

# AGRICULTURAL NEWS LETTER

THE FEDERAL RESERVE BANK OF DALLAS

Vol. 1

Dallas, Texas, May 15, 1946

Number 3

## AMERICAN COTTON AND ITS COMPETITORS

"Facts about Cotton," released by the United States Department of Agriculture, presents a graphic summary of recent developments and future prospects affecting the cotton South. The publication reviews the factors underlying the decline of American cotton exports which, in spite of increased domestic consumption of cotton, led to a piling up of surplus stocks following 1920.

The acreage of American cotton increased rapidly following World War I and reached a peak of approximately 46 million acres in 1925. Although plantings continued at relatively high levels until 1930, the long downward trend during the past 15 years brought cotton acreage in 1945 to a level about 60 per cent below the peak and the lowest in 50 years. Production of cotton followed the same general trend as planted acreage between 1925 and 1935, but in the next ten years the increase in per acre yields tended to counterbalance the effect of the decline of acreage. The higher average yields resulted from good farm practices and the keeping of cotton on the better land.

The acreage and production of foreign cotton increased steadily after World War I, with a particularly marked expansion occurring between 1933 and the outbreak of World War II. The notable expansion during this period was largely accounted for by an increase in production in countries which grow a type of cotton similar to American cotton and which, therefore, compete most directly with it in the world market. Foreign production was reduced during World War II, but as the world returns to peacetime conditions, pre-war trends may be re-established.

In the years between wars, domestic mill

consumption increased slightly, and since the beginning of World War II, mills have operated at near capacity, consuming between 9 and 11 million bales annually. Foreign consumption of American cotton increased slightly for a time following World War I but declined sharply during the thirties and almost disappeared during World War II.

The expansion of consumption of American cotton has been restricted to some extent both at home and abroad by the relatively high price, which at the same time has encouraged the expansion of foreign production. This high price has also fostered the more extensive use of substitute products, such as synthetic fibers, jute, and paper and has led foreign mills to turn more and more to other countries to supply their needs. As a result of these factors, consumption of American cotton has not kept pace with production.

The annual carry-over of American cotton reached a peak of 14.1 million bales following the record production of 1937 and has remained at a high level since that time, the total amounting to 12.1 million bales in 1945. It has been possible to reduce stocks substantially since the close of the war through increased exports to countries cut off from all cotton supplies for several years by the war. However, exports have been encouraged through subsidies, loans, and special trade agreements, the continuance of which for an indefinite period cannot be assured.

In recent years, as the report points out, many farmers have increased their returns from cotton by producing a longer staple, better quality fiber. However, in any such areas as northwest Texas, where production is highly mechanized and where climatic conditions are erratic, improvement of fiber has definite limitations. In these areas, the increased returns derived from improving the quali-

ty of cotton might tend to be offset to some extent by an increase in the cost of production; for, to bring about significant improvement in quality, it would probably be necessary to turn to longer staple, but less dependable, varieties of cotton. Nevertheless, even in these areas, it is possible that some improvement in quality and yields could be achieved through soil building and conservation programs, a more skillful use of fertilizers, the use of improved seed, newly developed and improved ginning machinery, and better insect control, without causing a proportionate increase in cost.

The report, which may be obtained from the United States Department of Agriculture, suggests that mechanization, improvement of cotton varieties and cultural methods, the improvement of ginning machinery, and the development of new uses for cotton are all working toward an improvement of the competitive position of cotton farmers in the United States. These developments, together with a better balanced system of farming that would allow a more complete and efficient utilization of land and labor, offer some prospect of higher and more stabilized incomes.

## FARM PRICES AND INCOME

### Estimated Farm Income Revised Upward

The United States Department of Agriculture estimated on May 2 a cash farm income of \$20,900,000,000 for 1946. This figure, including about \$700,000,000 in government payments to farmers, is an upward revision of approximately 10 per cent over previous estimates. Cash receipts from farm marketings are expected to reach \$20,200,000,000, or about \$500,000,000 below the total in 1945.

These estimates, however, are based on the assumption that the production of wheat in 1946 will reach the one billion bushel total estimated in April and that yields of other crops will be up to average. The reduced wheat prospects in the Panhandle area of Texas and Oklahoma will considerably lessen the possibility of wheat farmers in these states sharing the predicted increase in farm incomes.

A recent report of the Bureau of Agricul-

tural Economics indicates that the domestic demand for farm products in 1946 will continue at high levels in spite of a probable slight decline in total national income. Moreover, foreign demand for agricultural commodities is expected to continue strong throughout the year, with total exports of farm products reaching a level close to that of 1945. Cotton is the only important crop in which there is any prospect of production in excess of combined domestic and world demand.

### New Ceiling Prices for Grain

The Office of Economic Stabilization, the United States Department of Agriculture, and the Office of Price Administration announced jointly on May 8 that the 30-cent bonus on corn would be terminated on May 11 and that new ceiling prices for all grains would become effective May 13. The new order raises the ceiling price of corn 25 cents a bushel; wheat, 15 cents; oats, 5 cents; barley, 9 cents; and rye, 10 cents. On grain sorghums the increase is 18 cents per hundredweight. The new prices apply to grain now in the hands of producers and grain to be harvested this year. The bonus of 30 cents per bushel on wheat for export is to be continued until May 25.

Government officials estimate that the new price ceilings should provide ample allowance to cover any increase in parity for the year ahead. The new prices are, therefore, expected to remain unchanged throughout the 1946 crop year.

## FARM MANAGEMENT

### Few Veterans Plan to Return to Farms as Laborers

Preliminary releases by the Bureau of Agricultural Economics, United States Department of Agriculture, in its survey of population shifts and employment trends indicate that few veterans plan to return to farms as laborers. Most of those planning a return to farms hope to become owner or tenant operators, but the high price of farm land and the difficulty of locating farms to rent are said to have slowed down this movement. Many veterans with close family connections on farms are returning, either with the intention

of staying permanently or of taking time to plan their future. The data available at present are indicative of the attitude of many veterans toward farm employment, but not sufficient to be conclusive as to what may happen in the next three to five years.

### Farm Labor

*Farm Labor*, a recent publication of the United States Department of Agriculture, reports that on April 1 farm employment in the West South Central region, which comprises most of the area of the Eleventh Federal Reserve District, had increased seasonally, but that fewer people were employed on farms than on the same date last year. For the nation as a whole, total farm employment is about 2 per cent above the April 1945 figure, the increase being confined to family workers. The number of hired hands on farms remained about the same as last year.

According to the report, slight declines were registered in farm wage rates for day labor without board in New Mexico and Oklahoma, but slightly higher rates than a year ago were being paid in Louisiana, Texas, and Arizona. The rate per day without board in these five states on April 1 this year varied from a low of \$2.80 in Louisiana to a high of \$5.30 in Arizona. Rates in the remaining three states were closely grouped—\$4.20 in Texas, \$4.30 in New Mexico, and \$4.40 in Oklahoma. These rates compare with prewar (1939) average rates of \$1.07 in Louisiana, \$1.28 in Texas, \$1.44 in Oklahoma, \$1.67 in New Mexico, and \$2.07 in Arizona. Farm wage rates for the nation underwent a somewhat greater than average seasonal increase during the first quarter of 1946, and on April 1 wages per day without board stood at \$4.36, compared with \$4.12 on April 1, 1945, and with a prewar annual figure of \$1.56 in 1939.

Coupled with the decline in farm workers in the West South Central area is a decline in indicated acreage for most crops in 1946, compared with 1945. The increased wheat acreage in this area is expected to be more than offset by declines in the acreage of grain sorghum, corn, and other crops. For the na-

tion, however, 1946 prospective plantings indicate a slight increase in acreage of most of the more important crops, with some slight shift to crops requiring less labor.

The April issue of the *Agricultural Situation*, another publication of the United States Department of Agriculture, points out that the few veterans and war workers who are returning to farms are replacing less able-bodied persons who did a large share of the farm work during the war and that farmers are reported to be more selective in hiring and to be weeding out less efficient workers. Thus it is expected that the volume of work performed in 1946 will be greater than the limited labor supply would indicate, and an increased output per worker is in prospect for the coming season.

### Civilian Production Administration Acts to Avert Shortage of Wire Ties

The Civilian Production Administration has estimated that approximately 130,000 tons of wire baling ties will be needed in 1946. Although the steel industry was producing ties in excess of the prewar rate during its last uninterrupted production period (September to December 1945), recent work stoppages and the vastly expanded demand for ties for hay and other farm commodities make it appear unlikely that the required production can be achieved. To compensate partially for the shortage of steel and in an effort to avoid a shortage of bale ties, the Civilian Production Administration announced on May 1 that up to 7,500 tons of wire in government surplus property stocks would be set aside for the manufacture of ties. A purchaser of wire from surplus stocks must certify that he is a producer of wire bale ties and that the material obtained will be used for the production of ties suitable for use in baling hay, straw, alfalfa, other farm products, paper, and rags.

### Production of Farm Machinery Declines

Recent strikes in farm implement and steel industries and the shutdown of coal mines have prevented the output of farm machinery from reaching expected levels. A report on the farm machinery industry for the

first quarter of 1946 issued recently by the Civilian Production Administration shows that production declined steadily during the first three months of the year, from about \$61,000,000 in January to about \$49,000,000 in February and to approximately \$48,000,000 in March. The total for the three months fell 10.5 per cent below the total for the first quarter of 1945.

The major production losses occurred in the heavier types of farm implements. Harvesting machinery produced in the first quarter of 1946 fell 26.6 per cent below the output for the same period last year; wheel tractors were down 26.1 per cent and repair parts down 22.6 per cent. Some production gains were registered, however; for example in domestic water systems, 54.2 per cent; in sprayers, dusters, and orchard heaters, 76.2 per cent; and in dairy equipment, 27.4 per cent.

Further decreases in production are anticipated by the Civilian Production Administration, as a result of current coal shortages which will substantially reduce steel deliveries and will have an adverse effect on the production of component parts.

Southwest farmers will be particularly hard hit by these declines, in the opinion of J. B. Kidd, farm labor field assistant for the Texas Extension Service, who has estimated that in Texas alone two thousand additional combines will be needed to harvest the State grain crop in 1946 if weather conditions should be favorable.

#### Experiments Conducted on Restoration of Depleted Texas Land

Experiments in central Texas conducted by the Luling Foundation on eroded and depleted land indicate the desirability of using complete fertilizers in establishing green manure crops. The Foundation purchased an abandoned farm in 1945 for the purpose of restoring it to production. As the use of clovers to restore depleted land had previously met with little success, it was decided to sow the tract with a mixture of hairy vetch, rye, and peas. Various combinations of fertilizers were used in the experiment, with no fertilizer being applied to some plots, superphosphate in

varying amounts applied to some, and combinations of superphosphate and complete 5-10-5 fertilizer applied to others. Best results were achieved from an application of 400 pounds of superphosphate and 200 pounds of the complete fertilizer per acre.

## ANNOUNCEMENTS

### Federal Reserve Bank of Dallas Initiates New Radio Series

The Federal Reserve Bank of Dallas will present a series of weekly broadcasts entitled "Your Southwest Business Review" each Saturday evening from 6:15 to 6:30, Central Standard Time, over Radio Station KGKO (570 on your dial). This program will present a review of current developments in the fields of agriculture, industry, business, and finance as they affect the Southwest.

### Field Day to Be Held at Denton Station May 17

P. D. Dunkle, Superintendent of the Denton Experiment Station near Denton, Texas, has announced that the Station's annual field day will be held on May 17. Conducted tours over the experimental area will start at 9:00 a.m. and last until noon. In the afternoon, recent developments in agriculture will be reviewed by a series of speakers from Texas A. & M. College.

### New Publications

*Progress Report: Feeding Tests with Sheep, Swine, and Beef Cattle, 1945-1946*; Oklahoma Agricultural Experiment Station; Oklahoma A. & M. College, Stillwater, Oklahoma.

This report describes the outcome of various feeding experiments conducted in Oklahoma for the past several years. The results of feeding various types of grains, sweet potatoes, and protein and mineral supplements are discussed; also the results achieved from various grazing practices and the use of vitamin A in sheep and cattle rations are considered. The effect of cutting hay at various stages of maturity on the yield and feeding value is discussed, and a paper on the purposes and results of line breeding is included.