The Montana Agricultural Outlook For 1941

MONTHLY INDEX OF BUSINESS ACTIVITY

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Prepared by
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General Business Conditions

Business activity in the United States at the end of 1940 was higher than at any time in history. The business week monthly index of business activity reached a new high in October 1940, after starting upward in May. The heavy industries such as steel and the war industries such as airplanes have experienced the most rapid rise. It is expected that most other industries will continue the expansion at least for the duration of the defense program.

This high level of business activity is due in large part to the rapidly expanding program for national defense, accompanied by increase in industrial production, employment, and consumer incomes. More than 7 billion dollars probably will be spent for national defense in 1941, an increase of some 5 billions over 1940. It is estimated that about half of the increase in defense spending in 1941 will represent an increase in the net contribution of the federal government to national purchasing power.

Greater consumer purchasing power for the country as a whole in 1941, compared with 1940, is expected to result in increased demand for farm and ranch products.

The development of the defense program is having a stimulating effect upon business sentiment and businessmen are anticipating several years of favorable business conditions and of rising prices. Exports of industrial products have increased in value by more than a third since the outbreak of the European war. The continued demand for industrial products by Great Britain will depend to a large extent upon the outcome of the European conflict and the ability of Great Britain to maintain shipping and transportation facilities. The number of domestically unemployed should be reduced substantially in 1941, as the result of increased industrial activity and of the increase in the armed forces of the nation. It is estimated that about 4,200,000 additional persons either may be employed by industry or absorbed into the military service in 1941.

Any benefits which are likely to accrue to farmers and ranchers from defense spending and the European war will accrue from improved consumer purchasing power at home, rather than from an improved export market abroad. Continental European markets are virtually closed for the duration of the war.

Per capita consumption of food in the army is said to be about 40 per cent greater than in civilian life, and consequently many farmers and ranchers have hoped that the enlargement of military forces would mean a considerable increase in the quantity of food consumed per person, domestically, in 1941. The relatively small number of persons in domestic military service, however, makes this of little consequence in total food consumption. The expected improvement in general consumer purchasing power and business activity in the United States in 1941 will be reflected in higher prices for certain agricultural products. Prices farmers pay are likely to increase with the result that incomes farmers receive will buy less goods than previously.

Much of the information on national production, prices, and outlook has been taken from publications of the Bureau of Agricultural Economics, United States Department of Agriculture. The Agricultural Marketing Service at Helena supplied most of the information on Montana Agriculture.
War And Agriculture

The war is the dominant factor in the agricultural situation today and will continue to be so for the next several years regardless of how the war terminates. The United States agricultural export commodities have been affected adversely since the beginning of hostilities. American agriculture will be forced to make very important internal adjustments regardless of the outcome of the war. British victory probably would mean less agricultural adjustment than a German victory.

Whatever the course of affairs in Europe, the American national defense program is almost certain to continue as a powerful factor in stimulating domestic production and employment. War orders already have brought many of the heavy industries to an all time high output. Many of the specialized defense industries, such as airplane manufacture, are rapidly expanding output to many times the peace-time level. British dollar exchange in this country probably will be used for the purchase of munitions and is likely to stimulate that market more than the export market for food products. Some agricultural commodities domestically marketed, such as meat animals and dairy products, promise to return somewhat higher incomes to farmers in response to increased consumer demand. Others on an export basis, such as wheat and cotton, likely will not increase farm income during 1941.

Heavy surpluses of many agricultural commodities were in existence before the present war broke out in contrast to the short supplies of 1914. Subsequent large crops maintained these surpluses. Even though hostilities were to cease in the winter of 1940-41 and if large quantities of wheat were shipped to the lightly fed European states, prices would not be likely to increase.

War is a time of dynamic change and will stimulate shifts in regional production and agricultural-urban balance. The defense program and increased industrial activity will provide temporary employment. Opportunities will be provided for expansion, contraction, and inauguration of new business and agricultural ventures. Migration of people to urban areas will be speeded-up and the wage rates to labor on farms are likely to rise.

The policy of hemisphere defense and closer ties with Latin America and Canada will give less direct advantage to the agricultural producers than to most urban dwellers in the United States. Montana’s wheat, wool, sugar, and cattle compete directly with products of other parts of the hemisphere. However, it has been an accepted policy of the federal government to put a floor under prices when any sector of the agricultural economy becomes particularly depressed. This policy is likely to be used in case of excessive competition from outside agricultural products. A stronger defense will be the principal immediate advantage of closer relationships with countries in the western hemisphere.
A major similarity of the present war to the first World War will be the chaotic conditions following the signing of the peace. The rapid and intensified gearing of an economy to wartime production cannot be changed to peacetime needs without violent repercussions. All industries are forced to adjust output in accordance with war demands and the end of war leaves no outlet for the products of highly specialized factories, machinery and labor. Unemployment and human distress have followed inevitably in the wake of war. Immediate recognition of these results of past wars and intelligent effort directed now to minimizing human distress when peace returns to the world should lessen the severity of post-war adjustments.

The Farm Income

Cash farm income for the first 10 months of 1940 totaled 7,314 million dollars compared with 6,833 million during the first 10 months of 1939. This is an increase of about 7 per cent over 1939. During October, cash income and governmental payments totaled 1,125 million dollars compared with 1,042 million for the same month of 1939.

The total farm income for 1940 is expected to be about 9 billion dollars compared with 8.5 billion dollars in 1939. The bureau of agricultural economics estimates that cash farm income probably will be about 9.5 billion dollars in 1941. Montana's share of the United States farm increase was 74 million dollars for the nine months beginning January, 1940. This compares favorably with the 60 million received during a similar period in 1939 and with 47 million in 1938. The increase for the nation amounted to 7 per cent and for Montana 23 percent.

During the first ten months of 1940, dairy products, and meat animals led the rise in farm income in 1939, though income from all groups of farm products was higher than a year earlier. November figures indicate that the Northern States from Montana to the Atlantic (plus California) received the greatest increase over 1939. Late cotton marketings, however, will improve the standing of the Southern States.

Montana farm income from both crops and livestock increased markedly during the first nine months of 1940 compared with the same period of 1939. Crop income was 29 million dollars during the first nine months of 1940, an increase of 7 million over 1939, and 14 million over 1938. Livestock income showed a similar increase, from 24 million dollars in 1938, to 28 million in 1939, and to 32 million in 1940. Montana, together with the Dakotas and Minnesota, leads all states in the increase of farm income over 1939.

Government payments in Montana for September were $717,000 compared with $335,000 in August, and with $1,013,000 in September, 1939. During the first nine months of 1940, such payments totaled about 18 million dollars, which were 23 per cent above the 1939 figure.
The Wheat Situation

Total world supplies of wheat in 1938-39 and 1939-40 were the largest on record, and indications are that supplies for 1940-41 will be reduced little, if any. The indicated world wheat production for 1940 is placed at 4,085 million bushels. This was 6 per cent below the 1939 crop, 13 per cent below the record 1938 crop, but about 10 per cent above the average production for the 15 year period from 1923 to 1937.

Stocks of wheat on October 1 for the United States (Figure 1) are estimated at 868 million bushels compared with 794 million bushels a year earlier. With total supplies of 1,076 million bushels and domestic disappearance of 685 million bushels, 391 million bushels will be available for export and carry-over. The carry-over on July 1, 1941 is expected to be 369 million bushels, 85 million bushels more than on July 1, 1940 and 139 million bushels more than the average for the 10-year period 1930-39.

WHEAT: WORLD SUPPLY AND PRICE, 1923-40

![Graph of Wheat: World Supply and Price, 1923-40](image)

Total stocks of wheat in Montana on October 1, 1940, were estimated at 45,916,000 bushels compared with 45,257,000 bushels on the same date of 1939. The production of wheat in Montana for 1940 is estimated at 60,811,000 bushels compared with 56,811,000 bushels for 1939 and with the 10-year (1929-38) average of 34,255,000 bushels. Wheat production in Montana in 1940, therefore, was slightly less than double the average for the period 1929-38.

The acreage to be sown to wheat in Montana in 1941 is expected to remain about the same as in 1940, since the State A. A. A. allotment is about the same (3,788,007 acres in 1940 and 3,767,254 acres in 1941).
The average price of wheat in Montana on November 15 was 62 cents—three cents above the price a year earlier. The domestic price of wheat has been above the export price during the past year as a result of various governmental programs and the domestic price of United States wheat is expected to remain above the export price during 1941. Very large carry-overs in the chief exporting countries will operate against any immediate rise in wheat prices even if Europe were to find means to take delivery of wheat within the next year. Without the opportunity to reduce the supply by exporting, the price of wheat in the United States for 1941 is not expected to be higher than for 1940.

The Feed Situation

Feed-livestock price ratios in 1937-38 and 1938-39 were more favorable for livestock feeding than in 1939-40. These ratios may become more favorable to livestock feeders the later part of 1941 if livestock production is reduced below that of 1940, as now appears probable largely because of a decrease in hog numbers. Winter ranges in Montana carried more feed into the 1940-41 winter than in the previous year and more than the average of the 10-year period 1929-38, except for local areas in central and southcentral Montana. New grass appearing in late September and October improved the quality of feed on both ranges and pastures. Moisture conditions indicate that the 1941 spring grass crop will be large.

Hay production in Montana was estimated on October 1 at 2,465,000 tons compared with 2,451,000 tons in 1939 and with the 1929-38 10-year average production of 2,124,000 tons. The stocks of hay on Montana farms as reported May 1, 1940 were 686,000 tons compared with 803,000 tons in 1939 and with the 1929-38 average of 219,000 tons. On the basis of carry-over and production, 33 per cent more hay will be available in Montana this winter than the average of the 10-year period 1929-38.

The production of feed grains, oats, barley and corn, in Montana in 1940 (14,846,000 bushels) was slightly smaller than production in 1939, (14,858,000 bushels) but considerably larger than the 10-year (1929-38) average of 9,683,000 bushels.

The number of grain-consuming animal units on United States farms January 1, 1941 is expected to be approximately 132 million compared with 136.7 million on January 1, 1940. The supply of feed grains per grain-consuming animal unit will be a little larger than the large supply last year.

United States supplies of hay, feed grains, and high-protein feeds are large this year. There will be a substantial increase in the available supply of linseed cake, cottonseed cake, and soybean cake and meal because of large production and a decrease in exports.

With Montana ranges in better than average condition, hay supplies large, and livestock numbers lower than the 1929-38 average, hay prices are lower than usual in many areas of the state. In some instances livestock operators are purchasing hay for use this winter at less than they can produce it. Many operators are accumulating and saving hay for future emergencies.
Beef Cattle

Improved demand conditions for meat are expected to raise the general level of prices of livestock in the United States during 1941. The total slaughter supply of livestock during 1941 will be smaller than during 1940, although larger than the average for recent years. A small decrease in marketings of grain-fed cattle is expected. Decrease in numbers of hogs will more than offset increases in cattle numbers. The trend in total meat production is expected to be slightly upward after 1941 because of increases in numbers of cattle during the next few years.

A wider spread between prices of the higher and lower grades of cattle is in prospect in the United States. Prices of the higher grades are expected to average a little more during the first half of 1941 than they did early in 1940, and prices of lower grades may average about the same or slightly less. A strong demand for breeding and feeding cattle is expected to continue, although more cows and heifers probably will be marketed in 1941 than were marketed in 1940. The tendency to withhold breeding stock from market was noticeable in 1939 and 1940 (figure 2), and it is estimated that cattle numbers increased about two million head during 1940. Barring severe drought the upward trend in cattle numbers probably will continue during the next two or three years, and cattle numbers are likely to exceed the 1934 peak of 74.3 million head before a cyclical downswing in numbers starts. The number of cattle and calves on farms and ranches of the United States on January 1, 1941 is estimated to be about 70.8 million. Under conditions of probable increased meat production during the next five years, unforeseen influences or considerable improvement in consumer demand for meat will be necessary if a downward trend in cattle prices is to be avoided.

Figure 2
With war, improved business conditions, and higher prices leading toward marked increases in livestock numbers, painful adjustments by livestock producers are likely to be necessary when the world returns to peacetime conditions. Numbers of cattle on Montana ranches and farms increased from 890,000 on January 1, 1938 to 1,107,000 on January 1, 1940, and numbers on January 1, 1941 are expected to be still larger.

The fattening of cattle and lambs in areas of Montana supplied with sugar beet by-products appears to have been relatively satisfactory. Successful feeding in other areas may be affected in the future by periodic feed scarcity and resulting strong competitive demand for feeds to maintain foundation breeding stock.

Montana feeders paid only a little more for cattle and lambs this year than last, and with anticipated higher prices for fat stock, feeders should obtain larger net returns than in 1940 if cost of gains does not increase. The general uncertainties of national and world affairs have been partly responsible for the increase in contract feeding this winter in established fattening areas of the state.

Although a considerable increase in range livestock numbers has occurred in Montana since the drought years and range feed supplies still exceed the needs of existing livestock in many parts of the state, some areas already appear to have expanded beyond safe limits as determined by supplies of feeds. Large losses could result to livestock in these restricted areas if severe wintering conditions should occur. The general situation over most of the state, however, is even more favorable than a year ago for breeding livestock to go through the winter in good flesh and with small losses.

The opening of new markets for livestock within the state has received recognition of livestock men on the midwestern markets, but prices paid for cattle on local markets continue to be determined largely by prices prevailing at the large central markets after allowance for transportation charges and shrinkage.

Wool

Government defense orders and improved civilian buying power will be powerful demand factors in the domestic wool market in 1941. The dominant supply factor is the British controlled Australian and South African fine wool crop. Government contracts in 1941 probably will maintain wool prices at as high a level as in 1940.

The European blockade has greatly diminished the market for the finer wools of Australia, South Africa, and to a lesser extent, South America. This makes a much larger supply available for the United States in case the British authorities feel disposed to sell here. Domestic production of shorn and pulled wools in 1941 should about equal the production of 1940.
million pounds, grease basis), and will be somewhat larger than in 1939, but will not meet United States civilian and military requirements. Since there will be a demand for foreign wool, especially of the finer grades, the British government's policy with respect to prices and quantities released is the important factor in the wool outlook for 1941.

Domestic woolgrowers' interests probably will be protected. If foreign wools should be made available at prices below the average domestic price for 1940, (28 cents to growers, grease basis, September 15), specifications requiring purchases of domestic wools to fill government contracts probably will maintain prices during 1941 at a level no lower than the 1940 price.

Historically the price of wool in the United States has followed closely the index of income to industrial workers (figure 3). The rise in incomes of industrial workers during 1941 may be accompanied by a rise in prices of wool, depending on the British policy.

The eventual ending of hostilities, the opening of the European blockade, and cessation of national defense activity, with accompanying post-war readjustments and declining consumer purchasing power, are likely to cause lower wool prices.
Sheep And Lambs

Prospects are favorable for steady or increased prices for lambs in 1941. Increased consumer buying power, a moderate decline in the total supply of other meats, and a steady or rising price for wool indicate an increase in demand. Supplies of lambs during 1941 are expected to be near the 1940 level.

Sheep numbers in the United States have held at a uniform level of from 45 to 48 million head during the last ten years. This uniformity in sheep population is common to both the western and native sheep states.

Numbers of breeding ewes in Montana increased from 2,241,000 on January 1, 1939, to 2,375,000 on January 1, 1940. The 1940 population of breeding ewes is substantially below the 1929-38 average of 2,883,000. At the 1939 rate of increase, numbers of breeding ewes in Montana will reach the 1929-38 level by 1943.

The Montana lamb crop in 1940 was somewhat below the average for the period 1929-38. The lamb crop for the nation, however, reached an all time high of 32,820,000 lambs in 1940, which is 8.8 per cent larger than the 1929-38 average. The number of breeding ewes lambed in 1941 will about equal the number lambed in 1940, and the lamb crop likely will be about the same size as the 1940 crop.

**Figure 4**

**Prices of Lambs at Chicago and of Wool at Boston, Slaughter of Sheep and Lambs, and Income of Industrial Workers, United States, 1929-40**

- **Price of lambs at Chicago** (Bulks of sales)
- **Inspected slaughter of sheep and lambs** (3-months moving average)
- **Income of industrial workers**
- **Price of wool at Boston**

*Adjustment for seasonal variation

100
gons per 100

1,800

1,600

1,400

1,200

1,000

800

600

400

200

0

1929 1931 1933 1935 1937 1939

**U.S. Department of Agriculture**

**Bureau of Agricultural Economics**
Reports indicate fewer lambs on feed in the Corn Belt and Western States in 1940-41 than in 1939-40. A large part of the 1940 Texas lamb crop is being held over to be marketed as shorn yearlings.

Meat supplies during 1941 will be slightly smaller than in 1940 as a result of a decrease in pork supplies. This reduction, together with high incomes of industrial workers (figure 4), should result in generally higher meat prices.

The longer time outlook is less encouraging. Increasing numbers of cattle are certain to have a general downward effect on the prices of meat unless the decline is offset by increased consumer demand. Should a depressed industrial condition accompany the eventual slowing of the rearmament program, decreased consumer purchasing power, together with increased supplies of meat, might easily cause a sharp reduction in the price of lambs.

**Hogs**

The 1939 hog crop in the United States was sold at the lowest price since 1934, largely because more hogs were marketed in the 1939-40 marketing year than in any year since 1928-29. Indications are that prices will be higher during the 1940-41 marketing year with fewer hogs to be marketed and stronger consumer demand. Farmers marketed an unusually large number of hogs in September and October, and seasonal reduction in marketings from January to March probably will be greater than usual.

Hog numbers in the United States are expected to fluctuate close to the level of the past two years. Numbers of hogs on Montana farms increased from 76,000 on January 1, 1938, to 144,000 on January 1, 1940.

It is the opinion of some producers that the recent development of livestock markets in Montana has facilitated shipment of hogs to western markets, such as Spokane, Seattle, and Portland.

**DAIRY PRODUCTS**

The prospects are favorable in 1941 for higher prices of dairy products, particularly cream and butter. The dominant factors in the dairy outlook for 1941 are increased numbers of milk cows; higher levels of industrial activity, of consumers' incomes, and of wholesale prices; increased exports of canned milk; and sharp decline in imports of cheese.

During the last three years the trend in number of milk cows has been upward and by January 1, 1941 the number is expected to be about 25,800,000, or a million more than in 1938. By January 1, 1941 the number of heifers is expected to be 5,400,000 head—about the same as a year earlier. On January 1, 1941 the number of heifer calves being saved for milk cows will be about 5,700,000 head, which is as high as any previous year on record. Supplies of feed grains and hay are large and indications point to large production of feed and to favorable pasture conditions in 1941.

Butter prices increased considerably during the last half of 1940, and with continued improvement in business conditions should average appreciably higher in 1941 than in 1940. Consumption of commercial ice cream reached a new peak in 1940, and was about twice the 1933 consumption. Prospects are that exports of canned milk will expand greatly if the war in Europe continues, since the Netherlands and Denmark are unable to supply the English markets.
Poultry And Eggs

The prices received by farmers in the United States for eggs and poultry are expected to be higher in most of 1941 than in 1940. Production will be smaller and consumer demand stronger. With fewer pullets for replacement, laying flocks will be about 5 per cent smaller in the winter of 1940-41 than a year previous. Egg production is expected to be less during the first half of 1941 than for the corresponding period in 1940. Higher egg prices are expected to make the feed-egg ratio more favorable for egg production in the winter and spring of 1940-41 than in the same period of the preceding year.

Egg and poultry prices in Montana in the first half of 1941 are expected to be higher than in the same period of 1940 for the same reasons as for the country as a whole—stronger consumer purchasing power, smaller supplies, and more favorable feed-egg and feed-poultry ratios in areas of large feed supplies.

The increase in the United States turkey production during 1940 was largely offset by the storm losses suffered by certain Midwest areas. Excessive storage stocks will discourage higher prices despite increased consumer demand. Montana will consume most of the 290,000 turkeys produced in the State in 1940. Turkey prospects for 1941 are similar to those for 1940.

Poultry markets are limited in Montana and commercial production is confined largely to irrigated areas and to areas adjacent to cities. In many sections of Montana, poultry will continue to be most important as a supplement to the farm family living, especially when purchased living costs are high.

Sugar Beets

Sugar beet production and price are so effectively legislated that one need not look to domestic demand and supply conditions to predict the future. It is the legislative and executive branches of the federal government which will be most influential in determining next year’s price and acreage.

A short time ago the President signed the Cummings Bill and thereby extended the Jones-Costigan Act of 1937 for another year. This enactment means a minimum of change in next year’s prospects for the beet growers unless some drastic shift in federal foreign policy occurs. Several possibilities exist. The most important to the beet grower is the likelihood of closer trade ties within the western hemisphere. Such ties would mean larger sugar quotas to Cuba and, therefore, either a lower price to the domestic producer, or a reduced acreage, depending on the attitude of the federal government. If it is desired to make the consumer bear a larger portion of the cost of growing sugar beets in the United States, the result of increased foreign imports might be offset by smaller production and higher domestic prices to beet growers.

The continued expansion of reclamation activities is likely to call for increased domestic acreage allotments for beets. In order to make it possible to grow beets on the newer and generally more costly projects, there will be strong incentive to increase the price of beets to domestic growers. The latter development, if it occurs, is likely to come about over a period of several years rather than immediately.
None of the war developments point to any such sugar shortage as occurred in the last war. A much larger foreign and domestic supply area is available to the American consumer than in 1914-18, when much of the Cuban and other sugar went to a Europe, which is now blockaded.

Although sugar producers are not satisfied with the beet price, the fact that they are clamoring for larger and larger acreages indicates that sugar beet prices are more alluring than prices of alternative crops on irrigated lands. If such is the case, the prospect of increased sugar beet prices is not bright because no incentive exists for the large processing companies to increase the share to the farmers as long as an increase is unnecessary to stimulate beet production.

The 1940 production of sugar beets for the continental United States was 11,633,000 tons. This represented an increase of 8 per cent over 1939 and 30 per cent over the 1929-38 average. Montana contributed a record crop of 1,134,000 tons to the 1940 total—an increase of 27 per cent over the 1939 crop and 62 per cent over the 1929-38 average. About one-half of the increased production in Montana resulted from a higher yield—13.5 tons in 1940 compared with 12.1 tons in 1939. Increased acreage from 74,000 in 1939 to 84,000 in 1940 accounted for the remainder of the gain in production.

**Fruit**

Total cash income in the United States from fruit and vegetable production in 1941 probably will be substantially larger than in 1940 and perhaps the largest in the last 10 years. It seems probable that the increase in consumer purchasing power will be sufficient to offset the unfavorable effect of losses in the export outlets for fresh fruits and to a large extent for canned fruits, but not for dried fruits.

The long-time outlook is for continued increase in fruit production in the United States unless severe freeze, storm damage, or tree-pulling reduce the numbers of bearing trees. Apple production is expected to decline slightly, but citrus production is likely to continue to increase for the next five years. The production of peaches, pears, and cherries is likely to increase. This prospective increase in fruit production is a continuation of the trend of the last 20 years. Apples are the only major fruit for which the production trend has been downward.

The Montana commercial apple crop of 1940 is indicated to be 236,000 bushels compared with 386,000 bushels in 1939 and with a ten-year (1929-38) average of 333,000 bushels. The minimum cost-price established at the request of a large portion of the apple producers of the state has operated together with a small crop to increase the cash income received by Montana apple producers for the 1940 crop. The 1941 crop of high grade strawberries produced in Montana is expected to be larger than the 1940 crop and should bring favorable prices.

Until the general quality of some fruits in Montana is improved, grading and packing standards advanced, and more adequate marketing facilities are established, the prospect for expanded fruit production in the state is not bright.

**Other Farm Products**

**Beans**

On November 1, the new crop of dry edible beans in the United States was estimated at 15.1 million bags. The carry-over from 1939 was 2.2 million bags, making a total supply of 17.3 million. A planted acreage in 1941 equal to that of 1938 and 1939, which are about equal to domestic consumption. In response to increased export demand for both dry and canned beans, acreage was increased 7 per cent in 1940. Montana's 1940 production of 230,000 bags
was slightly larger than 1939, but was smaller than the 1929-38 average of 274,000 bags.

The export market will be curtailed during 1941, when not more than 350,000 bags are likely to be exported. Supplies of beans will accumulate and acreage probably will be reduced in 1941. In spite of probable reduction in acreage and increased domestic disappearance, prices for beans are not likely to increase in 1941, unless yields per acre are less than average.

**Potatoes**

Production estimates of late potatoes in the United States are 305 million bushels, compared with 290 million bushels for 1939. Potato prices were moderately low in 1939-40, but with the improvement in consumer purchasing power, prices are expected to increase. Potato acreage for 1941 probably will be increased, but on the basis of average yield for 1936-40, the 1941 production will be smaller than that of 1940.

**Alfalfa Seed**

The national production of alfalfa seed in 1940 was 1,318,000 bushels (79 million pounds), a 7 per cent smaller crop than in 1939. This is 35 per cent above the average for the 10 years 1929-38. Smaller production in 1940 than in 1939 is indicated for all states east of the Dakotas. Montana has come back strongly in alfalfa seed production with an estimated crop of 7,380,000 pounds in 1940—30 percent above 1939 production and the largest crop since 1933. In 1938 and 1939, a general expansion of seed acreage followed the drought years, particularly in irrigated areas, and favorable frost-free weather in September has contributed to high yield in recent years.

Prices of alfalfa seed during 1941 will be affected by United States supplies and prices of competing seeds; such as, sweet clover, red clover, and timothy.

**Prices Farmers Pay**

The general level of the prices paid by farmers was approximately the same in 1940 as in 1939. Increases have been noted in the prices of products used in production, but as yet, such increases have been small. Moderate increases in production and living costs are to be expected in 1941.

It appears likely that increased business activity, expanded production of war materials, and pricing policies will result in higher prices for goods used in farm production. Certain of the larger types of farm machinery, such as tractors, compete directly with the war industries. Increased business activity and expanded military forces are likely to raise the general level of wages throughout the country. Little increase in farm wages has occurred and only moderate changes are expected in the near future.

Table 1, "Economic Trends Affecting Agriculture," presents a record of prices paid by farmers for some commodities in recent years compared with prices paid for the same commodities in the base period.

The general level of prices paid by farmers equaled 122 in October 1940, this indicating that such prices were 22 percent higher than prices for the same commodities during 1910-14.

An important relationship shown in the tables is between industrial activity and prices farmers pay. The ups and downs of the two correspond closely.

**Farm Family Living**

The general retail price level for the first half of 1940 was slightly higher than during the preceding year and prospects are that the increase will continue into 1941. This probably will cause some restriction in purchased family living for 1941. Increased farm income from livestock pro-
ducts and little change in wheat income are expected. Family living levels will be affected according to the sources of family income.

Increases in cost of living probably will be most striking for woolen and leather clothing, household furnishings, and building materials because army demands for clothing and building materials will raise prices of these latter items. Food prices probably will rise least of all. Some specific food items such as canned goods, dairy products and meats will show important rises. Competition of farm operation costs with purchases for the home will be further intensified since many cost items are likely to show substantial increases in price.

Many farmers will find it desirable to produce a larger proportion of their family living on their own farms to compensate for the more rapid rise in prices of farm purchased commodities than the rise in prices of farm produced commodities. Increased group buying may be employed as a means of maintaining farm family living levels.

Momentous changes will be made following the present war just as occurred following the first World War. Advanced planning for another depression should ease the strain of readjustment.

**ECONOMIC TRENDS AFFECTING AGRICULTURE—Table I**

<table>
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<th>Year and month</th>
<th>Industrial production a/ (1935-39=100)</th>
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a/ Federal Reserve Board annual figures unadjusted for seasonal variation; monthly figures adjusted.

b/ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes. *Preliminary Agricultural Situation, U. S. D. A.
### Montana Farm Price Indexes a/

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**1939—Jan.**  79  58  111  113  102  94  73  124  74  74  59
**Feb.**       78  60  112  115  102  97  67  124  74  55  51
**Mar.**       79  58  114  118  102  95  67  123  74  60  47
**Apr.**       79  60  116  124  102  88  61  122  74  45  51
**May**        81  67  114  120  113  88  58  122  74  45  55
**June**       81  67  112  115  113  82  61  123  74  50  55
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**Dec.**       94  89  121  118  151  68  79  124  74  79  48

**1940—Jan.**  95  91  121  121  156  68  85  124  74  61  68
**Feb.**       94  91  116  121  156  67  85  123  76  56  59
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**Oct.**       89  74  130  121  156  73  82  125  78  59
**Nov.**       91  79  126  123  161  72  87  125  94  63

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a/ The figures in this table may be considered as percentages with the period of August 1910-July 1914 as 100 per cent.

b/ Contract price per year. Does not include government payments.