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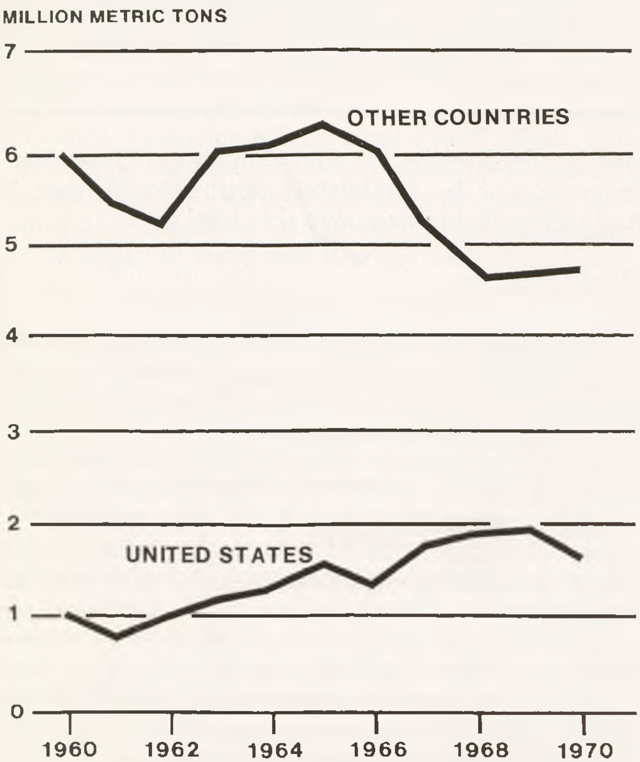
RECORD CROPS, SURPLUS STOCKS PLAGUE WORLD RICE MARKET

After five years of increased world rice production and enlarged stocks in both exporting and importing nations, prospects for U.S. rice exports appear dim. Prices have declined to levels of the early 1960's, while world trade has decreased substantially. This situation is especially significant to rice farmers in Louisiana and Texas. Together, they produce about 45 percent of the U.S. rice crop and export over 60 percent of their production.

WORLD RICE EXPORTS



SOURCE: U.S. Department of Agriculture

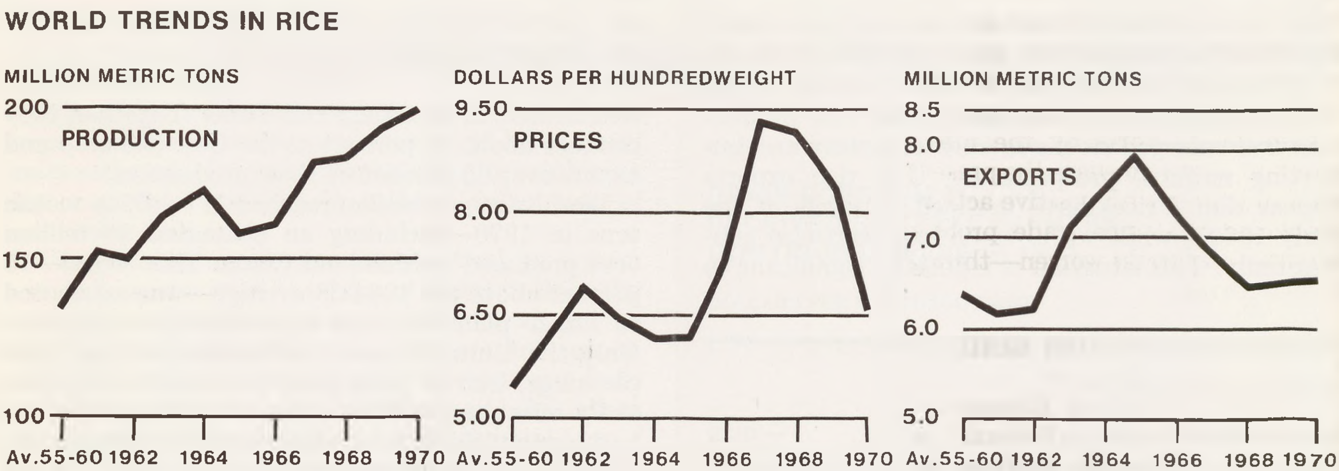
World rice production reached 197 million metric tons in 1970—excluding an estimated 96 million tons produced in Mainland China. This record—15 percent above the 1964-68 average—was attributed to larger plantings and higher yields worldwide. Only the United States and Japan cut back 1970 plantings, but in both cases increased yields partially offset the smaller acreages. Italy and Brazil had lower yields, but western Europe, Africa, eastern Europe, the Soviet Union, and Asia (which alone accounts for about 85 percent of the world's production) all demonstrated substantial gains.

New high-yielding varieties have contributed significantly to the increase in production in India, Indonesia, and South Vietnam—major rice importers—and have reduced some of their dependence on imports. Exporting countries have also increased use of new varieties. This expanding production doubled world stocks between 1965 and 1970. Most of the increased stocks are in Japan, and efforts to cut these surpluses will place considerable pressure on all rice prices.

Other countries—notably France, Italy, Spain, and Brazil—have increased their export subsidies to maintain or enhance their market share. And Thailand, the world's second largest exporter, has dropped an export tax, creating additional downward price pressure.

U.S. response

United States exports of rice expanded every year from 1962 to 1969—1965 excepted. The U.S. share of the export market increased from 20 percent in 1965 to 28 percent in 1969, and the United States became the number-one exporter in 1967, even



SOURCE: U.S. Department of Agriculture

though it produced only about 2 percent of the world supply. Shipments from the United States peaked in 1969, when 4,004 million pounds of rice valued at $348.4 million was exported. In 1970, the volume of shipments declined 8 percent to 3,685 million pounds, while the value declined 12 percent to $306.3 million, indicating the rapidly declining world demand for rice.

In response to this situation, the United States cut acreage allotments for 1970 by 15 percent. But per-acre yields increased 7 percent, partially negating the cutback. Concessional sales under Public Law 480 increased as additional competition developed for commercial markets. In 1965, sales under this law accounted for 38 percent of all U.S. rice shipments, but by 1969 these sales accounted for over 65 percent.

Rice prices received by farmers between 1961 and 1970 averaged about 34 cents higher than the established support price. However, concern over the world market and failure of domestic demand to compensate for the world market decline stimulated an increase in the U.S. support price to $4.93 per hundredweight for the 1971 crop. The actual rate will not be established until after August 1 and will probably be above this level.

World response

The fifteenth session of the Food and Agriculture Organization's Rice Study Group issued a set of guidelines on production trade policies that included the following recommendations:

(1) During periods of oversupply, developed rice-exporting countries should attempt to reduce production or avoid encouraging increased production.

(2) Countries with surplus stocks should institute policies to reduce production and promote domestic use.

(3) Recourse to export subsidies and restitution payment for rice should be minimized.

(4) Where possible, governments should make longer-term contracts for rice exports and imports to foster greater continuity in trade.

(5) Participation in triangular food-aid plans is encouraged. Under such a plan, a developed country

finances rice sales for food aid between a developing rice-exporting nation and a developing rice-importing nation, enabling developing countries to participate in food-aid and surplus-depletion plans.

Concerted efforts by the member governments could no doubt alleviate the present rice trade problems. But even with positive action, the study group concluded that rice trade problems are likely to persist—and could worsen—through the next three to four years.

EMERGENCY DROUTH GUIDE PUBLISHED

A *Guide to Federal Emergency Drouth Help* is now available from the Federal Interagency Drouth Committee. Separate editions for New Mexico, Oklahoma, and Texas list federal drouth assistance programs in the respective states.

County extension offices, local ASCS offices, and Farmers Home Administration offices in all drouth-designated counties are distributing the guides. Personnel at these offices can advise farmers which programs apply to their counties and recommend procedures of application.

FARM MORTGAGE LENDING CONTINUES SLOW

New farm mortgage lending by major reporting institutions was up 8 percent in the last half of 1970 over the same period in 1969 but was down 10 percent from the record set in 1968.

These statistics, compiled from insurance companies, federal land banks, and the Farmers Home Administration, were influenced by two important characteristics of the reporting period: a low volume of new loans and a larger average loan size. Other factors that highlighted the lending pattern in the second half of 1970 were increased delinquencies and record-high interest rates. Tendencies at the close of the period and in early 1971 indicated a softening of interest rates and increasing volumes of new loans.

Growth continued in the average size of loans acquired by insurance companies and federal land banks. The 1970 average for insurance company loans was $82,220, compared with $23,630 in 1960. Average loans by federal land banks increased from $12,850 to $31,570 during that period.

Life insurance companies loaned $277 million in new farm mortgage money in 1970—the lowest volume since 1949 and a continuation of a downward trend that began in 1966. This decline occurred despite a 35-percent increase in fourth-quarter lending in 1970 over the year-earlier level. The number of loans dropped even more sharply, falling to a level in the fourth quarter 10 percent lower than for the same period in 1969. This drop contributed to the rapid growth in average size of loans—$102,790 in the last half of 1970, compared with $77,860 in the last half of 1969.

Federal land banks loaned $871 million in 1970, down 12 percent from 1969. Lending improved in the last half, rising to $399.4 million, up 12 percent from the last half of 1969. New money loaned for real estate purchases declined 7.5 percent from 1969 to 1970, while refinancing increased 5.5 percent. Because of larger average loans and slower payoffs, however, total credit outstanding at the end of 1970 was up 7 percent.

Only 17 percent of the agricultural funds committed by life insurance companies in 1970 was used for the purchase of farm land, compared with 26 percent in 1969. Federal land banks noted a similar downtrend as the percentage of total loans made for farm real estate use fell from 34 percent to 27 percent.

Although delinquencies in the second half of 1970 remained relatively small compared with the total volume of loans outstanding, there was, nevertheless, a marked increase over the year. By year-end, delinquencies in insurance loans had increased threefold since the end of 1969 and land bank loans had increased 11 percent.

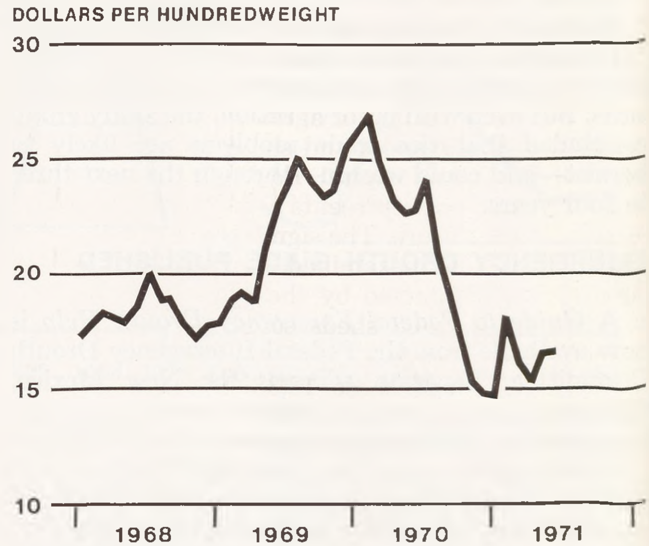
The Farmers Home Administration had a 12-

percent increase in total insured farm ownership loans outstanding for the year ended September 30. Although there was increased activity in the fourth quarter of the year, insured farm ownership mortgage commitments decreased 12 percent in the second half.

The slowing of farm mortgage lending was indicative of generally unsettled conditions in the economy. Interest rates have declined and more mortgage money is available, but rates are still high compared with pre-1969 rates. Farmers also are faced with a cost-price squeeze and appear reluctant to assume long-term debts to be paid from net income.

TEXAS SWINE INDUSTRY OPPOSES TREND

AVERAGE HOG PRICES RECEIVED BY TEXAS FARMERS



SOURCE: U.S. Department of Agriculture

There were 2 percent fewer hogs in the nation on June 1 than a year before, and breeding stock was down 9 percent. By contrast, the number of hogs in Texas was up 51 percent and breeding stock was up 43 percent. And although farrowing intentions were down 9 percent in the nation for June through November—and down 11 percent in the Corn Belt —they were up 38 percent in Texas. The increase in Texas seemed general throughout the state.

The decline for the nation was not as great as expected, especially for breeding stock. Three factors apparently contributed to the unexpectedly high national numbers:

- Slow marketings due to unfavorable weather in the late winter and early spring
- Some indication that farmers retained breeding stock as a result of the February 1971 price rally
- Slower marketings currently due to low prices

Favorable hog prices from mid-1969 to mid-1970 stimulated the rapid expansion of hog numbers in the nation and Texas. In Texas, about 75 percent of the growth was attributed to expansion of existing operations, while the remainder was due to new operations. Most of the new operations and increasing numbers of the existing operations are large confinement or semiconfinement systems. Likewise, the majority are farrow-to-finish enterprises that depend on low-cost/high-volume operations.

With the expansion of facilities, many operators found a shortage of feeder pigs in Texas and apparently expanded their breeding herds. This explains some of the growth in breeding stock and rise in farrowing intentions.

A favorable climate gives Texas a comparative advantage in livestock enterprises, as evidenced by the rapid growth of its cattle feeding industry. However, hog operations in Texas are more widely dispersed than cattle feeding operations and the Texas swine industry is still relatively small in absolute numbers.

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