A Brief Digest of . . .

The Agricultural Outlook for 1970

Agriculture's prospects for 1970 were recently analyzed by leading economists of the U. S. Department of Agriculture at the National Agricultural Outlook Conference. The following is a thumbnail sketch of their forecasts.

Boiled down, the outlook for the nation's agricultural sector in 1970 reads like this: Farmers will gross more income, but they'll spend more and end the year with about the same net income from farming as in 1969.

Keys to the outlook are prospects for a slowing in general economic activity and some easing in inflationary price pressures. Despite the anticipated moderation in economic growth, disposable personal incomes—boosted by increased social security payments, tax reductions, and higher wage rates—are expected to rise further and help maintain consumer demand for farm products. An indicated upturn in agricultural exports, even though moderate, is still another significant key to the situation.

Here's a rundown on some of the more important aspects of the agricultural outlook.

Income and Expenses The nation's realized gross farm income holds promise of chalking up a further gain in 1970, possibly rising to around the $56-billion mark—a record high and about $1.5 billion larger than in 1969. The expected increase in gross income this year will likely stem from a combination of a larger volume of farm marketings and slightly higher average prices. Most of the gain will probably center in the livestock sector, as was the case last year.

Farm costs are expected to continue their persistent upward trend, with their 1970 advance probably as large as the prospective rise in realized gross farm income. Here's what farmers face: Prices paid for production items, interest, taxes, and wage rates may be up as much as 5%, compared with the 5.7% increase experienced in 1969. Not only are prices paid likely to be higher, but farmers are also expected to increase their use of purchased inputs, such as fertilizer, pesticides, and machinery. And the bill for overhead items will probably show an increase, too.

Expectations that 1970's prospective gains in farmers' gross income will be eaten up by higher costs of production point to a realized net farm income that will probably match 1969's estimated $16 billion—third highest on record and some $1.2 billion over that in 1968. With the continuing downtrend in the number of farms, net income per farm may well register a slight gain over last year's record-high average of $5,401. Some further gain in the income of the farm population from nonfarm sources is also foreseen.

Food Situation and Outlook The average American consumer ate a record amount of food last year and spent a record amount of money for it. Retail food prices rose sharply, despite the availability of large food supplies, and for the year averaged 5.2% higher than in 1968. Restaurant food prices, which moved up steadily throughout the year, rose 6.1%. Food purchased at grocery stores, led by the price advances for red meats and eggs, went up 4.8%. This year, with a further slight gain in food supplies per person likely, retail food prices may record a smaller increase—possibly 3.5% to 4%. Gains in prices of restaurant foods will probably outstrip those for store-bought food again. And price increases for livestock products, especially red meats, will most likely be larger than those for crop foods.

People spent $103.8 billion for food in 1969, up 4.4% over a year earlier. Disposable personal income rose 6.7%, however, and food expenditures of the average breadwinner took only 16.5% of after-tax income, down from 16.8% in 1968. Spending for food in 1970 is expected to rise by roughly the same amount as 1969's $4.4 billion. But the increase will likely be smaller than the gain in consumers' disposable income. Thus, a further decline is likely in the proportion of after-tax income spent for food.

Commodity Highlights This is the way the outlook for some of the principal Fifth District commodities shapes up as the Department of Agriculture's economists see it.

Poultry and Eggs: Poultrymen enjoyed a successful year in 1969, with cash receipts from market-

ings recording a 15% increase over a year earlier. They can probably look forward to another increase in receipts in 1970, but the gain will likely be smaller. Prospects point to a larger output of broilers, turkeys, and eggs in 1970. Broiler production is expanding sharply during the current quarter and will likely continue well above a year earlier the rest of the year. Broiler prices, now near 1969 levels, will probably ease as the year progresses and average below a year ago in the final six months. Production of turkeys is expected to increase moderately, but smaller cold storage stocks are holding down total supplies. Turkey prices thus may average well above year-earlier levels through the first half of 1970 but will likely average lower in the last half.

Egg output will probably continue above 1969 levels throughout the year, with a moderate expansion during the first six months and a possible sharp increase in the second half. Prices of eggs, highest since the 1950's in the closing months of 1969, are expected to decline seasonally but will likely hold above a year earlier through spring and then drop below the high prices of late 1969.

Dairy Products: Dairy producers can look forward to another pretty good year in 1970. Milk production, which hit a 17-year low in 1969, may slow its downhill slide in 1970. Milk cow numbers declined more slowly last year than in recent years, and the decline could continue to slacken this year. Should this occur, gains in output per cow could offset the decrease in the number of cows. Total milk output for the year may thus show little change from that in 1969. The farm price of milk may average moderately above last year's record levels, provided dairy price supports and Federal milk marketing order provisions remain unchanged. Consumption of milk per capita is expected to decline, but a growing population and a continuing high level of demand suggest that commercial sales of dairy products in 1970 could rise slightly. And Government donations of purchased dairy products are expected to continue at high levels.

Farm marketings of milk and cream will probably be about the same as in 1969, and if higher prices materialize, dairy farmers' gross cash receipts could reach a new all-time high. But rising production costs may well offset much of the gain.

Meat Animals: Last year was a good one for cattle and hog farmers, and indications point to another profitable year in 1970. With prospects for only a small increase in red meat supplies and further gains in disposable personal income, livestock prices may rise again. The increases are not expected to be as sharp as in 1969, however. Should efforts to check inflation succeed, growth in consumer demand for meat may also rise more slowly.

Larger marketings of fed cattle and heavier average market weights are expected to boost beef output in 1970. Fed cattle prices, currently about the same as year-earlier levels, may well strengthen some in the months ahead, although they will probably be lower than last year's highs during the spring. Feeder cattle prices are expected to continue strong, reflecting the very strong demand for replacement cattle.

Pork production will remain considerably below a year ago through the first half of 1970. Some increase may occur later if farmers' plans for a 4% larger spring pig crop materialize. The lively feeder pig market points to strong producer interest in increasing production. Furthermore, the favorable hog-corn price ratio is such as to encourage expansion. Hog prices are currently running sharply higher than year-earlier levels, but gains over last year will narrow in the summer. By fall, hog prices will likely decline and average below last fall's, though well above those in most other recent years.

Tobacco: Supplies of tobacco in the 1969-70 marketing year are 3% below those last season because of smaller carry-overs. Should domestic consumption and leaf exports continue at last year's levels, as is now indicated, another reduction in carry-over stocks will occur this year.

United States cigarette output last year totaled 560 billion, 20 billion below 1968's record level, and cigarette consumption per capita declined some 4%. Retail prices of cigarettes rose 5% as the result of increases in State and local taxes and higher wholesale prices. Further price increases, reflecting tax hikes again this year, are likely. Even though the smoking-age population is larger and personal incomes are at an all-time high, cigarette consumption could decline further in 1970 because of retail price increases, growing smoking-health publicity, and slower economic growth.

Exports of unmanufactured tobacco may equal 1969's high level of 577 million pounds—third largest of record—if United Nations sanctions against Rhodesian tobacco continue. The United States export payment program, the high quality of recent flue-cured crops, and the fast-expanding output of cigarettes abroad are expected to help maintain exports despite big foreign crops.

Price support levels for the 1970 tobacco crops will be 4.3% higher than in 1969. The national flue-cured tobacco marketing quota has been set at 1,071

million pounds, 5% under that in 1969. The effective poundage quota is 1,206 million pounds, or 1% larger, however, because undermarketings of the 1969 crop exceeded overmarketings. For 1970, acreage allotments have been cut 10% on all burley tobacco farms not protected by minimum provisions. They have been increased 15% on most Virginia fire-cured farms; for Virginia sun-cured farms, allotments are about the same as in 1969.

Soybeans and Peanuts: The outlook for soybeans is bright. Strong home and overseas demand is underway and points to a 13% to 15% boost in consumption this year over the record 945 million bushels used in 1968-69. Growing domestic requirements for soybean oil and meal and the relatively low commercial carry-overs last fall, both here and abroad, lend added demand strength. The soybean carry-over next fall thus faces only a moderate increase at most. Farm prices during the peak harvesting months last fall averaged 10 cents per bushel less than in 1968. Spurred by strong demand, market prices moved up in January, and some further price strengthening in the months ahead is anticipated. Soybean oil and meal prices, on the other hand, have been above year-ago levels thus far this season and have resulted in the most favorable processing margins since 1965.

Peanut supplies for the current marketing year are roughly the same as last year's 2.9 billion pounds. Farmers' ability to produce peanuts continues to outstrip consumption, and output this season was again about one-fourth above requirements for food and farm use. Consequently, farm prices for the 1969 crop averaged near the support level and the Commodity Credit Corporation acquired the surplus under the price support program. Edible use, especially in peanut butter and salted peanuts, is running around 3% above a year ago, or only slightly above population growth. The gradual rise in the per capita consumption of peanuts is expected to continue, reaching nearly 8 pounds per person this year. The trend toward "snack-type" foods is an important factor in the steady increase in the consumption of peanuts. Peanut exports and crushings for oil are far below year-ago levels.

Cotton: Sharply smaller supplies and prospects for reduced disappearance (domestic mill use plus exports) highlight the cotton outlook again this year. Supplies, down because of the below-average 1969 crop, total 16.6 million bales. This is almost 1 million short of the 17.5 million bales of 1968-69 and the smallest since 1947. Expected disappearance of nearly 10¾ million bales, a little lower than last year because of reduced exports, is the smallest since 1938. Even so, disappearance may exceed the 1969 crop, and carry-over next August may fall to around 6 million bales—about one-half million below a year earlier and the lowest since 1953. Domestic mills are expected to use around 8¼ million bales, about the same as last year's small usage. Exports may total nearly 2½ million bales, down a quarter million from last year's low level. Competition from man-made fibers and foreign-grown cotton, large textile imports, and reduced military purchases of cotton textiles continue to weaken the demand for United States cotton.

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