The demand for farm products in 1948 is expected to continue generally strong. Prices of farm products and income from farming, although increasingly subject to fluctuations arising principally from uncertainties in the foreign situation, may average as high as the record levels of this year.

Basic demand factors in the domestic economy, which were important in maintaining the extraordinary high level of output and employment in 1947, are likely to remain strong during most or all of 1948. A combination of large outlays for plant and equipment, some increase in new construction, and continuing large Government expenditures are expected to support a high level of employment and domestic spending.

On the foreign side, total expenditures on American goods abroad will probably drop below the phenomenal level of 1947, but with large food imports still vital to the economic reconstruction of many countries, the necessity of exporting a considerable proportion of total U. S. food production, particularly the grains, will continue.
## ECONOMIC TRENDS AFFECTING AGRICULTURE

<table>
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<td>All com. except farm and food</td>
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<td>152</td>
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<td>166</td>
<td>188</td>
<td>190</td>
<td>193</td>
<td></td>
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<td></td>
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<td>123</td>
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<td>117</td>
<td>119</td>
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<td>128</td>
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<td>159</td>
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<td>169.2</td>
<td>171.9</td>
<td>173.0</td>
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<td>Bill. dol.</td>
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<td>273</td>
<td>315</td>
<td>315</td>
<td>312</td>
<td></td>
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<tr>
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<td>1936-39=100</td>
<td>284</td>
<td>284</td>
<td>332</td>
<td>340</td>
<td>334</td>
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<td>Factory payrolls 5/</td>
<td></td>
<td>43.73</td>
<td>43.39</td>
<td>48.46</td>
<td>49.37</td>
<td>49.25</td>
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<td></td>
<td>46.65</td>
<td>46.24</td>
<td>51.72</td>
<td>52.95</td>
<td>52.41</td>
<td>52.41</td>
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<td>All manufacturing</td>
<td></td>
<td>41.01</td>
<td>40.46</td>
<td>44.93</td>
<td>45.47</td>
<td>45.89</td>
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<tr>
<td>Durable goods</td>
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<td>55.2</td>
<td>57.5</td>
<td>55.3</td>
<td>60.1</td>
<td>60.1</td>
<td>59.9</td>
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<tr>
<td>Nondurable goods</td>
<td></td>
<td>45.9</td>
<td>47.9</td>
<td>49.3</td>
<td>49.7</td>
<td>50.0</td>
<td>50.4</td>
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<tr>
<td>Employment</td>
<td></td>
<td>9.3</td>
<td>9.9</td>
<td>9.0</td>
<td>10.4</td>
<td>10.1</td>
<td>9.5</td>
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<tr>
<td>Total civilian</td>
<td></td>
<td>3,427</td>
<td>3,533</td>
<td>3,865</td>
<td>5,473</td>
<td>5,397</td>
<td>5,538</td>
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<tr>
<td>Nonagricultural</td>
<td></td>
<td>3,676</td>
<td>3,644</td>
<td>3,861</td>
<td>5,540</td>
<td>5,669</td>
<td>5,060</td>
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</tbody>
</table>

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Uncertainty about the course of prices of farm products is greater for the second half of 1948 than the first half, as prices later in the year will be affected by the size and condition of the 1948 crops both here and abroad and by the availability of funds to provide for foreign needs.

Although the average of prices received by farmers in 1948 may be close to that of 1947, a considerable degree of fluctuation is likely and there will be important differences among the several major commodities. Prices of food grains, feeds and livestock products are likely to show the greatest strength in 1948. Prices of dried fruits and citrus fruits are expected to be relatively less favorable than in years prior to 1947 since supplies have increased while export demand has dropped. Prices of cotton and tobacco will be affected by policies adopted by foreign countries in using their exchange for buying these products.

Quantities of farm products marketed are likely to be less in 1948 than in 1947, although the drop may be small if the 1948 crops of both wheat and feed grains are large. A considerable part of the reduction probably will be in livestock and livestock products. Fewer beef cattle will be marketed because herds have been gradually reduced over several years. Also, production of livestock and livestock products generally, and of hogs and grain-fed cattle particularly, is expected to decline as a result of the smaller corn crop of 1947.

The possibility that more inflationary pressure may develop in 1948 must be recognized. The output of goods is still far short of meeting deferred demands. A large accumulation of purchasing power remains to be spent and further credit expansion is possible. With prices continuing to rise and speculation increasing, the economy is likely to become more sensitive to shocks from various sources such as shortages in basic materials, work stoppages, shifts in consumers' spending, sudden changes in the foreign balance, and international uncertainties. Such conditions would contribute to an inflationary psychology which might result in a further price boom to be followed by a reaction.

(For Release October 22, a.m.)
BACKGROUND OF THE PRESENT SITUATION

1946 and 1947

Domestic Demand for Farm Products

Domestic demand for farm products in 1946 and 1947 has been greater than ever before. The United States, still in a postwar boom, is having in 1947 the largest employment, output of civilian goods and total income in its history (see table 1).

Employment

Throughout 1946 and 1947, the United States has been close to full employment. In August 1946, 57.7 million persons were employed out of a civilian labor force of 59.8 million, with unemployment only 2.1 million. In August of this year, 59.9 million were employed out of a civilian labor force of 62.0 million, with unemployment still at 2.1 million. The economy absorbed all the workers added to the labor force during the year, most of whom were World War II veterans who returned to civilian life.

Of the 57.7 million persons employed in August 1946, 48.6 million were in nonagricultural occupations and 9.1 million were in agriculture. On August 1947, both had risen; nonagricultural employment totaled 50.4 million, and agricultural employment 9.5 million. Compared with August 1940, however, nonagricultural employment has expanded nearly one-third, but agricultural employment has contracted slightly.

Industrial Production

Industrial production fell sharply after the end of the war because of contraction in the war industries, dropping from a peak of 235 (1935-39 = 100) in March 1945 to 152 in February 1946. From that point it rose fairly steadily, averaging 170 for 1946 and reaching a peak of 190 in March of 1947. It then declined until July when the index reached 177, but recovered to 182 in August. For the first 6 months of 1947, the index averaged 187, about 15 percent above the same period in 1946.

The postwar expansion in industrial production was most pronounced for durable goods. The index of production of these goods rose from a February 1946 low of 138 to a peak of 225 in March of 1947. The subsequent decline brought the index to 203 in July but it recovered to 211 in August. For the first 6 months of 1947, the index averaged 219, about 23 percent above the first 6 months of 1946.

The decline from March to July is very largely attributable to work stoppages and shortages of materials. In April, the communication equipment industries were held up by work stoppages, and electrical machinery, nonferrous metals and building materials began a four-month decline. In May, output of passenger cars and trucks fell off due to shortages of sheet steel even though steel was being produced at a peacetime record rate. In June and July, automobile production was still held back by shortages of materials, and steel and shipbuilding were affected by threatened and actual work stoppages. Easing of material shortages appears to have been a principal cause of the August recovery.
Table 1. Statistical summary of production, prices, employment and income, 1935-39 average, and 1945 to second quarter of 1947

<table>
<thead>
<tr>
<th>Item</th>
<th>Base period</th>
<th>Calendar year 1935-39 average</th>
<th>1945</th>
<th>1946</th>
<th>First quarter 1947</th>
<th>Second quarter 1947</th>
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<tr>
<td>Total civilian employment 1/</td>
<td>Million</td>
<td>2/44.6</td>
<td>52.8</td>
<td>55.2</td>
<td>55.7</td>
<td>58.4</td>
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<tr>
<td>Unemployment 1/</td>
<td>&quot;</td>
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<td>1.0</td>
<td>2.3</td>
<td>2.4</td>
<td>2.3</td>
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<td>Industrial production 3/</td>
<td>1935-39</td>
<td>100</td>
<td>203</td>
<td>170</td>
<td>189</td>
<td>185</td>
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<tr>
<td>Durable goods</td>
<td></td>
<td>100</td>
<td>274</td>
<td>192</td>
<td>223</td>
<td>219</td>
</tr>
<tr>
<td>Nondurable goods</td>
<td></td>
<td>100</td>
<td>166</td>
<td>165</td>
<td>176</td>
<td>170</td>
</tr>
<tr>
<td>Consumers' prices (urban) 4/</td>
<td></td>
<td>100</td>
<td>128.4</td>
<td>139.3</td>
<td>154.3</td>
<td>156.4</td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td>100</td>
<td>139.1</td>
<td>159.6</td>
<td>185.2</td>
<td>188.7</td>
</tr>
<tr>
<td>Nonfood</td>
<td></td>
<td>100</td>
<td>122.8</td>
<td>128.0</td>
<td>136.9</td>
<td>138.3</td>
</tr>
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<td>Wholesale prices, all commodities 4/</td>
<td></td>
<td>1926</td>
<td>81</td>
<td>105.8</td>
<td>121.1</td>
<td>145.2</td>
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<td>176.9</td>
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<tr>
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<td>106.2</td>
<td>130.7</td>
<td>161.9</td>
<td>161.3</td>
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<tr>
<td>All excl. farm and food</td>
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<td>99.7</td>
<td>109.5</td>
<td>129.1</td>
<td>131.7</td>
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<td>Prices received by farmers</td>
<td>Aug. 1909</td>
<td>128</td>
<td>174</td>
<td>194</td>
<td>221</td>
<td>230</td>
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<tr>
<td>Prices paid, int. &amp; taxes</td>
<td>July 1914</td>
<td>84</td>
<td>116</td>
<td>120</td>
<td>121</td>
<td>119</td>
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<td>Parity price ratio</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm cash income, including</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Government payments</td>
<td>Bil. dol.</td>
<td>8.5</td>
<td>22.3</td>
<td>25.3</td>
<td>5/30.0</td>
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<td>Realized net income of farm operators</td>
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<td>11.9</td>
<td>14.2</td>
<td>5/18.0</td>
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<tr>
<td>Volume of farm marketings</td>
<td>Bil. dol.</td>
<td>100</td>
<td>5/140</td>
<td>5/139</td>
<td>5/142</td>
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<tr>
<td>Gross national product 6/</td>
<td>Bil. dol.</td>
<td>84.4</td>
<td>213.1</td>
<td>203.7</td>
<td>7/222.2</td>
<td>7/226.0</td>
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<td>Personal consumption expd.</td>
<td>Bil. dol.</td>
<td>63.6</td>
<td>121.7</td>
<td>143.7</td>
<td>156.8</td>
<td>159.0</td>
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<td>Gross private domestic investment</td>
<td>Bil. dol.</td>
<td>8.7</td>
<td>9.1</td>
<td>24.6</td>
<td>29.6</td>
<td>28.8</td>
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<td>New construction</td>
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<td>3.1</td>
<td>3.1</td>
<td>8.5</td>
<td>10.3</td>
<td>9.5</td>
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<td>Producers' durable eqpt.</td>
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<td>4.4</td>
<td>7.1</td>
<td>12.4</td>
<td>16.6</td>
<td>17.8</td>
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<tr>
<td>Change in business inventories</td>
<td>Bil. dol.</td>
<td>1.2</td>
<td>-1.2</td>
<td>3.7</td>
<td>2.7</td>
<td>1.5</td>
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<td>Net foreign investment</td>
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<td>0.4</td>
<td>-0.8</td>
<td>4.8</td>
<td>9.2</td>
<td>10.6</td>
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<td>Government purchases of goods and services</td>
<td>Bil. dol.</td>
<td>11.8</td>
<td>83.1</td>
<td>30.7</td>
<td>26.6</td>
<td>27.6</td>
</tr>
<tr>
<td>Personal income 6/</td>
<td>Bil. dol.</td>
<td>69.1</td>
<td>171.6</td>
<td>177.2</td>
<td>7/190.9</td>
<td>7/191.6</td>
</tr>
<tr>
<td>Disposable personal income6/</td>
<td>Bil. dol.</td>
<td>66.6</td>
<td>150.7</td>
<td>158.4</td>
<td>7/169.4</td>
<td>7/170.0</td>
</tr>
</tbody>
</table>

1/ Bureau of the Census. 2/ Estimated; comparable data not available. 3/ Federal Reserve Board. 4/ Bureau of Labor Statistics. 5/ Preliminary estimate for all year. 6/ United States Department of Commerce. 7/ Seasonally adjusted at annual rate.
The output of nondurable goods reached a low in October 1945, when the index stood at 154. It rose to 164 in February 1946 and then declined to 157 in July of that year. From that point the index recovered to 177 in January of 1947, a postwar peak. The index has declined during most of 1947, reaching a low of 164 in July and recovering to 169 in August. The average for the first 6 months of 1947 was 172, only 6 percent over the same period of 1946. The index has dropped mainly because of persistent declines in textiles, rubber products, leather goods, and beverages, which were among the first industries to catch up with demand at prevailing prices.

Commodity Prices

Practically full employment and production in 1946 and 1947 has been accompanied by sharply advancing commodity prices. In general, supplies of most commodities have been short of the unprecedented domestic and foreign demand for United States agricultural and industrial output. In little more than a year, the commodity price level, as represented by the BLS index of wholesale prices, has advanced more than a third, the sharpest rise since World War I. Most of the advance in prices occurred in the latter half of 1946, reflecting principally the termination of price controls and adjustment of prices to a free market basis. From June to December 1946, the index of wholesale prices moved up 25 percent. The advance in the first nine months of 1947, while not so pronounced as in the last half of 1946, amounted to 11 percent.

From June 1946 to September 1947, the wholesale price index of all commodities rose 39 percent (see table 2). Wholesale prices of food increased most with a gain of 58 percent. Prices of farm products and of products other than farm and food were up 33 and 31 percent respectively. When prices were under control, price increases allowed for farm products were absorbed to a considerable extent in the processing and marketing channels, sometimes by means of subsidy payments. Just after price control and most subsidies were ended, wholesale food prices moved ahead faster than wholesale prices of farm products. In 1947, though, wholesale prices of foods and of farm products have risen at about equal rates.

In September 1947, wholesale prices of food and of farm products were the highest on record but prices of industrial commodities were lower than in 1920.

Retail prices, as measured by the BLS consumers' price index, increased 19 percent from June 1946 to August 1947. The principal reason this index has advanced more slowly than the wholesale index is that it includes rents, which are still under price controls, and a number of services the prices of which normally change slowly. Also, retail prices tend to move less than wholesale prices because of the less variable processing and marketing charges reflected in the retail prices.

Prices received by farmers increased 31 percent from June 1946 to September 1947, approximately in line with the increase in wholesale prices of farm products. The index of prices received by farmers in mid-September was a new record of 286 (1909-14 = 100). Rising consumer incomes and large foreign takings of foods, along with prospects for a slightly smaller total crop production this year than last, are being reflected in higher prices received by farmers.
Table 2.- Summary of price changes from June 1946 to September 1947

<table>
<thead>
<tr>
<th>Item</th>
<th>Base</th>
<th>June 1946</th>
<th>Dec. 1946</th>
<th>June 1946 to Sept. 1947</th>
<th>Percentage increase</th>
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<td>Wholesale prices, all commodities 1/</td>
<td></td>
<td>1926 = 100</td>
<td>112.9</td>
<td>140.9</td>
<td>2/56.6</td>
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<td>Farm products</td>
<td>&quot;</td>
<td>140.1</td>
<td>168.1</td>
<td>12/186.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Food</td>
<td>&quot;</td>
<td>112.9</td>
<td>160.1</td>
<td>2/178.7</td>
<td>51.8</td>
</tr>
<tr>
<td>Other than farm and food</td>
<td>&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>105.6</td>
<td>124.7</td>
<td>2/138.0</td>
<td>18.1</td>
</tr>
<tr>
<td>Consumers' price index 1/1935-39 = 100</td>
<td></td>
<td>133.3</td>
<td>153.3</td>
<td>3/159</td>
<td>15.0</td>
</tr>
<tr>
<td>Food</td>
<td>&quot;</td>
<td>145.6</td>
<td>185.9</td>
<td>3/195</td>
<td>27.7</td>
</tr>
<tr>
<td>Nonfood</td>
<td>&quot;</td>
<td>126.8</td>
<td>135.0</td>
<td>3/139</td>
<td>6.5</td>
</tr>
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<td>Prices received by farmers, all products</td>
<td></td>
<td>Aug, 1903</td>
<td>July 1914</td>
<td>218</td>
<td>264</td>
</tr>
<tr>
<td>Crops</td>
<td>&quot;</td>
<td>223</td>
<td>232</td>
<td>254</td>
<td>4.0</td>
</tr>
<tr>
<td>Livestock</td>
<td>&quot;</td>
<td>213</td>
<td>294</td>
<td>315</td>
<td>38.0</td>
</tr>
<tr>
<td>Prices paid, interest and taxes</td>
<td></td>
<td>1910-14 = 100</td>
<td>183</td>
<td>213</td>
<td>237</td>
</tr>
<tr>
<td>Production</td>
<td>&quot;</td>
<td>190</td>
<td>207</td>
<td>245</td>
<td>8.9</td>
</tr>
<tr>
<td>Living</td>
<td>&quot;</td>
<td>201</td>
<td>259</td>
<td>258</td>
<td>18.9</td>
</tr>
<tr>
<td>Parity ratio</td>
<td>&quot;</td>
<td>116</td>
<td>124</td>
<td>121</td>
<td>6.9</td>
</tr>
</tbody>
</table>

2/ Average of four weekly indexes.
3/ August, estimated by Bureau of Agricultural Economics.

Prices paid by farmers including interest and taxes advanced 26 percent from June 1946 to September 1947, almost as much as prices received by farmers. In mid-September, the index of prices paid, interest and taxes was 237 (1910-14=100), also a new record high.

The parity ratio (ratio of the index of prices received by farmers to the index of prices paid, interest and taxes) increased less than 1 percent from June 1946 to August 1947, but with the sharper increase in prices of farm products in September, advanced to 121 (1910-14=100), 4 percent above June 1946. However, this was somewhat lower than the level in the last half of 1946.

National Income and Related Factors

The major economic forces which have brought about the extremely high level of employment, production, prices and income are shown in the gross national product figures of table 1. The gross national product, which measures the total production of goods and services in the nation at market prices, with its sources and distribution, is frequently referred to as the nation's economic budget.

The combination of virtually full employment, high output and rising prices is shown clearly in the huge size of the gross national product which was running at an annual rate of 224 billion dollars in the first half of 1947. This was even higher than in the war years of 1944 and 1945, and over 2 1/2 times the 1935-39 average.
The forces sustaining the boom in 1946 and 1947 are evident. These include:

1. An exceptionally high level of consumer expenditures, fostered by record consumer incomes and an inclination to spend them. Disposable personal income and personal consumption expenditures have been approximately $2\frac{1}{2}$ times the prewar level. Despite rising prices in 1946 and 1947, consumers have maintained their purchases of most goods and services and increased their takings of some, notably automobiles. Consumption expenditures in the past year have increased more than incomes but consumers as a group are still saving a larger percentage of their income than in most prewar years.

2. A phenomenal expansion in gross private domestic investment in the United States, of which the most important element has been new plant and equipment required to replace older installations plus additional facilities to supply the greatly increased demand for final goods and services. This element has been supplemented by new construction activity about three times the prewar level, and large increases in business inventories.

3. Extremely large exports to foreign countries, particularly in the first half of 1947. Many countries whose resources were damaged or depleted during the war have purchased vast quantities of raw materials, food, fuel and machinery from the United States. They have purchased as many items as we could supply and they could pay for either with their reserves and current earnings of gold and dollar exchange or with dollars from U. S. loans and aid. Net foreign investment, the surplus of U. S. exports over imports minus that financed by direct grants, was at the rate of about $9\frac{1}{2}$ billion dollars annually in the first half of 1947, nearly double the rate for the year 1946 (see table 3).

4. Expenditures by Federal, State and local governments about $2\frac{1}{2}$ times as large as in prewar years, although about the same proportion of national income. The largest parts are military expenditures, veterans' programs and interest on the national debt.

Foreign Demand: Agricultural Exports 1946-47

Agricultural exports from the United States have been much larger in 1946 and 1947 than before the war. Demand for foodstuffs by foreign countries damaged by the war has been intense, and generally good crops in this country have helped to make large exports possible. For some commodities, exports have taxed United States supplies and shipping capacity.

Not only have larger quantities of farm products been exported, but the value of exports has risen greatly because of higher prices. In addition, the composition, destination, and financing of agricultural exports have changed from prewar years.

Quantity and value of agricultural exports: In 1946, the index of physical quantity of all agricultural exports, including military shipments of food to foreign civilians, was about $2\frac{1}{2}$ times the 1935-39 average. The value was over $3.5$ billion dollars—nearly five times the prewar average. In 1947, the quantity has been about the same as in 1946 but the value is somewhat larger because of higher prices.

Food exports including military civilian shipments in fiscal year 1946-47 were 9 percent of total United States food supplies. During the same year, United States food consumption per capita was 18 percent larger than prewar.
Table 3.- Summary of United States export trade and means of payment, 1946 and first half of 1947

<table>
<thead>
<tr>
<th>Item</th>
<th>1946 (annual rate)</th>
<th>First half 1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States exports of goods and services</td>
<td>15.3</td>
<td>19.9</td>
</tr>
<tr>
<td>Less: United States imports of goods and services</td>
<td>7.1</td>
<td>8.0</td>
</tr>
<tr>
<td>Equals: United States export surplus</td>
<td>8.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Less: The part of the export surplus paid for with United States Government and private grants</td>
<td>3.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Equals: United States net foreign investment</td>
<td>5.1</td>
<td>9.4</td>
</tr>
</tbody>
</table>

1/ Values for first half of 1947 multiplied by 2 to convert to annual rate.
2/ This part of the export surplus was paid for by foreign purchasers with dollars loaned to them by the United States Government or its citizens or with dollars received by them from the sale of part of their reserves of gold and short- and long-term dollar assets.

Composition. Before the war, cotton and tobacco made up about two-thirds of the value of all agricultural exports, and foods the rest. Since the war, the proportions have been reversed. The big expansion in exports has been primarily in foods, which in the last two years have been nearly three-fourths of agricultural exports plus military civilian shipments. Large food exports have come about because of critical needs in many foreign areas.

In neither Europe nor Asia has food production recovered to prewar levels. Compared with prewar, European wheat and rye crops in 1946 were down 22 percent; the potato crop, 25 percent; and meat production, 40 percent. In addition, political division of the European continent has cut off Western Europe from the normally food-exporting nations of East-central Europe. These food shortages and political barriers in Europe, a world rice crop 8 percent below prewar, and a 5 to 10 percent increase in the world's population have caused unparalleled world demand for food.

Recently, the main shift in composition of U. S. exports has been between kinds of foods. In 1946, when more dollar exchange, including UNRRA and lend-lease funds, was available and the United States had food stocks on hand in foreign countries, the "protective foods" such as meats, eggs and dairy products were approximately 62 percent (in dollar value) of the total exports and military shipments of food. In the first half of 1947, however, increasing shortages of exchange reduced exports of these comparatively high-cost foods to about 40 percent of the total. Foreign purchasers concentrated instead on grains and other foods of low cost per calorie. Grains made up about 60 percent of all food exports, and 45 percent of all agricultural exports, in the first half of 1947.

Destination. Destinations of U. S. agricultural exports (not including military civilian shipments) by continents have been about the same as prewar. In 1946, Europe took about 65 percent, Asia 16 percent, and Western Hemisphere countries about 15 percent. Within Europe, though, several countries damaged by war and aided by relief programs received a larger proportion of United States agricultural exports than before the war. Others that received relatively little relief assistance took a smaller proportion than formerly. Great Britain, for instance, bought one-third of the agricultural exports of this country before the war but received less than one-fifth in 1946.
Financing. Foreign purchasers usually pay for agricultural and other exports chiefly out of their current earnings of exchange. But since the war, many countries needing farm products from the U. S. have been unable to pay for them with exchange earned from their own foreign trade. Consequently, a large part of the agricultural exports from the United States have been paid for through financing. The U. S. Government has provided large foreign loans and grants. To a lesser extent, foreign purchasers have sold gold and short- and long-term dollar assets to pay for United States exports.

Some of the United States loans and grants have been specially earmarked for farm products. In 1946, approximately $1.5 billion dollars of U. S. funds were so earmarked. They paid for more than 40 percent of total agricultural exports and military civilian food shipments. In 1947, the value of such earmarked funds is a little less than one billion and probably will pay only for 20 to 25 percent of total agricultural exports and military food shipments to civilians. However, United States foreign loans and grants not earmarked for farm products are much larger than in 1946. Therefore, the total direct and indirect aid to farm exports from Government funds may be about as large in 1947 as in 1946.

PROSPECTS FOR 1948

Domestic Demand for Farm Products

Domestic demand for farm products is likely to be very great again in 1948. Employment, production and incomes—which underlie domestic demand—have set peacetime records in 1947 and may again be very high next year. If they should weaken a little, demand would level off from its present position of pressing against supplies and causing prices to rise. Only a sharp break, which is possible but not expected, could cause a big drop in domestic demand for farm products in 1948.

As mentioned above, high employment, production and incomes have come about primarily because of three conditions: Consumers are spending more money than ever before; industries are renewing and replacing their plants and equipment; and foreign countries are taking large quantities of United States goods and are paying for much of them with dollar exchange obtained from sales of their assets and from United States loans and grants rather than from their own exports of goods.

Consumers will spend less money in 1948 only if their incomes are smaller or they increase their rate of saving, neither of which seems likely. At present levels of employment, no drop in incomes is expected. The rate of saving has been going down in the last two years in spite of rising incomes. Since consumers still have unfilled needs for automobiles and other durable consumption goods, and since they appear willing to compete at high prices for food, clothing and other "soft" goods, they are not likely to save any more of their income in 1948 than they did in 1947.

Business investment in plants and equipment, although now probably more than a replacement rate, is likely to be very large in 1948. Reports indicate that in spite of its great expenditures, industry has not completely renewed and replaced its worn-out machinery and equipment.

Construction activity may be larger in 1948 than in 1947. Needs for new industrial and commercial construction are still great, and needs for new private homes are acute. In spite of present costs, construction activity has been expanding to meet these needs.
Foreign needs for American raw materials, fuels, foodstuffs and industrial machinery remain so critical that United States exports in 1948 will be limited almost entirely by the supply of dollars available. Foreign purchasers probably will not earn exchange much faster next year than in 1947. Their holdings of long- and short-term dollar assets and gold are being reduced. Moreover, commitments under present United States Government foreign loans and grants are approaching an end. New Government loans or grants will therefore be very important to United States export trade in 1948.

If no new loans or grants are made by the United States Government, foreign demand will be a much smaller factor in business activity next year than in 1947. But if there are new foreign aid programs, exports and foreign investment will again be very important although probably less than the very high level in 1947.

Of these major elements in present business conditions, only foreign trade is likely to be reduced in 1948. A smooth and moderate drop in foreign trade could quite possibly be offset by an expanded rate of new construction alone.

Chances of a business recession in 1948 are greatest if foreign trade should fall rapidly and at the same time a weakness should appear in some domestic activity still carried over from the war, such as replacement or plant and equipment. The possibility of a sharp break in business activity and of unemployment during 1948—a less promising prospect than is currently indicated—cannot be overlooked.

The Problem of Inflation

Immediately, the greatest danger is that of further inflation. During the summer and fall of 1947, the total expenditures of business and consumers have risen but production has not increased. Expenditures by consumers, who have both old and current needs, has been supported by high incomes, by continued use of savings, by extension of consumer credit, and by cashing of terminal leave bonds. Expenditures of business has been made possible by generally high business earnings and by credits. In addition, foreign countries have maintained their expenditures in the United States by drawing on their dollar credits and balances.

Meanwhile, production has been retarded by shortages of supply in industry, and by unfavorable weather for some crops in agriculture. Goods have not existed in sufficient quantity to meet the total demand at prevailing prices. The consequence has been a marked price rise.

Correction of this condition is not clearly in sight. Industry can increase its output only slowly because it has been operating close to its capacity, expansion of which is slow-paced and difficult. Agricultural production is largely determined by the size of the crops just harvested, and cannot rise much before next fall.

Possibly the gravest possibility is that an inflationary, speculative psychology should develop. This may be the greatest single threat for inflation. It could support a spiral, and lead to a severe break when the inflationary forces are entirely spent.

Nevertheless, continued inflation is not inevitable. It can be held back by the caution and resistance of buyers. This could be voluntary on the part of some businessmen and consumers, but may be forced upon those who profit least in the inflationary trend. Also, various controls by Government could help to restrain inflation. These might be fiscal, credit and other controls for which authority now exists, or any new controls that might be adopted in the future.
Inflation would be likely to cause discrepancies in prices of various farm products. Some farmers would prosper during the inflation, but others would be adversely affected. Prices of foods that are staples in the diet and are important in exports would rise most in price. These are mainly grains and meat, and substitutes for them. Prices of some vegetables and fruits would be likely to rise least.

The bigger difficulty, however, is the effect of the break that inevitably follows an inflationary period. A collapse of prices would cause prices of farm products to fall fast, and would affect most seriously those that had risen most during the inflation. Furthermore, during the inflation many taxes and other costs that change slowly would gradually have gone up. Many farmers would have incurred indebtedness at the high prices. During the deflation the costs would come down only gradually, and in addition the interest and repayment charges on indebtedness would be a heavy burden.

Prospects for Agricultural Exports in 1948

The quantity of farm products that will be exported from the United States in 1948 will depend on foreign needs, on the supplies available, and on the supply of dollars in the hands of foreign buyers. The general problem of the supply of dollars has been briefly examined (p. 6), but it is complicated further by the question of whether foreign countries will prefer to use their scarce funds for industrial goods or for farm products.

Foreign needs. Physical needs of foreign countries for farm products in 1948 are likely to be even greater than in 1947. Although it had been hoped that world food production would be greatly improved by 1947, crop production in food-deficit countries is generally smaller this year than last. Crops in Europe were damaged by unusually severe winter weather and by a summer drought. According to preliminary estimates, European bread grain production in 1947 will be 11 percent less than in 1946. As a result, European requirements for food will be substantially larger than in 1946. In a report of August 30, 1947, the Food and Agriculture Organization of United Nations estimated that requirements for grain imports in the entire world in 1947-48 will total approximately 43 million tons. Last year the stated requirements were 37 1/2 million tons. Approximately 28 1/2 million tons were received by importing countries in 1946-47.

More food will probably be available from exporting countries other than the United States in 1947-48 than in 1946-47. But on September 25, 1947, the President of the United States stated that if exports from this country are reduced, "even with this expected increase in exports from other countries,... there would still be a serious gap between the minimum needs of deficit countries and the total of foodstuffs which could be supplied."

United States supplies available for export. Total United States crop production in 1947, reduced by low yields of corn and other feed grains, will be less than in 1946. But production of the commodities that are specially important in export trade is, as a rule, fairly large this year.
United States supplies of wheat, the commodity in greatest export demand, are the largest in four years. Carry-over was small, but the 1947 crop was tremendous—1.4 billion bushels. From this supply the demand for feeding livestock will be greater than usual. Quantities of wheat available for export will depend on trends in wheat prices as foreign demand competes with domestic demands for food and feed, and on Governmental policies.

In general, supplies of most other products that are exported will be as large in 1948 as in 1947. Based on estimates of the 1947 crop, more cotton will be available from current production but less from old stocks. Tobacco supplies will be larger than last year. Some foods, such as dried fruit and citrus fruit, will be available in larger quantity and at lower price than in recent years prior to 1947.

Supplies of all products available for export in 1948 will, of course, be affected by the size of 1948 crops. For some commodities, though, export demand may affect 1948 production. Tobacco production, for example, will probably be smaller in 1948 than in 1947 because of the poorer prospects for exports.

Supply of dollars. Dwindling supplies of dollar exchange could be the most serious restriction on agricultural exports in 1948. Even with substantial new United States loans or grants, total dollar exchange available for foreign purchases of all products probably will be smaller than in 1947.

Foreign countries will be under dual pressures in dividing their smaller supplies of dollar exchange between industrial materials and foodstuffs. They will want industrial materials to rebuild their productivity; they will need foodstuffs to sustain their population. It seems reasonable that if the supply of dollar exchange is severely limited, exports of basic foodstuffs would be reduced less than most industrial items. Most of the foodstuffs would be grains, which are the lowest-cost source of calories, although in a few instances foods of protective value for children might be taken. If the supply of exchange were larger, more might be used for both the more expensive foods and various industrial materials.

Conclusion. Total agricultural exports in 1948, including military shipments of food to foreign civilians, will be as large as in 1947 only under the most favorable circumstances. But effective foreign demand for grains, because preferences for grains are now strong, may again be very large. Whether or not grain exports will be equal to those in 1947 depends on the policies of the United States Government and the trends in prices, as well as on the size of the grain crops in 1948. Also, exports of some other foods equal to or larger than in 1947 are called for in proposed Government programs.

Foreign demand for fats and oils will be nearly as strong as for the grains. They are intermediate in cost per calorie. Foreign countries have purchased nearly all supplies available to them because their diets are very deficient in oils, and they are likely to take large quantities in 1948.

Dairy products, dried fruits, and other foods of higher cost per calorie will feel the pinch of restricted supplies of dollar exchange. Sizable quantities could be exported, it appears, only if new United States foreign loans or grants add more dollar exchange or if special commodity export programs are developed.
Cotton exports in the 1948 calendar year probably will be somewhat smaller than the total for 1947, although larger than the rate now indicated for the second half of 1947. Cotton may not receive as high a priority as food in countries pressed for dollar exchange. But some foreign countries will try to maintain as large purchases of cotton as possible, because they depend on their textile industries for their own export production.

Tobacco exports will be smaller in 1948 than in 1947. The United Kingdom, the largest foreign customer particularly for flue-cured types of U. S. tobacco, is reducing its imports in order to conserve dollar exchange. Other tobacco importing countries also will reduce exports of United States tobacco because of their dollar shortages.

**Prices of Farm Products**

If demand for farm products is as high in 1948 as now expected, prices received by farmers will remain close to their present levels. They will be high enough to assure farmers a profitable return for a maximum production. This prospect applies to nearly all commodities and will hold true even if prices decline a little from the record-breaking height of September 1947. Only a few farm products are in danger of serious price weakness in 1948.

Marketings this year have been exceptionally large. If they should be equally large in 1948, they probably would command prices nearly as high as in 1947. Fewer prospects are that marketings will decline during the first half of 1948. Fewer beef cattle will go to slaughter because herds have been gradually reduced over several years. Moreover, the poor 1947 corn crop will cause a small general decline in production of livestock and livestock products. Consequently, if present demand continues, prices of farm products in the early part of 1948 may remain close to the levels in the second half of 1947 and higher than the 1947 average.

If the 1948 crops of both wheat and feed grains are very large, the rate of marketings will improve and total marketings for the year will be only slightly less than in 1947. Large crops would affect prices in the second half of 1947. Prices of some commodities would drop, but the average prices received by farmers for all products would fall only moderately.

Any declines in demand in the second half of 1948 would bring about more pronounced price changes. Prices of some products would probably go down to support levels. Even under these circumstances, average prices received would be high compared with most years before 1946.

Livestock and livestock products may be relatively higher in price than most farm commodities in 1948. Prices of meat animals are likely to drop this fall and early winter, but are expected to rise after the peak in marketings is past. Prices of livestock products will again be high in 1948. They will be even higher if the smaller feed supplies cause a reduced production.

Prices of feed grains will also be relatively high until the 1948 crop season. They probably will drop considerably if the 1948 harvest is large, since requirements for feeding in 1948-49 are likely to be somewhat smaller than in previous years because of fewer livestock on hand.

Due to the smaller supplies of feed grains and the record wheat crop, farmers are likely to feed more wheat than usual this fall and winter. Strengthened by this feeding and by continued heavy foreign demand, the 1947 wheat crop will continue to be sold at prices well above the loan rate.
The present position of cotton is characterized by high rates of domestic consumption and exports. Both uses may decline slightly, largely because supplies are smaller this year than last. Export demand may be affected, too, by limited dollar exchange. Prices of tobacco, particularly of some types, may be weakened by a further reduction in exports.

Strong demand for fats and oils and oilseed meals is likely to hold prices of oilseeds from the 1947 crop at least as high, on the average, as prices received from the 1946 crop.

Prices of fruits and vegetables probably will be supported somewhat in 1948 by high prices of most foods, and will generally be as high as in 1947, higher than in any years before the war. Production of many fruit and vegetable crops, however, is now much larger than prewar. Consequently, fruit and vegetable prices may not be as high compared with prices of other farm products as they were for several years prior to 1947.

Citrus and dried fruits will be more plentiful than other fruits. Prospects for prices of these crops will be further governed by export demand. As they have concentrated more and more on cereals, foreign buyers have reduced their takings of dried fruits.

Prices paid by farmers, including interest and taxes, will probably be as high or higher in 1948 as in 1947. During the first half of 1948, when prices received by farmers will be held up by continued strong domestic and foreign demand and by the slightly smaller volume of marketings, prices paid may be expected to be no higher, compared with prices received, than they were in 1947. Consequently, the parity ratio—the index of prices received divided by the index of price paid, interest and taxes—will probably be about the same as the 1947 average. If prices received by farmers should fall somewhat in response to large 1948 crops or following a drop in demand, the parity ratio might drop but would still be well above 100.

FARM INCOME

Farm income is likely to remain high in 1948. It seems likely that farmers in this country can look forward to another year when their efforts will be highly rewarded and their opportunities for getting a satisfactory living will be far above average.

The distribution of farm income among commodities in 1948 may not be much different from 1947. Receipts from meat animals may be a little smaller because a moderate decline in marketings of cattle and calves seems likely, and hog slaughter may drop slightly. Receipts of dairy and poultry products may be about the same as in 1947 since neither quantities nor prices are expected to change greatly. Similarly, production, prices and income from fruits and vegetables will probably be about equal to those in 1947. Receipts from some fruits and some vegetables, however, will continue lower compared with other products than in prewar and war years because demand has declined since the war and production has increased. Marketings and receipts from wheat in 1948 will be lower than in 1947 unless the crop is again very large and prices are held high by strong export demand. If cotton prices remain high, receipts from the larger marketings in 1948 will be greater than this year. Receipts from corn in 1948 will probably decline due to smaller sales from the short 1947 crop.

In 1947, farm income is setting a new record. Farmers' cash receipts, including government payments, probably will total around 30.0 billion dollars, or 18 percent above 1946. Of this, government payments will be about 350 million dollars. They were 800 million dollars in 1946 when dairy, beef cattle, and sheep production payment programs were in effect during the first six months.
Cash receipts from the marketing of farm products will be about 29.7 billion dollars, approximately 21 percent above 1946. The increase is due to substantially higher prices for nearly all farm products. Prices in the first half of 1947 were much higher than the controlled prices a year earlier, and those in the second half will also show a gain over the same period of 1946. Receipts from crops in 1947 will increase about 19 percent over 1946 and livestock and products 23 percent. Receipts from wheat, cotton, hogs, and cattle will be notably larger than in 1946.

Gross farm income—the total of cash receipts from marketings, the value of home-consumed farm products, and the rental value of farm dwellings—may amount to 34.3 billion dollars in 1947, 18 percent above 1946.

Production expenses this year are running more than 16 percent above last year. Purchased feed, hired labor, motor-vehicle operating costs, maintenance and depreciation, and taxes are all substantially higher. Since these costs have not gone up quite as much as gross income, net income has risen slightly more than gross income.

In 1948, expenditures may continue to increase. Even if gross income next year is maintained at the 1947 level, net income may not be quite as high.

LIVESTOCK AND MEATS

Trends in livestock numbers and the smaller feed supplies in prospect for the 1947-48 season indicate that meat output will be reduced 5 to 10 percent in 1948. This would mean a drop in meat consumption of around 10 pounds per person.

Much of the reduction will be in beef and veal. One reason is that the number of cattle, declining since January 1, 1945, will again be smaller in 1948. The number at the beginning of 1947 was 5 percent below 1945 and the record cattle slaughter this year indicates further reduction. A second reason for smaller beef and veal production in 1948 is the prospect that fewer cattle will be grain fed for market because of the smaller supplies of feed grains.

Pork production in 1948 probably will not be as large as in 1947 but the reduction will be small. The total number of hogs slaughtered may be slightly less and average slaughter weights probably will be lighter. Pork output next year will be influenced chiefly by the relation between hog and corn prices, particularly when sows are bred this fall and winter for spring farrowing. Present prospects for feed supplies and present corn and hog prices suggest that the spring pig crop in 1948 will be moderately smaller than in 1947. Indications are that the 1947 fall pig crop, which will be slaughtered largely in the spring and summer of 1948, will be slightly larger than the 30.6 million pigs saved in the fall of 1946.

Supplies of lambs for slaughter during 1948 will be small compared with the war period. At the beginning of 1947, the number of stock sheep was the smallest on record and around one-third less than the peak on January 1, 1942. The 1947 lamb crop was the smallest since 1925. On the basis of slaughter data for 1947, a further drop in the number of ewes of breeding age may be expected. Consequently, the lamb crop may in 1948 be even smaller than in 1947.
Prices of meat animals and meats reached new records in early September, even though meat production was large for that season of the year. Demand for meat, supported by very high levels of consumer incomes, continued unusually strong. As marketings of cattle, lambs and hogs increase seasonally this fall and winter, prices of meat animals are expected to decline moderately. But if consumer demand for meat stays high, prices will rise again in late winter or spring and will continue high during 1948. They will average even higher than in 1947 if consumer demand for meat continues as it has been this summer. Total cash receipts to farmers for sales of meat animals probably will be a record or near-record despite the prospects that total marketings will be the smallest since 1942.

DAIRY PRODUCTS

Dairymen have received record prices in 1947. For the first 9 months, the farm price of wholesale milk averaged about $4.15 per hundred weight, and butterfat averaged 71 cents per pound. In the first half of 1948, prices may be higher than prices in the first half of 1947, which were not as high as usual compared with other recent prices. In the second half of 1948, they may be less than current 1947 prices. The average for the year is expected to be about the same as in 1947. However, net income to dairy producers probably will be smaller because of higher costs. Feed prices have increased substantially recently, and other costs also have been rising.

The total milk flow in 1948 may be about the same as in 1947. Little change is expected in the average number of cows or in production per cow. On June 1, 1947 the number of milk cows was 2 percent below the previous June 1, but there is sufficient replacement stock to reverse the downtrend during 1948.

Exports of dairy products in 1948 may be less than those this year, which may be the equivalent of approximately 3 billion pounds of whole milk. This would leave larger supplies of dairy products for domestic consumption. Most of the increase in consumption would be in butter. Consumption of fluid milk is likely to show little change in 1948 and that of evaporated milk and Cheddar cheese may increase a little.

POULTRY AND EGGS

Egg producers are likely to receive at least as high average prices in 1948 as in 1947. This probably will be true even if prices are at support levels during a large part of the year. Because the index of prices paid, interest and taxes will be moderately higher, support prices in 1948 are likely to equal or exceed the actual prices received in 1947, which averaged about 5 percent above support levels.

Consumption of eggs per capita in 1948 probably will equal the 380 eggs consumed in 1947 since meat prices and the incomes of consumers are expected to continue near present levels. It may not utilize the entire production, which is expected to be nearly as large as 1947 during the flush season but a little smaller later. But with a larger movement into storage next spring than in 1947, purchases of eggs for price support or export are likely to be substantially less than the 9 million cases (shell egg equivalent) purchased this year.

Reflecting the lower egg-feed price ratio, fewer chickens may be raised in 1948 than in 1947. Total production of chicken meat will probably be somewhat smaller than this year. Turkey production is likely to change little from 1947.

Prices of both turkeys and chickens will tend to remain strong because of shorter meat supplies and high consumer incomes.
Prices of soybeans in the 1947-48 crop year are expected to remain substantially above the support level. The support price is $2.04 per bushel to farmers (No. 1 or No. 2 green or yellow varieties, 14 percent moisture or less, delivered at country shipping points), the same as for the 1944, 1945 and 1946 crops. Prices have been well above support since October 1946, when price ceilings were ended. The 1946 crop sold for an average price of $2.64 per bushel, the highest in 27 years. Prices to farmers in mid-September 1947 averaged $3.05 per bushel.

Prices of 1947 crop flaxseed are being supported at $6.00 per bushel, Minneapolis basis. This is equivalent to an average season price to farmers of $5.75 to $5.80 per bushel. Prices actually received may average slightly higher. The average price to farmers for the 1945 crop was $4.04 per bushel. The previous peak was $4.41, received in 1919-20.

Prices to farmers for peanuts produced in 1947 probably will average about $200 per ton, the support level, and will be the highest in 28 years. Commercial use of peanuts as peanut butter, salted peanuts, and peanut candy in the United States in 1947-48 may take less than half the crop compared with 65 percent before the war, when production was smaller. Another 20 percent of the 1947 crop probably will be saved for seed, fed to livestock, used for food on farms where grown, or sold locally. Export allocations of 200 million pounds of shelled peanuts for crushing abroad for the fourth quarter of 1947 indicate that a large part of the rest is likely to be exported. There is a strong European demand for oilseeds for crushing. If exports prove to be large, the quantity of peanuts crushed in the U.S. in 1947-48 probably will be smaller than in 1946-47.

Prices received by farmers for cottonseed are likely to stay well above the World-War II average of approximately $50 per ton. They averaged about $75 per ton in August and September 1947, the first two months for marketing the 1947 crop. The average price in the 1946 season was $72 per ton. This level previously had been approached only in 1918 and 1919, when prices were a little over $65.

Present legislation requires that price supports for soybeans and flaxseed be continued until January 1, 1949 at a minimum of 90 percent of the comparable price of soybeans and 90 percent of the parity price of flaxseed at the beginning of the marketing year. Quota peanuts produced in 1948 by farmers who comply with acreage allotments will be supported at 90 percent of parity at the beginning of the peanut marketing year, provided growers adopt marketing quotas in a referendum to be held December 9, 1947. If marketing quotas are not voted, price support will be extended to all peanuts sold, but the required support level will be 90 percent of the comparable price of peanuts for oil.

Ninety percent of parity in mid-September 1947 was $3.61 per bushel for flaxseed and $205 per ton for peanuts; 90 percent of the comparable price at that time was $2.05 per bushel for soybeans and $100 per ton for peanuts for oil.

Production of oils and fats from domestic materials in the year beginning October 1947 may be slightly larger than a year earlier. Output of vegetable oils probably will be larger, reflecting the sharply increased production of cottonseed and flaxseed in 1947. But output of animal fats is likely to decline moderately, partly as a result of the substantial reduction in the 1947 corn crop.

Export supplies of oils and fats in world surplus-producing areas are likely to continue to increase in 1947-48, although probably not as rapidly as in 1946-47. In that period, exports of Philippine copra, Antarctic whale oil, Chinese tung oil,
and Argentine linseed oil rose very fast. In 1947-48, further increases probably will come mainly from the Netherlands Indies.

European import demand for fats, oils and oilseeds is continuing strong despite prospects of a scarcity of dollar exchange. Poor crops in Europe this year have increased European import needs for foods. Among the various foods, fats and oils are a fairly inexpensive source of calories. Demand for oils and fats in the United States also remains strong since consumer income and industrial activity are at record peacetime levels. Prices of oils and fats in the United States will remain high as long as these conditions continue.

CORN AND OTHER FEED

Prices of feed grains will average considerably higher this fall and winter than at the same time last year. In mid-September, prices were 40 percent higher than in the same month of 1946. For corn and grain sorghums, the seasonal decline this fall and winter probably will be less than in 1946. Prices of grain byproduct feeds also are expected to be considerably higher and prices of high protein feeds moderately higher this winter than last. Feed grain prices are expected to remain substantially above the Government support levels during 1947-48.

Livestock feed requirements will be moderately less in 1947-48 than in 1946-47 because numbers of livestock will be a little smaller. Demand for feed grains for food and industrial purposes probably will be nearly as strong. Although foreign needs for United States grain will be at least as large in 1947-48 as during the past year, considerably less feed grain will be exported because supplies are much smaller. The biggest reduction will be in corn exports, which were very large in 1946-47.

The total supply of feed concentrates for 1947-48 was estimated in September to be 141 million tons. This is the smallest since 1940 and about 13 percent below the large supply last year. Largely because of the sharp drop for corn, production of all feed grains in 1947 is nearly one-fourth less than last year's record. But more old crop corn was carried over this year than last, and more wheat will be fed from the record 1947 crop.

Since fewer livestock will be on farms than in recent years, the supply of feed concentrates for 1947-48 per animal unit is only a little below the average of the past 5 years, and about the same as for 1937-41. Farmers will be able to feed their livestock about as well as in the war period, although not as heavy as in the past 2 years. But if they hold to war-time feeding rates, carry-over stocks of feed grains next summer and fall will be very small.

Farm sales of corn and oats may be around one-third less in 1947-48 than the large quantities sold in 1946-47. This will mean less grain available for livestock producers in feed deficit areas and for industrial and food uses, even if exports are sharply reduced. Livestock producers in the North Atlantic region particularly will find feed-grain supplies more difficult to obtain than in 1946-47.

In the 1946-47 marketing year for the various crops, about 130 million bushels of corn, 25 million bushels of oats, 13 million bushels of barley, and 25 million bushels of grain sorghums were exported including grain products at grain equivalent weight—a total of about 5 million tons. Exports may be only about one-fifth as large in 1947-48 and will be mainly oats and barley.
Total supplies of byproduct feeds for 1947-48 may be nearly as large as the near-record supply of 19.5 million tons in 1947-48. Supplies of oilseed cake and meal are expected to be 5 to 10 percent larger than in 1946-47, but some reduction is in prospect for supplies of grain byproduct feed.

The total 1947-48 hay supply is a little smaller than in recent years but substantially above the immediate prewar period. Since fewer hay-consuming livestock are on farms now, the supply per animal unit is the largest on record. Hay prices this fall and winter may average about as high as in the same period of 1946-47.

**WHEAT**

Export demand for United States wheat is likely to continue very large through 1948-49. Unless 1948 yields are again unusually big, prices are expected to remain above loan levels.

Because of current high prices, growers will seed fully as many acres in wheat for the 1948 crop as for the 1947 crop and the acreage goal of 75 million acres announced on July 31 will be reached. The goal provides that acreages should be consistent with good farming practices and is subject to review by State workers. It is about the same as the acreage seeded for 1947 other than volunteer acreage.

If 1948 yields should equal the 1937-46 average of 14.3 bushels per seeded acre, 75 million acres would produce 1,070 million bushels. Assuming about 800 million bushels are used domestically, about 270 million bushels would be available for export or addition to carry-over. A crop of this size would not provide enough wheat for export to meet all expected demands.

The picture changes if it is assumed that yields will be 16.3 bushels per acre, the average for 1942-46 when the weather was unusually favorable. On 75 million acres this yield would give a crop of 1,220 million bushels. From such a crop, more wheat might be fed and domestic uses might total about 850 million bushels. About 370 million bushels would be left for export and increase in carry-over. This would probably be enough to meet export demands and provide for some increase in U.S. stocks if conditions abroad improve sufficiently.

If a crop of only about 1,070 million bushels is produced, it is likely that prices in 1948-49 will continue above support levels. If the crop is larger, prices would decline to or below support levels only if export demand is very unfavorable. Before prices rose above support levels after the war, they usually fell below the loan following harvest, but advanced above it later in the season.

Wheat production this year was estimated on October 1 at 1,407 million bushels, the largest crop in our history. The total supply, including carry-over, is 1,500 million bushels. Of this, about 600 million bushels will be used domestically for food and for seed in the 1947-48 marketing year. About 900 million would thus be left for feeding to livestock, for exports, and for carry-over on July 1, 1948.

Because this year's corn crop is small, farmers will feed more wheat than last year. But feeding is being discouraged in the present grain conservation program. Carry-over next year might drop close to the 83 millions held in July 1947 if crop prospects next spring are unusually favorable. In that case, from 400 to 500 million bushels or more would be available for export, depending on the amount fed to livestock.
As a result of very high rye prices in the past two years, the 2.3 million acre rye goal for 1948 may be reached. This would be 18 percent above the acres harvested in 1947, but only .62 percent of the 1937-41 average. Until this year, the trend in rye acreage has been downward for a number of years, largely because of competition from other crops for available land.

Assuming an average yield of 12 bushels per acre, 2.3 million acres would produce about 27-1/2 million bushels. From a crop of this size, food, feed, and alcohol-spirit use might be slightly above that in 1947-48 and seed about the same. Only a little rye might be exported. If yields are again above average in 1948, more rye would be available for all uses. Prices might be moderately lower than in 1947-48.

In the 1946-47 year just ended, rye disappearance was the smallest in 21 years because supplies were very limited. Prices were well above the previous record in 1917-18.

FRUITS

Demand and prices for fruit in 1948 probably will be about the same as in 1947. Prices this year are generally lower than their peak during or just after the war. They range from approximately pre-war prices for citrus to twice pre-war prices for deciduous.

Prices received by growers for some fruits declined considerably in 1947 because production has been increasing, other foods have become more plentiful, and a reduction in commercial exports has been expected. In addition, prices of some fruits went down because of weaker demand for processing. The total pack of canned and frozen fruits and berries is expected to be moderately smaller this year than in 1946. Less grapes will be used for wine this year because large stocks of wine are still on hand from the record crush of 1946. The pack of dried fruits in 1947 probably will be considerably larger than in 1946 because more grapes will go into raisins instead of wine.

Commercial export demand is expected to be moderately weaker for fruit crops of both 1947 and 1948 than it was for the 1946 crop, largely because less dollar exchange is available in the United Kingdom and other European countries. Commercial exports of dried fruits probably will be smaller than those from the 1946 crop but the decline may be offset somewhat by special export programs. Exports of fresh fruits to Europe probably will be less than the comparatively small exports in 1946-47, and those to Western hemisphere countries also may decline a little.

Prices received by growers for apples and pears this fall and winter are expected to rise seasonally as sales are made from cold-storage. For the season as a whole they probably will average somewhat lower than in the 1946-47 season. Prices of grapes have been lower this fall than in recent years largely because less is being taken for crushing for wine and the outlook is for lower raisin prices.

Prices for oranges and grapefruit in 1947-48 may be only slightly higher than in 1946-47. Because of large stocks of canned citrus juices at the beginning of the 1946-47 season, record production of oranges and near-record production of grapefruit, and larger supplies of other fruits and foods, prices for citrus dropped sharply during the season to near 1935-39 levels. Despite the recent storm damage to the Florida citrus crop, total supplies of citrus are expected to be plentiful in the 1947-48 season.
COMMERCIAL TRUCK CROPS

For Fresh Market

Demand for fresh vegetables is expected to continue strong in 1948. Commercial growers may respond to the high prices received in 1947 by planting larger acreages in 1948. With equal yields per acre, this would mean, of course, larger production in 1948 and consequently lower prices. This seems particularly likely for onions and cabbage.

Prices received by farmers for commercial truck crops probably will continue higher this fall than a year earlier. Aggregate production for the fall marketing season is expected to be about one-fifth smaller than in the fall of 1946 but demand is as strong. Of the four main fall crops—cabbage, lettuce, carrots, and celery—only lettuce will be relatively plentiful compared with last year and with the 1936-45 average.

For Processing

Demand for truck crops for processing in 1948 may be about as strong as in 1947. Continued high prices for fresh vegetables and many other foods are expected to contribute to the demand for canned vegetables in 1948. In addition, processors are expected to be in a better stock position next spring than they were in the spring of 1947 when some stocks were too high and some too low. The 1948 commercial pack will go into retail consumption largely in 1949, the outlook for which is still uncertain.

Rapid progress has been made in recent months in adjusting packer and distributor stocks of some canned and frozen vegetables. For example, stocks of canned peas declined about 65 percent from January 1 to July 1 this year, but the average decline for this period in the 5 pack years of 1937-41 was less than 54 percent. Stocks of frozen peas on August 1 this year were 43 million pounds more than a year earlier, but on September 1 were only 20 million pounds above September 1, 1946.

POTATOES

Demand for potatoes in 1948 probably will be about as strong as in 1947. Prices early in the year are likely to be higher than last winter, and to exceed support prices.

The 1947 potato crop was estimated on September 1 to be 368 million bushels, nearly one-fourth smaller than the record 1946 crop but only 2 percent smaller than the average for 1936-45. The crop in the 29 late States, which provide the storage stocks for use in the fall and winter, is estimated at nearly 277 million bushels. This too is about one-fourth smaller than 1946, but is only 6 percent below average. If marketings are well distributed over the months ahead there probably will be neither serious shortages nor surpluses. If consumer incomes remain high, prices received by growers this fall and winter are expected to rise more than they usually do, and to reach levels considerably higher than a year earlier.

A national potato goal of 2,352,400 acres in 1948 has been announced by the Department of Agriculture. This is about 5.5 percent larger than the acreage planted in 1947. With average yields, it would produce a crop of about 375 million bushels, enough for prospective needs.

Prices received by growers must be supported in 1948 at not less than 90 percent of parity, according to present legislation. To be eligible for price support, growers must plant no more than their goal acreage.
SWEETPOTATOES

Prices received by farmers for the 1947 crop of sweetpotatoes, now estimated at 59 million bushels, probably will average slightly higher than prices for the 1946 crop of 67 million bushels. Demand during the marketing season of the 1947 crop is expected to be at least as strong as a year earlier.

Prices will be supported if necessary. In contrast to programs in former years when commodity loans were the principal method of support, the program announced for the 1947 crop provides only for purchases and for diversions to other than normal channels. Support prices this year are 30 cents per bushel higher than last year. In areas where a weevil-control quarantine on shipments is imposed, price support will cease 15 days prior to the date the quarantine is to become effective. Otherwise, this year's program will extend to April 30, 1948.

In September the Government made substantial purchases of temporary surpluses at support prices in the Eastern Shore of Virginia and Maryland, where the usual market outlets and limited storage facilities were unable to handle the heavy volume harvested.

Consumer demand for sweetpotatoes in 1948-49 probably will be strong enough to take 60 million bushels at prices near those of recent years. The acreage that will be planted, however, will be influenced not only by prospects for sweetpotato prices but also by possible returns from alternative crops, the high labor requirements for producing and harvesting sweetpotatoes, and problems of weevil control.

DRY EDIBLE BEANS AND PEAS

Domestic and foreign demand for dry edible beans and dry field peas is expected to continue strong throughout 1948. Prices for the 1947 crop probably will be higher than a year earlier, and far above prewar.

Farmers probably will receive prices generally above support for their 1947 crop of dry edible beans. Support prices, announced September 4, range from $7.25 to $9.45 per 100 pounds by specified classes, reflecting 90 percent of the parity price as of August 15, 1947. They are higher than 1946 support prices because the parity index has risen. Because of high prices in this country and the shortage of dollar exchange in other countries, commercial exports of dry beans probably will be no more than about 5 percent of supplies.

Demand for dry field peas for foreign relief feeding and commercial export is expected to continue strong. Supplies in the 1947 crop year are likely to be about 10 percent smaller than last year, but much larger than prewar. About 2-1/2 million bags will be available for shipment abroad. Support prices for the 1947 crop will reflect 90 percent of the July 1 "comparable" price of $4.81 per 100 pounds.
The 1948 goal calls for 380,000 acres of dry edible smooth peas. If yields equal the 1942-46 average, this acreage would provide enough for domestic requirements and about 2.5 million bags for export and foreign relief feeding. In addition, about 127,000 acres of wrinkled peas, used primarily for seed, may be planted in 1948.

COTTON

Although the outlook for both the foreign and domestic demand is rather uncertain, it appears that because of small carry-over, cotton will continue in comparatively short supply during the remainder of 1947 and in 1948. Domestic mill consumption in 1947-48 may be 1-1/4 million bales less than last year's peacetime record of 10 million bales. Exports also will be less because supplies will be smaller and foreign countries probably will not be able to buy as much.

Total supplies of cotton in the United States for the 1947-48 crop year will be about 11 percent less than last year. Since the carry-over at the end of the year is expected to be at least as large as this year, total disappearance probably will be less than in 1946-47. The carry-over of 2.5 million bales of cotton on August 1, 1947 was much smaller than the 7.3 million bales on hand August 1, 1946, and the smallest since 1929.

Domestic mill consumption and demand for textiles are generally expected to conform closely with the trend of industrial production, personal income, and the demand for all consumer goods. Supplies of textiles generally are expected to increase, and some downward price adjustments, both at wholesale and retail, may occur.

Domestic mills used 33,838 bales per working day in August, an increase of 10 percent over the exceptionally low rate in July. The August rate was 13 percent below the August 1946 rate, and adjusted seasonally is equal to an annual rate of about 9.5 million bales.

WOOL

The outlook is for continued high wool prices at Boston for the rest of 1947 and the first half of 1948 because of firmness of wool prices in foreign markets. At the opening of the 1947-48 foreign wool auctions, fine wool prices advanced 10 to 25 percent above levels reached in June and medium wool prices in most markets held about the same level as the close of last season. Fine wool prices may level off eventually, but no decline is in prospect for the rest of 1947. Medium wool prices are expected to change little during this season, since world supplies are large and present prices are not far above the upset prices set by the United Kingdom-Dominions Wool Disposal, Limited, for support of new clip Dominion wools.
Commodity Credit Corporation offering prices for fine wool in September were about 10 percent below prices for comparable foreign wool adjusted for tariff, transportation, skirting, sorting, etc. But prices for medium wool were still above comparable foreign medium wool prices similarly adjusted. With this favorable price relationship and the present strong demand for fine wools, larger sales of Government-owned fine domestic wools can be expected during coming months.

Recent legislation has assured that prices received by domestic wool growers in 1948 will average at least 42 cents a pound, about the same as in 1946 and about 1 cent higher than in 1947.

The demand for wool textiles in this country in 1948 may be down slightly from 1947, because some demand this year was supplied over from 1946. However, continued high wool consumption depends on business activity, to which the wool textile industry has usually been very sensitive in the past. If demand stays high, wool consumption of apparel wool in 1948 may be 825-925 million pounds (grease basis on a scoured basis, this would be a reduction of about 10 to 20 percent from present estimates for 1947. Because mills are likely to use more fine domestic wools, total consumption of domestic wools in 1948 may be larger than the 350-400 million pounds now estimated for 1947.

Supplies of apparel wool in 1948, although plentiful, will be considerably smaller than in 1947 because of lower stocks and imports. Stocks have already been reduced this year and may be 100-200 million pounds less on January 1, 1948 than a year earlier. Imports of apparel wool during 1948 may be moderately less than in 1947 and only about half as large as the record of 1946. Indications are that domestic wool production in 1948 may be slightly less than in 1947.

World production of fine wool has declined sharply since 1943, but production of medium wool is larger than in any previous year and only moderately below the wartime peak. World wool consumption may exceed world production by about 500 million pounds in 1947-48, the same difference as currently estimated for 1946-47. If world consumption continues fairly high for 4 or 5 years more, world surplus wool stocks will be so reduced in size and selection that the effect of these stocks on world wool markets will be greatly lessened. The high level of world wool consumption has already resulted in depletion of surplus stocks of choice fine wools. Prices of some of them have risen 60 percent in the past season.

TOBACCO

Flue-cured tobacco, now being marketed, is meeting weaker demand than last year primarily because exports are expected to fall below the 1946 record. Before the war, exports of flue-cured were half of production and in 1946-47 they were nearly 40 percent of a record crop. The United Kingdom has reduced its imports in order to conserve dollar exchange and other importing countries, also short of dollars, will take less. Domestic use, however, is expected to continue at peak levels. Cigarette manufacture, the largest outlet, will set a record this calendar year and may be as large or larger in 1948.
Production of flue-cured this year is second only to last year's record. Because stocks are larger, total supply for 1947-48 is 2,605 million pounds, compared with 2,499 million pounds last year. In view of prospects for demand, stocks will increase further next year, and unless production is cut substantially, supplies will be excessive in 1948-49. Price support by Government loans has been much more extensive this season than last. The support price at 90 percent of parity, is 40.0 cents per pound, 26 percent above last year's support level of 32.1 cents. For auction sales of 765 million pounds through October 3, the average price was 40.9 cents compared with 49.0 cents for a corresponding volume last year. The average in Georgia-Florida (Type 14) where auction sales are completed, was 12 percent lower than last year; South Carolina and Border North Carolina, type 13, 18 percent lower; Eastern Belt North Carolina, type 12, 20 percent lower; Middle Belt, type 116, 12 percent lower. When Old Belt (Type 11a) auctions opened September 23, average prices of the first few days were lower than a year ago.

Burley production this year is 17 percent smaller than last year. Carryover on October 1 will be above last year and total supply for 1947-48 will be about the same or slightly higher than a year earlier. Total disappearance of burley was a record in 1946-47, because cigarette production was high and exports were larger than usual. In 1947-48, consumption for cigarettes is expected to continue high but exports may be reduced by dollar shortages. Other outlets for burley, smoking and chewing tobacco, are not likely to change much. Burley prices during the 1947 marketing season will be higher because the support price was raised by the increased parity index. Ninety percent of September parity for burley is 40.3 cents per pound compared with 33.6 cents a year ago. The season average price received for the 1946 crop was 39.7 cents per pound.

Maryland tobacco production is substantially lower than the record crop of 1946. The average price received for the 1946 crop, auctions of which closed September 1, was 44.7 cents per pound. It was 57.0 cents for the short crop of the previous season. Prices declined seriously in the last three weeks of the auctions. Exports thus far this year are running below the same period a year ago. Total supply on January 1, 1948 may exceed that of January 1, 1947. High cigarette production, expected to continue in 1948, will be a favorable price factor when the 1947 crop is marketed late next spring and summer. But export demand may be unfavorable.

Supplies of both the fire-cured and dark air-cured types of tobacco are larger than a year ago. The support-price for fire-cured and dark air-cured, determined at 75 and 66-2/3 percent of the Burley Loan rate respectively, will be higher than last year because of the increase in parity prices. The higher support prices for these types will mean higher farm prices than for last season. Price support loans were made on a substantial portion of both fire-cured and dark air-cured during the 1946-47 marketing year. Domestic use of the dark types in smoking and chewing is lower than in pre-war although snuff use may be slightly more. Exports in the recent year were far below pre-war and prospects for the year ahead are uncertain. Unless production in 1948 is lower, burdensome stocks of these types will accumulate.
Cigar filler (types 41-44) supplies for 1947-48 are estimated to be slightly lower than a year ago. Stocks of Puerto Rican in the United States on July 1 were larger but total Island and United States stocks were smaller than for the past 2 years. Domestic cigar filler prices may fall below last season.

Cigar binder supplies for 1947-48 are larger than a year ago. A sharp cut in the production of type 54 Southern Wisconsin occurred this year because of the sharp decline in price last year. Prices for the Connecticut binder (types 51 and 52) are expected to be lower this season. In 1946, the crop was mostly bought in the field before harvesting. Cigar production is below last year and in 1948 will probably be about the same as this year.

The prospects for tobacco products are mixed. Output of cigarettes, the predominant form of tobacco consumption, is expected to stay close to the 1947 record, estimated to be 365 billion. Domestic consumption will range between 335 and 340 billion while most of the remainder will go abroad. Cigar consumption has fallen below 1946 during the first 8 months of this year and for the calendar year probably will total around 5,650 million compared with approximately 5,900 million in 1946. Consumption in 1948 is not expected to be greatly different from the 1947 level. Smoking tobacco production and consumption in 1947 are now estimated at close to 1946 when 106 million pounds were produced. Production is expected to continue at about the same rate in the months ahead, but this is sharply below prewar. Chewing tobacco production will probably range between 90 and 95 million pounds this year, a drop of around 15 percent from 1946. Although in several war years, chewing tobacco consumption exceeded the level of the thirties, there has been a downturn since 1919 and it is unlikely that the 1948 level will exceed 1947. Snuff consumption is expected to total 40 million pounds this year, about equal to or slightly exceeding that of 1946. Consumption next year will be about the same.

SUGAR

Price support guarantees for domestic sugar producers and higher prices for Cuban sugar have been accompanied by an improvement in the supply situation both in offshore and continental producing areas. Supplies available for United States consumption are substantially greater this year than the low levels of 1946 and probably will continue better in 1948. Available sugar will provide about 95 pounds refined per person for 1947, compared with about 75 pounds consumed last year and 96 pounds in 1935-39.

If consumer income and general business activity continue near the record peacetime levels of 1947, the demand for sugar next year, even at present ceiling prices, may exceed consumption in 1947 when sugar was rationed for more than half of the year. Sugar production in 1947-48 in areas normally supplying the United States probably will be as large as this year. Supplies available to the United States could be even larger if foreign purchasing power is further restricted and some countries reduce their takings from Cuba. Under terms of the Sugar Act of 1948, however, marketings of sugar for United States consumption will be regulated by the Secretary of Agriculture if quotas are established under that Act.
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