Foreword

This Agricultural News Letter is issued in the interests of agriculture and of the banks in this Federal Reserve District. It will be issued monthly as a permanent feature of this bank's service to the Southwest, in the hope that it will be of real value.

The purpose of the letter is to bring to its readers information which will stimulate interest in agricultural problems, particularly those affecting this area, and thus, perhaps, hasten their solution. Unfortunately, there are many problems in connection with farm management, agricultural prices, farm credit, agricultural marketing, and Government policy with regard to agriculture which remain to be solved. In general, though perhaps only in a small way, it is hoped that this letter will be helpful in keeping the agricultural and banking interests of the area abreast of current developments in the field.

We are anxious to provide this service in a manner which will be of greatest value to its readers. Therefore, we urge you to offer us your suggestions as to how the letter can be improved to give you greater service. Also, we solicit from our readers a frank expression of the value of the letter to them. We encourage your comments as to the type of material and the content which you believe might be most useful in achieving a furtherance of our mutual interest in the area's agricultural problems.

If any bank in the district would like to receive a limited number of copies of the letter monthly for distribution to agricultural leaders and others in the community especially interested in the agricultural problems of the area, we will be pleased to supply such copies without charge. Also, we will be glad to add to our regular mailing list the name of any individual or institution to whom this letter might be of special interest.

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AGRICULTURAL NEWS
LETTER

FARM PRICES AND INCOME

Government Control of Farm Prices Under Attack

Various farm organizations are supporting the movement which is beginning to take shape in Congress to remove price controls from all farm commodities. Senator Thomas of Oklahoma has announced that he will work for removal of the controls. Concurrently, Representative Pace of Georgia and other farm leaders in Congress have indicated that they may seek to call up the Pace Bill for action. This bill provides for a readjustment of the parity price formula to reflect all farm labor costs, and, if passed, would result in a considerable rise in the parity price of most farm commodities.

Representatives of the dairy industry, appearing before the House food investigating committee recently urged the removal of price ceilings on all dairy products by July 1, and an immediate increase in butter prices of eight to twelve cents a pound. Representatives of 134 livestock organizations, meeting in Chicago in March, announced that they would send a delegation to Washington to appeal for abandonment of all subsidies and controls affecting livestock prices.

The increased agitation to remove price controls or reformulate the parity concept came in the wake of the announcement of the Administration's new wage policy and of efforts in the Senate to extend the provisions of the proposed minimum hourly wage bill to cover "first processing" workers in agricultural enterprises, such as canneries, cotton gins, or dairies. These measures would tend to increase the farmer's cost of production.

Additional Subsidy Payments Authorized

The Senate has voted to authorize the Reconstruction Finance Corporation to make additional payments of $123,000,000 in meat subsidies and of $25,000,000 in flour subsidies during the next four months. These payments would be in addition to the $590,000,000 meat subsidy and the $190,000,000 flour subsidy authorized by the last Congress for the fiscal year ending on June 30. John Goodloe, RFC General Counsel, in presenting the request for authority to make additional payments, pointed out that recent wage increases in the packing industry were an important factor in the Corporation's decision regarding the need for additional meat subsidies.

Meanwhile, officials of the Office of Price Administration and representatives of the milling industry were conferring in an effort to formulate a program to adjust flour ceilings and subsidies in line with the new wheat extraction rate.

Proposals Made to Cope with Future Farm Surpluses

As a result of the tremendous expansion in production achieved by the nation's farmers during the war, questions have arisen as to the potential productive capacity of agriculture and the future demands for farm products. The Department of Agriculture has estimated that within ten years American farmers can feed about two and one-half times as many people as they were feeding in 1943. If such large production should occur, it probably would be brought about by the more extensive use of improved farm machinery, the development of more productive types of plants and animals, and the application of other improved cultural practices. In order to assure that such expansion shall not be brought about by exploitation of the soil and destruction of its fertility, the Department of Agriculture is placing increased emphasis on soil conservation. Such a program would tend to reduce the acreage of many soil-depleting crops but would encourage the expansion of pasture acreage and livestock production.

Any great increase in over-all farm production might result in a supply in excess of future demands, causing the accumulation of huge surplus stocks of farm commodities which might depress prices. To reduce this possibility, Secretary Anderson has called for a program of close cooperation between producers and processors to reduce production costs and selling prices in order to broaden the market for farm products. Senator Hugh Butler of the Senate Agriculture Committee
has indicated that he proposed to introduce a bill in the near future to encourage an expanded use of farm products in industry so that it will not again be necessary to "pay farmers not to produce."

FARM MANAGEMENT
Soil Conservation Program Discussed

The Gulf Coast Soil Conservation and Drainage Supervisors Association, meeting in Angleton, Texas, in February, stressed the need for additional agricultural research and for close cooperation between farmers, businessmen, and public agencies in carrying out a successful conservation program. The desirability of combining farm soil conservation programs and public drainage projects—gearing one to the other—was discussed, as well as the need for further research to discover ways in which costs of production might be lowered. It was recognized that, in order to broaden the market for agricultural products and to meet competition of foreign products and substitutes, the costs of producing farm commodities must be lowered. One method of achieving this would be to increase per-acre yields through the improvement of plant varieties, the more efficient control of insects and plant diseases, and the preservation and improvement of the productive capacity of the soil.

Now is a particularly propitious time to consider expanding the soil conservation program, for the fertility of the soil has declined seriously during the war. In an effort to meet unprecedented demands for farm products, many farmers over-grazed and over-cropped their land, and shortages of labor, equipment, and supplies seriously hindered the application of proper conservation practices.

COMMODITY NOTES
Cotton Situation Reviewed

The familiar problem of the cotton industry of finding an outlet for American cotton is again receiving attention. The already reduced foreign markets for American cotton were almost completely shut off during the war period, and present record stocks of low-priced foreign cotton are available to fill the reviving foreign demands, while reduced mill activity and increased competition from synthetic and other fibers are restricting the domestic market for cotton.

In an effort to move a portion of the burdensome supply of cotton held by the Commodity Credit Corporation and to aid in reviving Japanese peacetime industries, arrangements have been completed to ship about 200,000 bales of cotton to Japan each month. It is estimated that Japan can use as much as 1,400,000 bales in the next twelve months. Until private trading is resumed, movement of cotton will be carried on through Government channels. Stocks of cotton held by the Commodity Credit Corporation will be shipped to Japan, and textiles manufactured from this cotton will be accepted in an amount adequate to reimburse the United States in full.

Secretary of Agriculture Anderson and members of the textile industry have warned that costs and prices of cotton products must be reduced in order to expand the market for cotton, and that this will require cooperation between producers and manufacturers. Artificial controls and price floors cannot solve the problem of achieving an increased demand for American cotton in world markets.

The serious implications of the cotton problem were reviewed at a meeting of producers, processors, and agricultural workers at College Station in February. Dr. L. P. Gabbard, Chief of the Texas Agricultural Experiment Station, stated that the loss of foreign markets has been due largely to a pricing policy which forced the price of American cotton far above the prices of comparable foreign growths. It was also pointed out that these markets can be regained only by reducing the production cost and the sale price of American cotton.

Increase in Texas Cotton Production Appears Unlikely

In a recent meeting, leaders of the cotton industry in Texas expressed the opinion that cotton production could not be significantly increased in 1946 because of shortages of labor and machinery, coupled with the inadequate supply of seed and its poor germinating
qualities. They also pointed out that grain sorghums, paying about $2.50 per hundred pounds, might yield a greater profit per acre than cotton. Furthermore, the sorghums can be harvested by machinery and require relatively little labor in production, thus tending to reduce demand in the short farm labor market.

Reports from other sections of the cotton belt show a slightly improved farm labor situation in some areas, but most reports still show a shortage of workers. A low supply of seed of indifferent germinating quality was also reported for most sections.

### Government Requests Further Expansion of Food Crop Acreage

The Government has asked that farmers in the United States increase plantings of grains and other food crops by 3,200,000 acres above previously announced goals. This brings the new goals for wheat up to 69,875,000 acres, compared with 68,781,000 planted last year. Corn acreage goals have been increased to 97,760,000, compared with 92,867,000 last year, and goals for soybeans have been set at 10,-700,000, compared with 10,873,000 for last year. The emphasis upon larger acreages of grain is a result of greatly curtailed foreign crop production and of increased needs for grains for human and livestock consumption.

Due to the livestock feed shortages, farmers were again urged by the Department of Agriculture to reduce the numbers of livestock. They were asked to decrease turkey production by about 10 per cent below last year, to continue heavy marketings of beef cattle, to market heavy hogs immediately, and in the future to bring hogs to market at lighter weights.

Members of farmers' organizations and feed and grain associations have expressed doubts that the increased plantings called for by the Secretary of Agriculture will be met. They point out that the availability of farm equipment and labor, and weather conditions at the time of planting are the factors which will largely determine the extent of plantings. Moreover, they suggest that uncertainty in regard to the Government price policy may make farmers reluctant to increase plantings. The acreage planted to soybeans may be limited by the fact that soils adapted to their growth have been depleted during the war, when proper rotations and fertilization were impossible.

### Efforts Made to Meet Wheat Export Goals

Statistics of the Department of Agriculture indicate sufficient wheat to meet export goals and domestic demands and provide for a slim but safe carry-over. Practical difficulties, however, have led Secretary of Agriculture Anderson recently to report that it is improbable that the Government will meet its export program of 6,000,000 tons of wheat by June 30. He indicated that shipments in February would fall short of the 1,000,000-ton goal by about 150,000 tons and that March exports were expected to fall even farther below goals. The Department has insisted that the main obstacle to meeting the goals has been the difficulty of securing adequate transportation facilities, and after March, increasing competition for these facilities is expected from industrial plants.

In an effort to stimulate an increased flow of grain to market and to encourage farmers to reduce feeding activities, an increase of two to four cents per bushel in the ceiling prices of most grains was made effective on March 4. It was also announced that the subsidy of 50 cents per 100 pounds now paid cattle feeders to encourage feeding operations would be terminated on June 30. Price ceilings on hogs will not be changed prior to September 1, but the subsidy on the heavier weights may be lowered before that date.

### Texas Dairymen Seek Relief from Critical Feed Shortage

With stocks of grain sinking rapidly and supplies of protein supplements far below demand, Texas dairymen have appealed to the Production and Marketing Administration for aid in solving the grave feed shortage. They have asked that the export of soybean, cottonseed, and flaxseed products be stopped and that adjustments be made in the price regulations affecting cottonseed and soybean meal imported from Mexico.