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**Economic Outlook**

This is taken from a flower marketing report prepared by Alvi O Voight, Penn State Marketing Specialist

Everyone's anxious to learn what the future has in store. Predictions are particularly hazardous, at least on the subject of a short-range economic outlook. Especially because of a new administration arriving in January, and the imponderable Vietnam War situation. However let's check some of the indicators and some possible affects.

**GNP Still Large**

After first and second quarter advances of \$20 and \$21 billion, in GNP (Value of all goods and services produced in the U.S.), the third quarter of this year slackened to "only" \$18 billion. This \$18 billion advance in GNP for the third quarter was slower than previous growth but was still a substantial amount. Some analysts had predicted a considerably slower third quarter because of the 10 percent surtax on personal incomes starting in July.

**Prices Still Rising**

The third quarter GNP gain was 2 percent, more than half of the rise representing physical volume and almost half representing a rise in prices. The actual physical volume increase in GNP has been 4 1/2 percent so far this year. The price rise was the fifth consecutive quarterly rise of about one percent. These consecutive, substantial price rises are reflections of high demand and high wage pressures in an economy working close to

full employment. Unemployment for each quarter of this year has been at 3.6 percent of the civilian labor force, the lowest quarterly rates since 1953.

**Tax Increase Working**

The tax increase did manage to slow disposable income (income available after taxes) which rose only \$6 1/4 billion—considerably less than the average quarterly gain of \$13 1/2 billion in the first half, and, also below the average increase of \$8 1/2 billion in 1967. Yet, an upsurge in final consumption resulted in the third largest quarterly advance on record. Thus, consumption was rising much more than disposable income. How did this happen? Not with mirrors, but because Americans dipped into their savings. Personal savings dropped back to normal. The personal saving rate fell to 6 percent from 7 1/2 percent, and, the 6 percent figure was the average rate prevailing in 1964, 1965, and most of 1966. For the last almost two years the savings rate averaged 7 1/4 percent.

We believe that it has taken some time for consumers to adjust their spending to a lower rate of gain in disposable income. But, we also believe that consumer spending should continue to be high, because of the holiday season, in the fourth quarter.

On a limb, the rate of economic growth for 1969 should be significantly reduced from the torrid pace of the 1968 and earlier. GNP for the first half of 1969 should slow to 3 or 4 per-

cent, reflecting the influence of the 10 percent tax surcharge, but also higher social security taxes beginning January 1 and smaller income tax refunds.

Prices have risen at a rate of almost five percent in 1968, the largest since the Korean War. With fewer consumer dollars available, the rate of price increase in 1969 will be retarded. Demand will slow, making it less easy for costs to be reflected in higher prices and putting a lid on expanding profit margins.

Let's reserve judgment on the second half of 1969 — because of unknown developments in the peace talks on Vietnam and the possible continuance of the tax surcharge.

**Feeder Cattle**

The wintering of feeder cattle for turning to pasture next spring is a common practice in many areas but the amount of weight put on the cattle during the winter is a practice needing some careful attention. When fed only enough to gain one pound per day or less we get a poor return on labor and capital, when they gain over a pound and a half per day they may get too fleshy to be turned to pasture. This means that careful management must be applied to get the daily gain of 1 1/2 pounds. This can be attained by the use of corn silage, protein and hay, or by using hay along with a grain mixture of 3 to 5 pounds per day. Don't starve the cattle through the winter by feeding only hay or silage and not any protein or grain.

One sure recipe for failure is to attempt to achieve success by another's formula.

**ATTENTION FARMERS**

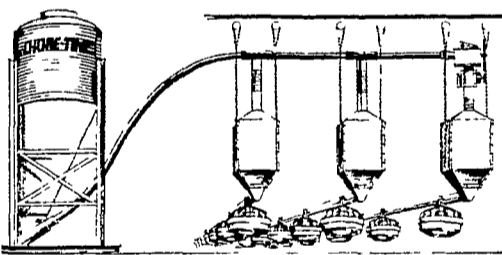
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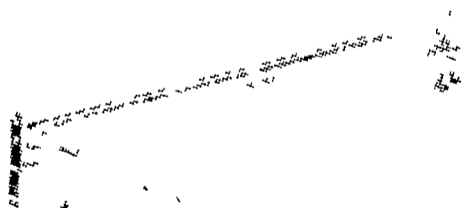
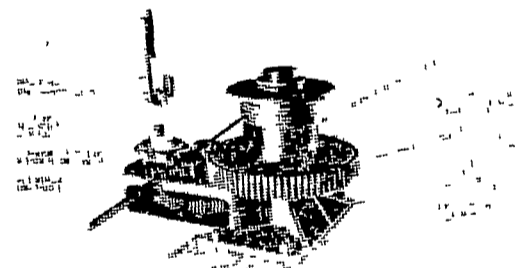
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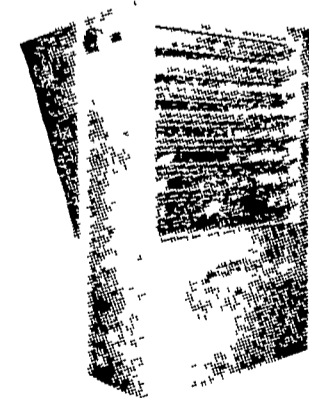
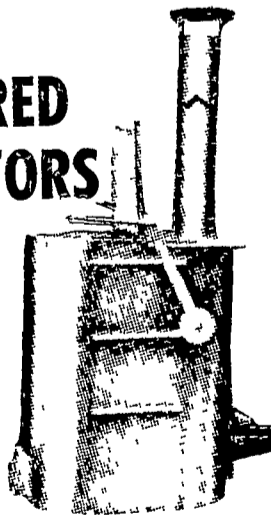
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