ILLINOIS FARM and HOME OUTLOOK for 1946

What's ahead in Illinois farm prices

PERCENT

WORLD WAR I PRICES

WORLD WAR II PRICES

1915 1916 1917 1918 1919 1920 1921
1940 1941 1942 1943 1944 1945 1946

Circular 600
UNIVERSITY OF ILLINOIS - COLLEGE OF AGRICULTURE EXTENSION SERVICE IN AGRICULTURE AND HOME ECONOMICS
GENERAL OUTLOOK FOR 1946

Demand will be good but weaker than in 1945. Farm incomes and farm prices may decline moderately.

Prices of most Illinois farm products are likely to remain firm in the first part of 1946. Consumer spend­ings will not decline much, as most people will be em­ployed and savings and taxes will be lower. Shipments of food and feed to foreign countries will be large if financial and transport problems can be solved.

Prices may decline moderately in the latter half of 1946. Civilian food supplies will become more plentiful as military and export needs decrease. Foreign countries will be growing more of their own foods and will tend to buy from countries where food is cheaper. Moreover, with food supplies at a high level, removal of the roll-back and incentive sub­sidies will result in lower returns to farmers for some commodities.

Net farm incomes will be good in 1946 but lower than in 1945. Prices of goods which farmers buy will not go down as much as prices of farm products; therefore farmers will need to make more efficient use of feed, labor, and machinery.

Major questions in the 1946 farm-price outlook are: (1) Will price ceilings be lifted or adjusted upward as roll-back subsidies are removed? (It is likely that they will be if such action does not cause an overall rise in the cost of living.) (2) How much will we export and ship for relief? (3) Will we have further price inflation? (We may, but probably only for a short time, after which we are likely to have a severe price decline. Prices of some farm products will be held back by large supplies.)

1946 PRODUCTION GOALS

The 1946 national production goals, as established by the U. S. Department of Agriculture, are about the same as 1945 production. Surpluses of some farm products, however, may develop unless large quanti­ties are shipped to food-deficit countries. For Illinois the suggested goals for 1946 are as follows:

Soybeans — reduce acreage by 17 percent.
Corn — increase acreage by 2 percent.
Oats — increase acreage by 6 percent.
Dairy production — keep same level.
Eggs — cull more hens, produce 17 percent fewer eggs.
Chickens — raise 19 percent fewer chicks.
Turkeys — raise 7 percent fewer.
Spring pigs — have same number of sows to farrow.
Beef cattle — reduce numbers by 2 percent.
Sheep — make no further reduction.
THE 1946 GOALS set by our Government call for a high level of production. The American people will have money to buy food generously, and other countries will need our food. But unless we make careful plans, we are likely to produce more than can be absorbed at prices that will bring reasonable returns. We must get in shape for some inevitable adjustments in production as we shift from wartime and postwar relief needs to a domestic market.

I hope the information given here will help you to work out your plans for the year ahead.

January 1946

OUTLOOK AFTER 1946

Production will continue high. Exports will decline. Farm prices will drop further.

Altho high incomes in the U.S. are expected to continue for the next few years, declining exports and a high level of farm production are likely to cause a further drop in farm prices after 1946.

Farmers have protection on several commodities thru the Government’s postwar guarantee to support prices at 90 percent of parity. The 1945 prices of some important Illinois products were, however, well above present parity or comparable prices, and price supports have not been authorized for some others (see table). With farmers geared to produce 25 to 30 percent more than in prewar years, support prices can be maintained only in one of two ways: (1) by maintaining a high level of consumption in this country and keeping exports well above prewar levels; or (2) by reducing supplies thru production controls.

U.S. Average Farm Prices as Percentage of Parity or Comparable Prices, November 15, 1945

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Percent</th>
<th>Commodity</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>99</td>
<td>Lambs*</td>
<td>124</td>
</tr>
<tr>
<td>Wheat</td>
<td>99</td>
<td>Wool*</td>
<td>129</td>
</tr>
<tr>
<td>Oats*</td>
<td>97</td>
<td>Butterfat</td>
<td>103</td>
</tr>
<tr>
<td>Soybeans</td>
<td>124</td>
<td>Milk, whole</td>
<td>109</td>
</tr>
<tr>
<td>Hogs</td>
<td>112</td>
<td>Chickens</td>
<td>120</td>
</tr>
<tr>
<td>Beef cattle*</td>
<td>120</td>
<td>Eggs</td>
<td>100</td>
</tr>
</tbody>
</table>

(* No postwar price support is authorized.)

Cooperative Extension Work in Agriculture and Home Economics:
University of Illinois, College of Agriculture,
and the United States Department of Agriculture cooperating.
H. P. Rusk, Director.
Acts approved by Congress May 8 and June 30, 1914.
Feed supplies are down. Quality of corn is lower. Less wheat is available. Demand for feeds will be strong.

**Total U. S. supply of all feed concentrates for the 1945-46 feeding season,** which began October 1, is 2 percent smaller than a year previous. The demand for feed grains, high-protein feeds, and by-product feeds for livestock will be strong thru the winter and spring of 1946, but may ease in the latter part of the year.

**Total U. S. supply of feed grains on October 1, 1945,** was slightly larger than a year earlier because of the record 1945 oat crop and the larger carryover of old grains. Less wheat will be available, however, for livestock feed, and imports of oats and barley will be reduced. Also 1945 corn is of lower quality and therefore more of the crop than usual will be fed before warm weather.

**Total supply of high-protein feeds for the 1945-46 feeding season** is slightly smaller than in 1944-45. More linseed meal will be available, about as much animal proteins and soybean meal, but less cotton-seed meal.

**Feed grains will be scarce in some areas of Illinois.** The 1945 corn crop was 4 percent smaller than the 1944 crop, and of poorer quality. The oat crop was 61 percent larger than in 1944. The hay crop was large enough for expected needs.

**SOYBEANS AND WHEAT**

**Soybeans.** The need for soybean oil and meal will continue to be great in 1946, but imports of vegetable oils may be resumed before all the 1946 soybean crop is processed. The support price to farmers for the 1946 crop will probably be lower than in 1945, but a strong demand for meal and oil may hold soybean prices above the support level.

**Wheat.** Large exports of wheat are expected to hold prices at about ceiling levels during the spring of 1945. Prices for the 1946 crop may be only moderately lower unless production is large in the U. S. and in other countries producing surpluses.

**LEGUME AND GRASS SEED**

Supplies of alfalfa and red-clover seed are likely to be short again this year, while those of alsike, sweet clover, and lespedeza are more ample. Supplies of grass seed are more nearly adequate than legume seed. Growing bromegrass with alfalfa, and alsike and timothy with red clover, will stretch supplies of these legume seeds. All the red-clover seed possible should be harvested in 1946.
Demand will be good, but civilian meat supplies will be larger. Prices will be lower.

Hog prices will average moderately lower in 1946 than in 1945. Civilian supplies of meats are expected to be about 150 pounds per person in 1946, compared with 130 pounds in 1945. The 1945 fall pig crop is estimated to be 12 percent larger than a year previous, and preliminary reports indicate a 2-percent increase in spring pigs for 1946. Hog prices are therefore expected to decline temporarily in the early winter and in late spring, when marketings of the 1945 spring and fall pigs are heaviest. In late 1946, after the subsidy is removed, as is now planned, hog prices will drop again but probably not to the support level.

The support price for hogs is scheduled to stay at $13 a hundred for good and choice barrows and gilts of all weights, Chicago basis, thru September, 1946. It will then drop, reaching a low of $10.75 in December, 1946, but will increase to $13.25 in September, 1947.

Lower returns to cattle producers

Demand will be good and slaughter large. Subsidies and ceilings may be removed.

Returns to cattle producers are likely to be lower in 1946 than in 1945. The large number of cattle and calves on farms in the U. S. and the prospective decline in cattle prices will keep slaughter high in 1946. Demand will be strong, but consumers will not buy the anticipated supply of beef at retail prices much higher than those prevailing in 1945.

The 1946 returns to cattle producers will be affected by the way in which subsidies and price controls are handled. If ceilings are raised or removed when slaughter subsidies are withdrawn, prices of the better grades of beef will advance but prices of the lower grades of beef will not. Under these conditions the withdrawal of the slaughter subsidies is likely to be fully reflected in lower prices on lower grade cattle, but producers of the better grades of cattle will absorb only a part of the loss of the subsidy.

The number of cattle on feed in the corn-belt states on December 1, 1945, was close to a record. Marketings of fed cattle will be concentrated in the first six months of 1946 and will be light in the late summer and fall. Cattle feeders who have enough good corn and pasture for summer feeding may therefore profit by delayed feeding of good-quality cattle. What is best will depend on Government action on subsidies and price ceilings.

Marketings of grass cattle will again be large in the late summer and fall of 1946. On January 1, 1945, there were 22 percent more cattle and calves on farms in the U. S. than the 1935-1939 average.
SHEEP OUTLOOK FAVORABLE

Numbers are low. Fewer lambs are on feed. Demand is good. Wool stocks are high.

Returns from the sale of sheep and lambs, including the subsidy paid directly to producers, are likely to average higher in the first half of 1946 than in the same period in 1945. Fewer fed sheep and lambs will be marketed in the 1945-46 feeding season than were marketed in 1944-45, and the demand for lambs and mutton will be strong.

If subsidies are discontinued on June 30, 1946, returns on sheep and lambs in the last half of 1946 may be lower than in 1945 unless ceilings are removed. The seasonal decline in prices in the summer and late fall of 1946 will be less than usual, as marketings will be light. Sheep numbers are at their lowest level since 1928.

Stocks of wool are still large. Support prices of wool will continue at present levels thru June, 1946, but the 1947 clip will sell at lower prices. Our Government has been supporting U. S.-produced wool at prices much higher than the prices of foreign wools. The result — U. S. woolen mills used twice as much foreign wool as domestic wool in 1945.

In late 1945 the Commodity Credit Corporation was offering U. S. wools at 20-percent lower prices than it paid for these wools, and there were few buyers.

POULTRY AND EGGS

Egg price outlook is unfavorable. Supplies will be large and demand will decline.

Egg production in the first half of 1946 is expected to be nearly as large as in the same period in 1945. The number of hens and pullets on farms January 1, 1946, was as large as a year earlier. Civilian demand for eggs will be fairly good in 1946. But with more plentiful meat supplies, people will use fewer eggs than the 390-per-person used in 1945. Also the military service will buy fewer eggs. Unless exports of eggs are large, substantially lower prices are in prospect. Some reduction in hens and pullets is therefore recommended.

Chickens. Altho the demand for chicken meat is expected to remain fairly strong in 1946, prices will average moderately lower than in 1945. Heavier culling of farm flocks and lower military needs will make larger supplies of chicken meat available for civilians.

Turkeys. Somewhat lower prices for turkeys can be expected in 1946. The upward trend in civilian consumption of turkey meat will continue, but production is nearly double the prewar average. Producers who intend to raise more turkeys than in 1945 may find it difficult to obtain enough feed.
DAIRY OUTLOOK FAVORABLE

Returns may be lower. Government action on ceilings and subsidies is the uncertainty.

Altho the dairy outlook for 1946 is favorable, Illinois dairy farmers will receive moderately lower returns than in 1945. The overall demand for dairy products is strong, but because of reduced military and lend-lease purchases, less canned milk, dried whole milk, and cheddar cheese will be needed. The demand for butter at 1945 retail price ceilings will exceed the prospective supply. It is possible, however, that some increase in prices may divert more butterfat to the manufacture of butter.

Returns will depend on Government action on dairy-production payments and price ceilings. If production payments are ended, retail and wholesale prices of dairy products are not expected to rise enough to offset this loss. Prices received by farmers who sell to manufacturers of cheese and evaporated milk are expected to decline slightly in the period of flush production; this did not occur in 1945. If the ceilings on butter prices are taken off or are increased, more milk will go into butter and this will strengthen whole-milk prices generally.

Milk production in 1946 is expected to be 1 to 3 percent below the 1945 record of 123 billion pounds. Numbers of milk cows and replacement dairy heifers are declining slightly. Milk production per cow is likely to decline in 1946, especially if the feed payments are stopped.

Altho the long-time outlook for dairying is good, a general increase in milk cows is not recommended.

BUILDING MATERIALS

Plans should be made now for new buildings and for remodeling. Emphasis should be placed on building location, labor-saving arrangements and equipment, and better housing.

Costs of materials and labor are relatively high, and dealers' stocks of lumber and other building items will not be adequate before late in the year. Some temporary or emergency measures may be justified, but most of the planning should be for long-time needs.

FARM MACHINERY SCARCE

New farm machinery will continue to be scarce in the early months of 1946. A more plentiful supply should be available by harvest unless manufacturing is hindered greatly by labor difficulties. Maintenance and repair of labor-saving machinery continues to be of major importance.

Relatively little surplus Government equipment will be suitable for use as farm machinery.
FARM FAMILY OUTLOOK

The net income available in 1946 for farm family living and saving may be 10 to 15 percent lower than the all-time peak in 1945, which was more than 21/2 times the 1935-1939 level. Prices for all commodities used for farm family living averaged 53 percent higher on September 30, 1945, than in 1935-1939. The average price paid for house-building materials is 41 percent over 1939 prices, and for furniture and furnishings nearly 62 percent over. With the scarcity of many types of goods, strong demand will tend to make prices higher in 1946 unless consumers refuse to bid against each other for these goods.

More civilian clothing will be produced early in 1946, but the clothing on hand should be worn as long as possible, since there is still great need to restrict buying. Fat supplies will be lower, and sugar supplies will be about 70 percent of normal. Supplies of durable household equipment and furnishings will increase as labor, machines, and materials become available.

FRUITS AND VEGETABLES

Fruits. With average yields, the U. S. production of tree fruits in 1946 will be slightly larger than in 1945. The apple crop is expected to be much larger than the 1945 record-small crop of 64 million bushels. From past trends a peach crop of 70 to 80 million bushels is expected. The strawberry outlook remains about the same as for 1945. Imports of fresh fruits, particularly bananas and pineapples, will increase. Larger supplies of fruits for civilian use are expected to cause lower prices in 1946.

Vegetables. Prices of Illinois-grown vegetables for processing are likely to be moderately lower in 1946 than in 1945. The demand will be good, but supplies of canned vegetables in general are at a record high and may be more than adequate at 1945 price levels. No support prices for canning vegetables grown in 1946 are expected.

With exceptions, the price outlook for fresh vegetables is more favorable than for processing vegetables but prices for both will be lower than wartime peaks.

FARM LAND VALUES

The danger of a land boom is more real now than at any time in recent years. On November 1, 1945, prices of Illinois farmland averaged 65 percent higher than the 1935-1939 average and they are likely to go still higher. Prospective buyers should realize (1) that net farm incomes will decline significantly from wartime levels; and (2) that heavy indebtedness should not be incurred.

Urbana, Illinois