It seems likely that demand conditions for farm products—including both domestic and foreign demands—will be at least as good in 1955 as this year. Prices received by farmers may be expected to average close to levels prevailing this fall. Cost rates or prices paid by farmers also are likely to continue next year close to recent levels. The parity ratio—ratio of prices received to prices paid, interest, taxes, and wage rates—is not likely to change much.

Supplies of farm products will continue large in 1955. Further acreage restrictions on wheat and cotton will, with average weather, reduce production of these crops. Large carryover stocks of cotton, and perhaps of corn, for the most part under CCC ownership or loan, will likely be reduced during the current marketing season. However, the alternate uses of acreages diverted from wheat and cotton, and continued high rates of output of most livestock and livestock products indicate that agricultural production next year may total almost as large as in 1954, when drought was widespread.

(Continued on page 3)
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit or base period</th>
<th>1953 Year</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial production 1/</td>
<td>1947-49=100</td>
<td>134</td>
<td>133</td>
</tr>
<tr>
<td>Total</td>
<td>do.</td>
<td>136</td>
<td>135</td>
</tr>
<tr>
<td>All manufactures</td>
<td>do.</td>
<td>153</td>
<td>152</td>
</tr>
<tr>
<td>Durable goods</td>
<td>do.</td>
<td>118</td>
<td>117</td>
</tr>
<tr>
<td>Nondurable goods</td>
<td>do.</td>
<td>116</td>
<td>118</td>
</tr>
<tr>
<td>Total outlay for new construction 2/</td>
<td>Million dollars</td>
<td>35,256</td>
<td>2,925</td>
</tr>
<tr>
<td>Residential</td>
<td>do.</td>
<td>11,930</td>
<td>995</td>
</tr>
<tr>
<td>Total civilian employment 3/</td>
<td>Million</td>
<td>61.9</td>
<td>62.3</td>
</tr>
<tr>
<td>Nonagricultural</td>
<td>do.</td>
<td>55.4</td>
<td>55.0</td>
</tr>
<tr>
<td>Unemployment</td>
<td>do.</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonagricultural payments 2/4/#</td>
<td>Bil. dol.</td>
<td>270.0</td>
<td>271.9</td>
</tr>
<tr>
<td>Production-worker payrolls 5/</td>
<td>1947-49=100</td>
<td>151.6</td>
<td>153.4</td>
</tr>
<tr>
<td>Weekly earnings of production-workers in manufacturing 5/</td>
<td>Dollars</td>
<td>71.69</td>
<td>71.42</td>
</tr>
<tr>
<td>Durable</td>
<td>do.</td>
<td>77.23</td>
<td>77.14</td>
</tr>
<tr>
<td>Nondurable</td>
<td>do.</td>
<td>63.60</td>
<td>63.57</td>
</tr>
<tr>
<td>Prices:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale prices, all commodities 5/</td>
<td>1947-49=100</td>
<td>110</td>
<td>111</td>
</tr>
<tr>
<td>Commodity other than farm</td>
<td>do.</td>
<td>114</td>
<td>115</td>
</tr>
<tr>
<td>Farm</td>
<td>do.</td>
<td>97</td>
<td>98</td>
</tr>
<tr>
<td>Food, processed</td>
<td>do.</td>
<td>105</td>
<td>107</td>
</tr>
<tr>
<td>Prices received by farmers 6/</td>
<td>1910-14=100</td>
<td>258</td>
<td>257</td>
</tr>
<tr>
<td>Crops</td>
<td>do.</td>
<td>242</td>
<td>235</td>
</tr>
<tr>
<td>Livestock and products</td>
<td>do.</td>
<td>273</td>
<td>276</td>
</tr>
<tr>
<td>Prices paid, interest, taxes and wage rates 6/</td>
<td>1910-14=100</td>
<td>279</td>
<td>277</td>
</tr>
<tr>
<td>Items used in living</td>
<td>do.</td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td>Items used in production</td>
<td>do.</td>
<td>253</td>
<td>247</td>
</tr>
<tr>
<td>Parity ratio</td>
<td>do.</td>
<td>92</td>
<td>93</td>
</tr>
<tr>
<td>Consumer price index 5/</td>
<td>1947-49=100</td>
<td>114</td>
<td>115</td>
</tr>
<tr>
<td>Food</td>
<td>do.</td>
<td>113</td>
<td>114</td>
</tr>
<tr>
<td>Government purchases of goods and services 2/7/</td>
<td>Million dollars</td>
<td>85.2</td>
<td>85.4</td>
</tr>
<tr>
<td>Federal (less Government sales)</td>
<td>do.</td>
<td>60.1</td>
<td>60.3</td>
</tr>
<tr>
<td>State and local</td>
<td>do.</td>
<td>25.1</td>
<td>25.1</td>
</tr>
</tbody>
</table>


1/ Federal Reserve Board.
2/ U. S. Department of Commerce.
3/ Bureau of the Census.
4/ Monthly totals seasonally adjusted at annual rates.
7/ Quarterly totals seasonally adjusted at annual rates.
# Revised series.
CONTENTS

The Agricultural Outlook for 1955............. 1
The Agricultural Situation and Outlook for 1955..... 6
Demand for Farm Products...... 6
Foreign Market for Farm Products........ 14
Supply and Price Developments and Prospects.... 17
Farm Income and Financial Situation........ 26
Livestock and Meat................... 28
Dairy Products................... 30
Eggs and Poultry............... 31
Fats and Oils................. 31
Corn and Other Feed........... 32
Wheat......................... 34
Fruit.......................... 35
Commercial Vegetables.......... 36
Potatoes and Sweetpotatoes.... 37
Dry Beans and Peas............. 38
Cotton.......................... 38
Wool............................ 39
Tobacco......................... 41
Forest Products................. 42
Naval Stores..................... 43

Continued from cover page -

With smaller wheat and cotton allotments, cash receipts from farm marketings in 1955 may be somewhat under the 30 billion dollars received in 1954. The support level for 1955 crop wheat also will be moderately lower than this year. But farm production expenses may be reduced further, reflecting lower outlays for labor and other operating expenses. Feed costs may also be somewhat lower, if pastures are good next year. On balance, farm operators' realized net income in 1955 should approach that of 1954.

Economic activity in the Nation has been quite stable so far in 1954 at a level slightly below the record year 1953. Total outlays by consumers, business and Government showed some decline in the second half of 1953 but stabilized in early 1954, averaging some 3 percent lower in the first 9 months of this year than in the same period in 1953. Nonfarm employment has been slightly reduced from year-ago levels. Unemployment, which rose last winter, has since stabilized and declined some. Wholesale and retail prices have held steady on the average during the year.

The mild reduction in economic activity from a year ago reflects a shift from building up business inventories to reducing them and a substantial decline in Government expenditures for national security programs. There were some significant offsets to the sharp reduction in Federal expenditures: the continued rise in State and local expenditures for schools, highways, and other public construction; a growing housing boom; and an increase in consumer expenditures, particularly for food and services, even though expenditures for some durable goods such as automobiles were reduced. Despite lower payrolls, the level of consumer incomes, after taxes, has been maintained at record rates mostly due to the reduction in income taxes last January and the offsetting effect of unemployment compensation payments. Consumers have continued to spend 25 percent of their disposable income for food, the same percentage as a year ago.
For 1955, economic activity and the flow of income to consumers is likely to run at least at current rates. While Government expenditures for national security purposes are scheduled for further reduction in 1955, according to the Budget Review issued in mid-September, this reduction is likely to be much smaller than in the past year. The continued rise in State and local Government expenditures will be a strong offset. It should be kept in mind that changes in the international situation could well influence the trend and level of defense expenditures.

Business investment in new plant and equipment has been gradually declining through 1954. Planned expenditures for this purpose in the fourth quarter of 1954 are 3 percent smaller than in the third quarter (after seasonal adjustment). This trend may well continue into 1955, in view of the substantial expansion in industrial facilities which has occurred in recent years. However, rapid technological developments, strong demand for cost-reducing machinery and certain aspects of new tax legislation designed to encourage investment may hold business capital expenditures in 1955 fairly close to current levels. High level residential construction activity seems likely to continue during 1955, reflecting easier credit terms under recently enacted legislation. Total business inventories have been reduced about 4 percent over the past year. With consumer and other final demands expected to hold up well, the effect of inventory liquidation will likely diminish over the months ahead.

In view of these prospects, consumer incomes and consumer spending are expected to remain fairly stable and may increase some. The domestic demand for food and other farm products should continue at least as good as in 1954.

Foreign demand for United States farm products may well show some improvement from the reduced level of the last 2 years. Foreign gold and dollar holdings have been substantially increased. Dollar shortages in some countries abroad, which have tended to restrict foreign purchases of United States farm products, will likely be less restrictive than for some time. Foreign supplies of some major farm products are smaller this year than last. Furthermore, the new legislation--The Agricultural Trade Development and Assistance Act of 1954--will encourage increased movement of major export farm products abroad. Exports of cotton, tobacco and wheat will each probably show some improvement in the current season as compared with 1953-54. Exports of fats, oils and oilseeds in 1954-55 will likely continue heavy. The value of United States agricultural exports in 1954-55 may rise ten percent, or perhaps more, from the 2.9 billion dollar level of 1953-54.

Prices received by farmers in 1954 are showing the smallest year-to-year decline since 1951--averaging some 3 percent lower so far this year than in the same period a year ago. Similarly, the parity ratio in 1954 is also showing the smallest reduction in 3 years--averaging close to 90 in the first 9 months compared with 93 in the same period in 1953.

Most of the large carryover of crops is held by CCC under price support programs, and prices of several important farm products will continue to be supported in 1955. The Agricultural Act of 1954 provides for
flexible price supports at from $2.06 to 90 percent of parity for wheat, cotton, corn, rice and peanuts. The law continues supports for most types of tobacco at 90 percent of parity. The Act also directs that dairy product price supports continue at 75 to 90 percent of parity. The supply provisions of the Act indicate that the support price for the 1955 cotton crop is likely to be at 90 percent of parity. The support price for 1955 crop wheat has been set at 82 3/4 percent of parity. The preliminary loan rate established for wheat is $2.06 per bushel compared with $2.24 for the 1954 crop.

Prices paid by farmers for machinery, equipment and other industrial products are expected to continue near current levels. Interest and tax charges on farm real estate will rise further. Farm wage rates declined slightly from 1953 to 1954 and the easier farm labor situation may well continue. Prices paid for fertilizers are also running slightly lower than a year ago.

Commodity Highlights

Hog production probably will increase a little in 1955, but cattle production seems to be on a downswing and overall totals will not change greatly. Prices for meat animals are likely to be much the same as this year, but hog prices will remain below their unusually high level of last spring. Milk production in the U. S. in 1955 may about equal the record in prospect this year. Prices of dairy products may average about the same as in the last 9 months of 1954. The large number of potential layers, broilers, and turkeys now on farms assures record or near-record supplies of eggs and poultry meat for some time ahead. Egg prices to farmers are likely to remain low through March or April, but by mid-spring may be above the low level of a year earlier. Peak supplies of food fats are likely in 1954-55, as beginning stocks were about the same as a year ago and output will be larger. Reflecting prospective record exports of soybeans and a smaller cottonseed crop, prices for soybeans and cottonseed may be above support. Corn prices are expected to advance seasonally, probably going higher than 1953-54 as supplies not under loan or in CCC inventory become tight later in the marketing season. Prices of oats and barley are expected to continue unusually low relative to corn prices in 1955. Total supplies of wheat in the current marketing year are estimated at about 1,870 million bushels. The support price for the 1955 crop of wheat has been set at 82 3/4 percent of parity, and marketing quotas may result in a 12 percent reduction in wheat acreage. Increased production of citrus fruits is in prospect for 1954-55, and carryover stocks of frozen and canned citrus juices are larger. Grower prices are not expected to average quite as high as in 1953-54. Farm prices for fresh vegetables in general this fall are expected to average somewhat higher in the fall of 1953 because of lighter supplies and demand about as strong as a year earlier. Total supplies of commercially processed vegetables during 1954-55 are likely to be fairly close to those of a year earlier and adequate to maintain civilian consumption at the 1953-54 rate. Supplies of potatoes during the next 5 to 6 months probably will be somewhat smaller than a year earlier, and farm prices much above the very low levels
of fall 1953 and winter 1954. Supplies of both dry beans and peas are expected to be somewhat larger in 1954-55 than those of a year earlier, and grower prices probably will average lower unless exports can be expanded. The supply of cotton in the U. S. in 1954-55 is estimated at about 22.2 million bales, approximately the same as in 1953-54. Domestic mill consumption and exports in the current marketing year are expected to be larger than last year, and the carryover on August 1, 1955 considerably smaller than in August this year. World supply of wool for the 1954-55 season is expected to be slightly larger than for 1953-54. The national average support for wool will be 62 cents per pound, grease basis, to the grower. If necessary, payments will be made to producers to bring returns up to that level. Tobacco consumption per person 15 years and over is down nearly 3 percent from 1953 to 1954 and around 4.5 percent from the record consumption in 1952. Cigarettes account for most of this decline. However, domestic demand for cigarette tobacco is expected to continue firm in 1955.

THE AGRICULTURAL SITUATION AND OUTLOOK FOR 1955

Domestic demand for food and other farm products is expected to continue high in 1955. Agricultural exports picked up a little in the first half of this year and a further gain of possibly a tenth or more is in prospect for the coming year. Supplies of farm products will continue large in 1955, reflecting big carryover stocks and a near-record output this year. Most of these stocks are held or under loan to the Commodity Credit Corporation. Grower prices in 1955 are expected to average near levels prevailing this fall.

Farmers' cash receipts this year are estimated at 30.2 billion dollars, 4 percent below 1953. Production expenses also declined slightly in 1954 and realized net income of farm operators is expected to total about 6 percent below 1953. Farmers as a whole were able to increase slightly their financial asset holdings and total debt is nearly 5 billion dollars smaller than their financial asset holdings. Net equity of farmers declined largely because of reduced land values.

DEMAND FOR FARM PRODUCTS

Consumer income after taxes, the best general indicator of domestic demand, has held at record levels this year, a little above 1953 despite the moderate cutback in output and employment since mid-1953. Expenditures for food so far this year have totaled slightly above a year earlier as consumers continued to spend about a fourth of their income for food. Population growth will add another 2 1/2 million new consumers in 1955. If consumer incomes are maintained over the coming year as expected, outlays for food are likely to hold up well with prospects for slightly larger consumption.
The purchasing power of consumers depends primarily on total spending for goods and services by the economy and the way the resulting income flow is distributed—to the Government for taxes, to business as earnings and depreciation allowances, and to personal incomes. The reduction in Government and business spending from the first half of 1953 led to some reduction in employment and smaller payrolls. But with lower taxes, Government revenue accounted for considerably less of gross income. Corporate profits taxes dropped about a fourth from the first half of 1953 and personal taxes were down about 8 percent. However, the reduction in personal taxes directly added about 3 billion dollars to disposable personal incomes. Dividend payments were increased a little over the year even though corporate earnings totaled smaller. In addition, Government payments for unemployment insurance added about 2 billion dollars (annual rate) to the personal income flow. These developments contributed to the maintenance of income going to consumers, despite the decline in the gross national product. If the combined flow of spending by Government, businessmen and consumers is maintained in 1955 as expected, consumer incomes after taxes are likely to be as high as this year and perhaps some higher.

Business Investment Easing; Construction Activity Continues High

Changes in business investment, new construction outlays and some types of Government spending exert a major influence on the level of economic activity, income, and the demand for farm products. Fixed investment outlays in the first 9 months of 1954 were down only 1 percent from a year earlier as a decline of 8 percent for producers' durable equipment was mostly offset by a 6 percent increase in construction outlays. However, total private investment outlays fell off 15 percent over the period as inventories were liquidated at an annual rate of 4 billion dollars, compared with an accumulation at the rate of 3.4 billion in the first 3 quarters of 1953. Over the coming year the rate of inventory liquidation is expected to slacken, and combined investment outlays may rise a little.

Business outlays for new plant and equipment continue a decline which began in the third quarter of 1953. Anticipated spending in the second half of 1954, according to a joint Commerce Department-Securities and Exchange Commission survey in August, will be down about 9 percent from a peak in the third quarter of 1953. Outlays for 1954 as a whole are indicated at 6 percent below 1953; capital outlays in durable goods manufacturing industries are off 11 percent and nondurables 5 percent. The most marked decline is in railroads, where revenues and incomes have been substantially reduced.
Figure 1

Figure 2
The decline in business investment followed the rapid build up in productive capacity of recent years, virtual completion of the defense expansion program, and some reduction in defense requirements. With a drop of about a tenth in industrial activity, corporate earnings this year are down around a sixth from a year earlier. However, earnings after taxes were about a tenth lower because of reduced tax rates. Substantial declines in earnings occurred for the railroad and railway equipment industries, textiles and apparel, auto parts, iron and steel, beverages and some others.

Associated with the drop in output in durable goods industries, manufacturers' deliveries and inventories in August were about a tenth below a year earlier and order backlogs were off about a third. Investment in business inventories at the end of August totaled about 78.1 billion dollars, down nearly 4 billion from the peak last September. Most of this drop was in durable goods, primarily in goods-in-process and purchased materials inventories at the manufacturing level. Stock-sales ratios for durables are moderately improved from late 1953. Inventory liquidation continued fairly heavy in the third quarter, but probably will taper off in coming months if final product demand holds up as well as expected.

Business investment outlays may hold fairly close to current rates in 1955. While productive capacity in most basic industries is well above current production rates, rapid technological development and a strong business demand for cost-reducing machinery will tend to bolster investment outlays. New tax legislation for business, including a provision for more rapid depreciation of capital assets, is designed to encourage investment and facilitate business operations.

Construction activity continues at a record-breaking clip, and recent gains in new housing starts and a record volume of contract awards virtually assure a high rate of construction in coming months. The rise in construction resulted mainly from the high rate of residential building and the related suburban-area expansion in construction of commercial buildings, churches, schools, and recreational facilities. New housing starts in the June-August period this year were at an annual rate of nearly 1.2 million, the highest for the period since 1950. For the same period residential contract awards were up about a third from a year earlier. Construction costs in general have changed little over the past year; there was some decline in prices of building materials but a continued rise in hourly wages of building trade workers.

This strength in residential housing reflects the easing in the mortgage money market from the relatively tight situation a year ago. Interest rates in general have come down relative to rates on Veterans Administration and Federal Housing Administration insured mortgages. In addition, financing terms have been much more liberal so far this year, especially on VA home loans. A substantial part of them are being made with no down payment and many are amortized over a 30-year period.
The demand for new housing is likely to continue strong in 1955. Consumer income, the key demand factor, is expected to be well maintained. Around 800,000 new households were formed in 1954 and this rate is not expected to change materially in the coming year. Families are getting larger and high incomes will continue to facilitate the purchase of homes by those now living with other families. Housing legislation recently enacted is expected to encourage a continued high rate of homebuilding activity. The Federal Housing Administration can now insure mortgages on a higher percentage of the value of the house, thereby reducing the required down payment. FHA also was given authority to extend the mortgage loan period from 25 to 30 years, thus reducing the monthly carrying charge. Financing sales of existing houses was liberalized even more than on new housing. Mortgage ceilings were increased and benefits were extended on rental housing and to servicemen for FHA insurance.

Commercial construction activity may show some further gain in the coming year. Industrial building this year is running about a tenth below 1953 and may continue to slip off in 1955.

**Government Demand**

**Scheduled Lower**

Outlays for defense programs, which make up the major part of Federal expenditures, were at an annual rate of 43.3 billion dollars in the third quarter of this year. This is 11 billion dollars, or a fifth, below the peak spending in the second quarter of 1953. Total Federal spending was off nearly 13 billion dollars over the period. During the fiscal year ending mid-1954, new orders received by industries manufacturing durable goods fell almost a fifth. A substantial part of this decline was in the defense hard goods group which includes such items as ships, aircraft, vehicles, weapons, ammunition, etc. Military payrolls, subsistence, operation and maintenance also were reduced in fiscal 1954. In addition, the cutback in defense requirements permitted a reduction in inventories previously accumulated to support the expanded defense program.

The mid-September Budget Review suggests a continued decline in defense spending over the next year. However, barring a major change in the international picture, defense spending is expected to be reduced at a much slower rate than over the past year. Outlays for mutual military programs with foreign countries also are scheduled lower while larger expenditures are scheduled for atomic energy and stockpiling of strategic materials.

Outlays by State and local Governments in the third quarter were at an annual rate of 27.2 billion dollars, more than 2 billion above a year earlier. Much of the gain was in local construction of sewer and water facilities, schools, and highways. Employee compensation also increased as employment in schools and other local Government functions rose.

State and local Government outlays are expected to continue to rise, possibly by about 2 billion dollars over the year. Recent heavy borrowing
points to a further rise in new public construction outlays. Federal-aid highway grants have been doubled for fiscal years 1955 and 1956. Rising school enrollments create additional demands for school facilities and teachers. While the debt increase was large over the past year, liquid assets held by State and local Governments, primarily in sinking funds, are still rising almost as fast as the debt. Local tax revenues also are expected to continue large.

**Consumer Buying A Stabilizing Factor**

The maintenance of consumer buying power has supported a record level of consumer expenditures for goods and services. Both disposable personal incomes and total consumer expenditures so far this year are a little above the record levels of 1953. Consumers absorbed 65.3 percent of the gross national product in the first three quarters of this year, compared with 62.8 percent in the same period of 1953 when Government and business spending were higher. Expenditures for nondurable goods were up a little with outlays for food slightly higher and purchases of clothing and shoes a little lower. Sales of durable goods were down 6 percent from a year earlier. Most of the decline was in auto sales but purchases of other consumer durables also were lower. Expenditures for services continued to rise, more than offsetting the decline in sales of durable goods over the past year.

**Consumer credit** has been used less this year to finance consumer buying. Installment credit extended in the first 8 months of 1954 was down 10 percent from a year earlier due largely to reductions in credit used for purchase of automobiles and other consumer goods. Repayments rose 6 percent over the period but installment credit outstanding at the end of August was still slightly above a year earlier. Personal savings continued to rise into the first quarter of this year, but since early 1954 consumer buying has increased at the expense of personal savings.

Prospects for maintenance of consumer purchasing power are expected to support a high level of consumer buying over the coming year. Expenditures for durables and nondurables are likely to be maintained near the levels of this year. Outlays for services probably will rise further in 1955.

**Output and Employment**

Output and employment reflect the changes in demand discussed above. As defense orders were cut back in 1953, particularly for hard goods, and requirements for inventories were reduced, manufacturers' new orders for durable goods declined more than a fourth from May 1953 to February this year. They have since firmed up a little and in August were about 2 percent below a year earlier. Manufacturers' deliveries of durable goods in August were 13 percent below a year earlier and production was down 14 percent. Deliveries have continued to exceed new orders and order backlogs for durables in August were down about a third from a year earlier.
Output declines from the peaks in 1953 occurred in all durable goods industries. Largest were in the primary metals, electrical machinery, fabricated metal products and consumers durable goods. Since the low at the end of last year, production of household durables has increased nearly a fourth, reflecting substantial increases in output of television sets and heating, refrigeration, and laundry appliances. Output of electrical machinery in September was up 13 percent from the low this year. But with continued declines in output of transportation equipment and some other durables, total output has held steady since the spring at 134 to 136 percent of the 1947-49 average.

Output of motor vehicles in the first 9 months of this year totaled 4.1 million units compared with 4.9 million in the same period of 1953. Production was cut back sharply in the July-September period as motor companies curtailed output to work off large inventories of new cars, and closed down for model changes. Auto inventories were reduced about a fourth in the third quarter, but were still relatively larger than in most postwar years. Inventories of durable goods may continue to decline in coming months but at a much slower rate. If demand holds up as expected, production will pick up moderately as business inventories are worked down.

Output of nondurable goods in September this year was off nearly 6 percent from the peak in May 1953. Most of the decline was in apparel, textile mill products, leather products and rubber products. Output of food and most other nondurable goods changed very little. Retail sales of nondurables and manufacturers' deliveries strengthened a little over the year and inventories were maintained.

Total employment was steady in the July-September quarter this year with both agricultural and nonagricultural employment slightly below a year earlier. Unemployment also was steady at levels a little below those in the spring of this year. Employment was off in durable goods manufacturing industries in particular, and in September this year was about 12 percent below a year earlier. Declines were also significant in ordnance, primary metals and other defense-related industries. Employment in nondurable goods industries also was down some from September 1953. Production cuts in rubber, apparel and textile-mill products accounted for much of the decline.

Nonagricultural employment other than manufacturing, which includes such industries as trade, service, construction, mining, etc. and is more than twice as large as manufacturing employment, changed very little over the year.
**INDUSTRIAL PRODUCTION**

![Bar chart showing industrial production from 1947-49 to 1954.]

**Figure 3**

**THE LABOR FORCE**

![Line graph showing the labor force from 1940 to 1955.]

**Figure 4**
Unemployment rose fairly sharply in late 1953 and early 1954 as the labor force continued to grow. However, it has since declined somewhat in September, there were 3.1 million persons unemployed compared with 3.7 million last March and a postwar low in August 1953 of 1.2 million. Involuntary part-time work was more frequent, insured unemployment was higher, and labor surpluses were reported in some areas.

Foreign Market

For Farm Products

Foreign markets took about 2.9 billion dollars worth of farm products in the 1953-54 fiscal year, 1/4 percent more than a year earlier but well below the 4 billion-dollar total of 1951-52 when foreign supplies of wheat, cotton, and some oils were relatively short. Although exports are currently taking less than a tenth of farm output, the foreign market is a major outlet for some farm products. In the 1953-54 marketing year, exports represented nearly a fifth of wheat production and approximately a fourth of cotton, tobacco, and fats and oils.

Foreign Demand Stronger

Foreign demand for farm products has strengthened in recent months and probably will improve more in the coming year. Foreign holdings of gold and dollar assets have continued to rise over the past year and in mid-1954, totaled 23.7 billion dollars, about 2.4 billion larger than a year earlier. Most of this gain occurred in Western Europe and the Sterling area. United States imports were fairly well maintained during the 1953-54 fiscal year so that dollar earnings by foreign countries were not reduced materially by the moderate cut back in business activity in this country. In addition to some 13.5 billion dollars of non-military imports of goods and services, United States military expenditures abroad (including foreign spending by United States troops, offshore spending for military end items, and foreign military construction) added about 2 1/2 billion to dollar receipts by foreign countries in 1953-54. Record spending by tourists contributed substantially to total dollar earnings of foreign countries. United States Government grants and loans for economic assistance totaled around 1.7 billion dollars; and private remittances, investments, and loans contributed a net of about 1.3 billion. Combined receipts by foreign countries from the United States totaled about 19.1 billion dollars during fiscal 1953-54. United States exports of goods and services, other than those financed under military aid programs, totaled 17.2 billion dollars, leaving a net addition of 1.9 billion to foreign gold and dollar reserves in 1953-54 arising from transactions with the United States. Newly mined foreign gold added another 0.5 billion.

Most of the increase in gold and dollar holdings occurred in Western Europe and the United Kingdom where United States economic assistance and military expenditures were largest. Canada's dollar exchange position also continued to improve. However, the financial position of Latin American and most Asian countries worsened to some extent during 1953-54.
The improved dollar exchange position of foreign countries has permitted a considerable relaxation of import and exchange restrictions. Furthermore, incomes in most foreign countries have been maintained at a high level and industrial output in Western Europe in the first half of this year was substantially above a year earlier. Accompanying these developments, U. S. exports of food, consumer goods and raw materials increased in January-June 1954 from a year earlier.

Agricultural Exports

Agricultural exports in the first half of this year totaled 6 percent larger than in the same months a year earlier. Those for the 1953-54 marketing year as a whole were up 4 percent. This gain reflected not only a generally stronger foreign demand but also reduced foreign supplies of cotton and U. S. Government acceptance of foreign currencies in payment for agricultural exports above normal foreign purchases. These added purchases, made under Section 550 of the Mutual Security Act, exceeded 100 million dollars in the first 6 months of this year.

Exports of cotton in the 1953-54 marketing year were about a fifth larger than a year earlier with the gain coming in the January-June period this year. Exports of fats and oils increased about 50 percent from 1952-53. Short supplies of soybeans in Japan and Manchuria created a strong foreign demand for relatively low priced U. S. soybeans. Relatively low prices in this country for tallow and grease and CCC sales of flaxseed, linseed oil, and cottonseed oil, at competitive world prices also contributed to the substantial rise in exports of fats and oils. U. S. grain exports continued to decline as foreign production increased, and in 1953-54 wheat exports totaled almost a third below a year earlier. Although tobacco exports fell off in the first half of 1954, they totaled somewhat larger in fiscal 1953-54 than a year earlier.

Exports Likely to Increase Further

The foreign market for farm products is expected to improve further in the coming year and exports may total 10 percent or more above the 2.9 billion dollars in the 1953-54 marketing year.

In addition to a favorable demand picture, foreign cotton supplies in the 1954-55 marketing year are expected to be a little smaller than a year earlier. U. S. supplies of cotton are large and our exports in the coming year may total considerably larger than the 3.8 million exported in the 1953-54 marketing year. Wheat exports are expected to rise possibly as much as a sixth from the relatively low levels in 1953-54. Foreign wheat production is estimated to be somewhat smaller than last year. Canada's crop may be nearly 40 percent smaller, the crop in Europe may total about the same as last year. Exports of oils, fats, and oilseeds are expected to continue large in 1954-55. Soybean production this year is estimated at about a fourth larger than last year and domestic tallow and grease supplies are large. United Kingdom stocks of U. S. tobacco are relatively low in relation to increased consumption.
In addition prices for many flue-cured grades are a little lower this season. Thus U. S. exports of tobacco are expected to pick up somewhat in the coming year.

Exports of fresh fruits and fruit products in 1954-55 are likely to be larger than in 1953-54 and the largest since 1946. Foreign demand is strong and the U. S. has larger supplies of citrus, apples and dried prunes available for export.

Provisions of the Agricultural Trade Development And Assistance Act of 1954 will provide an added stimulus to exports of farm products. Under Title I of this Act friendly nations are to be given opportunity to buy surplus commodities from the United States. Surplus farm products acquired by the Commodity Credit Corporation, and under some conditions those held by private dealers, are to be made available for sale under the Act. Although funds and assets of CCC are to be used to finance the sale and export of surplus commodities, sales would be made for foreign currencies which could be used in a number of ways by our Government in carrying out overseas commitments. Appropriations authorized for transactions carried out under Title I of this Act are limited to 700 million dollars for a 3-year period.

The CCC is directed, in Title II of the Act, to make surplus agricultural commodities available to the President for transfer to friendly nations in order to meet famine or other relief requirements. Programs under this authority are limited to not more than 300 million dollars for a 3-year period.

Section 402 of the Mutual Security Act of 1954 provides additional authority for the movement of surpluses abroad. This Section earmarks 350 million dollars of the funds authorized under the Mutual Security Act to finance sale of agricultural surpluses to participating countries for foreign currencies. These currencies would be used by the U. S. Government to meet its overseas commitments under the Mutual Security Program.

SUPPLY AND PRICE DEVELOPMENTS
AND PROSPECTS

Big stocks of wheat, cotton, corn, fats and oils, and manufactured dairy products were carried into the 1954-55 marketing year. Prospects this year point to an output about 1 percent smaller than the record of 1953. Production of livestock and livestock products may be about 4 percent larger, but this would be offset by a 4 percent cut in prospective crop output.

Searing temperatures and short rainfall in several areas this summer damaged corn, hay crops and pastures. Acreage restrictions were largely responsible for cutting the wheat crop about 200 million bushels
to 959 million in 1954. But the carryover exceeded 900 million bushels and a record supply of about 1,870 million bushels is available for the 1954-55 marketing year. Cotton acreage also was reduced and the 1954 crop is currently estimated at 12.4 million running bales, compared with 16.4 million in 1953. With a carryover of 9.6 million bales the supply for the current marketing year totals 22.2 million, about the same as a year earlier. The corn crop was damaged by hot dry weather earlier this year and is currently estimated at 2,950 million bushels, 227 million less than last year. The carryover of corn on October 1 totaled 900 million bushels compared with 769 million in October 1953. Some increase is in prospect for grain-consuming animal units but supplies of feed concentrates per animal unit may be about the same as last year. Output of food fats and oils may total a little above 1953. Production of soybean oil and lard will increase but output of cottonseed and peanut oils will decline. Carryover stocks (mostly owned by CCC in the form of cottonseed oil and butter) continue large. Estimated production of vegetables and potatoes is moderately below 1953 levels.

Table 1. - Indexes of farm output by principal groups, 1950 to 1953 and indicated 1954

<table>
<thead>
<tr>
<th>Year</th>
<th>Farm output</th>
<th>livestock and products</th>
<th>All crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>100</td>
<td>106</td>
<td>97</td>
</tr>
<tr>
<td>1951</td>
<td>103</td>
<td>111</td>
<td>99</td>
</tr>
<tr>
<td>1952</td>
<td>107</td>
<td>112</td>
<td>103</td>
</tr>
<tr>
<td>1953</td>
<td>108</td>
<td>114</td>
<td>103</td>
</tr>
<tr>
<td>1954</td>
<td>1/</td>
<td>107</td>
<td>99</td>
</tr>
</tbody>
</table>

1/ Indications for 1954 based on conditions as of October 1, 1954.

Output of livestock and livestock products is larger this year than in 1953. Cattle slaughter may be around 4 percent larger and is likely to continue large in 1955. Hog slaughter is rising in response to the 13 percent increase in the spring pig crop and the fall pig crop may be a tenth larger than last fall. Thus total production of meat in 1955 probably will be at least as large as this year's output. Milk flow the rest of this year is likely to be close to a year ago and for 1954 as a whole, production is expected to total 124 billion pounds, up from 121.2 billion in 1953. Present prospects indicate that milk output in 1955 may about equal the record for 1954. Production of poultry products this year is running above 1953 and probably will continue large in the coming year.
Production and Supplies
In 1955

With smaller 1954 crops of wheat, cotton and corn and a little larger combined disappearance of major commodities for domestic use and export, no further large inventory accumulations are in prospect in the 1954-55 marketing year. Stocks of cotton and corn probably will be reduced. Marketings of livestock and livestock products are likely to equal or slightly exceed the large marketings in 1954. With average growing conditions, crop output should be only slightly below 1954 production. The approval of marketing quotas for wheat may result in a 12 percent reduction in the acreage of wheat seeded for harvest in 1955. Cotton production also may be reduced further. A marketing quota of 10 million bales has been announced for the 1955 cotton crop. This compares with a crop of about 12½ million bales estimated for 1954.

The Department of Agriculture recently announced the elimination of the "total acreage allotment" requirement. This will help maintain output in 1955 especially in the drought areas. Farmers who comply with their individual crop allotments will be free to plant the rest of their land as they wish without loss of price support eligibility, except that the harvested acreage of commercial vegetables, potatoes, sweetpotatoes, and dry edible beans must not exceed the average of the 1952 and 1953 acreage planted for harvest on the farm.

Prices of Farm Products
Slightly Lower

The index of prices received by farmers in the third quarter averaged 248 percent of the 1910-14 average, 3½ percent below a year earlier. Livestock product prices were down a tenth over the year. Hog prices were well below a year earlier due to substantially larger supplies this fall. Beef cattle prices averaged about the same. Lower prices for butterfat and wholesale milk this year reflected larger supplies of milk and moderately lower Government purchase prices on manufactured dairy products. Increased production of eggs, chickens and turkeys was accompanied by a drop of about a fourth over the year in average prices of poultry products.

Crop prices in the July-September period this year averaged 6 percent above a year earlier. Commercial vegetables was the only group averaging lower in prices this year than in 1953; increased supplies are largely responsible. Fruit prices were up more than a fifth reflecting smaller supplies and higher prices for grapefruit and California Valencia oranges. Potato prices averaged 50 percent above the relatively low prices a year ago. Potato production is running below 1953 and the important late-potato crop may total 4 percent smaller than in 1953. Oil-bearing crop prices were about a tenth above levels in the third quarter 1953 because of higher prices for soybeans and cottonseed. The 1953 soybean crop for marketing in 1953-54 was a tenth smaller than a year earlier. In addition, there was a strong demand by domestic crushers in order to
utilize expanded capacity as well as a larger export market for soybeans. Higher cottonseed prices are due primarily to reduced production. Higher prices for food grains, cotton, and corn reflect limited commercial stocks because of large holdings of these commodities under CCC price support programs.

**Expanded Supports Help Maintain Prices**

The heavy movement of farm products under support programs was an important factor bolstering prices over the past year. The Commodity Credit Corporation extended about 4.3 billion dollars for price support on 1953 crops through June 30, 1954. This was about 1.5 times that extended on 1952 crops. More than half of the 4.3 billion dollars was for price support on wheat and cotton. These two crops plus corn, milk products, and tobacco made up 86 percent of the total dollar value extended for price support. A substantial proportion of major crops moved under price support programs in 1953-54; approximately 42 percent of the cotton crop, 48 percent of the wheat crop, 15 percent of the corn, 52 percent of the

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Third quarter 1953</th>
<th>Third quarter 1954</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Bushel</td>
<td>1.88</td>
<td>2.03</td>
<td>8</td>
</tr>
<tr>
<td>Corn</td>
<td>do.</td>
<td>1.48</td>
<td>1.52</td>
<td>3</td>
</tr>
<tr>
<td>Cotton, upland</td>
<td>Pound</td>
<td>.326</td>
<td>.336</td>
<td>3</td>
</tr>
<tr>
<td>Soybeans</td>
<td>Bushel</td>
<td>2.39</td>
<td>3.07</td>
<td>28</td>
</tr>
<tr>
<td>Potatoes</td>
<td>do.</td>
<td>.90</td>
<td>1.35</td>
<td>50</td>
</tr>
<tr>
<td>Oranges 1/</td>
<td>Box</td>
<td>.81</td>
<td>2.73</td>
<td>237</td>
</tr>
</tbody>
</table>

All crops \(1910-14=100\): 235 \(1950\) 248 \(1954\) 6

| Hogs                | Cwt.     | 23.60              | 20.80              | -12               |
| Beef cattle         | do.      | 16.30              | 15.90              | -2                |
| Milk, wholesale     | do.      | 4.22               | 3.90               | -8                |
| All chickens, live  | Pound    | .254               | .210               | -17               |
| Eggs                | Dozen    | .498               | .352               | -29               |

All livestock and products \(1910-14=100\): 277 \(1950\) 248 \(1954\) -10

1/ Equivalent on-tree returns for all methods of sale.
flaxseed, and 42 percent of the grain sorghums. Most of these stocks were carried into the 1954-55 marketing year and are still held or under loan to CCC. They include nearly three-fourths of total cotton stocks, 95 percent of the wheat, 80 percent of the corn, possibly 70 percent of the dairy products, and most of the cottonseed oil. On June 30, 1954 CCC investment in loans and inventory totaled over 6 billion dollars, about 2 1/2 billion above a year earlier. On August 31 the Congress increased CCC borrowing authority from 8 1/2 billion dollars to 10 billion.

Table 3.- Price supports extended on 1953 commodities through June 30, 1954 and percent of 1953 production which moved under price support

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>1953 crop</th>
<th>Percent of crop under price support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quantity</td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Million</td>
<td>Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>units</td>
<td>dollars</td>
</tr>
<tr>
<td>Wheat</td>
<td>Bushel</td>
<td>558.0</td>
<td>1,214.9</td>
</tr>
<tr>
<td>Cotton, upland</td>
<td>Bales</td>
<td>6.8</td>
<td>1,121.1</td>
</tr>
<tr>
<td>Corn</td>
<td>Bushel</td>
<td>473.8</td>
<td>741.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Pound</td>
<td>252.2</td>
<td>112.1</td>
</tr>
<tr>
<td>Butter</td>
<td>do.</td>
<td>385.2</td>
<td>250.4</td>
</tr>
<tr>
<td>Cheese</td>
<td>do.</td>
<td>456.2</td>
<td>174.3</td>
</tr>
<tr>
<td>Dried milk</td>
<td>do.</td>
<td>673.7</td>
<td>105.8</td>
</tr>
<tr>
<td>All other</td>
<td></td>
<td>---</td>
<td>585.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>---</td>
<td>4,306.0</td>
</tr>
</tbody>
</table>

Price Prospects

In 1955

With prospects for continuing large supplies in 1955, the index of prices received by farmers may average moderately lower than in 1954 but about at the levels of this fall. Some gain in output and a decline from the levels earlier this year is in prospect for hogs. Little price change is expected for other meat animals. Egg and turkey prices may improve later in 1955. Prices of dairy products probably will average close to the level of the last 6 months.

Supplies of major crops will continue large but most carryover stocks are held by CCC under price support programs. Smaller "free" supplies of corn and a larger hog production probably will contribute to slightly
higher corn prices in the 1954-55 season than in 1953-54. Other feed grains are again expected to be low in relation to the price of corn; large supplies are in prospect. Prices of soybeans probably will not rise to levels attained last spring and summer because of the record crop this year. The support price for 1955 wheat crop was reduced from 90 to 82½ percent of parity and market prices are expected to be slightly lower than in 1954. Grower prices for citrus fruit may not average quite as high as in 1953-54 because of the continuing large production and increased carryover stocks of frozen and canned citrus juices.

**Agricultural Act of 1954**

The Agricultural Act of 1954 approved in late August, provides for flexible price support at from 82½ to 90 percent of parity for the 1955 crops of all basic commodities except tobacco—wheat, cotton, corn, rice, and peanuts. Price supports for most types of tobacco continue at 90 percent of parity. The Act directs that price supports on dairy products be continued at 75 to 90 percent of parity. In mid-September butterfat prices averaged 74 percent of parity and prices of wholesale milk averaged 85 percent of parity. The support for shorn wool is required to be at such incentive level, not exceeding 110 percent of parity, including payments, as the Secretary determines necessary to encourage domestic production at approximately 300 million pounds of shorn wool. When this goal is reached, wool will be supported at such level between 60 and 90 percent of parity as necessary to encourage annual production of 360 million pounds of wool. Payments to producers, financed from import duties on wool, are added as a permissible method of support.

In order to insulate the operation of the programs from the effects of large carryover stocks, the Act authorizes a stock "set aside" of not to exceed 2.5 billion dollars worth of the following commodities: wheat, upland cotton, cottonseed oil, butter, nonfat dry milk solids, and cheese. Maximum quantities are stipulated for each commodity, but set asides of 400 to 500 million bushels of wheat and 3 to 4 million bales of cotton are specified in the Law. The Secretary has announced an initial set aside of 1 million bales for upland cotton and 400 million bushels of wheat. In calculating the level of price support, the set aside is excluded from the carryover in relating total supply to "normal supply." But the set aside is included in the computation of supplies for purposes of acreage allotments and marketing quotas. The supply provisions of the Act probably will result in cotton being supported at 90 percent of parity in 1955. The support price for wheat has been set at 82½ percent of current parity; not less than $2.06 per bushel compared with $2.24 for the 1954 crop. Wheat grown in newly designated non-commercial areas will be supported at 75 percent of the announced support level. The announced national average support level for wool is 6.2 cents per pound, grease basis. This compares with an average price to growers of 52.8 cents in mid-September.
Figure 8

**FARMERS' PRICES**

% OF 1910-14

% OF PARITY

* Received

* Paid

Prices received

* Monthly data

Δ Includes interest, taxes, and wage rates. Annual average data, 1910-23; by quarters, 1924-36, by months, 1937 to date.
Wholesale prices of processed foods and industrial products firmed up slightly from 1953 to 1954. Raw industrial products, part of which are of agricultural origin, declined during most of 1953 but have firmed somewhat since the first quarter of this year. In early October, prices of raw industrial products were about 7 percent above early 1954 but approximately 3 percent lower than in the first quarter of 1953. The consumer price index for retail purchases made by urban families has inched up very gradually over the past year and so far in 1954 has been near 115 percent of the 1947-49 average. Apparel prices in urban areas trended downward in 1954 and food prices moderately upward. Rents began to taper off and transportation charges turned down in 1954.

Table 4.- Index of prices paid by farmers and specified components for third quarter of 1953 and 1954 with percentage change

<table>
<thead>
<tr>
<th>Item</th>
<th>Third quarter 1953</th>
<th>Third quarter 1954</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices paid, interest, taxes and wage rates</td>
<td>278</td>
<td>281</td>
<td>1.1</td>
</tr>
<tr>
<td>Living items</td>
<td>271</td>
<td>276</td>
<td>1.8</td>
</tr>
<tr>
<td>Production items</td>
<td>248</td>
<td>249</td>
<td>.4</td>
</tr>
<tr>
<td>Feed</td>
<td>222</td>
<td>225</td>
<td>1.4</td>
</tr>
<tr>
<td>Livestock</td>
<td>266</td>
<td>275</td>
<td>3.4</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>1/157</td>
<td>1/155</td>
<td>-1.3</td>
</tr>
<tr>
<td>Seed</td>
<td>1/233</td>
<td>1/224</td>
<td>-3.9</td>
</tr>
<tr>
<td>Interest</td>
<td>117</td>
<td>128</td>
<td>9.4</td>
</tr>
<tr>
<td>Taxes</td>
<td>371</td>
<td>391</td>
<td>5.4</td>
</tr>
<tr>
<td>Wages</td>
<td>514</td>
<td>505</td>
<td>-1.8</td>
</tr>
<tr>
<td>Parity ratio</td>
<td>93</td>
<td>88</td>
<td>-5.4</td>
</tr>
</tbody>
</table>

1/ September price index.

Prices paid by farmers for commodities, interest, taxes and wages are about the same on the average as last fall. Prices paid in rural areas for family living items averaged 2 percent higher with prices up slightly for most groups. Upturns in food prices accounted for most of this increase but clothing prices were also higher. Prices of commodities used...
in farm production averaged about the same in the third quarter as last year. Little change was indicated for motor vehicles, farm machinery, and building and fencing materials. Moderate gains were reported for purchased feed and livestock, and prices of motor supplies averaged higher. These gains were largely offset by lower prices for farm supplies, seed and fertilizer. Wage rates also were off about 2 percent from a year earlier but interest and tax charges per acre were higher.

Over the coming year, prices paid by farmers for commodities, interest, taxes, and wages probably will be maintained near 1954 levels. Commodities used in farm production may average a little lower. Prices of machinery and equipment and industrial products in general are expected to continue high. Feeder livestock prices may average some lower; feed and seed prices possibly a little lower if growing conditions are favorable next year. The easier farm labor situation is likely to continue. However, insurance, interest and tax charges on farm real estate will be slightly higher in the coming year.

The parity ratio has fallen off gradually with the moderate decline in prices received for farm products. In the third quarter the ratio averaged 88 compared with 93 a year earlier. Price prospects for 1955 point to little change from current levels in overall price-cost relationships in agriculture.

FARM INCOME AND FINANCIAL SITUATION

Farmers' cash receipts are running a little below last year and for 1954 as a whole may total around 30.2 billion dollars, 4 percent below 1953. Marketings continued close to the high levels of 1953 but prices are moderately lower. Estimated receipts from livestock may be down only about 2 percent as increased receipts from meat animals offset smaller receipts from dairy and poultry products. Receipts from crops this year may total 6 percent less than in 1953, largely because of smaller marketings of cotton and wheat. Further production curtailments are in prospect for wheat and cotton in 1955 and total farm marketings may be reduced slightly. Also the support price for 1955 crop wheat is moderately lower. Farmers' cash receipts in 1955 may be somewhat lower than in 1954.

Farm production expenses declined slightly from 1953 to 1954 and may ease more in the coming year. Expenditures for hired labor, operation of motor vehicles, seed, ginning costs, containers, insecticides and some other operating expenses are lower this year, partly because of smaller production of cotton and wheat and reduced farm operations in the drought areas. Purchases of fertilizer and feed and charges for maintenance and depreciation show little change from 1953. But taxes, mortgage interest and livestock purchases are larger. With further cutbacks in wheat and cotton acreage and some easing in cost rates on production, items operating expenses may decline further in 1955. Realized net income of farm operators this year is expected to total about 12.5 billion dollars, 6 percent below a year earlier. Net farm incomes in 1955 should approach 1954 levels.
INCOME OF FARM OPERATORS

Realized gross*

PRODUCTION EXPENSES

REALIZED NET INCOME

NONMONEY INCOME

1930 1935 1940 1945 1950 1955

*INCLUDING GOVERNMENT PAYMENTS, BEGINNING 1933

U.S. DEPARTMENT OF AGRICULTURE NEG. 443-54 (9) AGRICULTURAL MARKETING SERVICE

Figure 9
Farm Purchases Reflect Reduced Income

The decline in farm income in 1953 and 1954 contributed to smaller farm purchases and investment outlays over the past year. Rural sales of general merchandise in 1953 were slightly higher than in 1952, but in the first half of this year they were about 8 percent below the same period of 1953. Sales by farm implement dealers, which also include products other than farm equipment, fell about a tenth from 1952 to 1953 and in the first half of the year were more than a tenth below a year earlier.

Farm investment outlays for new construction in 1953 totaled 9 percent below 1952 and this year are running about a tenth below 1953. Sales of tractors and farm equipment were down about a tenth from 1952 to 1953 and declined more rapidly during the first half of this year.

Financial Situation

Agricultural assets, both physical and financial, totaled nearly 160 billion dollars on January 1, 1954, down about 7 billion over the year. Most of the decline during 1953 was due to the drop in the value of farm real estate accompanying the gradual decline in farm prices and incomes over the year. Land values have held relatively stable so far this year at about 5 percent below a year earlier. Little change is indicated for livestock and crop inventories during 1954.

Farmers maintained their financial assets in 1953 and apparently are maintaining them again this year. Deposit and currency assets changed little and farmers increased slightly their purchases of U. S. saving bonds in 1953. Information available for this year indicates that farmers as a group are at least maintaining their financial holdings in deposits, currency and U. S. savings bonds.

The total farm debt increased about a billion dollars to 17.1 billion on January 1 this year, due mostly to the increase in price-support loans. Farmers borrowed less for current production but farm mortgage debt increased despite the drop in land values. This was partly due to a larger proportion of credit used for farm purchases. The farm mortgage debt may continue to rise gradually in 1954, but non-real-estate loans probably will be smaller as farmers reduce purchases of machinery and equipment and some other production items.

The total farm debt at the beginning of this year was some 5 billion dollars smaller than total financial assets and a little more than 10 percent of total assets. However, the aggregate net equity of farmers dropped about 5 percent in 1953 and apparently is continuing to slip off this year. Farmers in drought areas and those producing products on which prices have declined are probably under some financial strain.

LIVESTOCK AND MEAT

Production of meat animals will continue large in 1955. Hog production will probably increase a little but cattle production seems to be on a downswing, and overall totals will not change greatly. With demand
for meat expected to be about the same as this year prices for meat ani-

mals also are likely to be much the same as this year. Hog prices, how-

ever, will remain below their unusually high level of last spring.

Although hog production in 1955 probably will continue the increase

that began in 1954, the rate of expansion will be slower. Recent declines

in hog prices and the smaller corn crop being harvested this fall may

limit the 1955 spring pig crop to around a 2 to 5 percent increase over

the spring crop of 1954. Considerably more hogs will be slaughtered and

more pork produced in the spring and summer of 1955 than in the same months

this year because of the 10 to 12 percent larger fall pig crop being saved

in 1954. Later in 1955 the increase in slaughter and pork supply will be

narrowed.

Prices for hogs next spring and summer will be much less than the

unusually high prices in the spring of 1954. Prices next fall may not be

much below those of this fall. In general, prices of hogs in 1955 will

be at about an average relation to the price of corn. They will thus allow

approximately average profits to be made in hog production.

The dry weather which reduced the 1954 corn crop and is restricting

increases in hog production also damaged ranges and pastures. It stimu-

lated slaughter of cattle this year and limited the potential inventory

and slaughter next year. The number of all cattle and calves on farms

January 1, 1955 is expected to be down slightly from last January. Most

of the reduction will be in yearling steers and heifers; inventories of

cows are likely to change less.

Fewer steers probably will be slaughtered next year than this. Cow

slaughter seems likely to increase a little as slow reduction of herds

appears to begin. Depending on the rate of slaughtering cows, total

cattle slaughter in 1955 may be about as large as this year. Calf slaughter

probably will be moderately larger.

Prices for cattle are likely to stay close to the level that has

prevailed since the middle of 1953. Prices of higher grade fed cattle give

promise of maintaining roughly their level of the past spring. This would

afford fairly satisfactory profits in feeding though less than were earned

the past year because prices for feeder cattle are higher this fall than

last. Feeder cattle prices this fall are probably about as high as can

be expected next year.

More sheep and lambs are being slaughtered in 1954 than are being

raised, and less will remain on farms and ranches at the beginning of

1955 than a year earlier. Slaughter next year is expected to be down from

1954. Prices for lambs have been erratic this year, increasing in the

winter but declining sharply during the spring and summer. Because of the

small supply of dressed lamb in prospect, more stable prices seem likely

in 1955. However, lamb prices have not gained much advantage over prices

of the plentiful competing meats in past years, and no substantial change

in this relation is likely in 1955.
The total red meat supply in 1955 will likely include as much higher grade "fed" beef, less grass steer beef, and a little more cow beef; more veal; somewhat more pork; and less lamb. Consumption of slightly less beef and slightly more pork per person is in prospect, but little change for all red meats combined.

**Dairy Products**

Demand for dairy products in the United States in 1955 will continue strong and total domestic uses probably will increase to a record of at least 120 billion pounds. Milk production, on the other hand, may about equal the record of 124 billion pounds in prospect for 1954. Dairy product prices may average about the same as in the past 9 months. Cash receipts from the sale of dairy products probably will be about 4 billion dollars compared with about 4.2 billions in 1954. Unit costs of producing milk and butterfat, on the average, probably will not change much in the coming year.

The restrictive effects on milk production of less favorable price relationships in the next year will be offset, in large part at least, by the several factors that will tend to increase milk output. A very important consideration will be farmers' efforts to maintain income by using all resources as fully as possible—in some cases increasing production of milk will be the result. On balance, it appears that both number of cows and output per cow will be close to the 1954 level.

Consumption per capita of dairy products in the United States apparently increased slightly in 1954 in response to lower retail prices. Little change is likely in 1955 since consumer incomes will be no greater, and retail prices will decline less than from 1953 to 1954. Even if consumption per person does not rise, the increase in population will bring total domestic use in excess of 120 billion pounds compared to 118.5 billion in 1954. There will be a shift in pattern of use of milk also, with relatively less going to butter and cheese, two important items bought by the Department of Agriculture under the price-support program.

A record quantity of dairy products was purchased by the Commodity Credit Corporation in the past year, and stocks of butter and cheese on September 30 were 409 million pounds and 412 million, respectively. Commodity credit corporation price support purchases of butter and cheese have declined since midsummer, reflecting the seasonal decline in production. CCC bought no butter and sold about 3 million pounds back to the commercial trade from September 17 to October 12. Prospects are that at least as much butter and cheese will be distributed as will be bought by the CCC in the year ahead, resulting in no net increase in CCC stocks. Purchases of nonfat dry milk have been running about as large as a year earlier but, under the program of distribution for animal feed, stocks have been reduced substantially.
EGGS AND POULTRY

The large number of potential layers, broilers, and turkeys now on farms assures record or near-record supplies of eggs and poultry meat for some time ahead. Supplies of broilers will be large for the remainder of 1954, turkeys for the next 4 to 6 months, and fresh eggs will be plentiful through midsummer 1955.

For these periods, poultry-product/feed price ratios are likely to remain well below average. In view of past production responses to below-average price ratios, reductions are likely in the number of chickens raised in 1955 for laying flock replacement and perhaps in egg production the last half of that year. Turkey production also is likely to be reduced in 1955.

Changes in the structure of the poultry industry appear to have slowed the adjustments producers make to changing price ratios. The industry has become increasingly specialized, partly to take advantage of new cost-cutting techniques and developments which have been introduced in the past 10 or 15 years. The specialization limits the opportunities of farmers to shift quickly among enterprises. Specialization also has introduced relatively heavy overhead expenses which continue whether or not the poultry enterprise is operated at full capacity.

Consumer demand for poultry products next year is not likely to be much different from this year. However, storage demand for eggs in the spring of 1955 and for turkeys in the fall this year is likely to be below the seasons before. The main reason for expecting this is the unsatisfactory financial outturn of egg and poultry storage this year.

The prospect for increasing monthly egg supplies indicates that egg prices to farmers are likely to remain low through March or April. By mid-spring, prices may be higher than a year earlier, but they are not likely to restore egg-feed price ratios to average levels. If turkey production decreases in 1955, as now seems likely, turkey prices for the 1955 crop may be higher than those received so far for 1954-crop turkeys.

Broiler prices, though sharply lower this year than last, have generally been high enough to cover out-of-pocket production expenses of most producers. The highly specialized nature of the enterprise and the wide use of financing plans, which limit farmers' out-of-pocket losses, will tend to maintain output. Consequently, broiler production next year probably will rise over 1954.

FATS, OILS AND OILSEEDS

Peak supplies of foodfats are likely in 1954-55 as beginning stocks were about the same as a year ago and output will be slightly larger. Prices of edible oils will to a large extent depend upon export demand for
soybeans, fats and oils and possible deliveries to CCC under the support program for cottonseed. If substantial deliveries are made, commercial supplies will become "tight." Hence, prices of the major edible oils probably would rise toward CCC's domestic sale price for its oil. This price is 15 cents per pound for crude cottonseed oil, bulk, mills, about 2 cents above the current market level. Lard prices probably will be lower than in 1953-54 because production will be up more than 10 percent. Exports of food fats in the year which ended on September 30, 1954 were at a record level, mainly because of peak shipments of soybeans and large sales of cottonseed oil by CCC at prices far below those in the U.S. domestic market. Exports in the current marketing year probably will continue large.

Supplies of most nonfood fats will be plentiful. The 1954 flaxseed crop is more than adequate to meet commercial needs. Cattle and hog slaughter will be great enough to provide large quantities of tallow and greases. Exports of tallow and greases were at a peak level in the past year, and with large supplies and comparatively low prices, exports are likely to continue heavy this year.

Production of soybeans this year is estimated at a record 331 million bushels. Exports are expected to reach a peak. Present prices to farmers are above support and are expected to average above the support level of $2.22 per bushel, farm basis.

Output of cottonseed in 1954 is estimated at 5,133 thousand tons, 24 percent less than the year before. Prices to farmers are likely to average considerably above the support level of $50 per ton.

Production of 1954 crop flaxseed is placed at 40 million bushels, 2 million more than a year ago. The crop is substantially above estimated commercial use and a large part of it will be delivered to CCC under the support program. Prices to farmers will average around support.

Production of peanuts in 1954 is estimated at 1,083 million pounds, 505 million less than a year ago. Adverse weather reduced yields sharply. A crop of this size will be less than estimated food and farm uses and stocks probably will be reduced to a minimum. About the only peanuts likely to be crushed will be those which do not meet the standards for other uses. Prices are likely to rise above support.

CORN AND OTHER FEEDS

A near-record supply of feed grains and other concentrates is available for the 1954-55 feeding season, 8 percent above the 1947-51 average and 4 percent larger than in 1953-54. In view of a prospective
increase in grain-consuming livestock, the 1954-55 supply per animal unit is about the same as last year and slightly above the 1947-51 average. If the rate of feeding per animal unit in 1954-55 is about the same as the 1947-51 average, the 1954 crop of feed grains would be nearly equal to total disappearance, leaving a carryover into 1955-56 nearly as large as the record of 31 million tons this year. Because of the big carryover of feed grains in prospect next year, average or above average feed grain supplies are likely again in 1955-56.

As in the past 2 years, supplies of feed grains and hay are again more than ample in most of the North Central region, but are moderately to critically short in large areas of the South and in some of the Western and Atlantic Coast States. This situation has made it necessary to again establish an emergency drought program and take other steps to aid farmers in drought areas to maintain their basic livestock herds.

The corn supply of about 3,850 million bushels is a little below 1953-54, though again above the 1947-51 average. The 1954 crop of 2,950 million bushels is expected to fall somewhat below requirements, and the carryover on October 1, 1955, is expected to be reduced from the record level this year. Supplies of oats, barley, and sorghum grains are all much larger than in 1953-54, and larger carryover stocks of these grains are expected next year.

Feed prices in the 1954-55 feeding season are expected to average near the 1953-54 level. While the total feed grain supply is larger than last year, much of the increase is owned by CCC. Furthermore, feed requirements will be larger because of the increase in livestock on farms. Corn prices this fall may average about the same as a year earlier, but as "free" supplies become tight later in the marketing season, prices are expected to advance seasonally, probably going higher than in 1953-54. Prices of oats and barley are expected to continue unusually low relative to corn prices in 1955. The general level of high-protein feed prices also may not be greatly different from that of the past year, although soybean meal prices probably will average lower and cottonseed meal prices higher.

The total supply of high-protein feeds for 1954-55 is expected to be about the same as in 1953-54. Production of soybean cake and meal may be nearly a million tons larger than the 5.0 million tons produced this year, but supplies of cottonseed meal and dried milk products available for feed will be smaller.

The total supply of hay is slightly larger than last year, but somewhat below average in relation to the number of livestock to be fed. Hay supplies are again generally adequate in the northern part of the country, but are very short in many of the Southern States. Furthermore, pastures have been much below average over wide areas of the country, making it necessary to feed more hay than usual early in the season.
Total wheat supplies for the marketing year which began July 1, 1954 are now estimated at about 1,867 million bushels. This consists of the carryover July 1, 1954 of 903 million bushels, the crop estimated as of September 1 at 959 million and an allowance for imports of 5 million bushels, mostly of feeding quality wheat from Canada. However, imports of feeding quality wheat could exceed this figure because the Canadian crop is reported to include a large quantity of poor quality grain. The indicated total supply is almost 8 percent above the previous high of 1,736 million bushels in 1953-54.

Domestic disappearance in 1954-55 is indicated at about 660 million bushels, which would leave about 1,210 million bushels from the total supply for exports and carryover. It is too early in the season to estimate exports, but there are indications that the total may be larger than the 216 million bushels exported in 1953-54. An optimistic appraisal of present prospects would place the 1954-55 total as high as 250 million bushels. Exports of this size would leave a carryover on July 1, 1955 a little above the record stocks on July 1, 1954.

The approval of marketing quotas by wheat farmers in the national referendum on July 23 is expected to result in a 12 percent reduction in the acreage seeded for harvest as grain for the 1955 crop. If farmers plant within their acreage allotments and yields are average, it is expected that domestic disappearance and exports may make possible some reduction in stocks in the 1955-56 marketing year.

The total acreage allotment provision with respect to the use of acres diverted from wheat and other crops which was to go into effect for 1955 crops was eliminated by the Secretary on September 15. No change, however, was made in the cross compliance requirement. Under the latter, a producer must comply with all individual crop allotments in order to be eligible for price support on any crop. Three changes have been made which affect wheat producers in 1955. One of these is that a producer with a wheat allotment of less than 15 acres who exceeds his wheat allotment and plants 15 acres or less will still be eligible for price support on other crops if he stays within all other allotments, even though he is not eligible for wheat price support. Another is that in order to be eligible for any price supports in 1955, harvested acreage of vegetables, potatoes, and sweetpotatoes (for the fresh market or processing), and dry edible beans must not exceed the average acreage of these crops planted for harvest on the farm in 1952 and 1953. Third, compliance with all basic crop allotments, including the wheat allotments of less than 15 acres, will be a condition of eligibility for ACP assistance.

The national average support level for the 1955 wheat crop will not be less than $2.06 per bushel. This is 82 1/2 percent of the August parity price for wheat. The national average support level for 1954-crop wheat is $2.21 per bushel. Support rates for wheat produced in the commercial area in 1955 will reflect the full national support level. In
the newly designated 12-State non-commercial wheat area, wheat will be supported on the basis of 75 percent of the full support level. These States are Arizona, Alabama, Connecticut, Florida, Louisiana, Massachusetts, Mississippi, Maine, New Hampshire, Nevada, Rhode Island, and Vermont. Farm wheat allotments and marketing quotas will not apply in these States.

RICE

The 1954 rice crop, estimated at 61.9 million hundredweight of rough rice, exceeds the previous record set last year by 17 percent, and the 1948-52 average by 46 percent. Exports of rice from the United States has increased tremendously since before World War II, and in 1954-55 is expected to reach an all-time record. However, probable exports, together with other disappearance, are not expected to be large enough to absorb the large crop so that the carryover August 1, 1955 will be higher. Average prices received by growers, including allowance for unredeemed loans at average loan values, is expected to be somewhat below the $5.19 per hundredweight. The loan rate for the 1954 crop is $4.92 compared with $4.84 for the 1953 crop.

FRUIT

Increased production of citrus fruits in 1954-55, a larger deciduous crop in 1955, increased exports of fresh fruits and fruit products, and grower prices for citrus and deciduous fruits averaging slightly lower than in 1953-54 are highlights in the outlook for fruit in the year ahead.

United States exports of fresh fruits and fruit products in 1954-55 are likely to be larger than in 1953-54 and the highest since 1946. Increased exports of citrus probably will go to Canada, our best customer for fruits and fruit products. In the rest of the world, Europe offers the best opportunity for increased exports. Improved financial conditions in some European countries recently have led to some liberalization of import restrictions for fruits and fruit products, and further relaxation is expected during the current season. Reduced citrus production is in prospect in the Mediterranean area. Although European production of apples and pears is larger than last year, cool and wet weather this summer has impaired keeping quality. The United States has larger supplies of citrus, apples, and dried prunes available for export in 1954-55. Hence, conditions are favorable for increased exports of apples and dried prunes next winter and spring and citrus next spring and summer.

Increased production of citrus fruits is in prospect for 1954-55, assuming continued favorable weather. With heavy increases in Florida, California, and Texas, a larger orange crop is in prospect for 1954-55. But a smaller grapefruit crop seems likely because heavy reductions in Florida exceed increases in Texas and Arizona. Another large lemon crop is in prospect. In 1955-56, total production of citrus fruits probably
will continue to trend upward as new plantings in Florida and Texas come into bearing and older trees in all States increase in bearing surface. Because of a larger crop and heavier carryover stocks of canned and frozen orange juices, grower prices for oranges probably will not average quite as high in 1954-55 as in 1953-54. With larger carryover stocks of processed grapefruit tending to offset the smaller crop, grower prices for grapefruit in 1954-55 may average close to the level for the 1953-54 crop.

Total production of deciduous fruits and tree nuts is likely to be a little larger in 1955, if average weather prevails. Small increases can be expected in most of the major fruits, especially those of which output was reduced in 1954 by unfavorable weather. Grower prices for 1955 production probably will average near the relatively high levels for 1954. During this fall and winter, supplies of apples are expected to be somewhat larger, and those of pears smaller, than a year earlier. Prices of apples are expected to hold up well and those of pears may average higher than in the fall and winter of 1953-54.

Deciduous fruit production in 1954 is currently estimated to be about 1 percent larger than in 1953, but 7 percent below the 1943-52 average. Because of a large drop in the pecan crop, exceeding increases in almonds, filberts, and walnuts, total production of tree nuts is 12 percent smaller than in 1953 and about the same as average. To assist in the orderly marketing of the much larger almond, filbert and walnut crops, the Department, under applicable marketing agreements and orders, has fixed salable and surplus percentages for each kind of tree nuts. With reduced packs of canned apricots, cherries, and peaches, the 1954-55 pack of canned fruits is expected to be a little smaller than the relatively large 1953-54 pack. Output of dried fruits also is expected to be somewhat smaller than in 1953-54, mainly because decreases in raisins and apricots more than offset an increase in prunes. Production of frozen fruits is down slightly in 1954, but the total of frozen and canned citrus juices is up. Further increases in output of frozen and canned citrus juices may occur in the season ahead.

COMMERCIAL VEGETABLES

For Fresh Market

Prospects for 1955 are that consumer demand for fresh vegetables will be about the same as in 1954. Thus, the level of prices received by farmers for these products will depend largely upon the volume produced. If output is no larger than in 1954 and marketings follow the usual seasonal pattern, farm prices next year probably will average close to those of this year.
This fall, demand is expected to be about as strong as a year earlier and supplies are likely to be a little lighter. Prices for fresh vegetables in general are expected to average somewhat higher than in fall 1953.

With the early-fall cabbage crop and the late-summer onion crop smaller this year than last, storage stocks of these 2 commodities at the beginning of 1955 are expected to be below those of a year earlier. In addition, farmers' planting intentions as of September 1 indicate that the 1955 winter crop of cabbage will be down from that of a year earlier unless yields per acre are considerably higher. Thus, prices received by farmers for cabbage and onions during the first quarter of 1955 are expected to average higher than the low prices received during the same months of 1954.

During the first three quarters of 1954 commercial production of fresh vegetables totaled almost as large as a year earlier. Total acreage was moderately higher than that harvested during the comparable months of 1953, but yields per acre were down during each of the three major producing seasons. Through September the index of prices received by farmers for commercial fresh vegetables averaged 7 percent lower than a year earlier.

For Commercial Processing

Total supplies of commercially processed vegetables (canned and frozen, combined) during 1954-55 are expected to be fairly close to those of a year earlier, and adequate to maintain civilian consumption at the 1953-54 per capita rate. Indications point to a smaller total pack of processed vegetables this year than in 1953, but part of this decline has been offset by the heavier carryover stocks.

Total stocks of frozen vegetables reported in cold storage on October 1 were record large for that date but the seasonal increase has not been quite equal to that of a year earlier. This implies that the output of frozen vegetables this year may not be quite equal to record 1953 pack of 1,077 million pounds. Compared with a year earlier, larger stocks on October 1 of lima beans, snap beans, Brussels sprouts, sweet corn and the miscellaneous vegetables a little more than offset declines in holdings of asparagus, broccoli, cauliflower, green peas, pumpkin and squash, and spinach.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during the next 5 to 6 months probably will be somewhat smaller than a year earlier, and prices much above the very low levels of fall 1953 and winter 1954. The 1954 late-potato crop, which comprises the bulk of supplies marketed during the fall and winter season, is 4 percent smaller than that of a year earlier. In addition
September planting intentions of growers in Florida and Texas point to a smaller crop for winter-season harvest. Prices next winter and early spring may encourage farmers to plant a much larger acreage to potatoes for harvest after mid-spring, and the increased output could result in marketing problems and lower grower prices for the early commercial crop than a year earlier.

Supplies of sweetpotatoes to be marketed during the coming winter and spring will be somewhat smaller than a year earlier. With consumer demand likely to be equal to that of the first half of 1954, grower prices should average higher. Production of sweetpotatoes in 1954 is expected to be about 15 percent below the 1953 crop and the second smallest since 1881.

**DRIED BEANS AND PEA S**

Supplies of peas are expected to be somewhat larger in 1954-55 than those of a year earlier, mainly as a result of heavier production. With domestic utilization likely to be close to that in 1953-54, prices received by farmers for both commodities probably will average lower in 1954-55 than in the preceding season unless exports can be expanded.

Supplies of white beans are expected to be considerably smaller in 1954-55 than in 1953-54 and prices for these beans will probably be higher than a year earlier. On the other hand, supplies of some colored beans — particularly pinto, small red and pink — are expected to be substantially greater, and prices somewhat lower. Lima beans will continue in ample supply and prices are expected to be moderately lower.

Bean exports are expected to be lower in 1954-55 because of reduced availability of white beans for export and excellent crop prospects in Mexico which will reduce their import demand for pinto beans.

**COTTON**

The supply of cotton for the 1954-55 marketing year is estimated at 22.2 million running bales, about the same as in 1953-54, although the estimated 1954 crop of 12.4 million bales is 3.9 million bales smaller than the 1953 crop. Carryover stocks this August of 9.6 million bales were 4 million larger than a year earlier. With some increase in domestic use and larger exports in prospect for the 1954-55 marketing year, carryover stocks may be reduced considerably during the current marketing year.
Domestic mill consumption in 1954-55 is likely to exceed that of 1953-54 because of increases expected in purchases of textiles by the military forces and some improvement of the stock position in gray goods in relation to unfilled orders. Although the consumption of synthetic fibers will probably be slightly larger in the current marketing year than in 1953-54, population increase probably will counterbalance the depressing effect on cotton consumption.

Exports of cotton in the 1954-55 marketing year may increase considerably from the 3.8 million in 1953-54. The rise in exports is expected primarily because of small stocks abroad at the start of the season and a relatively high level of foreign cotton consumption. Prices for some foreign growths are now higher than comparable prices for American upland cotton. Despite the expected increases in foreign free world cotton production, foreign free world supplies in 1954-55 probably will not be adequate to meet requirements without larger imports from the United States. A slight increase in foreign free world stocks is expected by the end of the 1954-55 marketing year.

Cotton prices dropped slightly in August, but then increased in September and October. The average 10 spot market price for Middling, 15/16 inch cotton was 34.42 cents per pound in July, 34.19 cents in August, 34.50 cents in September, and 34.33 cents on October 15. On October 15, 1953, the average 10 spot market price was 32.74 cents.

The Secretary of Agriculture announced on October 14, 1955, marketing quotas of 10 million bales for upland cotton and 30 thousand bales for extra-long staple cotton. These are the minimum quotas permitted under current legislation for the 1955 crops. The national acreage allotments for 1955 are 18.1 million acres for upland cotton and 46.2 thousand for extra-long staple.

On September 15, the Secretary announced an initial set-aside of 1 million bales for upland cotton. The set-aside will be increased to at least 3 million bales, and may be further increased, depending upon more complete information as to supply and demand. This amount will be excluded from the supply when computing the price support level for the 1955 crop of upland cotton. The supply provisions of the act indicate that the 1955 price-support level will be 90 percent of the parity price.

WOOL

World supply of wool for the 1954-55 season is expected to be slightly larger than for 1953-54 because of an increase of about 1 percent in production. Indications are that total world stocks were about the same as a year earlier.
The annual rate of world consumption during the second quarter of this year was about one-tenth below that of a year earlier but slightly above the first quarter. Some improvement appears likely during 1955 compared with 1954.

During the first week in September, the opening week of the current auction season, prices at the British Dominion auctions declined somewhat to levels between 15 and 20 percent below a year earlier. After a gradual advance over the following 5 weeks, they again declined during the second week of October. As of mid-October, prices of fine wools ranged between 10 and 15 percent below and of crossbreds from about the same as to about 10 percent below a year earlier.

Prices received by domestic growers for shorn wool during the 1955 season (April 1, 1955-March 31, 1956) probably will average nearly the same as for this year. However, the average return per pound is expected to be somewhat larger. It has been announced that the national average support level will be 62 cents per pound, grease basis, to the grower and that, if necessary, payments will be made to producers to bring the average return per pound (market price plus payment) up to the average support level. Indications are that prices received this season are likely to average slightly above the national average support level of 53.2 cents. The National Wool Act of 1954 also provides for support for pulled wool at such level as will maintain normal marketing practices. Support for pulled wool will be effected through payments on marketings of live sheep and lambs.

Combined output of domestic shorn and pulled wool next year probably will be a little lower than this year. The relationship of sheep and lamb slaughter relative to inventories this year suggests that there will be fewer sheep and lambs on farms and ranches at the beginning of next year than early this year.

Use of wool by domestic mills during the early months of this year was substantially below last year. The rate of mill consumption of apparel wool during January-August was down almost one-third though it improved somewhat from the relatively low rate of late last year. The rate for carpet wool was almost one-fifth below a year earlier. Total mill use of apparel wool this year is expected to be lower than last year but probably by a smaller percentage than early this year. The relatively low rate of mill use late last year, the lowest since 1937, and early this year, reflected in part a reduction in inventories of wool products in manufacturing and distribution channels to better working levels. With economic activity and consumer purchasing power likely to continue at about present levels, mill use next year probably would be up a little from this year.
Domestic use of most kinds of tobacco in the 1954-55 marketing year is expected to be about as large as or a little larger than in 1953-54. Exports of unmanufactured tobacco in 1954-55 seem likely to be moderately larger than a year earlier.

Output of cigarettes in calendar year 1955—the major outlet for flue-cured, Burley, and Maryland tobacco—is expected to be within the range of recent years but with a larger proportion of king size and filter tips. The 1954 cigarette production is estimated at 413 billion, compared with 423 billion in 1953 and the record 435½ billion in 1952.

Cigar consumption in the United States and by overseas forces in 1954 is expected to be close to 6 billion—a little less than last year—and to be near this level again in 1955. The 1954 outputs of smoking tobacco (for pipes and roll-your-own cigarettes) and chewing tobacco may approximate 8½ and 82 million pounds, respectively. Both are below last year. No substantial change in these products is expected in 1955, but the gradual downtrend in chewing tobacco is likely to persist in the years ahead. The 1954 output of snuff is estimated at near 39 million pounds—up a little from a year earlier and about the same level is expected in 1955.

Exports of tobacco in the 1954-55 marketing year are expected to be moderately above the 515 million pounds (farm-sales weight) estimated for 1953-54. Flue-cured accounts for around four-fifths of total tobacco exports. Gold and dollar reserves of important importing countries have improved in the past year. Tobacco consumption in several countries gained over the past year and in some countries, stocks of United States tobacco are low relative to consumption requirements. Recent legislation authorizing the acceptance of local currencies for sales in excess of usual marketings should also benefit tobacco exports. On a calendar year basis, 1954 exports of tobacco probably will total less than last year since 1953 exports were boosted by the substantial shipments to Britain in the first half that normally would have occurred in the latter part of 1952.

Supplies of most kinds of tobacco for 1954-55, except continental cigar filler and binder, are fairly large. Total supplies in the current marketing year for flue-cured and Burley at about 3,262 and 1,760 million pounds are 4 and 1½ percent larger than for 1953-54. Stocks of both are above a year earlier. The flue-cured crop is about 6 percent above last year when drought cut yields in the type 11 area. While the Burley crop is estimated to be only slightly lower than in 1953 despite the 6 percent smaller acreage.

Marketing quotas and acreage allotments for 1955 crops of the several kinds of tobacco will be announced by the Secretary of Agriculture prior to December 1. Quotas on the 1955 crops of flue-cured, Burley, Virginia sun-cured, and cigar filler and binder (types 42-44 and 51-55) were approved by growers in previous referenda. Growers of fire-cured, dark air-cured, Maryland tobacco, and Pennsylvania filler will vote this year either to approve marketing quotas for the next 3 years, or 1 year, or to reject a quota.
By mid-October, the 1954 flue-cured crop was about 72 percent marketed. Through that date, prices averaged 52.3 cents per pound compared with 55.5 cents in the comparable period of the 1953 season. Approximately 8 percent of deliveries were placed under Government loan. Marketings of most other types begin later this fall and winter. Support levels for the eligible types this year are the same or nearly the same as in 1953.

Prices of the 1955 crops of flue-cured, Burley, and cigar filler and binder types (42-44 and 51-55) will be supported at 90 percent of parity and Virginia sun-cured at 66 2/3 percent of the Burley support level. If quotas are approved by fire-cured and dark air-cured growers, their 1955 price supports will be 75 and 66 2/3 percent of the Burley support levels as provided by law. If quotas are approved by Pennsylvania filler and Maryland tobacco growers, their 1955 crop price supports will be at 90 percent of parity.

FOREST PRODUCTS

Lumber consumption during 1954 is estimated at 40.5 billion board feet or about the same as in 1952 and 1953. In 1955 lumber consumption is expected to remain at about this level, primarily because of a continued high level of construction activity. Lumber imports estimated at 2.3 billion board feet in 1954 and lumber exports estimated at 0.9 billion board feet are not expected to change materially in 1955. Thus lumber production from domestic forests is expected to amount to about 39 billion board feet. The West is expected to account for about half of the lumber produced domestically, the South 35 percent, and the North 15 percent.

Wholesale lumber prices have declined slightly in the last three years, and in August 1954 were about 4.0 percent below the all time peak reached in 1951. With a continued high level of construction activity in prospect, lumber prices may change little from current levels. Stumpage and log prices also may continue near levels this year.

Pulpwood consumption in 1954 is estimated at 28 million cords—about 2.7 percent higher than the previous peak year in 1953 and about 76 percent higher than consumption at the end of World War II. Some further increase in pulpwood consumption is expected in 1955 in response to anticipated increases in population and the development of new uses for paper and pulp products. In addition, there will be considerable pressure to operate new plant facilities that are expected to increase the capacity of the wood pulp industry to about 22 million tons in 1955. This will represent an increase of about 1 million tons over capacity in 1954.

Production from domestic forests in 1955 is expected to be above the estimated 27 million cords produced in 1954. The South is expected to account for about 60 percent of this total, the North 20 percent, and the West the remaining 20 percent. Pine and other preferred softwoods such as spruce and fir are expected to account for about 85 percent of total pulpwood production.

The new peak in pulpwood consumption achieved in 1954 marks a continuation of a period of extremely rapid growth in the pulp and paper industry. Since 1946 the capacity of the United States wood pulp industry has increased from 12.1 million tons to about 21 million tons—or a rise of about 75 percent. Expansion of the pulp and paper industry and pulpwood
consumption has been particularly rapid in the South where more than half of the wood pulp industry is now located. Except in the West, the wood pulp industry depends largely upon pulpwood cut from small forest holdings. In the South, for example, about 75 percent of total pulpwood production is cut from farm forests and other small ownerships.

Pulpwood prices have advanced steadily during the past decade or so, and in the past year have reached new peak levels. Some further slight increases are expected in 1955 in response to increased demand.

Production of veneer logs and bolts during 1954, estimated at 2.6 billion board feet, is somewhat higher than prior years largely because of a trend toward increased use of softwood ply in construction. This trend is expected to continue. Production and prices of these relatively high value products may increase slightly in 1955.

In 1955 the consumption of all other forest products such as fuelwood, poles and piling, mine timbers, and other miscellaneous products, is expected to remain near the levels of 1954. Little if any price change is expected for these products.

NAVAL STORES

A gradual rise in prices for rosin and turpentine is expected during the remainder of 1954. Prices during the last half of this crop year (October 1954 through March 1955) should average higher than for the first half of the year.

If strengthened demand continues, virtually all of the rosin and much of the turpentine pledged under the 1954 Gum Naval Stores Loan Program will be redeemed. As individual grades of rosin loan collateral are exhausted it is expected that CCC holdings (acquired under prior programs) may be sold.

The strong market situation is a continuance of the trend which began in August 1953. The strengthened market reflects substantially lower carry-in stocks, particularly in producing countries abroad. Moreover, drought in the United States and abnormally cold weather in western Europe have adversely affected gum naval stores production in the United States, France, and, to a lesser extent, in Portugal and Spain. However, output in France and Portugal probably will be greater than the low levels of last year. At the same time, rosin requirements abroad appear to be increasing in line with industrial activity. Because of this situation, loans on rosin and turpentine outstanding pledged to the 1954 loan program through October 7, 1954, approximated only 8% of the gum turpentine and 6% of the gum rosin production estimated for this year, compared with 16% and 19% at the same time last year.

The United States supply of all types of rosin during the current crop year is estimated at 3,019,000 drums, about 2% above last year. Rosin output of 2,120,000 drums is about 100,000 more than last year, but carry-over stocks of 898,000 drums are about 34,000 less than last year.

The supply of all kinds of turpentine is estimated at 790,000 barrels, virtually unchanged from last year. Lower carry-in stocks (197,000 barrels compared with 229,150 barrels last year) should be offset by a 7% increase in turpentine production which is estimated at 574,000 barrels.
OFFICIAL BUSINESS

AMS-DFS-10-54

NOTICE

If you no longer need this publication, check here [ ] return this sheet, and your name will be dropped from the mailing list.

If your address should be changed, write the new address on this sheet and return the whole sheet to:

Agricultural Marketing Service
United States Department of Agriculture
Washington 25, D. C.