SOIL CONSERVATION IS GOOD BUSINESS

The advantages of the application of soil conservation measures and the waste created by erosion and depletion of the soil if such measures are ignored were impressed upon a large group of business and agricultural leaders who recently toured several farm communities of Texas under the sponsorship of the Burlington Lines and of the Second National Bank of Houston. Stopping first at Corsicana, in the heart of the Black Prairie Cotton Belt, the group visited a number of farms where overcropping and continuous planting of soil-depleting crops without the application of conservation measures have seriously reduced the supply of organic matter and soil minerals, stripped away the top soil by exposing the surface to erosion, and created serious problems for the community in the control of silting and floods. In contrast, the operators of other farms visited in the area had maintained the fertility of the soil by the establishment of proper rotations, the use of green manure crops and commercial fertilizers, the construction of terraces and water ways, and contour cultivation.

Near Fort Worth in Tarrant County, the group viewed ranges where the sod had been improved and the carrying capacity increased through proper grazing and seeding, application of phosphate, and mowing for control of weeds. On other ranges, however, the carrying capacity had been seriously reduced and the native sod destroyed as the result of overgrazing and lack of proper care.

The effects of wind erosion and the need for conservation of water and proper stocking of ranges were observed on the High Plains near Amarillo and Lubbock. Practices for controlling wind erosion, such as the use of cover crops and crop residue management, were demonstrated on several farms. Other projects visited revealed the possibility of improving ranges through proper stocking and seeding and the proper distribution of stock water supplies. Additional methods of erosion control and soil improvement were inspected during stops at Wichita Falls and Abilene.

Although the most spectacular and direct physical effects of soil depletion can be realized by observing an eroded and wasted farm, it is necessary to know the history of a soil-impoverished farm community to understand the full significance of such depletion. The first effect is, of course, felt on the farms. As productive capacity of the soil declines, yield per acre of cropland falls, and carrying capacity of pastures or ranges is reduced. The low yields of crops produced in the Southwest which reflect, in part at least, the effect of soil depletion, are readily apparent when yields in this area are compared with those of other agricultural areas of the Nation. Even though Texas produces more cotton than any other state in the Union, it ranks third from the bottom in respect to yield per acre. It is the eighth most important producer of wheat, but in yield per acre it ranks 37th among the 41 wheat-producing states. It ranks ninth in the Nation in total corn production but only 38th in yield. The position of other states in the region is similar to that of Texas in regard to yields per acre.

If the productivity of farm land declines, cost per unit of production rises, so that net income and purchasing power of farm fami-
lies suffer a decline. This decline is immediately reflected in a reduced volume of sales by merchants selling to farmers and a fall in bank deposits. The effects, unless offset by developments in other lines, cumulate and spread, resulting eventually in lowered economic activity throughout the area.

The social consequences of such decline in economic activity are equally unfortunate. Many of the best businessmen and farmers leave the blighted community to seek better opportunities elsewhere, thus removing another valuable resource from the area and reflecting a general disintegration of community life. Repair and modernization of farm dwellings are neglected. The rural church loses in membership, resources, and influence. Tax revenues fall, and local government is no longer able to perform its functions effectively. Roads and streets cannot be maintained or new ones built; schools deteriorate both in equipment and in quality of instruction; and public health service must be discontinued.

In view of these effects of soil depletion on the economic prosperity and social well-being of rural communities, there is a growing recognition among bankers and other businessmen that they have a responsibility to encourage and promote the conservation and proper utilization of the land. All businessmen, and especially bankers, can play an effective part in arousing interest in conservation and can actively participate in the establishment of sound, coordinated conservation programs in their communities. To businessmen desiring to aid in arousing interest in conservation, the following suggestions adapted from the program proposed by the Agricultural Commission of the American Bankers Association should prove helpful:

1. Stimulate and encourage individual farmers to establish conservation programs on their farms to demonstrate the practical value of soil conservation.

2. Sponsor tours of farms where conservation programs are in progress or visits to experiment stations so that farmers and others on the tour may observe the results of applying conservation measures.

3. Give awards to farmers and soil conservation districts for outstanding performance in achieving objectives of soil conservation.

4. Sponsor meetings of farmers and businessmen and arrange for speakers to discuss the community's soil conservation problems and methods of solving them.

5. Keep community interest alive by distributing literature and sponsoring motion picture shows and exhibits dealing with soil conservation.

If a soil conservation district has not been organized in the community, businessmen should participate in its organization by bringing land owners together and interesting them in the problem and aiding them in contacting the Soil Conservation Service; if the businessmen themselves are land owners, they can participate actively in both the organization and the operation of the district. Bankers and others extending credit may be able to assist in working out a sound program to finance contractors in the purchase of such expensive heavy equipment as bulldozers, blade graders, ditching machines, rock crushers, terracing machines, and other equipment needed in carrying out a conservation program. Wherever there is a sound basis for credit, lending agencies might make loans to farmers for the purchase of seed, fertilizers, lime, and livestock and for the construction of the terraces, fences, ponds, or buildings which are required for the establishment of a complete conservation program.

To the business executives making the inspection tour mentioned above, the practical value of a comprehensive soil conservation program was clearly demonstrated on the farms where such programs have been carried on for several years. On these farms, yields were not only maintained but increased sharp-
ly, and, as a result, farmers’ net incomes were boosted, and the whole community benefited. Similar results on thousands of farms throughout the Nation demonstrate that conservation farming has advanced beyond the experimental stage and is a practical solution to the rural community’s problem of falling productivity, reduced incomes, and declining population. Soil conservation programs, therefore, are entitled to the interest and active support of all bankers and other businessmen because of the basic relationship between a prosperous agriculture and the prosperity of the community as a whole.

GENERAL AGRICULTURAL OUTLOOK FOR 1948

Outlook reports prepared by the United States Department of Agriculture indicate another generally prosperous year for agriculture in 1948. The prospects regarding farm prices and farm incomes in the Southwest, as in the Nation generally, have seldom appeared brighter from the farmer’s standpoint.

Employment, industrial production, and individual income — which underlie domestic demand for farm products — have set peace-time records in 1947 and seem likely to be very high next year. If they should decline moderately, demand might level off somewhat from its present position of pressing against supply and causing prices to rise; but only a sharp break, which is possible but not expected, could cause a big drop in domestic demand for agricultural products next year. American consumers will spend less money for food in 1948 than in 1947 only if their incomes are smaller or if their rate of saving increases, neither of which seems likely. At present levels of employment, no drop in incomes is expected. The rate of saving has been going down in the last two years despite rising incomes, and this reduced rate of saving is expected to be maintained in 1948.

In the opinion of the Department of Agriculture, foreign needs for American goods in 1948 will be large, though the effective demand will be limited by the supply of dollar exchange available. Foreign purchasers probably will not earn exchange much faster next year than in 1947. Their holdings of long- and short-term dollar assets and gold are being reduced. Moreover, commitments under present United States Government foreign loans and grants are approaching an end. New Government loans or grants, now under consideration by Congress, will, therefore, be very important to United States export trade in 1948. Only under the most favorable circumstances, will total agricultural exports, including military shipments of food to foreign civilians, be as large next year as in 1947. Whether or not grain exports will be equal to those in 1947 depends on the policies of the Government and the trends in prices, as well as on the size of the grain crops in 1948. Foreign demand for fats and oils, which are intermediate in cost per calorie, will be nearly as strong as for grains. Dairy products, dried fruits, and other foods of higher cost per calorie will feel the pinch of restricted supplies of dollar exchange. Cotton exports in the 1948 calendar year probably will be somewhat smaller than the total for 1947, although at a higher annual rate than that indicated for the second half of the current year.

If total demand for farm products is as high in 1948 as the Department now expects, prices received by farmers will remain close to their present levels. This prospect applies to most commodities produced in the Southwest. With a continuation of the present demand, prices of farm products will likely remain close to current levels in the first half of 1948, but very large crops might lower them in the second half of the year. Even under these circumstances, however, the Department of Agriculture believes that the average of prices received would be high compared with most years before 1946.

Wheat production in the United States in 1948 is expected to exceed domestic consumption in spite of present poor prospects in many areas; therefore, whether or not wheat
prices will decline to support levels will depend largely on the quantity exported. Cotton production in 1947 is estimated to be considerably above the quantity that will be consumed domestically in the 1947-48 season, but it is likely that there will be effective foreign demand to absorb the remainder of the crop if the proposed government programs to aid Europe become effective by early 1948. The wool price support program will assure wool growers prices that probably will average higher than in 1947 and certainly as high as in 1946. Reduced supplies of all classes of meat — beef, veal, pork, and lamb — are in prospect for 1948 as the result of a general decrease in livestock numbers, and, in view of anticipated strong consumer demand for meat, livestock and meat prices are expected to remain at relatively high levels, at least through the first half of 1948.

Prices which farmers must pay for what they buy, including interest and taxes, will probably be as high in 1948 as in 1947, or higher. Farm wage rates are expected to continue near the 1947 level. Although production of farm machinery in 1947 is believed to have exceeded the previous record output of 1946 and prospects are favorable for continued high production in 1948, prices are approximately 50 percent above prewar and are expected to continue at about this level next year. Feed prices in general will continue high during the coming winter although not necessarily as high as the record levels attained in 1947. Prices paid by farmers for most seeds during the spring of 1948 are likely to be relatively high, in view of the probable continued strong demand for seed and because of the limited current production and stocks of seed. Farmers paid from 10 to 12 percent more per ton for fertilizer during 1947 than in 1946, and slightly higher prices may be expected in the first half of 1948. Although production of fencing, nails, staples, bale ties, roofing, pipe, and the like, continues at a high rate, the demand is not being met fully, and prices are not expected to decline for some time. Prices of most insecticides and fungicides continue to rise and are expected to be even higher in 1948, with the exception of DDT, which has declined in price during 1947.

Farm land values and rentals are expected to continue at high levels for several years. Changes in land rentals usually lag behind the movements of farm prices and farm incomes; so the present level of rents is likely to continue in the coming year. Interest charges paid by farmers on farm-mortgage debt during 1948 are expected to advance as shifts continue from low-interest loans to loans bearing higher interest. An increase in volume of loans made by higher rate lenders is resulting in a higher average interest rate paid by farmers, even though the rate pattern of individual lenders has tended to remain relatively stable or to decline. Interest obligations on short-term or non-real-estate agricultural loans are on the increase because a greater volume of loans is being made.

According to the outlook reports, cash receipts from farm marketings in 1948 are likely to total more than in any year before 1947, and the distribution of such receipts by commodities may not differ much from that of 1947. It seems likely, however, that production expenses, which have risen more than 16 percent during 1947, will show a further rise in 1948. Farmers' net income, therefore, may decline, as compared with 1947; but in any event, farm income after expenses in 1948, while probably not up to the estimate of 18 billion dollars for 1947, will likely be well above the average for recent years.

ANNOUNCEMENT
Broadcast Time of Reserve Bank's Saturday Review Changed to 5:30

Broadcast time for "Your Southwest Business Review," the 15-minute radio program of the Federal Reserve Bank of Dallas, has been changed to 5:30, Central Standard Time. This program, presented every Saturday over Radio Station WFAA 570, reviews current developments in agriculture, industry, business, and finance as they affect the Southwest.