricultural products in 1942 is based upon three assumptions: (1) that the war continues throughout 1942, (2) that we have an expanding defense program, (3) that there is a broadening of governmental control over production and prices. If these three assumptions are borne out, there will be greater business activity and higher consumer incomes in the United States, there will be larger food purchases under the lend-lease act, there will be less competition from imports, and there will be a strong storage and speculative demand for certain agricultural products.

One of the best measures of the demand situation is the measure of industrial production. If we regard industrial production as 100 per cent during the five-year period 1935-39, then industrial production in the latter part of 1941 was 60 per cent greater. Indications are that it will be no less in 1942 and possibly somewhat higher. It is expected that business activity in 1942 will be 10 to 15 per cent greater than in 1941.

It may be of interest to make a few comments relative to certain key industries in the United States and the outlook for activity in these industries in 1942. The steel industry, one of the largest, produced a record output of steel in 1940. In 1941 the increase in output over 1940 was nearly 25 per cent and the expectation is that there will be some increase in 1942 over 1941.

Machinery output in 1942 will probably attain record levels. In August, 1941, the output was 55 per cent over that of September, 1940. With new industrial plants under construction and with old machinery being replaced by new in many plants already in existence, the demand for machinery in 1942 will be very active and output will probably be much greater than in any year of record.

The construction industry will probably operate on a somewhat lower level in 1942 than in 1941. Construction of defense plants and public utilities will show some increase, but this increase will probably be more than offset by declines in residential construction and public works.

The automobile industry has been operating at a very high rate of output during the past few years, but the output in 1942 will be reduced at least 40 per cent under that of 1941. There is a possibility that there may be further reductions in addition to that contemplated in November, 1941. While automobile plants will be restricted in the output of cars and trucks, yet they will not be idle but will be diverting their production from cars to armament.

The textile industry, one of the largest in the country, will probably operate at a greater capacity in 1942 than in 1941. Textile mills have been operating at a high rate of output for the past year or two, but indications are that there will be some increase next year over that of present levels. There will probably be a greater output of cotton goods, a decrease in silk materials, and a rather large increase in rayon and woolen goods.

The situation regarding employment and consumer incomes is favorable toward increasing the demand for farm products. Since the inauguration of the defense program there has been an increase in employment of about $4\frac{1}{2}$ million workers and indications are that there will be a further increase of 2 million workers in 1942. The index of income of industrial workers in 1942 is expected to be double what it was in September, 1939, and to be 15 per cent greater than that of 1941.

These increases in business activity and consumer incomes will result from an increase in defense expenditures. Total defense expenditures up to September, 1941, totaled about 9 billion dollars of the $62\frac{1}{2}$ billion dollars authorized. Indications as of December 1, 1941, were that probably 18 billion dollars will be spent on the defense effort between July 1, 1941, and June 30, 1942. The national income in 1942 will probably be 10 to 15 per cent above that of 1941. Farm income in the United States is forecast at 13 billion dollars in 1942, compared with 11 billion in 1941 and 9 billion in 1940.

Farm prices in 1941 will probably average 25 per cent higher than those of 1940 and those in 1942 are expected to show a similar increase. Agricultural production in 1941 was 2 per cent greater than in 1940 and if production goals for 1942 are reached, production will be 2 per cent greater than in 1941.

The export market for certain agricultural products has been of considerable importance in the past and any exports of products that can be made during the coming year will be important in their

bearing upon farm prices. Early in 1941 the level of agricultural exports was the lowest it had been in 74 years. Under the terms of the lend-lease act certain agricultural commodities are moving out in export channels, principally such products as pork, lard, dairy products, poultry, eggs, and certain fruits. The first appropriation in the spring of 1941 under the lend-lease act earmarked \$1,350,000,000 for agricultural products and certain other commodities. Five hundred million dollars of this was earmarked for the purchase of food for Britain. The second appropriation under the lend-lease act, which was approved in October, 1941, provided \$1,875,000,000 for products of agriculture and certain other commodities of which one billion dollars was earmarked chiefly for food for Britain. In 1942 Britain expects to buy from the United States one-fourth of its total animal protein needs or enough to feed 10,000,000 people. This will require 8 to 10 per cent of our total agricultural production and would double our exports of agricultural products in 1942 over those of 1941. There will probably be no appreciable increase in wheat and cotton exports in 1942 over 1941. Tobacco may show some slight increase but it is expected that pork and egg exports will be tripled, dairy and canned fruits doubled, and one and one-half times as much lard and dried fruits will be exported as were sent out in 1941.

We have discussed several factors showing that conditions are favorable towards increased agricultural incomes. As opposed to this phase of the situation we must also remember that costs will be higher. Farmers will pay higher prices for machinery, equipment, and other materials for use in production. Living costs will be higher, labor costs will show an increase, and taxes will likewise be higher. In spite of higher costs, however, it is expected that incomes will increase to a greater degree so that total farm purchasing power for 1942 will be greater than that of 1941.

More Beef in 1942

Beef cattle prices in 1942 are expected to average as high as in 1941, or higher. If cattle slaughter in 1942 reaches the goals set up by the United States Department of Agriculture, the total supply of beef and veal will reach record proportions. This goal calls for an increase of 18 per cent in calf and cattle slaughter in Nebraska over that of 1940, or a 15 per cent increase over 1940 for the United States.

Cattle numbers are now nearly as high as the record level attained in 1934. Numbers in Nebraska, however, are about three-fourths as great as the number on hand eight years ago. Unless the rise in cattle numbers is halted, the situation indicates a sharp drop in cattle prices when the demand support is withdrawn occasioned by the war and the defense program. The demand for agricultural

products next year is expected to be sufficiently strong to prevent a drop in beef prices.

In some respects the feeding situation for 1942 looks less favorable than for several recent years. Feeders who obtain their cattle at conservative prices and feed for the late summer market will probably be in the most favorable position. An unusually large number of cattle were grain fed in 1941, but with unfavorable prices on finished cattle, the indications are that there will be some decrease in cattle feeding at least during the fall and winter of 1941 and 1942. The movement of stocker and feeder cattle into the corn belt from July through October in 1941 was around 40 per cent less than a year earlier. More cattle may go into feed lots early this winter than a year earlier.

Profit with Porkers

If marketing goals for hogs in 1942 are attained, pork production next year will be greater than in any of the last 15 years. The marketing goal next year for the United States calls for an increase of 5 per cent over 1940. The 1942 spring pig crop goal for Nebraska, however, calls for a 25 per cent increase over that of 1941. The Nebraska fall pig crop in 1941 is probably substantially larger than the fall pig crop of 1940.

Hog prices in 1942 will probably average higher than those for 1941. Higher prices in 1942 for hogs are expected, due to federal support given to hog prices and to the expected increase in government purchases of pork and lard under terms of the lend-lease act. The expectation is that government purchases for export next year will be the equivalent of about 12 million hogs or 15 per cent of the total slaughter. With this increase in exports, probably the domestic supply of pork will be about the same as for 1941. The increase in consumer demand stimulated by greater business activity should result in higher prices for hogs under these conditions. The hog-corn ratio may be less favorable in 1942 than in late 1941.

Sheep Look Good

Prices for sheep, lambs, and wool in 1942 will probably be higher than in 1941. A record lamb crop was produced in 1941, and more lambs were fed in 1941 than for any year. Many lambs from Texas and other western areas have been held back because of plentiful feed supplies and will be marketed as shorn yearlings next spring. Indications in November, 1941, were that about the same number of lambs would be fed in the fall and winter of 1941-42 as were fed a year earlier. Decreases were indicated in the eastern corn-belt states, whereas in the western corn-belt states, including Nebraska, increases seemed probable. The indications were for

a substantial increase in Colorado compared with a year earlier. The production goal for sheep and lambs calls for a 5 per cent increase in Nebraska over the production in 1940.

Wool prices in 1942 should hold somewhere near the levels reached in the fall of 1941. Wool consumption in the United States has attained high levels during the past year or two and indications are that consumption will be the same to higher in 1942. Imports of apparel wool in 1941 were the largest on record and it is expected that as much or probably more will be imported in 1942.

Feed Supplies Abundant

Feed grain supplies in the United States for 1942 are the largest for any year since 1925. In Nebraska the production of feed grains in 1941 was the largest since 1933. In relation to livestock the supply of feed grains in the United States is larger than for any year since 1925, except 1940. In Nebraska the production of feed grains in 1941 was greater in proportion to the livestock than for any year since 1933. Appreciable quantities of corn and barley are sealed but these supplies, if needed, can be redeemed. Grain prices in 1942 will be higher than in 1941.

In relation to livestock, the hay supply is larger than for the five-year period 1928-32. Nebraska hay production in 1941 was the largest since 1935, but smaller than the average for the five-year period 1928-32. In comparison with livestock the supply is adequate but not as abundant as in 1933, 1935, and 1938. In addition, however, there are substantial supplies of sorghum forage, silage, and other roughage.

The supply of high protein feeds for 1942 is 5 to 10 per cent greater than a year earlier. There is a smaller supply of cottonseed, but a far greater supply of soybeans and flax seed than a year earlier. Prices of high protein feeds will probably range higher in 1942 than in 1941. Mill feeds will probably be less abundant in 1942 than in 1941.

Poultry Will Pay

Prices of poultry and eggs in 1942 are expected to be higher than in 1941. The feed-egg ratio will probably continue favorable. The supply of poultry meat and eggs for 1942 will probably be greater than the supply of such products in 1941, when they reached record levels. The number of layers on hand in January, 1942, will probably be 10 per cent more than a year earlier. The egg production goal in 1942 for the United States calls for an increase of 11 per cent over that of 1941 and for Nebraska, 10 per cent.

Prices of chickens and eggs were given federal support in the spring of 1941. This support is promised until July 1, 1943. In addition, prices of

chickens and eggs are to be at least 85 per cent of parity through the calendar year 1942.

The increase in number of chickens is called for with the express purpose of increasing egg production. Under terms of the lend-lease act dried eggs will be supplied for export purposes in ever increasing quantities.

The outlook for turkeys in 1942 is favorable. The expectation is that turkey production in 1942 will increase about 10 per cent over that of 1941. Nebraska may have a 30 per cent increase. As a result of increased consumer demand it is expected that prices will continue favorable to growers of turkeys in 1942. No federal support to turkey prices has been indicated.

The Dairy Cow Is Good Property

Milk production in 1942 is expected to be the largest for any year on record. This increase in production will be brought about by an increase of 3 per cent in the number of dairy cows and by increased production due to heavier feeding and other steps taken by producers to get more efficient production. The production goals for 1942 call for an increase of 7 per cent over the 1941 production both for Nebraska and the United States. A greater than normal proportion of the 1942 milk will be used in the production of manufactured dairy products, chiefly cheese and evaporated milk.

These production increases should not, however, provide a supply sufficiently great to cause a price reduction. Demand in 1942 will be much greater than in 1941. Exports of dairy products in 1942 on a milk equivalent basis are expected to be double the quantity exported in 1941 and nearly eight times as great as the quantity exported in 1940.

The increased demand is expected to be such that prices for milk and other dairy products will average higher in 1942 than in 1941.

Wheat Supplies Ample---Acreage Down

The outlook for wheat in 1942 is uncertain at this time of year (November, 1941). The domestic supply of wheat on July 1, 1941, was 385 million bushels, and the production for 1941 is estimated at 961 million bushels, giving a total supply for the the current fiscal year of over 1,300 million bushels. This is equivalent to two years' domestic supply in the United States. The amount of wheat exported from the United States totaled around 37 million bushels during the year ending July 1, 1941, and indications are that exports will be little if any higher in the year following. This means that without price support, wheat would undoubtedly be very low in price.

The goal for wheat acreage in 1942 has been set at 55 million acres, which is a substantial decrease

under the 1941 acreage. Wheat prices are expected to be somewhat higher in 1942 than in 1941.

Potato Supplies Not Excessive

The potato crop for the United States in 1941 was less than that produced in 1940 by about 20 million bushels. The expectations are that the potato acreage in 1942 will be increased over that of 1941 and with normal production the crop for next year should be somewhat larger than that for 1941. The acreage goal for next year is 3,060,000 compared with 2,925,000 in 1941. The suggested potato goal for Nebraska in 1942 is 80,000 acres compared with 75,000 acres in 1941. With the expected increase in domestic demand for 1942 the indications are that prices for potatoes should be higher than in 1941.

Farm Family Living

Our economic problems have been affected by the war abroad and the defense needs at home. An understanding of world events affecting agriculture is essential if farm families are to make wise adjustments in plans for increased production, for better living, and for more efficiency in defense work.

American families are finding a new meaning in the phrase "Arsenal for Democracy." Young people from many homes have gone to serve a period in the armed forces or to city factories to help produce the things needed for military defense. Every farm family in the United States is being asked to enlist in the 1942 Food-for-Freedom campaign. Farm families along with city families are facing a challenge. This challenge is to build up the health, strength, and morale of every family member and to achieve the kind of home community and national life that is worth defending.

Looking forward into 1942, farm families will have more money to spend for living and for investment than in 1940 or 1941. At the stores they will find higher prices for the things they want to buy and in some cases a shortage or less selection in the goods for sale.

The total amount needed for living expenses in 1942 will be greater than in recent years but families will want to use some of the increase in net income to pay off old debts.

The kind of living a farm family maintains does not depend entirely upon the cash it has to spend. Home-produced food can go far toward providing a good diet, wood from the farm woodlot can lessen bills for fuel, and the farm house can be made comfortable and attractive. Adjustment of plans to provide more dairy, poultry, meat, and garden products for home use may be the most important change for some families in 1942 toward better farm family living.