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THE FEED SITUATION

The feed situation promises to be materially improved for the Nation during the 1946-47 feeding season, according to recent reports of the United States Department of Agriculture, but shortages of protein feeds are expected to persist. In the Southwest, however, the reduced production and small carry-over of most feed-stuffs, together with the general shortage of protein feeds, may cause serious feeding problems for livestock producers.

Supplies of feed grains per animal unit in the nation as a whole are expected to be substantially greater during the current feeding season than during 1945-46. This expectation is based chiefly upon the anticipated record volume of this year's corn crop, estimated on September 1 at 3,371,707,000 bushels, compared with 3,018,410,000 bushels produced in 1945. Corn generally accounts for well over half the quantity of all grains and other concentrates fed to livestock. Consequently, moderate declines in this year's oat and barley crops from last year's production and a rather sharp

decline of 17 per cent in the production of grain sorghums will not seriously affect the national supply of feed concentrates per animal unit.

In fact, this year's very large crop of good quality corn will more than offset not only these declines in current production of other feed grains but also the shortness of the stocks of corn, barley, and grain sorghums on hand at the beginning of the 1946-47 feeding season. Therefore, it is expected that the total national supply of feed grains, including both carry-over stocks and this year's production, will be well above that of last season and approximately 20 per cent larger than the prewar average supply (1937-41), with the possibility that it may approach the record supply of 1942. Thus with reduced numbers of livestock, the domestic supply of feed grains per unit this season is expected to be over 10 per cent larger than in 1945-46 and approximately 15 per cent larger than the average for the past five years. If the estimated quantities of imported grains are added to the domestic supply, the total quantity per animal unit will be the largest on record.

November 11 through December 7 will be the period of the November Promotion during which the Treasury, supported by banks, the radio and press, business firms, and others, will re-emphasize the importance to individuals of continuing to hold and to buy United States Savings Bonds.

During World War II the farm people did a magnificent job for their country and for themselves by producing the food and fiber needed to win the war, by reducing their debts, and by investing more than \$5,000,000,000 in war bonds. That sound practice of putting farm financial reserves into bonds of our Federal Government should be a permanent and definite part of the financial program of every farm family. Farming is a speculative business at best, subject to the vagaries of the weather, price changes, and numerous other factors. Farm people need to hold adequate financial reserves in the safest possible form to meet unpredictable contingencies which are the outcome of developments over which the farm people have little or no control. United States Savings Bonds provide that needed investment medium for the farm people of the nation.

Farmers of the Southwest, now marketing one of the most profitable crops in history, can protect their own and their families' future by investing as much as possible of this year's cash income in Savings Bonds. They can BUY their EXTRA BONDS NOW, even in advance of the November Promotion, without interrupting their regular monthly bond-buying program.

The removal of certain limitations on uses of grain which has been announced will increase, to some extent, the demands of industry for many grains. At the same time, however, larger supplies of byproduct feeds should result. The removal of requirements for a higher than usual extraction rate in flour milling, together with the strong domestic and foreign demand for wheat flour, is expected to increase substantially the supply of wheat mill feeds in 1946-47. The somewhat expanded use of grain permitted brewers and distillers will increase slightly the supplies of dried grains from these sources. On the contrary, supplies of high-protein feed, such as cottonseed, soybean, and linseed cake or meal, in 1946-47 will be below those of the previous year. Though this year's production of cottonseed is expected to be slightly greater than last year's, it will be far below average. The indicated production of soybeans and peanuts is slightly below the crops of last year, and the estimated linseed production is far below that of 1945. Hay production is expected to fall well below that of last year, so that, in spite of large stocks carried over from the past season, total supplies during this year will fall below those of 1945.

In contrast with the favorable national situation, the indicated production of feedstuffs in the Southwest does not present so optimistic a prospect for livestock producers in this area. Corn production in the five Southwestern states—Texas, Oklahoma, Louisiana, Arizona, and New Mexico—was indicated on September 1 to be only 95 per cent of last year's production and only 83 per cent of the 10-year (1935-44) average. The estimated production of oats, barley, and grain sorghums in 1946 also falls well below the production in 1945, and, with the exception of grain sorghums, considerably below average. The feeding situation in this area is further darkened by the fact that the production and carry-over of hay are far below last year, and that in many areas which suffered from a prolonged drought during the summer months, prospects for winter ranges are poor. Finally, the general shortage of high-protein feeds, such as cottonseed, soybean, and linseed meal, is expected to cause particular difficulty for livestock producers in the western

part of the area who depend primarily upon these sources for supplementary winter feed.

The indicated reduction in feed supplies in the Southwest may be partially offset by a decline in livestock numbers. It appears probable, however, that shortages of some types of feed, particularly proteins, will develop during the coming winter. In an effort to assure an orderly distribution of feeds in short supply and sufficient stocks of these feeds to strengthen range animals through the winter months, livestock producers in Texas and New Mexico are attempting to secure early deliveries of protein supplements. Such efforts might well be accompanied by the seeding of additional acres of small grains, legumes, and grasses to furnish fall, winter, and early spring grazing. In view of the present high prices of purchased feed, such pastures will be unusually profitable. Similarly, it will be a gain to continue close culling of livestock so as to dispose of all animals that do not make efficient use of feed.

CAUTION SUGGESTED IN PURCHASE OF FARM MACHINERY

Many farmers will be considering the purchase of new farm machinery in the months ahead, either to replace equipment worn-out during the war or to perform some farm tasks now done by hand. Some farmers will be able to pay for such machinery out of wartime savings, while others will require the extension of credit to finance at least a portion of their purchases. In either case, it is important to consider the soundness of the financial investment—whether reduced farm operating costs or possibly increased farm incomes will be sufficient to cover the annual cost of the new machines.

On this subject Harold C. Larsen has presented several points worthy of consideration in an article entitled "How Farm Machinery Can Earn Its Way," in the September issue of *The Agricultural Situation*, published by the United States Department of Agriculture. First, he defines the annual capital cost of a new machine as the amount that will pay off the price of the machine over its estimated lifetime and include interest on the money invested. If the farmer borrows the money to

purchase the machine, he will have to pay interest to the lender. If he uses savings to buy the machine, he should include interest to himself in the cost, for he could invest his money elsewhere and draw interest. To the annual capital cost of the machine must be added the cost of operation in order to ascertain the annual cost of performing the farm operation by machinery. This cost should be compared with the cost of performing the task by other methods and with the increase in income that might result from the use of the machine. If the cost of performing the job with the machine is less than that of performing it with hand labor or with other machinery, self-owned or hired, or if the increased income more than offsets the difference in cost, the purchase of the machine should be a financially sound investment.

A second point emphasized in this article is that the purchase of equipment tends to increase the total fixed cost of production, so that the farmer making the purchase will have the annual cost regardless of what prices of farm commodities do. If these prices continue at present levels or advance, the farmer, by fixing a portion of his cost, will increase his net income. However, if prices should decline, the fixed cost will cause his net income to fall even faster than prices. This is a contingency that puts many farmers into financial distress.

Finally, it is pointed out that farmers have enjoyed a particularly favorable price relationship during the World War II period, for prices received by farmers advanced more rapidly and to higher levels than prices paid. The same conditions prevailed during World War I, but were reversed shortly after the close of the war, with prices received for farm commodities falling more rapidly than prices paid by farmers. A repetition of those experiences any time during the next few years would make it extremely difficult for heavy purchasers of new farm equipment to meet their operating costs and recover their capital investment. The article concludes with this warning to prospective purchasers of farm equipment, particularly those who must borrow all or a large portion of the cost, to consider carefully all factors in-

involved before committing themselves to large expenditures for new equipment.

FARM CREDIT

Increased Use of Bank Credit

A recent report of the Agricultural Commission of the American Bankers Association reveals that the farmers of the United States used more bank credit in 1945 than ever before. During the year the banks extended \$3,488,562,000 in credit to 42 per cent of the nation's farm operators, and, according to the Association, more than twice that amount of additional credit was available for agricultural loans if the need for such loans had arisen. In spite of this increased use of bank credit by farmers, however, the outstanding volume of agricultural loans held by all banks at the beginning of 1946 was only \$1,873,735,000, compared with approximately \$2,220,000,000 a year earlier, and accounted for only 26 per cent of the total agricultural debt, compared with about 28 per cent at the beginning of 1945. These developments and a substantial increase in both financial and physical assets held by farmers clearly reflect continued improvement in the financial position of agriculture. The increase in financial assets was brought about by an increase in the volume of bank deposits, Government bonds, and other securities held by farmers, but the increase in the value of physical assets was due primarily to rising prices.

In the Southwest, farm loan developments in 1945 followed the same general pattern as for the nation as a whole, except that the per cent of farmers in Oklahoma and Texas who borrowed from banks was much larger than for the nation as a whole, while in New Mexico, Arizona, and Louisiana, the per cent was much smaller, with only 6.1 per cent of all farmers in Louisiana securing loans from banks. In these five states, agricultural loans by banks totaled \$442,854,000, while bank funds reported as available for additional loans totaled more than twice that figure.

FARM PRICES

New Price Regulations

The maximum price for rough rice has been increased \$1.00 per barrel, according to an announcement by Acting Secretary of Agriculture Charles F. Brannan. Adjustments were made also in the maximum price of finished rice so as to reflect the price increase for rough rice. In announcing these increases, Mr. Brannan stated that this action was "necessary to encourage increased production and orderly distribution of finished rice by assuring the procurement of sufficient rough rice from which to procure the quantities of finished rice necessary to meet commitments on a current basis."

FARM LABOR

Further Increase in Farm Employment Indicated for 1947

Farm employment in the United States, which declined throughout the war period, reached a low point in January 1946, about 12 per cent under the 1935-39 average. Since January, however, total agricultural employment has increased substantially, and, according to the United States Department of Agriculture, at the beginning of the harvest season on August 1, the number of workers employed on farms was four per cent above the same date last year and only four per cent below the 1935-39 average. A smaller than usual seasonal increase has occurred since that time, but a further increase is in prospect for 1947, when the average for the year may reach the highest level since 1940. Farm wage rates, already at record levels, are expected to increase further, at least through the first half of 1947. If, as seems likely, however, more able-bodied individuals come into the farm labor force next year, it is expected that the quality of farm labor will improve, offsetting, in part at least, the effect of rising wage rates on production costs. The availability of more and improved farm machinery will further aid in relieving the labor shortage which many farmers have experienced in recent years.

TECHNOLOGICAL DEVELOPMENTS

New Use of Rice Hulls Developed

Rice hulls, formerly a waste product of the rice milling industry, have a new use that ap-

pears likely to become important to the building industry. It has been found that rice hulls mixed with cement can be used for making building blocks. These blocks are known as ricement, and tests have shown that they can be cut with a hand saw, can hold a nail or screw, are fire-proof, termite-proof, have a low water-absorption ratio, and supply almost complete insulation. The material does not expand when heated, does not sweat as concrete does under certain conditions, and can be polished.

Production of this new material will begin soon at El Campo, Texas, with plans calling for an extension of manufacturing throughout the rice-producing areas of Texas, Louisiana, Arkansas, and California.

New Harvesting Equipment Developed

A tractor-mounted sweet potato digger has been developed at the sweet potato experiment station at Gilmer, Texas, according to a statement by Mr. R. B. Hickerson, assistant farm labor supervisor with the Texas A. & M. Extension Service. The machine plows the potatoes out of the ground, and an attached finger-like arrangement gathers them out of the soil and leaves them on top of the bed. It is said that potatoes harvested with the digger are not cut and bruised as much as those dug with ordinary equipment. Plans and blue prints of the sweet potato digger may be obtained by writing to Texas A. & M. College, Extension Service, College Station, Texas.

Sweet potato vines can now be harvested economically for use as hay, as a result of the development of a new harvester by engineers of the United States Department of Agriculture. In reporting this development, the *Texas Chemurgic News* for August 1 stated that the machine may prove to be a cheap and easy means of salvaging sweet potato vines for feed. Tests show that these vines have a feed value almost equal to that of alfalfa. The machine is said to be inexpensive to build and simple to operate. Without damage to the potatoes, it cuts the vines, picks them up, and loads them in one operation. Ten to twenty tons can be handled per day where the crop of vines is heavy.