

## Sixth District Agriculture in 1946

FOR American agriculture the first postwar year was one of the most prosperous periods in its history. Total production was higher than it has ever been, partly because of unusually good weather during the growing season in most sections of the United States. Though Sixth District farmers shared in the general prosperity, receiving a higher net income than they did in 1945, their production dropped below the national level, relatively, and below their own 1945 output.

The economic well-being of the farmer depends first, of course, on the volume of agricultural output. It depends not only on his own production but on that of other farmers in his country and of farmers in foreign countries.

### Economic Position

Farmers in the Sixth District harvested only 29.4 million acres in 1946, one million fewer than they harvested in 1945 and five million fewer than they averaged in the period 1934-44. In addition, because of unfavorable weather their yield per acre was lower than their 1945 yield.

CROP PRODUCTION IN SIXTH DISTRICT STATES  
(In thousands)

Crop	Units	1935-44 Average	1945	1946	Percent Change 1945 to 1946
Cotton, Lint...	bales	4,921	4,021	3,160	- 21.4
Corn.....	bus.	229,713	231,139	210,195	- 9.1
Oil Crops					
Peanuts.....	lbs.	850,616	1,143,500	1,050,770	- 8.1
Soybeans....	bus.	1,722	2,180	2,624	+ 20.4
Cottonseed..	tons	2,055	1,605	1,269	- 21.4
Tung Nuts...	tons	.....	37	47	+ 27.6
Rice.....	bus.	20,670	23,028	22,676	- 1.5
Citrus Fruits					
Oranges....	boxes	29,919	50,130	61,360	+ 22.4
Grapefruit..	boxes	20,780	32,500	34,000	+ 6.3
Tangerines..	boxes	2,980	4,200	5,200	+ 23.8
Tobacco.....	lbs.	194,296	272,905	297,407	+ 9.0
Sugarcane (for sugar & seed)	tons	5,873	6,718	6,418	- 4.5
Potatoes.....	bus.	16,692	19,520	20,648	+ 5.8
Sweet Potatoes	bus.	33,316	34,740	32,735	- 5.8

The economic position of agriculture also depends to a great extent on the price received for the product and the cost of production. Although a large physical output in agriculture is usually associated with relatively low prices, the record output of 1946 in the nation as a whole was marketed at the highest prices ever received by farmers. For the year 1945 the index of prices received by farmers for all commodities was 202, on the basis of the 1909-14 average. By December 1946 this index had reached 264.

Farmers of the Sixth District also received extremely favorable prices in 1946. On November 15 four of the six District states had a higher index of prices received than they had on the corresponding date in 1945. The index had fallen in Florida from 225 to 211, but it had risen in Georgia from 185 to 241, in Tennessee from 207 to 256, in Alabama from 190 to 251, and in Louisiana from 188 to 252.

Although the production of most important crops in the District was lower in 1946 than it was in 1945, the high prices prevailing last year resulted in an increase of 118.4 million dollars in total value of crops for those four District states on which figures are available. Tennessee farmers, with their most valuable crop in history, had the greatest propor-

tionate increase. In the states where data are available, crop-value increases from 1945 to the end of 1946 in millions of dollars were: Georgia, from 392.2 to 417.5; Tennessee, from 304.0 to 329.8; Alabama, from 302.2 to 329.8; and Louisiana from 214.6 to 218.5.

Cash receipts from marketing of crops, livestock, and livestock products are one of the most reliable measures of farmers' gross income. Total cash received by District farmers in 1945 for marketings amounted to about 1.9 billion dollars. Although figures for the entire year are not available, those for only the first 10 months of 1946 already exceed 1.5 billion dollars, an 18-percent increase over figures for the same period in 1945. If marketing follows the normal seasonal patterns total cash receipts in 1946 will probably exceed 2.1 billion dollars. Almost all of this increase resulted from the larger sales of crops. In only one state, Florida, was there a marked increase in receipts from livestock and livestock products. Comparisons of the probable 1946 receipts of about 2.1 billion dollars with the cash receipts of 677 million dollars in 1940 reveal the improvement in the gross income of Sixth District farmers.

The 1945 national index of prices of those commodities farmers use in production was 137 percent of the 1935-39 base period. By July 1946 the index had risen to 159. The index of farm-wage rates had risen from 302 in 1945 to 326 in July 1946. The limited data available indicate, therefore, that District farmers had similar increases in production costs.

Even with higher production costs the large increase in the value of agricultural production for the District probably will result in a net farm income in 1946 larger than that in 1945. During 1945, the last year for which complete data are available, the net income per farm in the states of the Sixth District was \$1,345; in 1944 it was \$1,415. Since total gross income for the District states was approximately 1.9 billion dollars in each year the decline in net income from 1944 to 1945 was largely the result of increasing production costs. If District production-cost trends in 1946 follow those for the nation, the net farm income of District farmers should exceed the 1945 figure of \$1,345 per farm. Although the national average income per farm in 1945 was \$2,254, far more than the average for the Southern states, the South has made great strides in increasing its net income per farm during the war years.

The manner in which farmers use their current high earnings is of paramount importance in the financial position of agriculture. If current income is used to reduce debt, particularly farm mortgages, the consequent reduction of fixed costs enables farmers to make easier adjustments to changes in income. Farmers in the nation as a whole reduced the total amount of their mortgage debt from 9.6 billion dollars on January 1, 1930, to slightly less than 5.1 billion on the same date in 1946.

Farm-mortgage debt decreased in the Sixth District from 1930 to 1934 but increased from 1934 to a peak of 465 million dollars in 1942. After 1942 the total farm-mortgage debt declined steadily to 379 million dollars in 1946. District farmers, however, did not reduce their mortgages as rapidly as did the nation's farmers in the period 1930-1946. In 1946 the total farm-mortgage debt of the nation's farmers was

only 53 percent of the 1930 figure, whereas the farm-mortgage debt of District farmers in 1946 was 70 percent of the amount outstanding in 1930. Although the District total was smaller in 1946 than it was in 1945, the amount of farm-mortgage debt increased in Florida, Mississippi, and Louisiana.

The total amount of non-real-estate debt held by insured commercial banks and Government agencies exclusive of loans guaranteed by the Commodity Credit Corporation was larger in the Sixth District in 1946 than it was in 1945. Total loans of this type in the District amounted to 241 million dollars on July 1, a 15-percent increase when compared to the 210 million dollars on July 1, 1945. This increase, however, is not necessarily an indication that farmers are not meeting production expenses out of current income. Increased availability of supplies and equipment used in production is permitting farmers to begin replenishing those of their supplies that were at a low ebb during the war. In addition, many farmers increased the amount of their operating capital as they mechanized their farms.

Insured commercial banks held about 40 percent of District farmers' non-real-estate debt in 1945, exclusive of loans guaranteed by the Commodity Credit Corporation. By July 1, 1946 they held 45 percent.

On the other hand, the value of the assets invested in farming in the nation increased from 53.7 billion dollars in 1940 to 101.5 billion in 1946. Higher farm-real-estate values accounted for most of the increase in the total farm assets.

On November 1 farm-land values in the nation had risen to a level only about 11 percent below the 1920 peak. On the same date the index of value per acre of farm land in the Six States, based on the 1935-39 period, had risen to 196. This figure is two points higher than the District's inflationary peak of 1920. Thus, farm-real-estate prices increased more rapidly in the Sixth District than they did over the nation.

Though the rapid rise in land prices has improved the equity position of District farmers, this improvement is largely a reflection of currently higher incomes. The condition of physical assets is about the same as it was before the war. In some cases probably it has even deteriorated. Great strides in soil conservation have been made in the District, but heavy drains on the soil, as a result of the emphasis on intertilled crops during the war period, have tended to reduce its productive capacity.

Over the nation many land buyers have gone heavily into debt during recent years. Mortgages have amounted to 75 percent or more of the sales price in one third of the credit-financed sales and to 50 percent or more in three fourths of them. For this reason the financial positions of a large number of farmers are more precarious than the total figures on value of assets and amount of indebtedness would indicate. If the national situation is an indication of Sixth District conditions, many recent buyers of farm land in the District have small equities in their farms.

That changes in agricultural prices can alter the currently favorable financial position of Sixth District farmers is clear. In pronounced declines of the general price level agricultural-product prices usually begin to fall before prices of manufactured products, and they tend to fall faster than the others. In the general price decline following World War I the farmers' net income declined 62 percent from 1919 to 1921. Thus any pronounced decline in the general price level

could alter also the present financial position of District farmers very substantially and very quickly. This would be particularly serious for those farmers who have bought farms at current high prices and who have relatively small equities.

Liquid assets such as bank deposits and United States Savings Bonds, of course, might serve as a cushion against any decline in value of farm real estate. Substantial increases in the deposits of country banks, that is, banks in cities and towns of populations of fewer than 15,000, occurred in the Sixth District states during the war period, reaching new highs in 1946. Apparently District farmers, like those in the nation as a whole, have had an increase in liquid assets. A nation-wide farm survey made at the beginning of 1946, however, discloses that 70 percent of these deposits were concentrated in the hands of 10 percent of the farmers. This survey also indicated that about three-fourths of the farmer-owned U. S. Savings Bonds were held by only 10 percent of the farmers. In the South there was greater concentration of farmers' financial assets than there was in the nation as a whole. The restricted ownership of financial assets imposes obvious limitations on their ability to preserve the financial status of District farmers in the event of a large decline in real-estate values.

#### Internal Changes in the Economy

The situation in which Sixth District farmers found themselves at the end of 1946 was also partly caused by changes that occurred in the internal organization of the agricultural economy. In the period 1940-45 the acreage of land in farms in the Sixth District states increased from 98.8 million to 104.5 million. Though most of this difference is attributable to a striking enlargement of farm units in Florida, all the District states with the exception of Tennessee increased their farm acreage to some extent. During the same period the number of farms declined from 1,197,700 to 1,138,300. With increases occurring in all the states except Georgia, the average size of farms increased from 82.4 acres in 1940 to 91.8 acres in 1945. During the period 1940 to 1945 the number of family and hired workers also decreased markedly. The number of all work stock on farms decreased from 1,976,000 head on January 1, 1940, to 1,867,000 head on the same date in 1945, a trend that continued through 1946. Tractors on the farms reporting them increased in number from about 56,000 in 1940 to 117,000 in 1945.

Thus, the internal structure of Sixth District agriculture has been changing in the direction of fewer farms, larger farms, fewer agricultural workers, and increased mechanization. In general these changes indicate that District farmers are developing in efficiency and are moving toward a more extensive form of agriculture. The changing relationship of human resources to capital resources also tends to effect a permanent improvement in net income per farm worker.

These changes, in turn, have a profound effect on the institutions in which the agricultural economy operates. In the five District states for which data are available, the percentage of all farms operated by tenants and croppers, for example, decreased from 57 percent in 1940 to 49 percent in 1945. As mechanization proceeds and farms grow larger, fewer and fewer people have proprietary rights in land. Though this tendency may be decried by some people, the picture has its bright side since the incomes of those remaining in agriculture tend to increase.

In large measure, the currently prosperous condition of Sixth District farmers is owing to certain basic factors of

far-reaching significance. First, the dislocations in the world economy caused by war have resulted in world shortages of many agricultural products. These shortages were for the most part unrelieved in 1946. In the second place, a high level of national employment has resulted in a greater consumption of food and fiber. Thirdly, there has been a series of small crops in cotton, the most important cash crop in the Sixth District. Fourth, there has been a pronounced rise in the general price level.

Devastation of foreign agricultural areas, disruption of production, and interference with normal commerce and trade accompanying the war have resulted in the highest export level for agricultural commodities since 1919. Large purchases for foreign relief by UNRRA and by foreign governments have created a greater demand for agricultural products than there was in the years immediately prior to the war. World shortages of sugar, rice, and oil crops have had a significant effect on the demand for the output of Sixth District farmers.

Under the conditions of full employment attained last year, also the domestic demand for agricultural products was extremely strong. Domestic consumption of food per capita was about 15 percent above the 1935-39 average. When price controls were relaxed the full force of this demand pushed the prices of many agricultural commodities to all-time highs. As consumer demand increased, stocks of many agricultural products receded to very low levels, tending to cause further upward pressure on agricultural prices.

The series of short cotton crops attributable to decreased plantings and to unfavorable weather placed cotton in an unusually favorable market position. The present position is characterized by a low carry over, a short current crop, and a strong demand by processors. A number of large advance orders given by textile mills and prospects of a high consumption rate were accompanied by a rapid rise in cotton prices. The level of cotton prices was one of the most important single factors in the favorable income position of District farmers in 1946, if not the most important.

Both the level of prices and the trend of prices are of great significance to farmers. Normally farm prices rise more rapidly than all other prices in a period of general rises. The costs of farm production and the cost of goods that farmers buy ordinarily lag somewhat, placing farmers in a favorable competitive position. District farmers in 1946 were able to take advantage of precisely this sort of situation.

### Outlook

The future position of Sixth District agriculture will be determined largely by the relationship of agricultural prices to costs, by the efficiency of production on farms, and by the kind of adjustments that are made between industry and agriculture.

Probably the immediate future of District agriculture will be affected most by changes in price levels. As foreign nations recover from the war, the foreign demand for agricultural products will tend to taper off. Even with a continued high level of domestic employment and a high consumption per capita the potentially enormous agricultural production will probably have to be taken off the market at somewhat lower prices. Prices are rising, on the other hand, for many of the products farmers use in production, and farm-wage rates are likely to be maintained or increased. The combined effect of these changes would result in lower net incomes for District farmers.

Although action under the Government's agricultural-price policy may prevent any immediate and precipitous decline in farm income, the need for greater efficiency and lower unit costs of production is clear. If District farmers are to maintain and improve their income position during a period of less favorable price relationships, they must achieve a larger output at a lower cost per unit. This can be achieved by two basic methods—efficiency in the use of resources and improvement in the quality of these resources.

The efficient use of resources—land, labor, and capital—is essentially a farm management problem. Although the specific methods of promoting greater efficiency must be adapted to the needs of each farm, certain general measures apply to all the farms. For example, the organization of the farm business in a manner which will provide maximum year-around employment can greatly increase the productivity of farm labor in the District. Changes in the type of operating capital such as increased investment in machinery may, in many cases, be a more productive use of capital. Changes in cropping systems to include the crops best suited to a particular type of soil, slope, and climate may increase the total output materially.

Improvement in the quality of resources involves changes in their productive capacity. Of the methods for improving the quality of land resources, soil conservation and soil building are of the most outstanding importance in the Sixth District states. Climatic factors such as high rainfall and relatively high temperatures, which are conditions prevalent in much of the District, are conducive to rapid deterioration of the soil. Large areas of agricultural land are far below their potential productive capacity because soil-conservation and soil-building practices have been neglected. Improvements in the productive capacity of livestock are also possible. Without increasing the physical size of the livestock enterprise, improvements in breeds could increase the total output of livestock and livestock products appreciably. Last, but by no means least important, better education and health facilities for farm families can raise the productive capacity of the farm people of the District. As the agricultural economy becomes more complex these factors, particularly education, will become increasingly important.

Regardless of increased efficiency of farm production the adjustments made between industry and agriculture will have particularly important effects on agriculture in the Sixth District. Compared with that of earlier years the current net income position of District farmers is good. In spite of the improvement made during the war years, the net income per farm in the District is still much lower than that for the nation mainly because of the District's relatively small amount of land and capital per agricultural worker. Recently, however, the trend in Sixth District agriculture has been toward larger farms, more extensive-farming systems, and larger amounts of operating capital per farm. This general trend must continue if the District's agriculture is to be permanently prosperous. Since fewer people would be needed in a more extensive form of agriculture, persons displaced from agriculture would have to be absorbed in nonagricultural work, primarily in industrial occupations. Therefore the achievement of a more permanent state of over-all prosperity for District agriculture depends primarily on the ability of industry, preferably Southern industry, to absorb and to furnish profitable employment for a large portion of the District's agricultural population.

BROWN R. RAWLINGS