



U.S. UPLAND COTTON FACES STRONG COMPETITION IN FOREIGN MARKETS

The U.S. share of the world cotton market shrank from more than two-fifths in the 1960 marketing season to less than one-fifth in 1969. The nation's cotton exports have also shown an overall decline in absolute volume since 1960. And even stiffer competition for the U.S. upland cotton industry is indicated by the increases expected this year in foreign acreage and production.

There are several reasons for the decrease in U.S. cotton exports. Most significantly, increased acreage and higher yields abroad among the major Free World trading countries have boosted production faster than consumption. Also, consumption has

been hampered by increased use of man-made fibers. Other major factors affecting U.S. cotton shipments from year to year include changes in cotton stocks abroad, the level and quality of distribution of U.S. supplies, U.S. Government price-support and export programs, and the prevailing patterns of Free World cotton trade. And most of these factors are either directly or indirectly influenced by the level of cotton prices and changes in them.

Effects of cotton prices

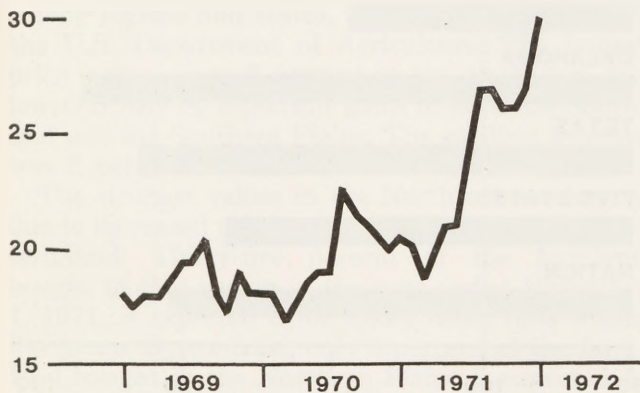
In recent years, Liverpool quotations for Strict Middling (SM) 1 1/16-inch cotton—often used as the price basis for world cotton trade—have generally ranged from 27 cents to 30 cents a pound. Within this range, changes in world prices in one year have generally been followed the next year by changes in cotton acreage in the same direction. For example, a world price of 30 cents or more for SM 1 1/16-inch cotton at Liverpool can encourage a substantial increase in foreign acreage, while a price of less than 28 cents tends to dampen the enthusiasm of foreign growers.

Under normal conditions, the Liverpool price tends to be several cents a pound higher than the U.S. spot price of cotton. Although U.S. cotton prices have been fairly competitive in recent years, these prices began to rise in early 1971 to a level considered conducive to an increase in foreign competition.

The interaction of cotton production, consumption, stocks, and trade patterns among the Free World countries directly influences year-to-year changes in U.S. exports. These factors, in turn, depend on such primary factors as cotton prices,

AVERAGE PRICES FOR TEXAS UPLAND COTTON

CENTS PER POUND



SOURCE: U.S. Department of Agriculture

U.S. COTTON SUPPLY AND OFFTAKE

(Year beginning August 1. Million running bales)

Item	1967-68	1968-69	1969-70	1970-71	1971-72 ¹
Beginning carryover	12.3	6.4	6.4	5.8	4.1
Crop, imports, etc.	7.6	10.3	10.1	10.2	10.3
Total supply	19.9	16.7	16.5	16.0	14.4
Domestic consumption	9.0	8.3	8.0	8.1	8.1
Exports	4.2	2.7	2.8	3.7	3.0
Total offtake	13.2	11.0	10.8	11.8	11.1

1. Preliminary and estimated

SOURCE: National Cotton Council of America

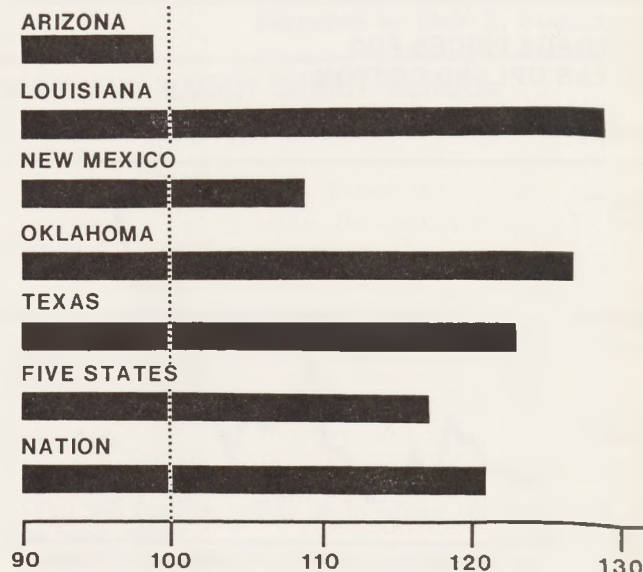
man-made fiber use, per capita income, government programs, and cotton supplies both here and abroad. A statistical evaluation of the effects of these variables on U.S. exports from 1959 to 1970 was conducted by agricultural economists of the U.S. Department of Agriculture. Results of this study show that price was the most important factor affecting U.S. cotton exports. A change of 1 cent in the price of U.S. SM 1 1/16-inch cotton at Liverpool indicated a U.S. export response in the opposite direction of about 300,000 to 350,000 bales the following year. Based on these results and with current world cotton prices well above 30 cents, U.S. cotton exports may be drastically reduced for several years.

U.S. FARMLAND INCREASES IN VALUE

The value of U.S. farm real estate totaled \$221 billion on November 1, 1971—a 5-percent gain over a year earlier and the largest advance since March 1969. Values rose about 2 percent in the year ended November 1, 1970, and about 3 percent in the year ended November 1, 1969. But the percentage of change in values varied considerably

FARM REAL ESTATE VALUES, 1971

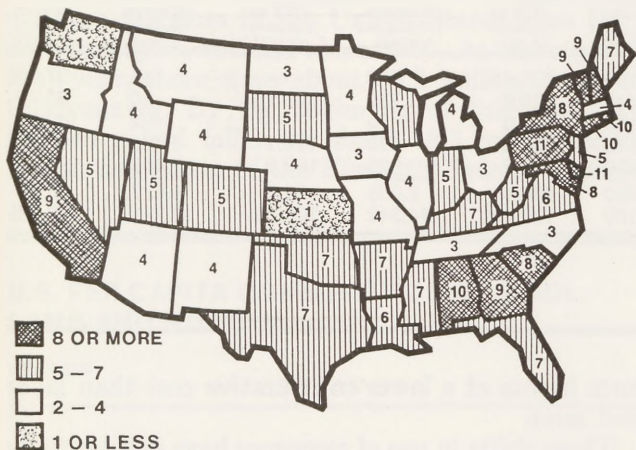
1967=100



SOURCE: U.S. Department of Agriculture

CHANGE IN DOLLAR VALUE OF FARMLAND

Percent change, November 1971 from November 1970



NOTE: Based on index numbers of average values per acre, including improvements

SOURCE: U.S. Department of Agriculture

Substantial acreage is shifting to urban uses near metropolitan areas, and commercial farmers are purchasing land to enlarge their operations. Increased emphasis on feeder cattle production seems to have contributed to increases in the value of grazing land in Texas.

Activity in the farm real estate market appeared substantially strengthened in the year ended November 1, 1971, by the easing of monetary restraints in late 1970. At the end of the third quarter of 1971, long-term interest rates ranged from 7.5 percent to 8.5 percent, slightly lower than in the same period a year earlier. More loanable funds were available to agriculture from March through November 1971 than in the preceding six months. The USDA also reported that both inquiries for farmland and the number of properties sold were up from the previous year.

PROSPECTS MIXED FOR 1972 PLANTINGS

More acres of upland cotton and soybeans but fewer acres of corn and feed grains will be planted this year, according to the January prospective plantings report of the U.S. Department of Agriculture. Short supplies and favorable prices are encouraging the larger plantings of cotton and soybeans. The reduction in corn and feed grain acreage is influenced by the bumper 1971 crop, abundant supplies, and generally weak market prices during the past harvest season.

Both Louisiana and Oklahoma can expect substantial increases in acreage of upland cotton. Only small gains are indicated for Arizona and Texas, and New Mexico should experience no change. Total acreage planted to grain sorghum in the five Eleventh District states is expected to decrease only slightly, although a 7-percent decline is indicated for the nation.

among regions and states, according to a report of the U.S. Department of Agriculture. The largest price increase was 9 percent in the Northeast, followed closely by 8-percent gains in both the Southeast and the Southern Plains. The smallest increase was 2 percent for the Northern Plains region.

The stronger values in the Northeast are largely due to increased urban and recreational demand for farmland. Thirty-five percent of the farmland bought in that region in the year ended November 1, 1971, is expected to be under other uses within five years. By contrast, only 3 percent of the farmland bought in the Northern Plains is expected to change over to other uses within five years.

In the Southeast and Southern Plains, a combination of factors apparently influences land prices.

INTENDED PLANTINGS OF SELECTED CROPS, 1972

Area	Corn		Upland Cotton		Soybeans		Grain sorghum	
	Acreage (Thousand acres)	1972 as percent of 1971	Acreage (Thousand acres)	1972 as percent of 1971	Acreage (Thousand acres)	1972 as percent of 1971	Acreage (Thousand acres)	1972 as percent of 1971
Arizona	26	104.0%	255	105.4%	0	—	185	97.9%
Louisiana	135	94.4	610	119.6	1,750	103.2%	80	66.7
New Mexico	53	101.9	135	100.0	0	—	492	100.0
Oklahoma	105	97.2	510	114.6	180	116.1	1,120	93.3
Texas	600	84.6	5,450	104.2	125	109.6	7,650	100.1
Five states	919	88.6	6,960	106.1	2,055	104.6	9,527	98.8
United States ¹	70,032	96.1%	13,109	107.2%	44,349	103.7%	19,773	93.0%

1. 35 major producing states

SOURCE: U.S. Department of Agriculture

MOST FARM EXPENDITURES RISE

Farmers are substituting capital for labor to a greater extent than ever before, largely due to the continuing pressures of the cost-price squeeze. This trend is expected to accelerate through the 1970's, stimulated by continued adoption of technological advances, economies of size, and more efficient production practices. Producers are also encouraged by the increased availability of capital and non-

farm inputs at a lower comparative cost than labor and land.

These shifts in use of resources have substantially boosted agricultural production. The large gain in productivity is evidenced by a 50-percent increase in food and fiber production in the past two decades even though crop acreage has declined moderately and labor use has dropped by more than half.

EXPENDITURES FOR U.S. FARMING INPUTS

(1950 = 100)

Item	1955	1960	1965	1970 ^p
Power and machinery	115	115	122	130
Fertilizer and lime	141	169	250	353
Land	102	98	104	107
Labor	85	67	55	46
Other inputs	113	129	145	170

^p—Preliminary

SOURCE: U.S. Department of Agriculture

AGRICULTURAL OUTLOOK BRIEFS

- More cattle on feed in the Southwest support a continued demand for grain sorghum, but a bigger corn supply will likely hold the increase in grain sorghum feeding below the 7-percent surge of 1971. As a result, total grain sorghum use this year may be less than the 1971 season's crop of 890 million bushels.

- Although the nation's laying flock is smaller and older than last year, the number of eggs per layer has increased. Production for the first half of 1972 is expected to average slightly less than for the same period a year earlier.

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