



STRONG DOMESTIC DEMAND FOR FARM PRODUCTS EXPECTED IN NEW YEAR

The strong demand for farm products evidenced in 1971 is expected to continue in the new year. With gains in per capita disposable income bolstered by large transfer payments, consumers are spending more for food and clothing. The rate of consumer

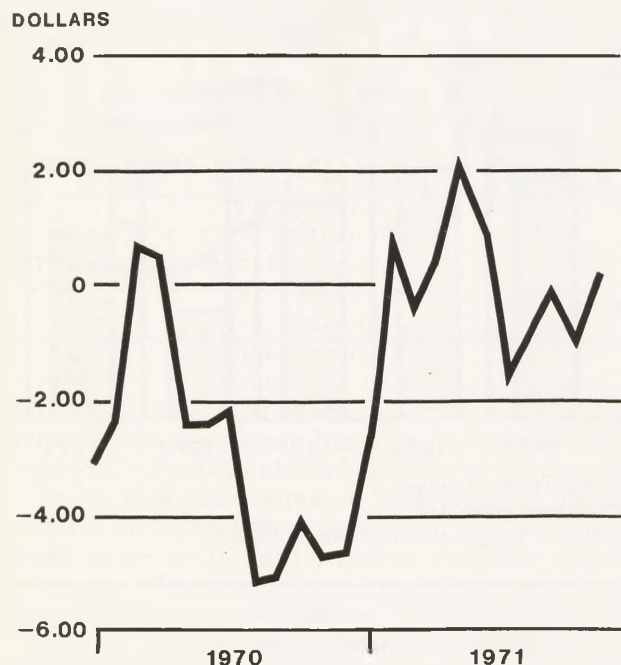
outlay for food reached \$121 billion a year by late 1971—a gain of more than 5 percent over a year before. A similar increase is likely this year.

Farm income is expected to improve in the first half of 1972. The gain is likely to extend into the last half of the year, boosting income for 1972 above the estimated \$15.7 billion of 1971. With prospects for most livestock prices good and with cotton and several other crops in short supply, the average price level for many farm commodities should hold up well in 1972.

Agricultural output in states of the Eleventh Federal Reserve District (Arizona, Louisiana, New Mexico, Oklahoma, and Texas) is expected to expand in 1972, with livestock again expected to show the biggest gain. But with favorable weather conditions, crop production is also likely to increase.

District agricultural production continues to be dominated by the expansion in beef cattle, especially fed cattle. Feeding margins—the spread between the buying price for feeder calves and the selling price for finished animals—improved sharply in 1971 from the year before, giving new impetus to this industry in the Southwest. With ample feedlot capacity already available and grain prices lower, cattle feeding will probably continue its growth of the past several years, providing cattle producers, in turn, a good market for feeder calves.

FEEDING MARGIN FOR CATTLE IMPROVES



NOTE: Feeding margin computed as difference in average price of choice feeder steers (550 to 750 pounds), Amarillo market, and choice slaughter cattle (900 to 1,100 pounds), Texas-New Mexico market, five months later.

SOURCE: U.S. Department of Agriculture

BEEF PROSPECTS ENCOURAGING

Total demand for beef in 1972 is expected to show a moderate gain, boosted by an increase in population and a rise in per capita disposable income. An expected decrease in pork supplies should also encourage demand for beef.

Red-meat output increased about 4 percent in 1971, and prospects are for about the same rate of

increase in 1972. However, reduced production of pork, lamb, and veal may offset part of the expected rise in beef output.

Fed cattle marketings in the first half of 1972 will probably be moderately above the same period a year earlier, with the increase quickening about midyear. Sharply lower feed prices and a higher fed cattle market in the fall of 1971 increased the demand for all classes and weights of feeder cattle, holding prices up. In the first part of the new year, prices are expected to average above a year before, but some weakness is likely in the spring as supplies of finished cattle rise above winter levels.

Hog slaughter decreased in the fall of 1971, resulting in a sharp improvement in prices. With fewer sows farrowing in the Corn Belt from June through November of last year, hog slaughter in the first half of 1972 is likely to drop even further below levels of a year earlier. Prices should advance in the first half of 1972 to well above year-earlier levels.

Lamb slaughter may decrease in 1972. Very low market prices for wool and severe drought in the Southwest contributed to an unusually large slaughter in 1971. Seasonal fluctuations in lamb prices were nearly normal in 1971, and prices averaged near the 1970 level. With less lamb and more beef, the Department of Agriculture expects lamb prices in 1972 to follow the usual seasonal pattern and to run close to 1971 prices.

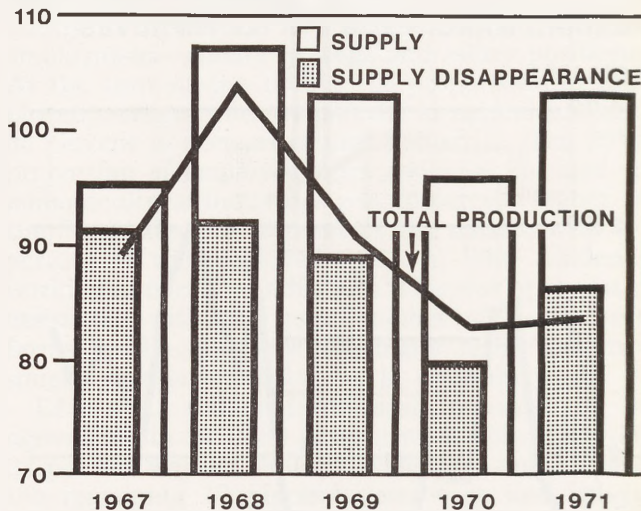
RICE CARRYOVER BOOSTS STOCKS

The rice supply for the 1971-72 marketing year is the third largest on record in the United States. Although production was up only slightly, the carryover for August was up 13 percent over a year before. But with both exports and domestic use increasing, total disappearance for the 1971-72 season may exceed production. However, the large supplies have prompted the Government to decrease acreage allotment by 10 percent in its 1972 rice program.

Rice production has been on the increase worldwide since the late 1960's, resulting in a decline in import demand in the Far East and a general decline in world rice trade. World trade prices for rice have fallen about 30 percent from their 1967 peak.

U.S. RICE SUPPLY BUILDS TO NEAR-RECORD

MILLION HUNDREDWEIGHT



1970 figures preliminary

1971 figures estimated

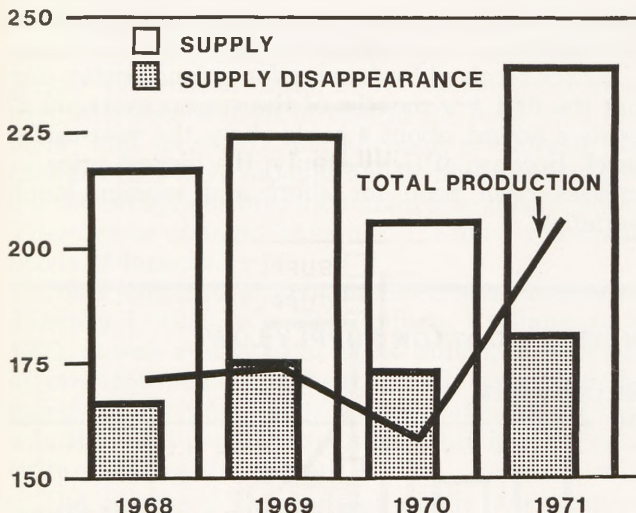
SOURCE: U.S. Department of Agriculture

FEED GRAIN SUPPLIES PLENTIFUL

A record feed grain crop in 1971 has increased the nation's supplies about 15 percent, although the carryover into the 1971-72 marketing year was the smallest since 1954. Total use of feed grain has increased rapidly in recent years, but this season's crop of 206 million tons is well above the expected

FEED GRAIN PRODUCTION UP SHARPLY IN U.S.

MILLION TONS



1971 figures preliminary

SOURCE: U.S. Department of Agriculture

use of around 182 million tons. Carryover at the end of this season is estimated at 57 million tons, compared with 33 million at the beginning of the season.

The big feed grain supply is bringing lower prices and more favorable livestock-feed price ratios. These should cause an upward trend in domestic use of feed grains. However, export prospects are dimmed by large grain crops worldwide.

The 1971 grain sorghum crop, estimated at 890 million bushels, is nearly 200 million bushels larger than the 1970 crop. Carryover stocks at the start of the 1971-72 season, however, were only 91 million bushels, compared with 246 million a year earlier. With continued strong domestic demand by cattle feeders, feed use of sorghum should increase slightly over the nearly 700 million bushels fed in 1970-71.

And with grain sorghum exports expected to drop below the 1970-71 level of 144 million bushels, carryover on October 1 could be about twice that of a year before.

WOOL SITUATION MAY IMPROVE

Wool production in the United States continued to decrease in 1971, due mainly to declining numbers of sheep. At the beginning of 1971, the stock sheep inventory was 3 percent smaller than in 1970, and the inventory in January of this year will probably be still lower.

Mill consumption of raw wool for apparel dropped about 25 percent in 1971 from the level a year earlier. Sluggish general economic activity and continued high retail prices for apparel accounted for some of the pressure on wool use. But inroads made by synthetic fibers were also responsible for part of the decline in wool consumption and consequent low prices.

Prices received by growers for shorn wool in 1971 averaged slightly more than a third below the national average of 35.5 cents a pound a year before. But prospects for 1972 are for generally improved average prices for domestic wool resulting from an expected increase in demand and mill use and a slight decrease in world wool production.

Mohair production for the nation was down sharply in 1971 from the 16.7 million pounds, grease basis, produced in 1970, as the number of goats on Texas farms and ranches declined about a fifth. Total supplies decreased moderately in 1971 and are likely to decline further this year. The low mohair prices continue to discourage production.

WHEAT STOCKS INCREASE

A record average yield of nearly 34 bushels an acre and a 9-percent increase in acreage combined to produce a record U.S. wheat crop of 1.6 billion

bushels in 1971. For the 1970-71 marketing year, total disappearance amounted to about 1.5 billion bushels. Initial carryover was 885 million bushels.

Disappearance in the 1971-72 season is expected to be less because of declining feed use and reduced exports. With the prospects for a substantial gain in stocks, farm prices have averaged well below year-earlier levels since August and the trend will probably continue through the 1971-72 season.

FEWER COWS PRODUCE MORE MILK

Milk production continues to increase in spite of smaller numbers of cows. Further increases are likely in the year ahead, spurred by record milk prices, reduced feed costs, a good supply of replacement heifers, and an improved dairy labor situation.

Commercial disappearance of milk in all forms was expected to be slightly less in 1971 than in 1970. Increases in sales of American cheese were smaller, but the decrease in sales of fluid whole milk had slowed. Sales were up for low-fat fluid milk, cream, nonfat dry milk, cheeses other than American, and cottage cheese. Butter, canned milk, and milk-and-cream mixture showed decreased sales. Hopes for larger total sales this year are based on the industry's efforts to improve market demand, prospects for improved economic conditions, and the possibility of smaller increases in retail dairy prices.

NATION'S COTTON SUPPLIES TIGHT

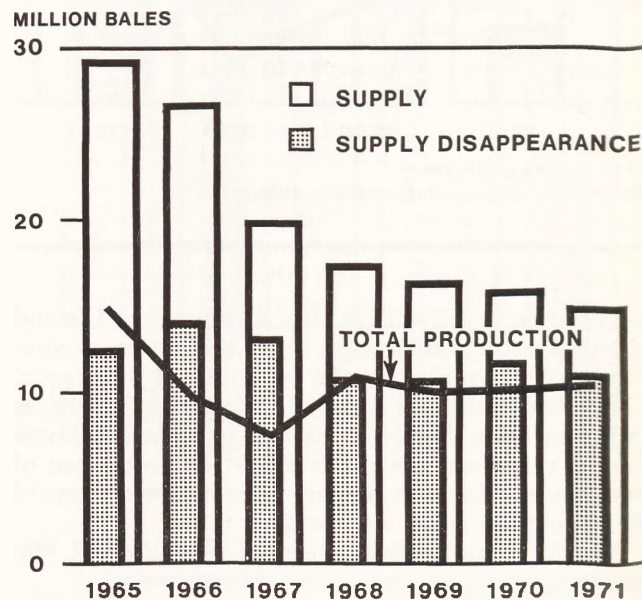
United States cotton supplies are continuing to decrease in the 1971-72 season. This decrease—accompanied by higher prices—has slowed prospective disappearance to about 11 million bales. Although more acres were planted, yields are below average, limiting the estimated crop to slightly under 10.6 million bales, based on conditions as of December 1.

Domestic mill use, estimated at 8.1 million bales, is about the same as in the 1970-71 season, accord-

ing to Department of Agriculture estimates. Although export shipments are expected to fall well below the nearly 3.7 million bales of the 1970-71 season, disappearance is expected to exceed the 1971 crop.

Prices received by farmers for upland cotton during the first few months of the season averaged 27 cents a pound, about 4 cents above the year-earlier level. Because of tight supply, the biggest price increases have been for short and medium-staple varieties.

NATION'S COTTON SUPPLY LOW



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

Prepared by Carl G. Anderson, Jr.