Federal Reserve Bank of Dallas

FARM and RANCH BULLETIN

November 1971

FARM INCOME OF DISTRICT STATES SHOWS GAIN IN 1970

Net farm income in the Eleventh Federal Reserve District states totaled more than $2.3 billion in 1970, an increase of 16 percent over the year before. The year-to-year increase for 1969 was less than 3 percent. Factors contributing to the sharp rise in 1970 included a moderate gain in total agricultural production and a small increase in farm product prices but only a slight rise in total production expenses. The relative gain in net income over production expenses suggests the postponement of some capital outlays and a possible gain in overall productivity. A moderate increase in Government payments and in farm inventory valuations also added to the net income.

Of the District states, Texas had the greatest gain, with net income up 23 percent. Louisiana followed closely with a 22-percent gain. Net income increased 15 percent in New Mexico and 5 percent in Oklahoma. A 20-percent decrease was registered in Arizona.

Realized gross income in the District states totaled over $7.1 billion in 1970, 5 percent more than a year earlier. A 5-percent increase in total receipts resulted from a 10-percent increase in cash receipts from livestock marketings and a 3-percent decline in crop receipts. Cash receipts from farm marketings accounted for 84 percent of total realized farm income, and Government payments made up 11 percent. The rest of the income was from gross rental value of farm dwellings and the value of home consumption of farm products.

The increase in total production expenses on southwestern farms slowed to 4 percent last year. The 1969 increase was 12 percent. In 1970, production expenses totaled nearly $5 billion and distribution of production costs was little changed from other recent years. Operating expenses accounted for 75 percent and depreciation for 15 percent of total expenses. Interest on farm mortgage debt—about 5 percent of total expenses—was only fractionally higher than in 1969.

As in 1969, the distribution of cash receipts in the District states was weighted to increased marketings of livestock. Cash receipts from livestock were about

FARM INCOME IN FIVE SOUTHWESTERN STATES, 1970

(Million dollars)

Area	Realized gross farm income: Cash receipts from farm marketings	Government payments	Value of home consumption	Gross rental value of farm dwellings	Total	Net change in farm inventories	Total net farm income
Arizona	$647.3	$52.0	$5.6	$17.2	$722.1	– $5.5	$152.6
Louisiana	648.6	55.1	13.7	64.4	781.8	19.0	308.8
New Mexico	460.6	43.1	4.6	11.5	519.8	–4.5	151.0
Oklahoma	1,058.4	118.0	16.5	46.0	1,238.9	6.8	310.5
Texas	3,136.9	543.2	33.0	146.2	3,859.2	178.2	1,415.1
Total	$5,951.8	$811.4	$73.4	$285.3	$7,121.8	$194.0	$2,338.0

NOTE: Details may not add to totals because of rounding.
SOURCE: U.S. Department of Agriculture

80 percent of total farm marketings in New Mexico and Oklahoma, 62 percent in Texas, 58 percent in Arizona, and 43 percent in Louisiana.

The gain in livestock marketings was due mainly to the increase in beef cattle production, which accounts for over two-thirds of the livestock production in the District states. With much of the marginal cropland being converted into pastures (especially in the eastern part of the District) and with better forage management of existing pastures, the number of cattle in the District states has continued to climb, reaching more than 22 million head at the start of 1971. That number, representing about a fifth of all the cattle and calves in the United States, is a third larger than in 1960.

NET CATTLE RETURNS DECLINE

Cattle ranches in the southwestern part of the Eleventh Federal Reserve District netted returns in 1970 averaging 18 percent below the record set in 1969 but still 6 percent above the 1965-67 average. A Department of Agriculture survey of 34 counties in western Texas, southern New Mexico, and southeastern Arizona shows that the average return per ranch to the operator's labor, management, and capital was $10,030. With deduction of interest paid, returns to the operator's labor, management, and equity capital amounted to $2,386 per ranch.

Prices received by these ranchers were about 2 percent higher than in 1969 and 30 percent higher than the 1965-67 average. But price gains were more than offset by higher feed expenses and loss of production because of drouth. Prices paid were about 3 percent higher than in 1969 and 15 percent higher than for 1965-67.

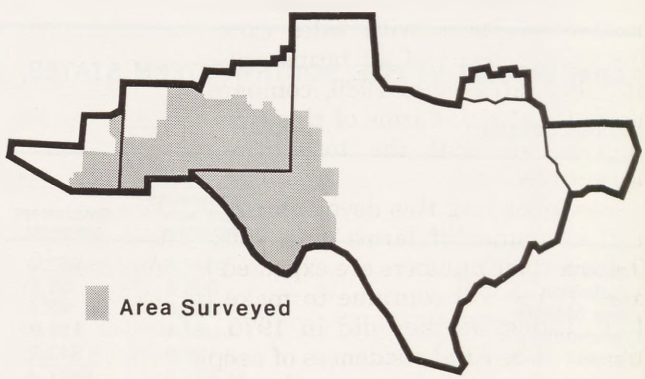
The average gross ranch income was $36,592—7 percent below the 1969 peak. This decline was due mainly to lower calving rates and fewer feeder calves sold. However, cash receipts from yearling steers were unusually high because of the liquidation of these animals. Many steer calves had been held over from 1969 in expectation of continuing good prices, but the extended drouth forced ranchers to dispose of them. Almost all steer calves produced in 1970 were also sold.

Total ranch capital reached a record high of $525,970 per ranch. This was 27 percent higher than the 1965-67 average but only 1 percent higher than in 1969. The increase was attributed largely to the appreciation of land and buildings.

Largely through the deferment of purchases, operating expenses were reduced 3 percent from the 1969 level—despite the higher prices paid. The major expense was for feed and grazing fees, with hired labor ranking a close second. Feed prices were up about a fifth from 1969, averaging 35 percent of total expenses. Although wage rates were up in 1970, expenditures for hired labor were reduced 3 percent from the 1969 level by a decrease in the amount of labor hired.

The average ranch surveyed consisted of 10,320

SOUTHWESTERN RANCHES SURVEYED



SOURCE: U.S. Department of Agriculture

acres of owned land, 7,400 acres of rented grazing land, and 395 head of cattle. Ranchers produced feeder calves for further conditioning and finishing in feedlots in central Arizona, the High Plains of Texas and New Mexico, and the Midwest. They produced about 260 high-quality calves from a typical herd of 300 brood animals.

FEWER, BIGGER FARMS FORESEEN FOR 1980

The trend toward fewer and bigger farms will probably accelerate further through this decade. The major factors contributing to this trend include (1) continued technological advances in both farming and related industries, (2) greater availability of capital and nonfarm resource inputs at a relatively lower cost than that for labor and land, and (3) economies of size in producing and marketing farm products.

Department of Agriculture projections for 1980 indicate that there will be about 1.9 million farms—about half the 1960 total. Numbers of farms in the North and East are expected to be down by a third from the midsixties, and those in the South are expected to diminish by two-fifths.

There is expected to be substantial growth in the number of farms with sales exceeding $100,000. Nearly 5 percent of all farms are expected to fall into this category in 1980, compared with about 2 percent in 1970. Farms of this size are expected to receive over half the total receipts from farm marketings.

Accompanying this development will be a decline in the number of farms with sales under $2,500. Though their numbers are expected to drop sharply, small farms will continue to make up over a third of all farms, as they did in 1970. Many of these farms will be rural residences of people with off-farm income. By 1980, however, the share of projected receipts for these farms will likely be only about 1 percent.

The total value of production assets is expected to rise about 20 percent. This increase is less than that for 1965-70, when sharp price advances pushed the value of assets up about 30 percent.

Labor requirements are expected to continue their downtrend, with the farm labor force of 1980 estimated at 2.5 million workers. The average for 1967-69 was 3.8 million. Stimulating the reduction will be the substitution of capital for labor and stepped-up output per manhour. Increasing use of purchased services will eliminate many tasks now performed by farm operators or hired labor.

Little change is foreseen in harvested acreage. The yield per acre should continue climbing to about offset expected growth in demand. As a result, total acreage needed for crops may not increase much from the approximately 300 million acres harvested annually in recent years.

FARMERS BUY MOST FARMLAND

Most of the farmland purchased in the year ended March 1, 1971, was bought by farmers, with owner-operators accounting for about 50 percent of all purchasers. Other classifications of farmers made up an additional 14 percent of the purchasers.

Of the total acreage transferred, 58 percent went to owner-operators, who also accounted for 58 percent of the dollar volume of all farm real estate bought. Absentee owners purchased a fifth of the acreage transferred. Owner-operators purchased 71 percent of all acres transferred in the Northern Plains states, but in the Northeast, they purchased only 44 percent.

Tenants and local farmers each purchased about the same number of tracts. The largest share of acreage acquired by tenants was in the Corn Belt. Local nonfarmers were more active in the Southeast and Southwest, where typically small complete units and higher-valued part-time farms were bought.

LARGE U.S. PECAN CROP INDICATED

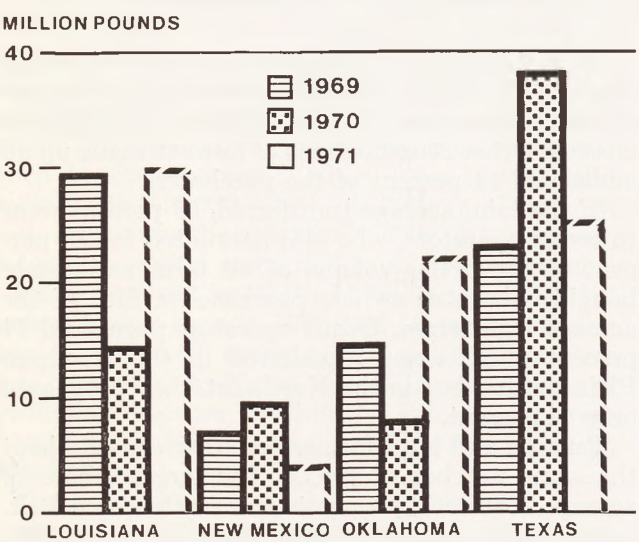
The nation's 1971 pecan crop is expected to reach 234 million pounds, based on September 1 prospects. Such a crop would be 52 percent larger than last year's and 4 percent larger than the 1969 crop. A Department of Agriculture report projects bigger crops for all pecan-producing states except Texas and New Mexico. In Georgia, where over a third of the pecans in the United States are grown, prospects are for 87 million pounds.

Pecan production in Texas is expected to be 25 million pounds, about a third less than in 1970. The pecan set is fair to good in the northern area along the Red River but is generally poor to fair in the central area of the state. Growers report that a late freeze in April caused many trees to set a poor crop this season and that drouth during the winter, spring, and early summer caused a moisture stress.

New Mexico expects a crop of 4 million pounds—its smallest in four years—because of a very light fruit set in the Mesilla Valley, where most of the crop is grown. The Carlsbad area has a good set but accounts for only a small portion of the crop.

In Louisiana, adequate rainfall in August benefited the crop and prospects are good to excellent. The forecast is 30 million pounds, more than twice the 1970 crop and about the same as the 1969 crop. The 1971 pecan crop in Oklahoma is expected to be 22 million pounds, nearly three times the size of the 1970 crop.

SOUTHWESTERN PECAN PRODUCTION MIXED



1971 figures estimated
SOURCE: U.S. Department of Agriculture

TEXAS AGRICULTURE GETS SALUTE

The week of November 15-21 has been designated "Texas Food and Fiber Abundance Week" as a salute to the Texas agricultural industry. During the week, participating organizations and individuals will point out to their fellow Texans that the state ranks third in total farm and ranch output nationwide, that agriculture ranks as Texas' second most important industry, and that about four out of every ten Texans are involved in agricultural production or associated agribusiness.

ABA HOLDS AGRICULTURAL CONFERENCE

"Agricultural Banking, Scope and Skills" is the theme of the National Agricultural Credit Conference scheduled for November 14-17 in Kansas City, Missouri. Much of the conference, sponsored by the American Bankers Association, will be devoted to workshops on farm management analysis standards, financing irrigated agriculture and feedlot cattle, bank and government agency joint loan programs, and relationships with correspondent banks.

Prepared by Carl G. Anderson, Jr.