WE HAVE WHAT IT TAKES

Address by
Chester C. Davis
President, Federal Reserve Bank of St. Louis

Before the
Mississippi Cattlemen's Association
Heidelberg Hotel
Wednesday afternoon, January 18, 1950
Jackson, Mississippi
WE HAVE WHAT IT TAKES

A discussion of soil and water management is timely anywhere now, but I think that is particularly true of the Mid-South. Newspapers and farm publications have been full of talk about the controversial cotton acreage allotments. Farmers throughout the United States are wondering what to do with the acres they are going to take out of cotton, peanuts, wheat and corn. The individual planter faces the problem of maintaining his income while reducing his acreage in these crops. That is the short-term side of the picture. There is a long-term side, but more of that later.

As tough as this problem is for many individuals and for agriculture as a whole, I have felt ever since the first blow-up campaign that it is a blessing in disguise unless we delude ourselves with the dream that in the long run we can make ourselves richer by producing less. The blessing comes to the extent our effort to find a solution to the problem leads to better use of our soil and water resources in growing the products for which there will be an elastic and growing demand in the future.

Please don't get me wrong. Cotton will continue to be Mississippi's principal cash crop. I'm in favor of growing all of it the market will take at a fair price and on the land best adapted to cotton. But cotton is grown on a lot of land today that would be better off in grass and pasture. And there is no reasonable prospect that demand for cotton will ever employ more of the land resources of the state than now. The challenge we face here is how best to develop and use the land and human resources that cannot profitably grow cotton, including the land now being taken out of cotton under allotment as well as the millions of acres not now used to advantage.
This question concerns everyone in Mississippi, businessmen and bankers as well as land owners and operators. Sometimes people get the idea that bankers are not interested in agriculture, or that at best their interest is sentimental. But it doesn't take much thought to realize that unless the planter, the farmer, and the livestock man are enjoying reasonable prosperity, sooner or later the businessman and the banker will be hurt. This question of soil and water resources is not one which demands the attention only of the land owner or operator. It concerns every citizen of this state. And what we do about it today will affect even more drastically generations yet to come.

Mississippi has a land area of approximately 30 million acres. About 19½ million of these acres are classified as "Land in Farms". The total crop land is about 8½ million acres. Thus, there is approximately 11½ million acres included in farms but not classified as crop land. This area is classified as woodland pastured, 3½ million acres; woodland not pastured, 3.3 million acres; "other land" pastured, 3.3 million acres; and all other land, 1.0 million acres.

Only 848,000 acres of the total of 19½ million acres in farmland are classified as "crop land used only for pasture". After accounting for all the 19½ million acres in farms, there is still another 10½ million acres to be accounted for. A vast amount of this acreage is either in timber or is potential timber or pasture land.

Let's take a look at another resource – the water supply. While other areas in the United States face critical shortages in their water supply, this is one resource which Mississippi has in abundance. The average annual rainfall in this state is about 53 inches, although the figure for 1948 was 65.29. Contrast this with the 30 inches which Texas can expect on the average and, of course, much less in some areas; 32 inches for Oklahoma, 1½ inches for
Wyoming and Colorado, and even less rainfall in great stretches of the Great Plains which rank in the forefront of livestock production.

The water problem in Mississippi is not one of supply, it is one of management. How can we make the greatest use of this abundant supply of water so that it may actually be the productive asset it should be rather than a threat of property damage and even death and destruction when inadequately controlled?

Mississippi has another very important asset in its climate. This is particularly important to the livestock man because when taken in connection with abundant rainfall it means a long pasture season. Those of you who have always lived in Mississippi may not fully realize what a tremendous competitive advantage this is when compared to other livestock producing areas which are plagued by disastrous drouths or have to undergo long and rigorous winters.

Thinking of these tremendous resources - soil, water, climate - immediately brings back the question of cotton acreage allotments. As the matter now stands I understand that Mississippi is expected to reduce its cotton acreage from 2,840,000 acres in 1949 to 2,295,000 in 1950, a cut of 19%, or something over a half million acres. In many individual cases it is much higher. We can't afford to let this much land lie idle. If too much is planted here and elsewhere to soybeans, we will soon have the same problem of overproduction in soybeans. Other row crops mean higher costs and uses for which the land and climate are not best adapted. Much of this land can be brought into pasture to broaden the base for a growing beef and dairy industry. The situation constitutes both an opportunity and a responsibility for the Mississippi Cattlemen's Association.
We must recognize that this is no short-cut to prosperity and wealth. Abundant pasture and feed resources are not the only factors to be considered as the livestock industry in Mississippi grows toward its maximum development. There is a tremendous problem of farm management or farm reorganization. Naturally, the management of a beef herd or a dairy herd requires specialized labor, and it takes time to train this labor. I believe this group understands, too, the importance of producing a quality product. There is almost as much opportunity for improvement in the quality of cattle coming out of some sections of the South as there are possibilities in increasing the volume of that production. You men are more competent to discuss that than I am. As you know, it involves the use of better bulls, management practices too numerous to mention here, but which go far in determining the value of your product. Notwithstanding the fact that the Mid-South has developed some of the best purebred herds in the country - and you have examples right here in Mississippi, - there is need for better breeding stock throughout the South. Your association is in a strategic position to help. Quality improvement is particularly important in connection with the development of out-of-state markets if and when you need them. Right now and perhaps for a good many years to come, there will probably be sufficient demand within the confines of your own state to utilize all of the good cattle you can produce, and they ought to be slaughtered and packed near home. We need the industry.

But looking ahead, there is a potential out-of-state market. I know of one commission firm in St. Louis that shipped over 9,000 beef calves from Texas during 1949 into the Corn Belt, principally Illinois and Missouri. These calves weighed about 425 pounds and cost from $23 to $24 per cwt., f.o.b. Texas. The freight rate from that section of the country was about $.80 per cwt.
The freight rate from most of your state to East St. Louis is $.61. To the feeder sections of Illinois and Missouri it would be about the same as from Texas and Oklahoma points. There is no discrimination against calves from Mississippi and other parts of the South, provided they are of comparable quality and can be purchased in large enough numbers to make sorting and shipping operations practical. It is true, of course, that many of the Corn Belt feeders are accustomed to getting their calves from the West, the Southwest, or the Northwest. Some promotional work will be needed if and when you find it desirable to develop a market for surplus calves in the Corn Belt. We can be reasonably sure that there will always be a market for good feeder calves, and that from the standpoint of production and transportation costs the cattlemen of Mississippi are in an excellent competitive position.

One reason why I feel so much confidence in the future possibilities of livestock production in your state, is because of the actual figures which we have been able to assemble. Let me pick out one from a number of cases we have studied, and use it as an example of what can be done.

The M. M. McKinnon farm, in Tate County, shows the income possibilities of a well-rounded farm development program on the brown loam soils of Northern Mississippi. Mr. McKinnon pays tribute to the inestimable assistance which he has received from Mississippi State College and from other public agencies working in agriculture. Mr. McKinnon started his pasture development program in 1932. He began with a small herd of dairy cows but later added a herd of beef cattle. Since then his cotton yields have increased from 375 to 597 pounds of lint cotton per acre while at the same time his cotton acreage declined from 100 to 73 acres. He increased his corn yield from 24 to 49 bushels per acre, and cut the acreage from 65 to 43 acres. His pasture acreage was increased
from 181 to 279. The important fact, however, is that Mr. McKinnon increased the total annual value of crops and pasture from $6,239 to an average of $12,615 for the years 1939 to 1947. This increase was not due to price changes, because all income has been figured at the 1933-42 average Mississippi farm prices in order to eliminate the effect of high war-time prices and to give comparable measures of output for all years.

In 1932 Mr. McKinnon's pasture return was of no real value. The return from his pastures from 1939 to 1947 averaged $4,809. On a percentage basis, that means from practically zero to almost one-third of the total farm income. The average return per day of labor increased from $3.88 per day in 1932 to $6.33 in 1947.

It not only costs money to do this, but it takes energy, initiative, ambition and careful planning. The dollar cost over the 16-year period was $26,663, or $29 per acre, but there was increased income of about $76,000 which can be traced directly to Mr. McKinnon's farm improvement program. Bear in mind that in arriving at these figures average 1933-42 prices were used, not actual war-time prices. Deducting $26,000, which represented the cost of the improvements, leaves a net increased income of over $50,000 — and this does not take into account the actual residual value of the improvement program which remains on the farm.

This farm represents only one example out of many which could be cited if time permitted. There are equally striking examples of pasture development programs which have been carried out in the Delta areas of Mississippi and other Southern states. All of them point to the conclusion that much of the land now being devoted to cotton or other row crops can be advantageously converted into pasture. By so doing the owner cannot only maintain his profits,
build up the productive capacity of his land and reduce his labor expense, but at the same time be in a position to pass that land on to his successors in far better shape than it was when he took it over.

Any short talk is likely to lack balance and perspective. These lessons apply not only to land that is being taken out of cotton now. It is much more important in the aggregate to improve the productivity of the rest of the 19½ million acres of land in farms in Mississippi, and of the 10½ million acres in the state not in farms. After all, the Mississippi cotton acreage in 1949 was less than 3 million acres.

Conversion of land taken out of cotton to use as pasture and to produce feed for livestock farming, won't go far in providing employment for surplus farm labor resulting from acreage limitations and technological changes on the farms. It will take productive use of the millions of acres now non-productive and poorly used, and above all else, the expansion of this state's program of industrial growth and diversification, to do that.

We do not have time to discuss fully the long-term aspects of soil and water management, but I can at least urge that the same amount of consideration be given to them. This includes more efficient development of our timber resources, reforestation, and many other related questions.

After having expressed so much confidence in the future of the cattle business, some words of caution are in order. Maybe that reflects the banker viewpoint, but they are just as essential to the farmer or livestock producer if we are to keep the business growing on a sound basis.

First, let me say that this transition from a cotton or row crop operation to a pasture-livestock operation is not an overnight process. It involves in many cases a partial or complete reorganization of the farm or
plantation. It requires the use of limestone, phosphate, and other fertilizers which are indicated by soil tests. It means fencing and some buildings and other equipment peculiar to the livestock industry. Incidentally, these farm improvement programs are of tremendous interest to the businessman because they mean vast amounts of supplies to be purchased in the form of fertilizers, building material, limestone, etc. They are of interest to the bankers because such purchases frequently involve needs for additional credit while the programs are in process. Another word of caution. Let's avoid overexpansion. Don't encourage anyone to increase his cattle numbers more rapidly than he is in a position to care for them.

Thoughtful attention must be paid to the cattle industry as a whole. Over the long pull the future of both the beef cattle and the dairy industry is attractive to the efficient operator. The changing relations between livestock population and human population are revealed in some interesting figures. In 1888 there were 97 cattle and calves for each 100 persons. The low year was 1928 when we only had 48. The 1931-41 average was 52, while in the year of 1948 the figure was 54. In terms of the numbers of livestock as related to our growing population, there is no surplus. In 1948 we only had 17 dairy cows per hundred persons against the 1939-41 average of 19. There were 24 sheep as compared to 39 in the base period, and 38 hogs as compared to 42. Faster turnover and increased efficiency of our livestock units at present tend, of course, to offset the reduction in numbers of livestock per hundred persons. However, we must be prepared for those swings in price cycles which have important bearing on the profit or the lack of it in any business. I believe the best word of caution that I could extend would be that any individual who launches out on a program of pasture-livestock development should
seek the cooperation and advice of the Mississippi State College, the experienced members of your Association, and other agricultural agencies. If he is using credit, he should, of course, counsel with his banker. Your Association can be of much service to the thousands of farmers throughout your state who are or should be interested in a pasture-livestock development program.

The subject which was assigned to me is so broad, and has such far-reaching horizons, that it cannot be adequately covered in any one talk. I recognize fully the inadequacy of my attempt. I am grateful, however, for the opportunity to express to you even in a small measure some of my own enthusiasm for your state and its possibilities in the field of livestock-pasture development.

In conclusion, I would like to remind you, however, that the end product of all of this effort in the direction of sound management of soil and water resources is not merely to make a little money or increase our farm income. The real objective is to make it possible for the people who live on the land to enjoy a better standard of living, have better homes, better schools, better churches, and to make those farms and the communities of which they are a part, so attractive that the most alert, aggressive, and intelligent boys and girls will ask nothing better than to make their homes on the land. If we are successful in doing this, we must see that our short-term program of land and water use will provide current income and that our long-term program of management of our soil and water resources will guarantee a prosperous agriculture for succeeding generations. If, through better management of soil and water resources we can take care of our economic problem, we will have gone a long way in taking care of some of our most pressing social and political problems.
LIVESTOCK PER 100 PERSONS IN THE UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>All Cattle and Calves</th>
<th>Milk Cows</th>
<th>Total Sheep</th>
<th>Hogs</th>
<th>Horses and Mules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Year</td>
<td>97 ('88)</td>
<td>2h ('88)2/</td>
<td>12h ('67)</td>
<td>9h</td>
<td>30 ('93)</td>
</tr>
<tr>
<td>Low Year</td>
<td>48 ('28)</td>
<td>17 ('48)</td>
<td>2h ('48)</td>
<td>31</td>
<td>6 ('48)</td>
</tr>
<tr>
<td>1939-41 Average</td>
<td>52</td>
<td>19</td>
<td>39</td>
<td>42</td>
<td>11</td>
</tr>
<tr>
<td>1942</td>
<td>56</td>
<td>20</td>
<td>42</td>
<td>45</td>
<td>10</td>
</tr>
<tr>
<td>1943</td>
<td>59</td>
<td>20</td>
<td>40</td>
<td>54</td>
<td>10</td>
</tr>
<tr>
<td>1944</td>
<td>62</td>
<td>20</td>
<td>37</td>
<td>61</td>
<td>9</td>
</tr>
<tr>
<td>1945</td>
<td>61</td>
<td>20</td>
<td>33</td>
<td>42</td>
<td>9</td>
</tr>
<tr>
<td>1946</td>
<td>58</td>
<td>19</td>
<td>30</td>
<td>43</td>
<td>8</td>
</tr>
<tr>
<td>1947</td>
<td>56</td>
<td>18</td>
<td>28</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>1948</td>
<td>54</td>
<td>17</td>
<td>24</td>
<td>38</td>
<td>6</td>
</tr>
</tbody>
</table>

Pet. Change from

<table>
<thead>
<tr>
<th>Year</th>
<th>-4h%</th>
<th>-29%</th>
<th>-81</th>
<th>-60</th>
<th>-80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Year</td>
<td>412</td>
<td>0</td>
<td>0</td>
<td>423</td>
<td>0</td>
</tr>
<tr>
<td>Prewar Average</td>
<td>4 h</td>
<td>-11</td>
<td>-38</td>
<td>-10</td>
<td>-46</td>
</tr>
<tr>
<td>1947</td>
<td>-4</td>
<td>-6</td>
<td>-14</td>
<td>-5</td>
<td>-14</td>
</tr>
</tbody>
</table>

1/ Source: Livestock population estimates from the United States Department of Agriculture; human population estimates from the United States Department of Commerce.

Note: Faster turnover and increased efficiency in both livestock production and in processing results in somewhat more meat being produced per animal on farms January 1 in recent years than in earlier periods.

2/ 1869, 1875 and 1891 also were years of 24 milk cows per 100 persons.

Department of Marketing
American Meat Institute

Table No. 215
March 3, 1948