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## EC870B Outlook for the Demand for Farm Products for 1936

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# Outlook for the Demand for Farm Products for 1936

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### FOREWORD

The 1936 Nebraska Agricultural Outlook is a summary of the important facts and trends which influence either directly or indirectly the economic life of Nebraska farmers. The report is based mainly upon the Federal Outlook for 1936. This outlook was prepared by a committee of workers from various states cooperating with the Bureau of Agricultural Economics, U. S. Department of Agriculture, and the Agricultural Adjustment Administration. The discussions of various topics in the Nebraska Outlook have been written by the members of the Department of Rural Economics and the farm management workers in the Agricultural Extension Service of the College of Agriculture. The initials of the writers are found at the conclusions of their discussions. The writers are Dr. H. C. Filley, Chairman of the Department of Rural Economics; L. B. Snyder and Arthur W. Medlar, teachers; Dr. L. F. Garey, Research; Ramey Whitney, graduate student; A. G. George, Extension Economist in Farm Management and G. E. Hendrix, Assistant in Agricultural Extension.

It is hoped that the Outlook may be of material assistance to farmers in adjusting production on individual farms and in marketing farm products throughout 1936.

A. W. M.

## The Outlook for the Demand for Farm Products for 1936

The demand for the farm products of the United States in 1936 is likely to be greater than was the demand for the production of the 1935 season. It now appears probable that the trend of industrial activity and of consumer buying power, which has been generally upward in the United States and in many foreign countries during the last three years, will continue upward during the next year and probably longer.

### DOMESTIC DEMAND

It has been estimated that the income of industrial workers in 1936 will probably be about ten per cent higher than in 1935. This will be the result of increased industrial production. Since the cash income from many agricultural products, particularly meats, fruits, vegetables, and dairy products, is closely related to the volume of industrial pay-roll (See Figure 1), this would indicate an increase of about ten per cent in the demand for such products in 1936.

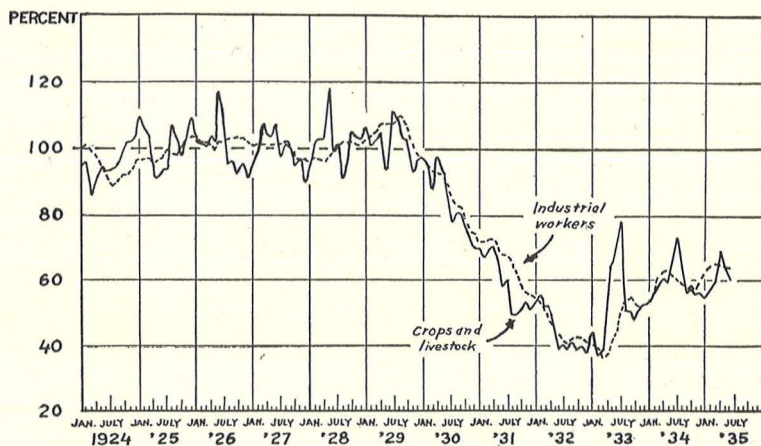


Figure 1

The greatest advances in industrial activity in 1936 over 1935 are expected to be registered in the durable goods industries. The output of durable goods is reflected very largely in the activity of the railroad, building, and automobile industries. The importance of these industries in indicating the level of consumer buying power for agricultural products, seems to warrant particular attention to the present conditions and the outlook for these industries.

Purchases of equipment and supplies by railroads is likely to show some increase in 1936 over 1935. Should railway traffic increase appreciably it seems there may be, in the latter part of 1936, a marked expansion



in railroad purchases, which would contribute indirectly to increased consumer buying power. Much rolling stock has been retired during the depression and there have been few replacements, and the condition of remaining equipment has deteriorated. The reduction in serviceable equipment and in purchases of materials for maintenance and re-imbursements has been so great that substantial purchases for rehabilitation and improvement are in prospect. The beginning of such an expansion of purchases was in evidence in 1934, but orders for equipment have decreased during the current year. The revenues for this year have been largely required to cover immediate operating costs, due, in part at least, to the increase in wage rates, which now stand at the pre-depression peak.

The anticipated increase of ten per cent in industrial production will undoubtedly result in increased car loadings, which should result in increased earnings. An increase in the production of grain and hogs to more nearly normal proportions, will also result favorably for the railroads. Any natural increase in farm income will increase railway traffic. Farmers will be in the market for lumber, paint, farm equipment, automobiles, furniture, and many other commodities which usually move by freight, as soon as increased farm income makes such purchases possible. It is well known that the reason for the severity of the depression was the relatively low price of farm products. Because farm products had little purchasing power, farmers could buy few manufactured goods. Because farmers could purchase few manufactured goods, many workers were idle a considerable part of the time. Their yearly incomes were small and their purchasing power was low, even though their hourly wages were high.

Building activity in 1936 probably will be at an appreciably higher level than in 1935, owing chiefly to an expected expansion of about fifty to one hundred per cent in residential construction. The scarcity of houses in many cities and towns is indicated by the tendency of rents to stabilize and in some instances to trend upward during the past year. Labor and material costs remain relatively high but reductions in financing costs, already in effect and in prospect, together with more liberal terms of payment, will tend to reduce payments required for the purchase of homes and may be a factor in increased building.

Automobile production has shown the most rapid recovery of any of the major industries; and this increase is expected to continue throughout 1936. Because so large a proportion of the cars now in use were manufactured before 1931, it is anticipated that an increase in income will result in a large increase in the number of new cars purchased.

An increase in the demand for iron, for use in manufacturing machinery, tools, farm equipment, and metal containers is anticipated.

The output of textiles will probably be increased about ten per cent. There will also be an increased demand for furniture and household goods.

With the progressive increase in the income of various groups of producers (See Figure 2), both industrial and agricultural, the amount of their

income, over and above that necessary to pay interest, taxes, rent, and insurance, available for current expenditures for both durable and non-durable goods, becomes proportionately larger. It seems probable that increased buying power plus this general improvement will result in a material increase in the demand for many farm products, especially those products which are affected most by changes in income such as the higher quality meats, dairy and poultry products, and fruits and vegetables.

H. C. F.

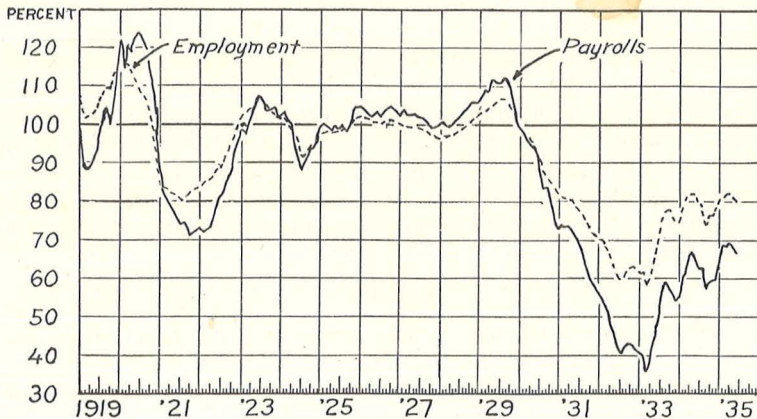


Figure 2

### FOREIGN DEMAND

It is now clear that world economic production reached its lowest point in 1932. Since that time there has been an upward trend in industrial production in practically all the countries of the world. This is an important factor in the outlook for foreign demand for our raw material exports, such as cotton.

The increased industrial activity in the United States is increasing the demand for such important products as silk, rubber, and tin. Our increased purchase of these products provides a means for foreign nations to pay for increased volume of American products. It is well known that in international trade goods are quite largely paid for with other goods. A material reduction in the purchases of foreign goods by any nation is usually followed by a reduction in exports.

In considering foreign demand prospects for agricultural products, it is significant to note that although internal economic conditions in most countries have shown marked improvement since 1932, there has been but little increase in the volume of international trade from the low levels of the world depression. Restrictions on trade, both direct and indirect, account to a considerable extent for this situation.

The barriers to international trade considered in the broad extent have been increased rather than reduced during the past twelve months. It is



perhaps significant, however, that the recent increases in trade barriers to a very large extent have been restrictions growing out of shortages in foreign exchange which have forced some countries such as Germany and Italy drastically to reduce their imports of any but the most indispensable materials and to place such imports largely on a barter or compensation basis. Barriers in the form of high duties or import quotas directed primarily to protect the domestic price level or to encourage domestic production have not on the whole been significantly changed during the calendar year, 1935, and some scaling down in such barriers might be expected with a continuation of the general improvement in world economic conditions and rising world prices. Such a scaling down would presumably be hastened particularly with respect to exchange restrictions in event of a revaluation of currency in some countries and in general stabilization of exchange. Upon the whole, however, for at least as long as the marketing period for the 1936 crop, it seems probable that barriers to imports of commodities, especially for foodstuffs that can be produced within the importing countries, will continue to be maintained at a much higher level than prevailed prior to the depression.

H. C. F.

### PRICES

Increased demand will have a tendency to raise the prices of the products of the farm in 1936, but the effect of the improvement in demand upon the prices of some commodities may be offset by increased production. The sharp advance in prices from an average of 65 per cent of the pre-war level in 1932 to about 107 per cent in 1935 is due not only to improvement in demand but also to a reduction in supplies and to a rising general price level.

The volume of agricultural production declined about 15 per cent between 1931 and 1934. The average per capita production of food and feed crops was smaller in the 5 years, 1926-1930, than in the five pre-war years, but our total production in these years was more than ample for home consumption (See Figure 3). A decrease in exports and a decrease in domestic demand resulted in large stocks of wheat, cotton, and various other farm products.

The advance in farm prices in the last two years has been appreciably more rapid than the advance in the general wholesale price level. The general level of wholesale prices is now about 124 per cent of pre-war, and the level of farm prices about 108 per cent of pre-war. The purchasing power of farm products is, therefore, approximately 87. Farmers in regions where crops are good are in a much better position than two or three years ago when the purchasing power of farm products was below 70. Unfortunately grain yields were low in a considerable part of Nebraska, and livestock numbers are greatly reduced. Farm income in these areas is small in spite of the increase in the price of farm products.

There is no apparent probability that the purchasing power of farm products will reach pre-war within the next year. The low purchasing

power of farm products was the principal cause of the agricultural depression which continued from 1922 to 1929, while most other industries were relatively prosperous. In order for Nebraska farmers to be as prosperous as before the war they must be able to exchange their products for as large an amount of desirable goods as they could in the years preceding the World War.

H. C. F.

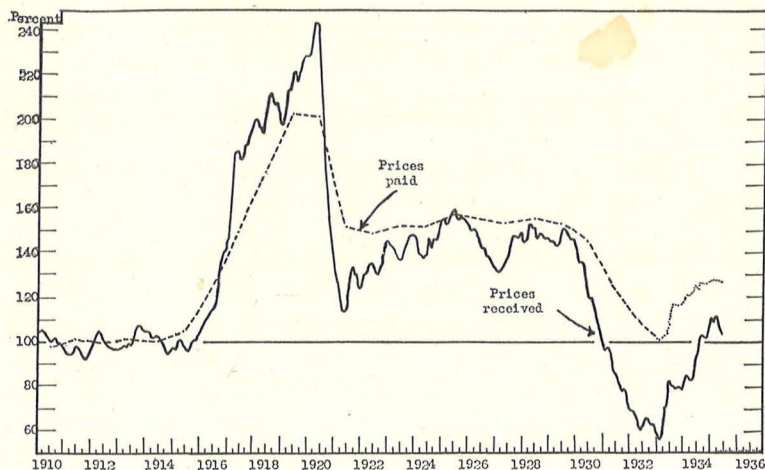


Figure 3

## CREDIT

The general improvement in the outlook for business, the high level of bank reserves, and the low level of interest rates are likely to give an impetus to the expansion of credit. With the member banks of the Federal Reserve System having reserves of about twice their legal requirements, the basis exists for a substantial expansion of credit. Loans of commercial banks are at present near the lowest level reached in any recent year. In spite of the fact that bank loans are low there has already been a considerable expansion of credit.

The borrowings of the Federal, State, and local governments during the past three years total about \$14,000,000,000. The credits extended by governmental agencies since 1932 total about \$6,000,000,000. This money has been spent in the purchase of goods and services. These extensions of credit more than counterbalance the decrease in bank loans and other credits that have taken place in the last three years. Credit expansion is therefore under way. It has, in fact, increased more than production.

H. C. F.

## FARM WAGES

Farm wages in the United States on October 1, 1935, were 9 per cent higher than on the same date in 1934. The increase was 22 per cent in



Nebraska for the same period and 20 per cent for the west north central states. Wages per day increased at a little faster rate. The increase in wages was due to a decrease in the supply of suitable farm labor in the rural communities.

The demand for farm labor in the United States for October, 1935, was 17 per cent greater than in 1934. In the areas affected by the drought the demand for labor was reduced below what it otherwise would have been. The supply of farm labor was about 10 per cent less than a year ago. The decline in the supply of farm labor available is due to some increase in employment in industries other than agriculture. Some labor usually available for farm work has been employed on work relief projects. If work relief is continued on the same scale in 1936 as in 1935 and if employment in industry increases as much as now appears likely, the supply of labor available for farm work will be below that of 1935. Should we have a normal crop year or better, farmers can expect to pay more for their hired help in 1936 than in 1935. Should the foregoing fail to materialize wages will probably be on about the same level as in 1935.

L. F. G.

### FARM EQUIPMENT

The price of farm machinery will probably be a little higher in 1936 than for the five-year period ending with 1934. During the past five years farmers have not been in a position to maintain their farm equipment in the best working order. With some improvement in the farm situation attention will be given to improving the machinery and equipment phase of their farm business. Considerable new machinery will be purchased and a fair portion of this will be horse drawn equipment.

L. F. G.

### WHEAT

Total world production of wheat for the crop year 1935-1936 in all countries, excluding Russia and China, is estimated at 3,500,000,000 bushels, which is 370,000,000 under the average for the years 1928 to 1932. Large carryovers for several years prior to 1935-1936 have added to the 1935-1936 crop until a total supply of 4,339,000,000 bushels is estimated for 1935-1936. This is about 535,000,000 bushels under the average available supply for the years 1928-1932. World stocks are gradually being reduced to normal. Should wheat yields for the total estimated world acreage for 1936-1937 equal the 5 year average, a crop of 3,700,000,000 bushels can be expected. This would equal the average production during the years 1928 to 1932 when, despite the higher consumption than at present, world stocks accumulated rapidly. Yields in the Southern Hemisphere and in North America should be higher in 1936-1937 than in 1935-1936.

Such European importing countries as Germany, France, and Italy have greatly expanded their acreage. This coupled with unusually favorable weather and high yields per acre has made these countries practically self-supporting. These high yields are not likely to continue and as a result these countries can be expected to import some wheat during 1936.

1937. Such increase in imports is not expected to be great. Material improvements in world business conditions are anticipated for 1936-1937. As a result world wheat prices should be somewhat above those for 1935-1936. A major war in Europe would result in heavy demands for grain and contribute toward higher prices.

United States wheat stocks on October 1, 1935 were 581,000,000 bushels which was 30,000,000 bushels under the October 1, 1934, figure. Because of the poor quality of domestic wheat, it is estimated that it will require 650,000,000 bushels to supply the wheat needed for domestic manufacture. This is 25,000,000 bushels above the normal consumption. Stocks on hand July 1, 1936, should be much below the 1935 figure. With a normal or slightly below normal carryover our supply will depend upon the 1936 crop. During 1935 non-signers increased their acreage enough to more than offset the reduction of signers of the AAA contracts. Total wheat acreage for 1935 has been estimated at 66,000,000 acres which is more than 5,000,000 in excess of the 1934 figure and about equal to the average of 65,926,000 acres for the crops of 1930-1932. On the basis of this reaction by non-signers in 1935 we can expect an acreage of at least 66,000,000 for 1936. In the past, average acre yields have varied from 10 bushels to 14 bushels with normal abandonment. Should our crop average only 10 bushels and the acreage equal 66,000,000, domestic production would equal 660,000,000 bushels or about enough to supply domestic demand. Should the yield average 14 bushels on the same acreage, the domestic crop would equal 924,000,000 bushels and we would be on an export basis.

During the past three years domestic prices have been maintained at about 20 to 30 cents a bushel above world prices. Should we remain on a domestic basis with a crop of 660,000,000 bushels, we can expect prices 20 to 30 cents above world prices which are expected to be higher than in 1935-1936. However, should we harvest more than 660,000,000 bushels, domestic prices would fall below world prices. Unless world prices increase enough to offset the 20 to 30 cents by which 1935 domestic prices have exceeded world prices, domestic prices for 1936 can be expected to be markedly below those of 1935. Heavy monetary inflation or an increase in business activity would cause a rise in the prices of the domestic wheat crop for 1936.

L. B. S.

## HAY AND PASTURES

Hay supplies for the United States for the coming feeding season are 2 per cent above normal in proportion to the numbers of livestock which consume hay. Hay production in 1935 for the country as a whole was about the same as for the 10 year average, 1923 to 1932. The production in 1935 was just about 50 per cent larger than the small crop of 1934. In general the quality of hay produced in 1935 throughout the United States is below normal. During the harvest season rainfall was rather excessive in many parts of the country, and this resulted in an inferior quality of hay. There are some localities throughout the country, and this applies to



Nebraska, where the hay crop for 1935 was insufficient for local needs but these areas are relatively few in number. These areas are situated in the drouth area of 1934 where the amount of livestock is less than normal so there will be no appreciable demand for hay to be shipped into these areas. Hay will probably be moderately priced for the coming season with the exception that hay of good quality should find a market at fairly satisfactory quotations.

Hay production in Nebraska for 1935 exceeded the average production for the five years, 1928 to 1932, for both tame hay and alfalfa with about the same amount of wild hay produced in 1935 as there was in 1933. The quality of Nebraska hay is good. Alfalfa acreage in Nebraska has been declining but there is a tendency toward an increase in alfalfa and other hay crops acreage due to the influence of the adjustment programs.

Pasture conditions in the fall of 1935 were about average throughout the United States, while in Nebraska they have been slightly below average. There has been an abundance of pasture feed in most areas and with the growing of more temporary pasture being stimulated at the present time the outlook for good pastures in 1936 is favorable. A. G. G.

### FEED CROPS AND LIVESTOCK

The total 1935 production of feed grains (corn, oats, barley, and grain sorghums) was 91,366,000 tons (October 1 estimates) compared with 50,781,000 tons harvested in 1934 and 100,642,000 tons, the 5 year (1928-1932) average. The 1935 corn crop for all purposes was 2,213,000,000 bushels. This is 60 per cent more than was produced in 1934 but is 14 per cent below the 5 year (1928-1932) average. The 1935 oats crop was slightly over 1 billion bushels, which was more than double the 1934 crop but 3 per cent below the 5 year average. The barley crop of 290,000,000 bushels was slightly larger than the 5 year average. The production of grain sorghums was 124,000,000 bushels. A record acreage was harvested. These grains were each supplemented by unusually small carryovers of old-crop feed grains at the beginning of the 1935-1936 season.

The hay and pasture situation is favorable. The production of tame and wild hay in 1935 was 11 per cent higher than for the 5 year average. Pastures and ranges were about average. The wheat adjustment contract for 1936-39 provides that the adjusted acres on farms under contract may be used for soil-improving or erosion preventing crops, for pasture, fallow, forest trees, and such other purposes as the Secretary of Agriculture may prescribe. A similar provision will probably be included in other contracts. Thus the use of land under contract will be towards an increase in feed obtained from pasture and hay crops and a decrease in the feeds obtained from grain crops.

Supplies of commercial feeds in 1935-1936 (wheat feeds, cottonseed cake and meal, linseed cake, and meal) will probably be more plentiful than in 1934-1935. Exports of some of these feeds will influence the supply.



Imports of feed grains and hay, which were unusually heavy in 1934-1935, may not exceed normal in 1935-1936.

The demand for feed depends mainly upon the number of livestock, the length of feeding period, and the feeding practices during that period. Livestock numbers on farms on January 1, 1935, were reduced more from a year earlier than in any previous year. This reduction was greatest for cattle and hogs and was caused primarily by short feed supplies as a result of drought and by purchases by the government as a part of the drought relief program. When all classes of livestock are converted to one common basis which allows for differences of size and consumption of feed grains, the total livestock units on January 1, 1935, were the smallest since 1910 and were about 16 per cent less than the 5 year (1928-1932) average. When livestock numbers are weighted on a hay consumption basis, similar to the previous feed grain basis, the hay-consuming animal units on January 1, 1935, is only 2 per cent below the 5-year average. The latter decrease is due mostly to a decrease in cattle. The inventory of livestock at the beginning of 1936 is not expected to show much change from that at the beginning of 1935. Numbers of hogs and poultry probably will be slightly larger, those of cattle about unchanged, and those of horses and mules and of sheep and lambs probably a little smaller. In view of the increased quantities of feed grains and of hay and forage available to feeding, it is to be expected that livestock generally will be fed much more liberally in 1936 than they were in 1935. Hogs will be fattened to heavier weights and both dairy and beef cattle will be fed more grain per head. Such practices will tend to offset the increase in supply.

Feeding prospects, especially in case of lambs and hogs for the 1935-1936 feeding period appear favorable in the surplus feed grain areas. The number of cattle to be fed for market will probably be materially larger than the small number fed in 1934-1935. The increase will be general. Milk cows on farms this winter will be 6 or 7 per cent fewer than the peak numbers two years ago but only down to the level of January, 1932. Their numbers are not expected to show much increase for another year or two. The corn-hog price ratio will be unusually favorable in 1935-1936. With an average corn production for 1936, the ratio will probably remain favorable during most of the 1936-37 crop season. The number of lambs to be fed for market during the 1935-1936 feeding season is expected to be substantially smaller than the number fed during the 1934-1935 season. Some of the drought areas will probably feed more lambs than last season. The number of laying birds in farm flocks in the first half of 1936 is likely to be at least 5 per cent larger than in the first half of 1935. An increased hatch of young chicks in the spring is probable. An upward trend in consumers' incomes will help to maintain a generally good demand for most livestock products.

R. W.

## MEAT AND MEAT ANIMALS

Livestock slaughter and meat production in 1936 will be little if any larger than in 1935. A considerable increase in slaughter supplies of hogs is probable in the last half of 1936, especially in the last three months when supplies from the 1936 spring-pig crop become available, but this may be offset at least in part by a smaller number of cattle slaughtered in 1936. Although cattle slaughter in the first half of 1936 probably will be smaller than in the corresponding period a year earlier, the supply in this period will include a much larger proportion of well-finished cattle than in 1935. Slaughter of lambs in the first six months of 1936 will be considerably smaller than in the first half of 1935.

The expected improvement in consumer demand for meats and the small total livestock slaughter should result in the general level of livestock prices being at least as high in 1936 as in 1935. G. E. H.

## BEEF CATTLE

The number of cattle on farms January 1, 1936, is expected to be about 60,500,000 head or approximately the same as a year earlier. This represents a reduction of 7,623,000 head, or 11.2 per cent, less than the number January 1, 1934, but about 3,000,000 head more than on January 1, 1928.

The sharp rise in cattle prices last year was due to the large reduction in cattle numbers, a considerable increase in consumer demand and the short supply of hogs. There is expected to be some increase in consumer demand during 1936 and a short supply of hogs, especially in the first half of the year which should tend to strengthen prices of lower grade cattle. However, the increase in demand for grain fed cattle will probably be more than offset by the increase in supply of finished steers.

Information available in October indicates a considerable increase in the number of cattle to be fed for market during the late fall and winter feeding period this year over the small numbers fed a year earlier. It appears that the increase will be general, both in the Corn Belt and in other areas where cattle are finished for market. The factors causing an increase in the numbers of cattle on feed are large supplies of hay and roughage; feed, grain, and supplies much larger than last year; and greatly reduced hog numbers.

An increase in the number of cattle on feed in fall and winter months means that a larger number of finished cattle will be coming onto the market in late winter, spring, and summer than a year ago. This factor will be an important influence on finished cattle prices during these months.

The longtime outlook is for an increase in cattle numbers during the next few years. Because of the large reduction in cattle numbers due to the drouth in 1934 it seems probable that the bottom of the cattle cycle numbers was reached in 1934 ahead of the normal trend and that num-

bers of cattle will be on the increase for the next few years. It will probably take however until about 1939 to become as heavily stocked as on January 1, 1934.

### CATTLE AND BEEF IMPORTS

The relatively high prices that have prevailed during 1935 in this country have attracted the largest volume of beef and cattle imports since 1929. Imports of live cattle during the first eight months of the year totaled 279,000 head compared with about 50,000 head and 60,000 head, respectively, during the same periods, 1934 and 1933. Total imports for the calendar year 1934 reached 69,000 head. In 1929 the total amounted to 509,000 head.

Imports of canned beef into the United States totaled nearly 50,000,000 pounds in the first eight months of 1935 compared to about 26,000,000 pounds for the same period of 1934. In the calendar year 1934 total imports of canned beef amounted to 47,000,000 pounds compared with about 41,000,000 pounds in 1933. In 1929 such imports totaled about 80,000,000 pounds.

G. E. H.

### HOGS

The 1935 spring pig crop of 30 million head was approximately 20 per cent below the 1934 and 40 per cent below the 1932 and 1933 spring pig crops. In the Corn Belt states the reduction was even more, 22.3 and 42 per cent, respectively. The number of market hogs inspected by federal authorities during 1934-35 was the smallest in 25 years. It is anticipated that the numbers for the 1935-36 market season will be below the current year. There will probably be an increase of 25 to 28 per cent in pigs farrowed in the spring of 1936 over the number for 1935. Nebraska will have a larger increase than the average for the United States. Because fall farrowing in 1935 was greatly increased it may be expected that marketings will be much heavier than usual from May to September. With a favorable corn-hog ratio, weights will also be heavier than for the past few years at this season. As a result of these and other factors prices are likely to be more sensitive to market conditions. Therefore, the farmers' marketing problems will need to have more careful consideration.

Present indications are for strong domestic demands for the first six months of 1936. The foreign pork markets are still not open to American meat and lard. England allows the United States an import of only 8.1 per cent of all pork imports into the Empire. This allows an import of only about 50 million pounds or one-half our average allowance in 1929-33. The German market for our lard was virtually closed in the spring of 1935 and up to the present has not been reopened. Our lard imports into England have fallen from 99 per cent of all their imports to only 44 per cent.

Storage stocks of pork October 1, 1935, were the smallest on record for 20 years, and were 47 per cent below the October 1, 1934 figures. Usually lard stocks increase from December 1 to August 1, but during



1934-35 the peak was reached in January. From that date until October 1, 1935, there was a gradual decrease and on that date the storage lard was 57 per cent below the past five year average for October 1. It is expected that, even though relatively larger amounts of pork will enter storage this winter, the total in storage will be less than at the close of last winter.

The market situation for 1936 is likely to be materially different from either of the two preceding years. It is expected that the first three months will see the lightest marketing of the year. For the following six months marketing will gradually increase and reach the peak in the last months of the year. Low levels of production will probably prevent much export of either pork or lard so prices will rest largely upon domestic supply and demand. The production cycle of hogs in the United States which began in the fall of 1933 has reached the low level and will probably rise thru 1936 and 1937. The production of corn and other feed grains which increased in 1935 will probably continue to increase. This will create a very favorable corn-hog ratio during 1936 and influence a larger hog production in 1937. It is probable that the new corn-hog contracts of the AAA will provide for approximately the same number of pigs to be farrowed as would have been farrowed without a hog-control program. With this production plan there would be from 62,500,000 to 65,000,000. Farmers' intentions to breed for spring farrowing indicate that their plans are directly in line with the proposed increase. One large commercial private research bureau has gathered data which indicate that spring farrowing will be 24 per cent above the 1935 level and that Nebraska will increase her farrowing by 31 per cent.

The main factors which Nebraska hog producers should watch during the coming year are: employment increases, government monetary policies, corn-hog ratios, prices of competing meats as beef, poultry, or mutton, and the increasing number of hogs produced by Denmark, Argentine, Germany, the Baltic states and competitors in foreign markets.

#### DAIRYING

A. W. M.

The number of cows and heifers two years old or over in Nebraska kept for milk January 1, 1935, was 712,000. This was 8 per cent less than for January 1, 1934. The number of heifers from 1 to 2 years old being kept for milk cows was 119,000 on January 1 which was 12 per cent less than the number one year earlier. The shortage of feed on farms in 1933 and 1934 was an important factor causing the reduction in number of both milk cows and young heifers kept for replacement. During the past 2½ years the ratio between the price of feed grains and the price of butterfat has been unfavorable. This ratio has been more unfavorable this year than at any time since 1920 when the prices of feed grains were at the peak. When this ratio becomes unfavorable the tendency is for farmers to do less milking by dropping the poor producers from their milking herd.

The production of milk per cow in Nebraska decreased from 4,100 pounds in 1932 to 3,880 pounds in 1934, a decrease of five per cent. The peak in milk production is normally reached in June. During the early part of 1935 the milk production was low because of the scarcity of feed. The production during the late summer months was equal to the average for 1925 to 1929. With the feed situation in Nebraska improved over a year ago the indications are that winter milk flow per cow for 1935-1936 will be about normal, but the total supply will be less due to fewer cows.

The total milk production in the United States reached a peak in 1933 of 102 billion pounds but decreased to 99 billion pounds in 1934. The production for the winter of 1935-1936 will be affected to some extent by the unfavorable price of butterfat to meat. This will tend to cause farmers to shift from milk production to feeding where conditions permit such a shift rather easily as in certain sections of the Great Plains area. With the number of cows in the heavy milk producing areas but a little lower than last year and more favorable feed prices, it is expected that the milk production will be larger than last winter in those areas.

There were approximately 149 million pounds of butter in cold storage on October 1, 1935, 125 million on the same date 1934, and 120 million as an average for the five-year period, 1925-1929. The out-of-storage movement of butter during the last two months has been above normal and the indications are that by spring storage stocks will be reduced to about the normal holdings.

The imports of butter into the United States during the first nine months of 1935 amounted to 21.8 million pounds, about one per cent of the consumption. Exports of condensed milk from January to August this year amounted to 3.5 million pounds, about 2 million pounds less than for the same period last year. The exports of all dairy exports declined from 26 million in the first eight months of 1934 and 22.5 million for the corresponding period of 1935.

There has been a decline in the consumption of fluid milk and cream of about 6 per cent since 1930 but an increase in the consumption of evaporated milk. There was a decline in the consumption of butter since 1934, the largest on record, influenced to some extent by the government for relief purposes.

The price of dairy products in February, 1935, was 21 per cent above the 1910-1914 pre-war average and was higher than at any time since 1930. The high price in February was due to a shortage of supplies. The price declined, reaching a low point in July, since which time the price has increased. The indications are that prices of butter will continue firm throughout the winter and will decline with the increase in production in the spring. The price during the winter of 1936-1937 will be influenced to some extent by the feed situation. With a normal feed supply the price of butter should be somewhat lower than this winter unless unforeseen developments occur.

L. F. G.



## POULTRY AND EGGS

The number of chickens on farms in the United States as of January 1 reached a peak of 470 millions in 1930. There were 412 million in 1935, a decrease of 12 per cent. The decrease was due to a scarcity of feed and the low purchasing power of eggs as compared to previous years. With an improvement in the feed situation and in the price of eggs last fall, farmers are preparing to expand their laying flocks for the year 1936. The number of laying birds in farm flocks on October 1, 1935 was nearly 2 per cent more than on the same date in 1934. The increase in the number of potential layers was about 2.5 per cent as compared to the same date in 1934.

Egg production in the United States reached a peak in 1931 but has decreased continuously since that time. Although the egg production has increased during the last few months, the production in 1935 will not be as great as in 1934. With larger flocks in prospect the production in 1936 will probably be larger than in 1935 by about the same per cent as the increase in the number of layers.

The average per capita consumption of eggs in 1935 will be approximately 18 dozens. This is about 18 per cent less than for the five-year period ending 1932. The domestic demand for eggs is determined primarily by the income of consumers and the price of eggs in comparison with competitive foods. While there is some prospect for an increase in the supply of meat, it is expected that the consumption of eggs in 1936 will be comparable to that of 1935.

The price received for eggs by farmers declined from 1929 to 1933, since which time the price has increased. The price did not go as low during the summer of 1935 as in 1934 and not as high in the fall. With the stocks of eggs in storage smaller than usual and conditions for an increase in consumers' incomes favorable, the seasonal spring decline in the price of eggs will probably be a little later in 1936 than usual. On the whole, the 1936 prices for eggs will likely be comparable to those of 1935.

The production of turkeys increased from 14.8 million birds in 1927 to 18.7 million in 1933. The price of poultry feed has decreased more rapidly than the price of turkeys since 1929 which accounts for the increase in production since the depression of 1929 began. The United States farm price of turkeys in October, 1935 was 30 per cent higher than for October, 1934, and the Nebraska farm price was 17 per cent higher. The price for the 1936 turkey crop will probably be less favorable to producers than the prices received for the 1935 crop. There will be increased supplies of other poultry and of pork in 1936 which will mean increased competition to turkey growers. Improvement in conditions governing the demand for turkeys may be sufficient to meet the competition of an increase in meat supplies. From all indications it would seem wise for Nebraska farmers to consider carefully the prospects in 1936 before expanding their turkey flocks unduly.

L. F. G.



### HORSES AND MULES

Declines in number of horses and mules continued thruout 1935; this being the 16th year of declines in horse numbers and the 10th year of declines in numbers of mules. There were  $1\frac{1}{2}$  per cent fewer horses and mules on farms on January 1, 1935 than on January 1, 1934. Because of the large number of very old work animals on farms and the relatively few colts that are old enough to work, numbers of work animals should decline during 1936. After that replacements of young animals will be greater than losses. By the time the colts to be foaled this year reach maturity horse numbers should be great enough to supply our farm needs. Any increase in colt production after 1936 will probably result in oversupplies and lower prices. Mule numbers can continue to increase for some time. While the numbers of horse colts raised in 1935 amounted to 6 per cent of the numbers of horses on farms the number of mule colts raised was only 2 per cent of the mules on farms. This indicates that increases in numbers of mules can continue longer than can horse numbers.

Demand for horses will probably never exceed the number on farms in 1915. City industries and road construction no longer rely so much upon horses and mules. Any increase in such demand will be of minor importance. Until the beginning of this depression motorization of farms had been increasing each year. Low feed prices and low purchasing power of farm products caused a switch to horses and mules. As soon as purchasing power of farm products is restored, the trend toward motorization is expected to be resumed. Motorization of farms has not proceeded as rapidly in the south as in the north. Southern demand for farm power means a demand for mules. This demand will continue for some time.

Prices of young horses and mules of work age should continue at a high level. The average price of farm horses and mules will probably not increase because of the presence of so many old work animals on farms. High prices will probably continue for 2 or 3 years, after which there is some question. Should the present high prices stimulate colt raising after 1936 much above the 900,000 that have been estimated as grown this year, prices will probably go down after 1938. The horse breeder who sells young horses for his income will do well to watch the numbers of colts raised and the trend in motorization of farms in both the north and the south. Those producers who raise colts to supply their own motive power will be safe enough whether motorization increases or decreases.

L. B. S.

### SHEEP AND WOOL

Shortages of feed in the range states due to the drouth and restrictions in the numbers of sheep permitted to graze in the national forests have caused heavy reductions (7 per cent) in numbers of sheep in those states. As a result, the supply of feeder lambs for corn belt feed lots this fall has been the smallest in the last 6 years. Numbers of native lambs (non-range lambs) are about the same as the 5 year average. As a result of the shorter

supply, higher prices of other meats and an improvement in consumer buying, prices of mutton and lambs have been high. This good price is expected to continue until about April 1 when the early 1936 lambs begin to come on the market.

With improved conditions in the range states for the next year supplies of lambs should increase and be about equal to the 5 year average by the end of the season. Prices should remain fairly steady or decline a little toward the end of the 1936 season. Shipments of ewes to corn belt farms have been very heavy this fall indicating that some increase in the native-lamb crop can be expected. In spite of these heavy movements of ewes, breeding ewe numbers in the range states are expected to be greater than a year ago.

Consumption of wool in manufacturing establishments of this country has been very heavy during 1935. The first 8 months found the consumption of wool had surpassed this year's production of domestic wool. Heavy imports will be necessary until the new clip is marketed. For months the foreign price of wool has been falling while our domestic price has been rising until the importation of wool is about due. The trend in world consumption of wool has been about the same as that of the United States.

Wool clips in four leading export countries—Argentina, New Zealand, Australia, and the Union of South Africa—is estimated at 4 per cent below 1934. World production is estimated at 6 per cent below 1934-1935. Due to the reductions in numbers as a result of the drouth the 1934 domestic clip was smaller than the 5-year average. What wool was clipped contained a high percentage of foreign matter which meant a further reduction in available stocks. With the lower numbers of sheep in this country it is expected that the 1936 clip will be smaller than usual.

The early season activity in manufacturing has not continued during the last 3 months. This in part is due to the building up of inventories of manufactured goods and to more nearly satisfied demand for woollens. Domestic prices of wool will depend upon world prices which are likely to fluctuate as war demands vary. Japan and Italy have been the most consistent large foreign buyers of wool during 1935. Early cessation of their campaigns in China and Africa will stop much of this demand and cause additional supplies to be released for import to this country. Prices of wool should remain fairly good during most of 1936 but may decline toward the end of the season.

L. B. S.

### THE COTTON OUTLOOK FOR 1936

The world supply of all cotton for the 1935-36 season is expected to be slightly larger than the preceding season's supply and about 12 per cent larger than the average for the 10 years ended 1932-33. The world supply of American cotton is expected to be slightly larger than last season and about the same as the 10 year average, while the indicated supply of



foreign growths is about the same as in 1934-35 but about 27 per cent larger than the 10 year average.

The world carry-over of American cotton at the beginning of the current season was about 9,000,000 bales. This was 15 per cent less than the 10,600,000 bales on hand August 1, 1934, but was about 3,000,000 bales larger than the average for the 10 years ended 1933. Of the total stocks of American cotton on hand at the beginning of the current season, about 5,100,000 bales were government financed stocks compared with about 3,000,000 bales a year earlier. The government loan of 12 cents a pound in 1934-35 resulted in a net increase of 2,000,000 bales of government financed cotton over the preceding year but it is not expected that the 10 cent loan for the current season will offer any inducement for further increases in those stocks at present price levels.

The 1935 domestic crop is forecast at a little less than 11,500,000 bales, which is 19 per cent larger than 9,600,000 bale crop of 1934, but, with that exception, is the smallest since 1923 and is 20 per cent smaller than the average for the 10 years 1923-32. The outlook with respect to the supply of American cotton depends to a large extent upon the sign-up under the cotton adjustment program. The minimum reduction for next year is 30 per cent of the base average and the maximum is 45 per cent. A heavy sign-up would keep the average considerably below the ten year average and should at least keep the carryover from becoming much larger. Our ability to work off the large carryover depends largely upon the consumption in the United States and the price level of foreign cotton. Total world consumption of American cotton in 1934-35 declined 2,200,000 bales from 1933-34 and with the exception of 1930-31 was the smallest for 11 years and was 16 per cent less than the average. Mill consumption of foreign cotton increased approximately 2,300,000 bales last season to a new high level and was 34 per cent larger than the 10 year average. The substitution of foreign cotton for American cotton was due to the maintaining of a higher price level for American cotton in comparison to foreign cotton through the 12 cent cotton loan. With a loan of 10 cents instead of 12 and the narrowing of the spread between American cotton and foreign cotton during recent months American cotton should be in a somewhat better position to compete than a year ago.

Total consumption in the United States last season, 98 per cent of which was American, was about 6 per cent less than in the previous year, but 10 per cent above the low point reached in 1931-32. G. E. H.

### POTATOES

The 1935 potato crop in the United States was approximately 366,000,000 bushels compared with 385,000,000 in 1934 and 363,000,000 for the 5-year (1928-1932) average. The southern states produced less this year than last year. In the intermediate states production was about 10 per cent higher. In the 30 late-potato states production was about 6 per cent below



last year. The eastern states produced 31 per cent less than their bumper crop last year. The central states produced about the same, and the western states show a sharp increase.

The price on October 15 received by potato growers in the United States was only 46.1 cents per bushel compared with 49.0 cents at the same time in 1934 and 65.0 cents per bushel for the 5 year (1909-1913) October average.

The probable production in 1936, if there were no control measures in effect, would be the smallest in ten years. The low prices during the last two years would tend to reduce acreages. On the other hand an adjustment program probably will have the effect of preventing excessive decreases in acreage planted in 1936. Early reports indicate that the commercial early and intermediate acreage in 1936 will be reduced about 4 per cent below that harvested in 1935. Although no reports on intentions to plant in 1936 for the important late producing potato states have been received, prospects are for a decrease.

Imports of potatoes into the United States were sharply reduced during the fiscal year 1934-1935. Exports from the United States increased about 70 per cent to a total of 1,218,000 bushels for the 12 months ended June, 1935.

It seems apparent that potato growers would benefit—under present demand conditions—if they held to a stable acreage of about 3,100,000 acres or about 5 per cent less than the acreage planted in 1935. Under average conditions the production would be about 341,000,000 bushels.

### DRY BEANS

R. W.

The 1935 production of beans, based on crop conditions October 1, is 14,005,000 bags, which is larger than any previous bean crop on record. It is 35 per cent more than the small crop of 1934 and about 13 per cent above the 5-year average (1928-1932). A material increase in the production of pintos and pea beans occurred.

The average farm price of beans has declined from \$3.54 in June, 1935, to \$2.89 per 100 pounds October 15, 1935. During this period last year the price increased from \$2.74 in June to \$3.83 in October. The amount of beans available for consumption is about three million bags above the 5-year average 1928-1929 to 1932-1933.

A reduction of 15 per cent in total acreage planted in 1936 from that of 1935 would, with average yields and average abandonment, result in a new crop supply more closely in line with normal requirements. Although increased consumption is expected in 1936, the carryover which will compete with the 1936 crop may exceed 2,500,000 bags, whereas the carryover rarely exceeds 2,000,000 bags. The adjustment in acreage desirable will vary with varieties.

R. W.

### SEED SITUATION—CORN, SORGHUMS, AND LEGUMES

**Corn.** The seed corn situation in Nebraska for the coming year is very serious. Much of the corn last spring was planted late and had not fully matured at the time freezing weather occurred this fall. Consequently much corn that may appear to be good for seed perhaps is not when close examination has been made. The seed corn situation is extremely serious in all parts of the state except probably in the Panhandle section and the northern tier of counties from Keya Paha county to Dakota county, inclusive, where the corn quality is good. Moisture was deficient this fall. This gave an opportunity for the corn to mature before it was damaged by cold weather. Probably enough seed corn can be conserved if efforts are made at once to carefully select seed that is most promising and properly care for it so that it would not be subject to freezing and deteriorating through the retention of too much moisture. Supplies of old corn for seed are inadequate but where such are available they should probably be conserved.

**Grain Sorghums.** The production of grain sorghums in Nebraska for 1935 was much greater than usual. There will be an ample seed supply of the fodder varieties such as Red Amber, Black Amber, and Sumac. The most desirable varieties for grain sorghums, however, will be scarce. These varieties are Atlas in the eastern part of the state and in the southern part, Sooner Milo, Day Milo, Early Kalo, and Wheatland. Many of the less desirable varieties may be found in plentiful quantities. All sorghum seed to be used for planting next spring should be tested, as much of it is of poor quality, having suffered from wet weather during the fall or from damage by freezing.

**Legumes.** The supply of red clover seed is below normal for the United States while that of alfalfa and sweet clover is to be found in approximately normal quantities. The production of sweet clover in Nebraska for 1935 was unusually low and it is anticipated that prices will be a little higher than normal on account of this scarcity. The seeding of legumes will doubtless be stimulated during the coming year through the programs of the Agricultural Adjustment Administration but there will be competition from other hay and pasture crops which may be selected because of the seed being cheaper and other factors which may make it seem more desirable to grow those crops rather than legumes. Brome grass seed is plentiful and cheap and is an especially desirable pasture grass for eastern Nebraska. It is probable that a greater than normal amount of this kind of grass will be seeded. Prices of red clover and alfalfa seed will probably continue relatively low during 1936.

A. G. G.

### FARM FAMILY LIVING OUTLOOK FOR 1936

There has been a gradual increase in the cash income of farm families beginning with the low point in 1932. The North Central states have had the most rapid increase in cash income and lead all sections of the

United States for 1935. During 1935 mail order houses have done the largest business since 1929 and chain stores selling among farmers have sold more than in any year since 1930. Areas within the North Central states have not shared equally in the increased cash income. This situation is especially noticeable in the various parts of Nebraska. The Outlook for 1936 is for a continued increase in cash farm income. The relative increase for the year will be greatest in those areas suffering this year from

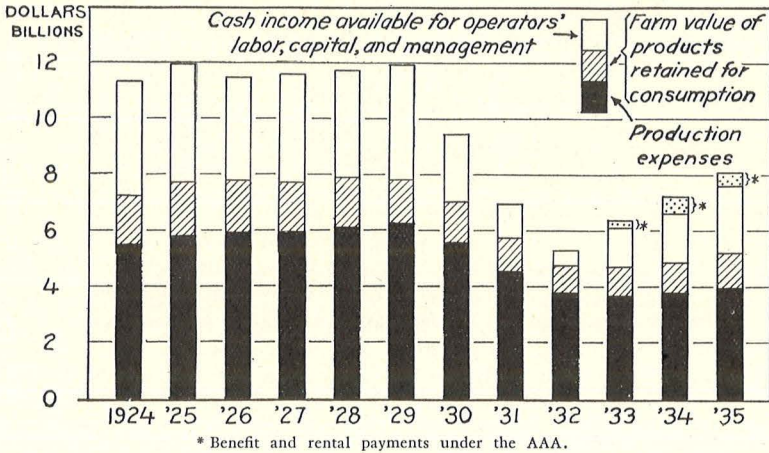


Figure 4

drought or rust damage. Cost of living of farm families as measured by the index for all goods purchased, has not changed materially during 1935. Food prices advanced during the year while clothing, household goods and furnishings have declined. For the first half of 1936 it is anticipated that there will be little change in the relative prices of goods for farm family maintenance. In 1935 farm families in Nebraska continued producing a relatively large part of their food. It is anticipated that with higher meat prices there will be a corresponding decline in home canning and curing of meats. Other items of food usually produced on the farm will probably continue to be grown. With a larger cash income for 1936 it may be expected that the farm automobile will take a relatively smaller amount, leaving a large part of the gain in cash income to be spent for home furnishings, capital goods, and improved levels of farm life.

There are, however, areas in Nebraska where past due interest and delinquent taxes will take the larger part of the increased cash income. The level of family living throughout Nebraska will depend largely upon the amount of products and the prices of those products within rather small areas. Families who were fortunate in having reasonable yields of corn or wheat or who have hogs or cattle to sell will fare much better than their less fortunate neighbors during the first six months of 1936.



There was about 10 per cent increase over last year in the cash income per farm from benefit AAA payments. In some areas federal and county employment of farmers increased the cash income for the year. Dairy, poultry, and egg sales have added materially to the cash income of many families. It is estimated by federal authorities that total farm sales increased \$400,000,000 over last year's numbers.

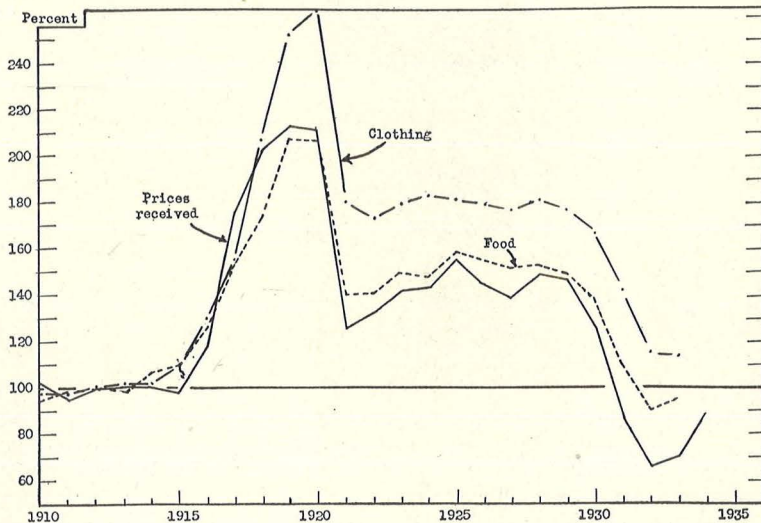


Figure 5

The following two paragraphs have been taken from the *Outlook* published by the Federal committees on the agricultural outlook for 1936:

"The gross cash income received from agriculture during 1935 is continuing the upward trend which began in the first half of 1933. The total received from the sale of farm products and from the AAA will be approximately \$6,800,000,000 for the calendar year 1935 according to preliminary estimates. Although this income is only 67 per cent as large as the average annual cash income received by farmers during the five years preceding 1930, it represents an increase of 59 per cent over the low level reached in 1932 and an increase of 6 per cent over 1934. The outlook for 1936 is for a continuation of this upward trend."

"Improvements in farm family well being are indicated by the decrease in the number of farmers on relief. Only two-thirds as many being reported in October, 1935, as the same month for 1934 according to the Rural Research Section of the Federal Emergency Relief Administration. This fact is due in part to increased income from agriculture, altho some of the farmers taken from relief rolls may have been given employment on public works projects and may have been aided by resettlement and rural rehabilitation projects."

Cooperative effort on the part of the farmers both as buyers and sellers has grown during the past four or five years. This cooperation is used in marketing grains and livestock in order to increase the cash income. In the field of purchasing gasoline, food, clothing, paint, auto supplies, and other commodities have been used to decrease the cash outgo. Both of these efforts tend to increase the level of the family living by increasing its purchasing power. Another increased-buying factor is found in the fact that there is a greater tendency to pay cash for goods purchased and thereby obtain lower prices for their consumption goods.

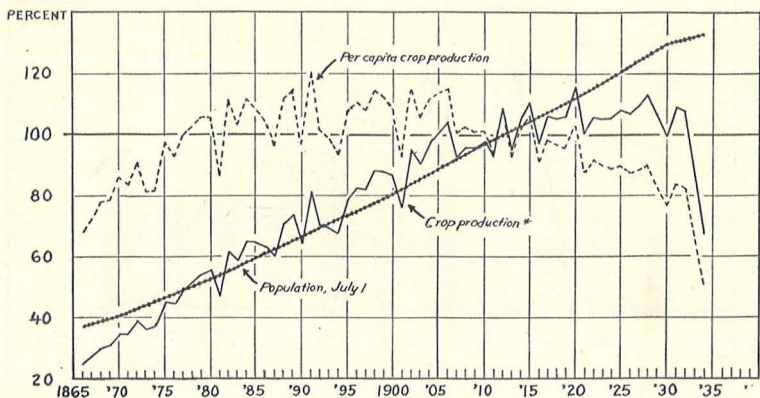


Figure 6

There has been considerable discussion during the past six or seven years concerning the production of farm products. Figure 6 shows clearly the trend of crop production in the United States since 1866 to the present year when 1910-1914 is used as a base. About 1910 the per capita production and the total crop production virtually met. This period is known as a period of prosperous farm living. Since then the per capita production of agricultural products has fallen below both average and total production. The influence of such a trend may be to increase the varieties of food and clothing for the farm family. It may also affect the income of the farm family either adversely or favorably. If there are no imports of agricultural products or a substitution for them then their prices should rise. This reaction in turn would increase the farm families' income and tend toward a higher level of living. If, however, imports do come into the United States in large amounts or other products are substituted for agricultural products grown in the United States the family income will decline and the standard of living be decreased.

A. W. M.