Federal Reserve Bank of Dallas

FARM and RANCH BULLETIN

March 1971

PROSPECTIVE 1971 PLANTINGS

Indicated plantings of most major spring crops will be up this year, according to the U.S. Department of Agriculture. These higher acreages reflect the generally strong market for crops, the added flexibility of the new farm program, a degree of uncertainty due to the corn blight situation, and generally low grain stocks.

This year's corn crop will probably be up 6 percent, with most increases expected to occur in the Western Corn Belt. Farmers in other areas indicated their actual corn plantings will be determined by the availability of blight-tolerant seed. Upland cotton plantings are expected to be down slightly, but plantings of Pima cotton will probably be up about 35 percent. All spring wheat plantings will likely be up about 17 percent. Soybean plantings, up 7 percent from 1970, are expected to reach record levels for the eleventh consecutive year. Barley plantings are expected to rise 5 percent over 1970. Intended sorghum plantings are up 17 percent, with the major increases occurring in Kansas, Nebraska, Oklahoma, and Texas.

FARM LABOR EXODUS SLOWS

The U.S. farm labor force declined 2.3 percent during 1970, a smaller rate than the 3.3-percent decrease during 1969. The lower rate of decline last year was due primarily to the very marked slowdown in the rate of decline of hired workers, but the 1970 rate of decline of operators and unpaid family workers was also less than during the previous year.

The slower rate of out-migration of farm labor in 1970 was due to several economic factors. Paramount were high unemployment rates in the nonagricultural sector, tight farm mortgage markets, and a slowdown in purchases of farm machinery. High unemployment rates in the nonagricultural sector tended to discourage the flow of all types of farm labor by limiting opportunities. The reduced level of mortgage funds in 1970 dampened the farm real estate market and probably prevented the exit of some farm operators and their families. In addition, the general downturn in purchases of farm machinery during 1970 slowed the trend of replacing labor with capital in agriculture and slowed the out-migration of hired labor.

INTENDED PLANTINGS OF SELECTED CROPS IN ELEVENTH DISTRICT STATES, 1971

	Corn		Upland cotton		Soybeans		Grain sorghum	
Area	Acres (Thousands)	1971 as percent of 1970	Acres (Thousands)	1971 as percent of 1970	Acres (Thousands)	1971 as percent of 1970	Acres (Thousands)	1971 as percent of 1970
Arizona	31	108.0%	230	95.0%	—	—	168	87.0%
Louisiana	150	87.0	450	97.0	1,886	109.0%	104	120.0
New Mexico	51	108.0	135	97.0	—	—	500	122.0
Oklahoma	110	108.0	525	100.0	214	107.0	1,003	107.0
Texas	735	115.0	5,350	102.0	162	95.0	8,062	115.0
District	1,077	109.0	6,690	101.0	2,262	108.0	9,837	114.0
United States[1]	70,088	106.2%	11,765	99 4%	45,903	106.9%	20,245	117.1%

[1] 35 major producing states
SOURCE: U.S. Department of Agriculture

The increasing availability of mortgage money, lower interest rates, and the realization of previously postponed machinery demand will probably encourage a resumption of higher out-migration rates during the current year. However, the degree of this increase will depend largely on the availability of jobs in the nonagricultural sector.

NEW RURAL ENVIRONMENT ASSISTANCE PROGRAM FUNDED

The U.S. Department of Agriculture has allocated $150 million of Rural Environment Assistance Program (REAP) funds among the fifty states, Puerto Rico, and the Virgin Islands. This plan replaces the Agricultural Conservation Program and will be administered by the Agricultural Stabilization and Conservation Service through its farmer-elected Committee System.

According to the USDA, the emphasis of REAP is on problems of communitywide significance and projects that promise immediate impact. The program is a cost-sharing arrangement with farmers bearing a substantial part (about 50 percent) of the cost. It is assumed this will not only encourage reduction of specific farm-related pollution problems but will also afford increased benefits per dollar of public expenditure.

ALLOCATION OF RURAL ENVIRONMENT ASSISTANCE PROGRAM FUNDS TO ELEVENTH DISTRICT STATES

Area	Amount
Arizona	$ 1,220,000
Louisiana	2,998,000
New Mexico	1,737,000
Oklahoma	4,588,000
Texas	13,496,000
Total	$24,039,000

SOURCE: U.S. Department of Agriculture

FINANCIAL DEVELOPMENTS IN AGRICULTURE

Total personal income received by the farm population increased about 1.5 percent in 1970, well below the gain made in the previous year. The increase in total income was due to a 3.9-percent gain in income from nonfarm sources, as net income from farm operations declined. Net income from farm sources declined as larger production costs more than offset a small gain in cash receipts from livestock and crops.

The increase in the value of farm assets also slowed last year, rising only 1.9 percent — a rate which was in marked contrast to the 1965-69 average gain of 5 percent. The smaller gain last year was attributable primarily to a slowdown in the rise of farm real estate values, which increased only 1.7 percent, the smallest annual gain since 1961. In addition, nonreal estate assets increased only 2.3 percent and financial assets rose 2.5 percent, both well below their respective increases registered in the previous year.

In spite of a general shortage of loanable funds and higher interest rates, agricultural debt increased last year. Agricultural debt outstanding on January 1, 1971, totaled $58.6 billion, a $3.2 billion increase from a year earlier. The major increase in agricultural debt was for nonreal estate purposes, rising to $29.4 billion — 8.9 percent higher than a year earlier. During the same period, farm real estate credit outstanding advanced to $29.2 billion — a 3-percent increase, which was well below the average gain made in the previous five years.

The demand for nonreal estate credit rose primarily because of the continuation of the trend to replace labor and land with capital inputs, since capital inputs require additional credit. The smaller increase in real estate debt reflected a slower demand for land, a general reluctance of farmers to assume long-term credit at high interest rates, and a shortage of mortgage money. In addition to these factors, most farm mortgage lenders noted a slowdown in the payoff rate of farmers, indicating that they were carrying their relatively lower cost real estate debt longer than usual in order to afford higher cost production credit.

With credit markets tighter, there were substantial shifts in sources of agricultural credit during 1970. Even though the total amount of nonreal estate credit rose last year, the amount loaned to farmers by commercial banks decreased, while production credit associations, manufacturers, and dealers increased their lending of nonreal estate credit. The two major institutional lenders of farm real estate credit, insurance companies and the Farmers Home Administration, decreased their holdings of such credit last year, while the growth rate of mortgage holdings by Federal land banks slowed. Individual sellers, however, financed a larger proportion of new farm mortgages in 1970, offsetting part of the decline by institutional lenders.

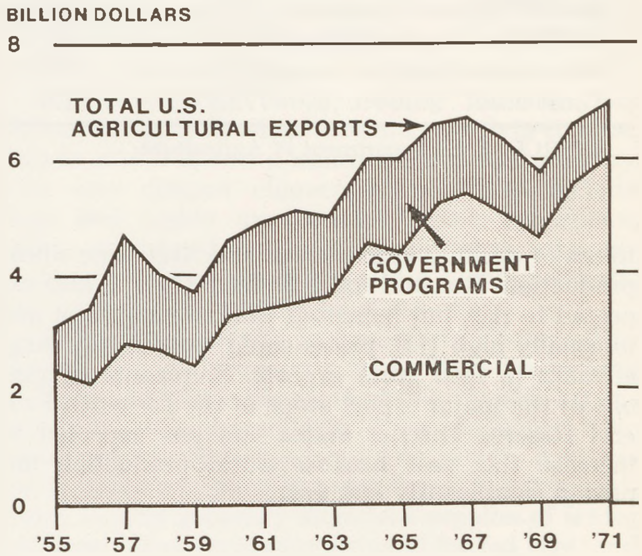
Some of the factors that restricted growth in farm credit last year are not anticipated to do so during 1971. The cost of credit eased in the first quarter this year, and apparently the demand for both long and short-term credit has increased. Several sources indicate that loans to farmers and ranchers were at a higher level during the early part of 1971 than during the same period in 1970.

Also, more encouraging to the farmer is the fact that farm prices have been generally better during the early months this year than in the comparable periods last year. However, prices of most input factors continued to rise, more than offsetting the gain in prices of farm products.

U.S. FARM EXPORTS SHOULD RECORD NEW HIGH IN 1971

Agricultural exports are projected to reach a record level of over $7 billion in 1971. This will be substantially above the $6.6 billion level of last year and will surpass the previous record of $6.8 billion reached in 1967. Most of the growth is expected to occur in commercial sales, which reached a record high of $5.7 billion in 1970. The advance in commercial sales is due primarily to increased demand from Western Europe and Japan, the principal foreign commercial markets for U.S. farm products.

U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



Year ending June 30
1971 estimated
SOURCE: U.S. Department of Agriculture

The rising level of exports will affect total demand for several crops that are important to the southwestern economy. Cotton exports are expected to increase since stocks in many importing countries are down. However, larger U.S. production last year will probably hold prices fairly stable on the world market. U.S. wheat exports will probably show the largest increase of any crop and may total between 725 million and 750 million bushels, primarily due

AGRICULTURAL EXPORTS FROM ELEVENTH DISTRICT STATES, FISCAL 1970

(Million dollars)

Area	Amount	Percent of national total
Arizona	61.9	0.9
Louisiana	154.0	2.3
New Mexico	20.1	0.3
Oklahoma	114.7	1.7
Texas	421.6	6.3
Total	772.3	11.6

SOURCE: U.S. Department of Agriculture

to major declines in European and Argentine wheat production. Demand for U.S. feed grain is also expected to rise, but increased world competition and unusually high U.S. prices could restrict any large advance in feed grain exports. Shipments of rice, one of the major export crops of the Eleventh Federal Reserve District states, are not expected to increase this year because world production improved significantly last year.

CASH RECEIPTS FROM FARM MARKETINGS

(Dollar amounts in thousands)

Area	1970	1969	Percent change
Arizona	$ 663,000	$ 662,000	0
Louisiana	640,200	572,200	12
New Mexico	393,900	390,300	1
Oklahoma	947,700	939,300	1
Texas	3,100,000	2,905,300	7
Total	$ 5,744,900	$ 5,469,100	5
United States	$48,678,300	$47,229,200	3

SOURCE: U.S. Department of Agriculture

CITRUS FRUIT PRODUCTION

(Thousand boxes)

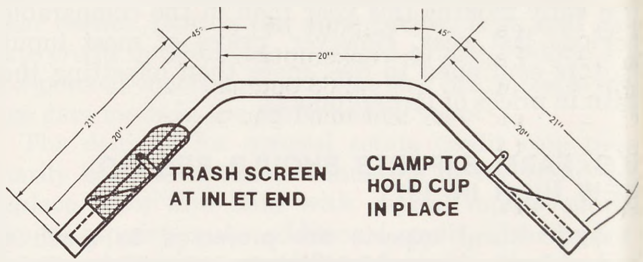
State and crop	Indicated 1970	1969	1968
Arizona			
Oranges	3,800	4,760	5,380
Grapefruit	2,900	3,160	2,510
Texas			
Oranges	5,100	4,200	4,500
Grapefruit	8,500	8,100	6,700

SOURCE: U.S. Department of Agriculture

NEW IRRIGATION SIPHON DEVELOPED

A new siphon tube that automatically resumes operation after interruptions in water supply has been developed by Robert V. Worstall at the Snake River Conservation Research Center in Kimberly, Idaho. The automatic resumption of the siphon prevents ditch overflow and possible washouts with resumed water flow. Other benefits of the design include reduced erosion below the outlet and fewer cloggings. The tube has been designed to hold its prime from ten to 14 days, but it is critical that the inlet and outlet cups be at the same level.

SELF-STARTING IRRIGATION SIPHON



The developers estimate the cost of the self-starting tube to be twice that of a conventional siphon. But the advantages of the siphon and increased convenience may justify the additional cost.

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