Farmers' Attention Shifts from Production to Prices

Fortunately for consumers the nation's farmers continue to turn in an impressive production record. Output in 1952 was valued at nearly 35 billion dollars, with District state farmers contributing about 3.7 billion of that enormous total. This achievement represents, in physical terms, the nation's largest agricultural production record.

Although dollar value of production is easiest to comprehend, physical output of the agricultural plant—the number of pounds, gallons, and bushels—is the significant thing. Farm production gains of recent years have placed the American consumer near the pinnacle of good living. Substantial credit for this must be given the national drive for ever-increasing output per man-hour of labor. Farm output per man-hour has more than doubled since the mid-1930's.

In 1952 farmers surpassed their production records of the last ten years . . . .

National agricultural production has grown about 28 percent since 1940. Within this period crop production per acre grew 16 percent, while total acreage held relatively stable. Since 1940, production per animal unit has gained about 18 percent with total animal units increasing approximately 11 percent. These figures signify the American farmer's progress. As a result, most Americans are well clothed and most Americans are well fed. When measured in terms of calories per person, their diet is second only to that of New Zealanders. This situation can be credited to an expansion in the knowledge of human nutrition, advances in the techniques of marketing as well as production, and substantial consumer incomes. Most heartening is the high quality of our diet; nearly one-half of our total food production consists of livestock products.

In the last year the nation's farmers produced about 23 billion pounds of meat, 114 billion pounds of milk, 6 billion dozen eggs, 15 million bales of cotton, 338 million bushels of potatoes, and 1.5 billion pounds of tobacco. These totals, though hard to grasp, create an impression of the size of the output obtained from about 341 million acres of harvested crops in 1952 and, according to the 1950 census, approximately 620 million acres of land devoted to pasture.

Farmers in District states have shared in agriculture's progress. Their output has increased nearly 18 percent since 1940, and in 1952 they turned out about 3 billion pounds of meat, 8 billion pounds of milk, 350 million dozen eggs, 4.5 million bales of cotton, 300 million pounds of tobacco, and 840 million pounds of peanuts.

Farm production in the District varies more than in the nation because of the predominance of cash crops in District agriculture. Yields of these crops are affected more by weather and infestations of insects. Meat, milk, and poultry products have more stability in production and are a larger proportion of national output. Greater stability in production is being attained by District farmers, who have increased their output of livestock products and related crops since 1940 as follows: 47 percent for eggs, 36 percent for meat, 22 percent for milk, and 17 percent for feed grains. Production accomplishments of this nature promote the welfare of the Sixth District economy and enhance the ability of farmers in the Southeast to contribute to a rising living standard.

Even though they faced some formidable obstacles

Recent agricultural output in the District and elsewhere has been achieved in the face of some obstacles, notably, seasonal labor shortages, rising costs, and drought conditions. With a national population of 157 million, it is difficult to conceive of a farm labor shortage, although, on the average in 1952, there were only about 11 million people—counting family workers and hired workers—employed on farms. In Sixth District states there were about 4 million; the number has declined about 1.4 percent each year since 1946. This phenomenon — a growing total population, yet fewer workers in agriculture —is a pattern common to an industrialized society. A declining farm population helped aggravate the District's farm labor problem in 1952, particularly in respect to seasonal needs. Other complicating factors have been the high level of non-farm employment which holds workers in cities and the defense mobilization which sucks men into military service and industry.

Production costs in 1952 mounted in agriculture as well as in industry. Total agricultural production expenditures for the year were at an all-time high—3 percent above 1951. District farmers faced a similar rise in costs. These rises were in part attributable to the use of larger quantities of production supplies. But higher prices of labor, fertilizer, and feed costs also helped expand the total expense bill. Labor's wages have been rising for some time. The trend is still apparent with average wage rates for picking 100 pounds of seed cotton in Georgia at $3.05 in 1952 compared with $3.00 in 1951. Fertilizer costing about $41.50 a ton in 1951 cost $42 in 1952. It is easy to see that trends of this sort threaten the general prosperity and productiveness of the District farm business unless further improvement in output per man-hour is achieved.

Extensive drought in Sixth District states during June and July 1952 and again in the fall led to concern about reduced harvests. True, yields of some crops such as corn were reduced and livestock programs were jeopardized because of damage to summer pasture and fall pasture seedings, but yields of the money crops of tobacco, cotton, and peanuts seemed little affected.

But they used some factors in their favor to advantage . . . .

At the same time that farmers had to surmount these obstacles, certain other significant factors were in their favor. Strong consumer demand, increased production efficiencies, more cash on hand, and availability of credit and supplies contributed to the successful 1952 farm output in the District and the nation. Full employment prevailed in the nation with only 2 percent of the 63 million workers unemployed at year's end. The physical output of these workers grew during the year and in combination with higher wages resulted in increased income. Supported in 1952 by an addition of about 2 billion dollars to consumer debt, the total spending stream has been an unmistakable force in raising farm output.

Productivity is the manager's watchword whether in factory or on farm. Output per man-hour and per farm worker in 1952 was the highest on record. Farm output per man-hour in Southern states is now some 38 percent above 1940. Cotton output alone gained about 31 percent during the period. Such impressive gains represent much more than mechanization of field activities. Chore time use of electricity must be reckoned in with those additional tractors, as must the managerial triumphs of organizing farm enterprises to secure such advantages as improved labor distribution from season to season and home-produced cattle feed and of rearranging the farm business so it represents a full-time job.

With financial assets of deposits and currency, United States bonds, and investments of about 21 billion dollars on January 1, 1951, and subsequently, 22 billion on January 1, 1952, the nation's farmers, including those of the Sixth District, possessed a degree of liquidity. This liquid position facilitated their successful production. Some farmers could finance production without recourse to credit—their risk was lessened and they were therefore encouraged to undertake new investment for productive purposes. Others, who needed credit, were able to present favorable financial statements to bankers when making their loan applications.

Ability to buy, however, would be of little avail if supplies were not at hand. In 1952, large supplies were available as is indicated by the use of fertilizer on farms. Farmers in Sixth District states used about five million tons of fertilizer, a gain of 6 percent over 1951. National production of the three primary plant nutrients—nitrogen, phosphorous, and potash—was at a record level in 1951-52. Total feed supplies, which include pasture and hay, were reduced somewhat by drought conditions, but fortunately there was an adequate feed concentrate supply at 165 million tons in 1952, in contrast with 169 million tons in 1951 and a long-time average of 161 million tons. Output of important pesticide items has been higher in recent years than in earlier periods. In spite of a disruptive steel strike last year, there was ample farm machinery in dealers' hands to supply farmers' needs. There was little complaint about the availability of seeds. The high level of farm production would certainly have been difficult to attain without each of these items.

And with substantial incomes, they were able to keep their debts at a reasonable level

Farmers benefit from the taste for high living. This means they are in a relatively stronger position. Since heavy demand for farm products held prices high, gross farm income edged up in the District to about 3.7 billion dollars at the end of 1952. In spite of rising costs, now at almost 1.8 billion dollars, net income to farm proprietors in District states was maintained at a level slightly less than the 1.9 million dollars in 1951. Agricultural income, comprising gross wages and salaries of farm workers plus net income of farm proprietors, was 1.7 million dollars in Sixth District states in 1945. It rose to 2.2 million in 1951, and may well exceed that in 1952. These are pleasant figures to contemplate. They exemplify the current agricultural prosperity attained through high production and high prices.

Beginning in 1940, at a level of 90, the ratio of long-time debt to net farm income declined appreciably in the Sixth District, reflecting a marked improvement in farmers' ability to pay off their real estate mortgages. The decline continued through 1948 to a ratio of 25, but since has gone up to about 32, as a result of rising long-term debts and somewhat lower net incomes. Farm mortgage debt held by various lenders in District states had been constant at about 450 million dollars from the 1930's to 1946, when it reached a low of about 380 million. Since then, it has been rising and on January 1, 1952, was 661 million. From 1950 on, the rise has been exceptional—about 60 million dollars each year.

District farmers have also increased their short-term indebtedness by a sizable amount. Non-real-estate loans held by commercial banks and Government lending agencies on January 1, 1941, in District states totaled about 172 million dollars. By 1952, loans outstanding had reached a total of 284 million. Of the District non-real-estate farm debt, all operating banks held 165 million dollars, or 58 percent; Federal agencies held the balance. Individuals held some too, of course, but it is difficult to determine the amount.

From the standpoint of the liquidity of District farmers, the rise in non-real-estate debt is not alarming when it is related to the rise in cash receipts from farming. Cash receipts increased rapidly after 1940 and the ratio of short-term debt to cash receipts in the Sixth District declined from 17 to 7 in 1948, and has since risen to about 8 because of mounting costs.

District farmers appear to be in a stronger position with respect to their debt structure than other farmers. Both long and short-term debt have been moving up at about the same rate in the District since 1946, whereas in the United States the advance in short-term debt has been much more rapid. There does not appear to be an excessive amount of short-term farm debt in the District.

In spite of growing doubts and uncertainties, their future is far from bleak

If consumer purchasing power is maintained at the current strength and if the recent decline in export demand proves to be temporary, farmers in the Sixth District will

be able to hold their favorable position. But recent developments are bringing lines of concern to their brows. Farmers' attention is shifting from production to prices. Though prospects for peace are dim; though population is growing each day, thus adding to need; though farm marketings are down from the fall peak; and though industry is utilizing lots of raw materials, prices of some important farm products are sagging. Cotton in November averaged 34 cents a pound, compared to 41 cents in November 1951. Beef declined from 26 cents a pound to 19 cents in the same period. On the other hand, prices of some products have risen. Rice, for example, was worth about 3 cents a pound more than in November 1951.

Although prices of individual farm commodities moved in a divergent manner, the index of prices received by farmers was pulled down during the year by falling prices for meat animals, cotton, fruit, and corn. In 1951, the index was at 302; on December 15, 1952, it was 269.

The index of prices paid by farmers in the nation for 1950 was 255 and 281 for 1951, and on December 15, 1952, the index stood at 281. The falling index of receipts passed the index of costs in 1952. Therein lies a story familiar to District farmers and others who remember the historical pattern of rigid costs and fluid receipts.

District farmers' difficulties relating to high costs are intensified by the shortage of farm labor which is apt to become more burdensome as draft boards scrutinize deferments in their effort to replace military men who have completed their tours of duty. Many of the veterans will not return to the farm. With the additional influence of wage increases in such industries as steel and coal being felt all along the line, high farm labor rates seem destined to prevail. High support prices for some farm products used by industry also tend to inject an inflexibility into the prices of supplies farmers buy and in this sense farmers have the bull by the tail. Finally, taxes are a part of the price paid by farmers. Inflation's offspring—high costs and high taxes—are taking the stage. Many farmers no doubt feel that the chance of relief from high costs in 1953 is remote.

Being confronted with a current parity ratio of about 96 does not, of course, bring fear to farmers' hearts, but when they consider the ratio's decline from a peak of 122 in October 1946, they are less certain of the future. Apprehensively, they note that in the past agricultural prices varied much more than output, whereas industrial prices held relatively steady, compared with industrial output. Another disquieting event for District farmers is the rise in marketing charges, which is resulting in lower prices at the farm.

Gathering clouds over operations of Sixth District farmers include the uncertain future of some agricultural exports, the unpredictability of international political decisions that influence the supply and demand situation, and the seeming abnormality of the weather. Total agricultural exports from the United States in 1952 were at a record level of about 4 billion dollars, 17 percent over 1951. Cotton and tobacco exports were valued at 1.2 billion and 325 million dollars, respectively. Considerable credit for the large export surplus since the early years of World War II must be given to this nation's foreign aid programs. Possible further reductions in the amount of economic aid to foreign nations could cause exports of some farm products to decline.

Decisions of national governments on policies involving trade agreements and tariffs naturally affect the business of many Sixth District farmers. These decisions are difficult to anticipate. From the point of view of many farmers, the present is a period of watchful waiting regarding questions of tariff changes and trade agreements. Some farmers can see that a more restrictive tariff and trade policy would not be to their interests and are, therefore, uncomfortable about the future.

An unpleasant result of last summer's drought was that some farm production loans had to be carried over by bankers in the District. This may not be extensive, but it certainly will restrict the flexibility of bankers in financing production in 1953. A prolonged dry spell during the fall of 1952 led to speculation on whether a cycle of dry weather was in the making. If the rainfall in early months of 1953 is sub-normal, farmers will plan their 1953 farm programs under the influence of a drought psychology. Future agricultural production is not easy to determine because long-range weather prediction is little better than a guess.

It seems certain that if normal weather prevails, District farmers will be able to maintain the high level of production achieved in 1952. Future prices for some important farm crops, which represent somewhat more than a third of the District's agricultural income, cannot break sharply unless the present price support law is changed. Prices of basic commodities will be supported at 90 percent of parity through 1954. Most difficulties for District farmers will arise out of high-cost operations and attendant management problems. District farmers seem to be successfully combating these costs through efficiencies in farm operation.

Science will play a part in District agriculture during 1953 and beyond. With a relatively fixed land base, the nation's citizens will have to depend on the findings of science and the ingenuity of farmers in using those findings for the diet and supply of clothing envied by citizens of many other nations. In spite of foreboding signs seen by District farmers at the end of 1952, their ability to produce and to obtain credit and supplies, their reasonably sound financial position, and their desire to learn better methods provides the District's agriculture with strength and resiliency.

ARTHUR H. KANTNER

Bank Announcement

On January 2, the First State Bank of Oxford, Oxford, Alabama, opened for business as a member of the Federal Reserve System. This bank began operations with a capital stock of $50,000 and surplus and undivided profits of $25,000. C. Logan Taylor is President and Cashier and Norman L. Moore, Assistant Cashier.