

June 1965
Special file

MONTANA AGRICULTURE
AN OUTLINE

Fact background --

There are two areas of inquiry -- the political and the economic.

1. Political (in a broad sense):

Where do people live in Montana?

Non farm vs. farm --

1930	62% off the farm
1960	84% off the farm
1975	85% off the farm

Urban areas of concentration --

3 areas -- Billings, Great Falls, Missoula

1930	had	12% of all Montana
1960	had	24% of all Montana
1975	will have	30+% of all Montana

What do they do?

Total non-ag employment	204,100
Jobs in agriculture	33,100
Of the non-ag jobs	
10,800 worked for federal government	
33,900 worked for state and local government	
7,700 worked in mining	
8,300 worked in lumber	
40,400 worked in trade	
24,300 worked in services	

What has happened to the number of farm units?
-- down 1/3 in 25 years.

What ages are Montanans?

✓ Becoming concentrated in the youngest and oldest age groups, and especially so in the rural population.

How about Montana population vis a viz national picture?

✓ Montana jobs will increase 25% between 1960-76, while the national expansion is 36%.

Montana population totals will grow 16% between 1960-76, while the national growth is 20%.

Montana population density will grow from 4.1 to 5.9 /mile between 1960-76, while the national density grows from 42.6 to 67.5. These people will be concentrated along the coasts and the midwest.

2. Economic:

What percentage of the Montana gross product is supplied by agriculture?

in 1947, it furnished 32%
in 1963, it furnished 20%
projected to 1976, will will drop to 8.3%.

In 1976, government, services, and trade will be the major sources.

How does Montana per capita income compare with the U.S.?

	<u>U.S.</u>	<u>Montana</u>
1947	1715	1892
1960	2213	2001
1976	3326	3063

How productive is Montana agriculture?

Big units average 6.50/acre

Medium units average 6.71/acre

Small units average 2.48 - 5.84/acre.

The price received by farmers expressed in 1947-9 terms, is an index of 77.

The price paid for goods by farmers, expressed in the same index, is 136.

Where does the money come from to support Montana government?

20.9% from the federal government,

64% from taxes,

the balance from leases, charges, etc.

56.7% of the total tax revenue comes from the property tax.

The national average is 45.8%.

Agricultural property taxes increased 17.1% from 1962-3, the highest increase in the U.S.

Montanans pay 11% of their personal income to state and local governments. Nationally, this proportion is 9.47%.

What conclusions may be drawn from these facts:

(1) Montana agriculture as a political force has been losing ground, and reapportionment is going to accelerate the process.

(2) With the political-emotional attitude about the property tax vs. a sales tax, Montana financing is in a dilemma. We have fewer (proportionately) optimum working age people to produce wealth, with increasing social demands imposed by disproportionate numbers of education age at one extreme and old people at the other, plus a highway program imposed by geography that is limitless. An increase in property taxes and corporate income taxes is hardly designed to attract industry.

(3) Continued and increased reliance on federal revenues is the only practical alternative.

(4) Montana, like the rest of the Rocky Mountain states, will continue to decline in political importance.

✓ (5) Tourism will probably become Montana's major single source of revenue before we have any major manufacturing revenue.

✓ (6) Agricultural units will get larger and more productive because they have to. It is encouraging that the potential is obvious (see income /acre statistics). But -- it costs 21,000 now to support an agricultural employee in the 12th Farm Credit district, against 15,000 per manufacturing employee nationally.

✓
(7) The price of land will continue to advance. Montana land has a value as agricultural land per se, and a value as an investment asset to be held for appreciation. These are overlapping values but not entirely slow. As long as inflation is a fact of economic life, investors will be willing to invest their money at a current low return, if the possibility for long term appreciation is present.

Farr Farms Company

FARMS
RANCHES

P. O. Box ~~EX~~ 878
GREELEY, COLORADO
June 14, 1965

SHEEP
CATTLE

JUN 16 1965

Mr. Hugh D. Galusha, Jr.
Box 1699
Helena, Montana 59601

Dear Hugh:

First of all, I owe you a sincere apology for such a delayed answer. It seems that in the past few weeks a little bit of everything has happened, and I have not had time to do things that should be done; only things that had to be done.

At the April meeting of Mountain States, I made a rather positive statement to you that I was sure the cattle industry had made a turn for the better. Since that time, my predictions have looked good. Really the market has advanced more since our April meeting than it had before. These recent advances made me more sure that the market has changed.

There are many basic reasons for my very optimistic attitude. First of all and most important is the fact that without question the cattle cycle has now turned with the shortest downswing on record and less adjustment in total numbers. For example, January 1, 1964, we had a total cattle population of 106.6 million. On January 1, 1965, this increased to 106.9 million, only 300,000 difference, where it had been increasing at the rate of three to four million cattle per year. In the first quarter of 1965, we slaughtered 800,000 more cattle and calves than we slaughtered in the late period of 1964. If we slaughter a million more during the calendar year, we will show a decline in cattle population from the 106.9. With 800,000 extra slaughter in the first quarter, it would seem positive that we will slaughter more than 200,000 between now and next January. So rather than increasing cattle numbers any further, we will have made a small reduction.

We have the supporting factor of a relatively short supply of pork. We are enjoying the highest hog markets we have had since 1958. You cannot build back a burdensome pork supply for at least two years. Lamb has gotten scarce, and while it is not important, it does contribute slightly to the meat supply. Frozen fish has become so popular that it



has increased in price materially. The only cheap food left are fryer chickens and they will always be relatively cheap.

The liquidation in the cattle market in the past two years was caused by rapid, over expansion in all phases of the industry, led primarily by over expansion in cattle feeding. This has been trimmed back so that cattle feeders are now feeding a much shorter time and producing cattle at lighter weights. While our numbers are slightly more than a year ago, our average weights are thirty to fifty pounds per head less, which means a tremendous amount of beef tonnage. With the new grading system, which went into effect June 1, 1965, this will further tend to keep weights permanently at a lighter level, and in the past whenever we have produced cattle of light weights we have never had bad markets. In spite of what people say, it is not the chain stores that tear down a market structure; it is the overweight beef that is too big for them to buy that breaks markets.

The new grades that have just been adopted, in my judgment, will have a very permanent effect on the way cattle are fed, and I sincerely believe they will do more to prevent another boom-bust cycle than any other thing that could have happened. A year ago, we were getting a lot of liquidation of cattle because of drouth. The entire state of Texas was dry; also eastern New Mexico, eastern Colorado, western Kansas and Oklahoma. This was a very large area producing a lot of cattle that were liquidating cattle because of feed. You people in Montana and across the Dakotas enjoyed a very good moisture summer and were not conscious of the heavy liquidation in other states. This year, literally the whole world is green. So there is no forced selling anywhere. With better prices, everyone in the cattle industry can make a profit on today's market, and when cattle are profitable you relieve some of the marketing pressure.

I am sure there will be relatively heavy marketing continuing for the balance of this year because people will not believe that good cattle prices are here to stay for several years. Cattle ranchers are just like cattle feeders were. They are hard up. They have not made any money for a couple of years. So they are going to be anxious to sell feeder cattle at good prices. They will not be inclined to be holding back numbers very much this year. But when cattle prices stay good for another year, and they get themselves in a little better financial shape, then they will begin to hold more heifer calves and hold steer calves over to yearlings, and make a gradual build up. But, of course, as you get this holding factor at the ranch level, then you reduce the supply to the consumer and you keep markets high. It would appear, positively, that we are in the very early stages of the start of this expansion cycle that will move very slowly this year and then gather momentum in the next few years. In my opinion, we will have relatively good cattle markets for the next five years or, perhaps, as many as ten.

My reasons for being so optimistic for the next several years, of course, are based on reasonably good economic conditions in the United States. Our American people ate over one hundred pounds of beef last year. They like it. They would like to continue to eat one hundred pounds of beef, but the cattle industry cannot afford to produce that much for them at a profit. But, nevertheless, they are going to be competing and wanting to eat as near that as we are willing to produce. We have had rather stable cattle markets for the past ten years, using about a twenty-five cent per pound choice base. When the market was bad, it dropped to twenty-one or two. When it got good, it got up to twenty-seven; but it fluctuated around twenty-four or five. Now, with more people and higher purchasing power, there is no reason to expect that we could not move this base price up to twenty-seven or twenty-eight cents a pound and sell cattle for many months in the next five years in the thirty-cent per pound bracket. Then as the market would get bad, it would drop back to twenty-three or four.

I recently attended a seminar meeting of bank directors, where the Kansas City Branch of the Federal Reserve had their talent tell us what they thought was going on. I have known Mr. Ray Doll for several years and I always enjoy hearing his analysis. His analysis is almost what I have told you, although not quite so optimistic; but, fundamentally, he feels very much the same because we had a private conversation after the meeting.

Again, I apologize for this delayed answer. I did want to write you a rather thorough answer. I have delayed it because I have been busy and partly because time was proving me right. I have enjoyed my short acquaintance with you on the Mountain States Board very much. I know you will do a great job with the Federal Reserve Bank and I know how important these activities are to the nation. I wish you the best of luck with the new job and hope that through the years our paths may occasionally cross.

Yours truly,



W. D. Farr

et