

Agricultural Outlook

as of December, 1948

George B. Alcorn

The peak in prices of farm products apparently was reached in January, 1948. The peak in dollar farm income was probably in 1947; while the peak in real farm income—what the farm income would buy—was in 1946.

In California it appears that the peak in net farm income was reached in 1946 when fruit prices were at their peaks.

Farm income in 1948 in the United States is estimated to be about 8% lower than in 1947 and calculated to be reduced by another 8% to 10% in 1949.

Over-all, the national economy appears to be riding smoothly in high gear. Purchasing power is at unheard of levels. Employment is at record levels and labor scarcities appear possible as the defense program becomes more active. Agricultural crop production this year is making a new record. Industrial production is about double the prewar average. Construction and plant expansion is at very high levels. Credit seems to be unlimited, almost uncontrollable, and cheap. Administered price industries are no longer holding prices.

This postwar period is particularly difficult to forecast as the prewar economy cannot be compared with that of today. National production now adds up to some 250 billion dollars. In 1939, it was 90 billion. The public debt before the war was some 30 billion dollars; now it is 256 billion. Almost everything is on a different scale in this postwar period. Therefore, experience is no guide.

Increased supplies of many farm crops have already forced prices of some crops down to support levels. The index of prices received by farmers for all crops in September was down almost 20% from the January, 1948 high.

Crops

Prices of wheat have dropped from around \$3 a bushel to the \$2 national support level, and large volumes will no doubt be placed under government loan. United States crops of wheat in recent years have exceeded one billion bushels. Domestic use for food and seed is about 600 million bushels. Large volumes of exports—like 480 million bushels in 1947-48—or domestic stockpiling are necessary to maintain prices.

Barley is the largest acreage crop in California. The government is not bound by law to support barley prices. The price

support for wheat and the probable prices for barley favor increased wheat production.

Feed grains are now in record supply in relation to the numbers of livestock to be fed, being about one fourth larger than the small supplies of last year. Because of the large supplies, prices are expected to average one third lower this winter than last—at support levels or lower.

Cotton has declined in price to about the loan levels. While exports in the coming year are expected to be about double those of last year and higher than for any year since 1939, domestic mill consumption in the current season has dropped to the lowest level since before the war. Stocks are accumulating, being about a million bales greater than a year ago, and further increases are expected.

Fruit prices are the only group of crop prices which are slightly higher than a year ago. They were the first to fall in this postwar period, and fruit prices in 1947 were far below those of 1946.

Citrus fruit production has doubled each 10-year period since 1920, and prices now are about like those before the war. As long as normal export markets for dried fruit are lacking, prices will be determined by government. Most dried fruit prices are somewhat higher than a year ago. Canning fruit prices for pears, peaches, and cherries have been quite satisfactory this year. Canning apricot prices, however, were very unsatisfactory. Prices paid in any year are related to size of crop, movement of pack, size of carry-over, etc., and prices fluctuate greatly. The trend in per capita consumption of canned fruits, however, is definitely upward.

Tree nut production in total—almonds, walnuts, filberts, and pecans—in 1948 was at record levels.

Potato prices on the 1949 production must be supported at somewhere between 60% and 90% of parity. Because of unfavorable publicity concerning present potato support programs at 90% of parity and a necessary downward revision in production to be more in line with declining consumption, it is the prevailing opinion that prices will be supported at the lower level, i.e., 60% of parity.

Vegetables for canning in 1949 are not expected to vary in production or price greatly from 1948. No more than normal

working stocks are expected to be carried over into the 1949 pack season.

Dry bean prices in 1949 may be at about support levels as foreign demand is expected to be definitely lower. The support price may be lowered next year from 90% of parity to between 60% to 90%.

Livestock

Livestock prices recently have been at record levels. Meat animal prices are expected to remain high in 1949, particularly in the first half of the year. Less beef, veal, lamb, and mutton will be produced in 1949. Numbers of sheep and cattle have been declining for years. Increased production of beef and lamb will take a matter of years if numbers are not to be reduced still further. Pork production, however, can be expanded greatly. The hog-feed ratio is very favorable to expanding production. The increase in red meat supplies in 1949 will be mainly in pork and will not come until the fall marketings of the spring pig crop.

Dairy cattle numbers have been declining for about five years. Production of milk in California is currently less than a year ago. Prices for dairy products in 1949 are not expected to be much different than those prevailing in 1948. Poultry products are expected to be as much in demand in 1949 as in 1948. Prices will be affected primarily by changes in supplies. Production of eggs, chickens, and turkeys is expected to increase in 1949 in response to more favorable feed ratios. Increasing production—with the exception of broilers—will not be a factor until the latter part of the year. Prices may be higher in the first half of 1949 than during 1948, but they may average less during the latter half.

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