



Federal Reserve Bank of Dallas

FARM and RANCH BULLETIN

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SEASONAL BORROWING PRIVILEGE TO ASSIST MEMBER BANKS

A seasonal borrowing privilege was formalized by the Board of Governors of the Federal Reserve System when a revision of Federal Reserve Regulation A was adopted in April. The regulation governs extension of credit to member banks by Federal Reserve banks. The revision is intended to assist banks that lack reliable access to national money markets in meeting seasonal needs for funds in their communities. Such needs often arise in predominantly agricultural areas.

According to preliminary investigations, more than two-fifths of the member banks in the Eleventh Federal Reserve District appear to qualify for the seasonal borrowing program. As might be expected, a larger proportion of rural banks qualify than urban banks.

In the past, many banks that faced large seasonal fluctuations in the supply and demand for funds have been forced to internally manage their

assets. As a result, some banks were restricted in the number and amounts of loans they could service year-round. Frequently, at both rural and urban banks that service areas where much of the local economy is based on a seasonal industry, shortages develop when deposits decline at the same time loan demand increases.

With the seasonal borrowing privilege, a member bank with predictable and recurring variations in available funds can arrange to borrow the necessary money above a certain threshold level to meet its seasonal need. The seasonality of funds for a particular bank will be determined by deposit and loan patterns over the past few years. A seasonal squeeze on a bank's available funds will have to be shown to persist for at least eight weeks and occur about the same time each year. A more detailed discussion of these revisions in Regulation A appeared in the May issue of this Bank's *Business Review*.

UNITED STATES LEADS WORLD IN RED MEAT PRODUCTION

A growing affluence in many developed countries of the world is boosting demand for red meat. Meat production—although it has expanded significantly—has fallen short of this rising demand in recent years. Such a worldwide surge in consumption is particularly important to the U.S. livestock industry, which is the largest producer of red meat in the world.

Overview

In 1971, the United States produced 38 billion pounds of red meat. The second largest producer

was the Soviet Union with 22 billion pounds. Other countries that are consistently in the top ranks of red meat production are West Germany, France, Brazil, Argentina, the United Kingdom, and Australia.

World livestock numbers for 1972 indicate that there may have been some increase in meat production. Cattle and sheep numbers both gained 1.6 percent, although hog numbers declined slightly.

New Zealand has had the world's highest per capita consumption of red meat since 1966. In 1971, New Zealanders consumed 217 pounds per person. Australia was close behind with 212

pounds. Consumption in the United States expanded steadily between 1961 and 1971 to reach the third highest level in the world, 192 pounds per person. The United States thus moved ahead of Argentina and Uruguay, where consumption dropped because of sharp declines in the slaughter of cattle.

Production of beef

Beef accounts for more than half the world's red meat production. In 1971, total beef output by major producers was estimated at 75 billion pounds, an increase of more than a fourth over the 1961-65 average but only slightly more than in 1970.

Although beef's share of total red meat production declined slightly in 1971 due to climatic and economic factors, beef still made up 60 per-

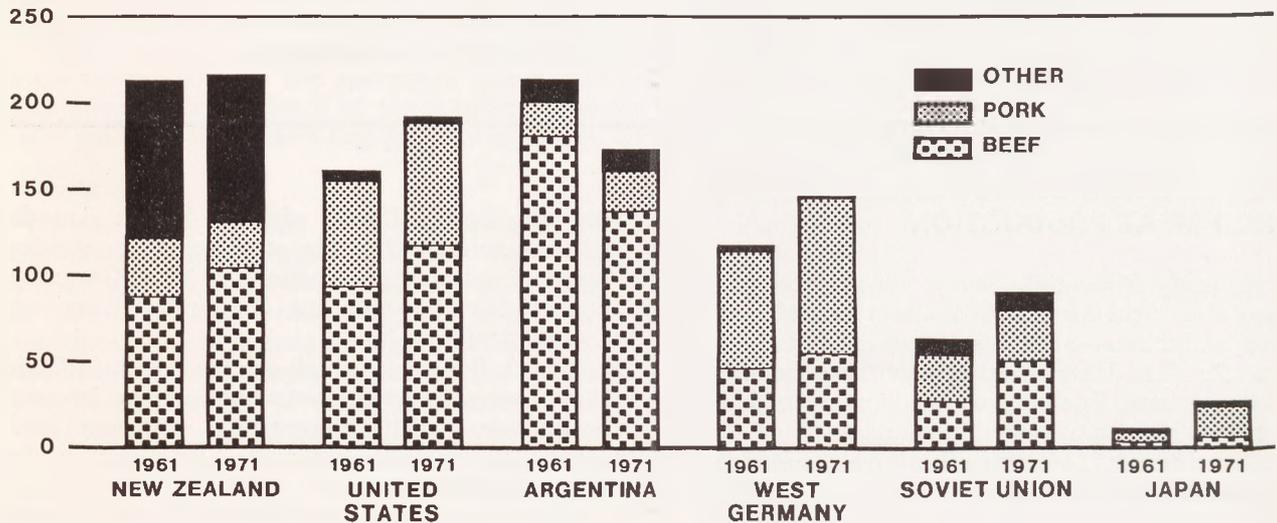
cent of U.S. production. And U.S. beef accounted for 30 percent of world production, twice as much as the Soviet Union's share. But where production in the United States has increased about a fourth over its 1961-65 average, Soviet production has risen about two-thirds. This rate of increase may have slowed somewhat in 1972 as a result of unfavorable weather. Argentina remained the world's third most important beef producer in 1971. Other major producers included Brazil, France, and West Germany.

Beef consumption

Consumption of beef is influenced by consumer preferences, product availability, comparative prices, and levels of consumer income. However, every country with a high annual per capita consumption is characterized by extensive areas of

RED MEAT CONSUMPTION IN SELECTED COUNTRIES

POUNDS PER CAPITA



SOURCE: U.S. Department of Agriculture

grazing land and climatic factors conducive to the development of vast cattle industries.

In the early 1960's, Argentina and Uruguay had the world's highest per capita consumption of beef and veal. Argentina still held its top spot in 1971, although its consumption had fallen to a cyclical low of 137 pounds from 182 pounds in 1961. The United States took over second place in 1971 with per capita consumption at 116 pounds. Consumption reached 118 pounds in 1972. New Zealand held a strong third place in 1971 with individual consumption at 105 pounds. Annual consumption was 93 pounds per person in Canada and only slightly less in Australia.

Other red meats

Pork production made up 39 percent of the red meat produced in the United States in 1971. The total was about twice the amount produced in the Soviet Union. But again, the Soviet Union has had a better record of output gains since 1964. Hog numbers in the United States declined somewhat in 1972 but appear to be building

again this year. West Germany ranked third in pork production in 1971, followed by France and the United Kingdom.

Pork consumption in 1971 was highest in West Germany at 90 pounds per person. Other countries with high per capita pork consumption were Hungary, Austria, Denmark, and the United States. In this group, consumption has been trending upward. Sharp increases in 1971 resulted from higher production levels and lower retail prices.

The Soviet Union led in production of lamb, mutton, and goat meat in 1971, with Australia ranking second. While production of these three meat items has increased in most countries, U.S. production dropped more than a fourth from the 1960-64 period to 555 million pounds in 1971.

Relatively few countries have very high per capita consumption of lamb, mutton, or goat meat. Australia, with 92 pounds of lamb and mutton consumed per capita in 1971, and New Zealand, with 88 pounds, remained by far the biggest consumers. In the United States, per

OUTPUT OF RED MEAT BY WORLD'S MAJOR PRODUCERS

(Million pounds)

Producer	1960-64 average	1970	1971	Percent change 1971 from 1960-64 average
United States	29,819.9	36,256.7	37,783.6	27%
Soviet Union	14,719.3	20,276.3	21,633.3	47
West Germany	6,413.0	7,926.9	8,304.3	29
France	6,078.9	6,598.4	6,957.6	14
Brazil	4,113.4	5,153.7	5,516.1	34
Argentina	5,692.6	6,757.3	5,508.3	-3
United Kingdom	4,200.7	4,674.4	4,887.4	16
Australia	3,379.1	4,276.4	4,528.6	34
Canada	2,543.1	3,262.3	3,470.7	36
Poland	2,704.4	3,195.2	3,260.2	21
Italy	2,415.5	3,005.7	3,154.8	31
Netherlands	1,507.7	2,235.5	2,388.0	58

NOTE: Red meat includes beef, pork, lamb, mutton, goat meat, and horse meat. Figures are based on carcass weight.
SOURCE: U.S. Department of Agriculture

capita consumption of these meats declined from 5 pounds in 1961 to near 3 pounds in 1971. World consumption of goat meat is small, even in relation to lamb and mutton, and is marginally important in only a few countries, among them Greece, Turkey, and Brazil.

WORLD RICE SHORTAGE BRINGS RECORD FARM PRICES

Rice growers in the United States are receiving record prices as supplies have dwindled in the face of mounting foreign demand. The tightening in the international rice market results mainly from the combined effect of a moderate reduction in the 1972-73 harvest and a steady annual growth in world rice consumption. In Asia, a poor rice harvest and expanding demand have increased import requirements of some countries and lowered exportable supplies in others.

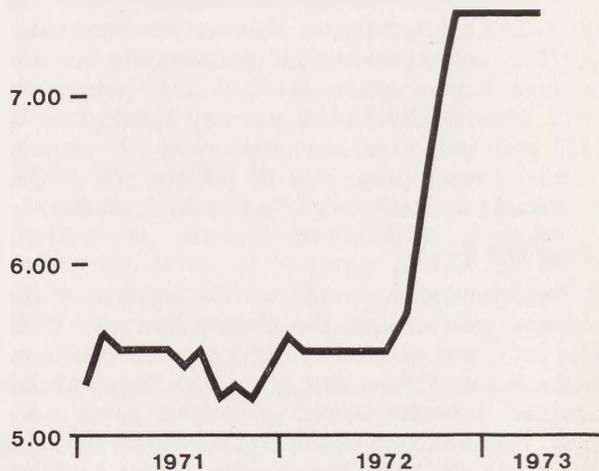
Exportable supplies in the United States are expected to be exhausted in the 1972-73 season. The United States almost always exports about two-thirds of its annual rice crop, but in the 1972-73 season, exports also took a large bite out of domestic stocks. Stocks of rough rice in this country in April were down more than a fourth from a year earlier to the lowest level reported for any April since 1963. With domestic use also increasing, total disappearance is expected to exceed the 1972 crop, probably reducing carryover supplies this summer to minimal working levels.

In response to growing demand, the U.S. Department of Agriculture has increased acreage allotments for the 1973 crop by 10 percent, paving the way for the first significant increase in production since 1968. If yields follow past trends, the 1973 crop could total about 95 million hundredweight, boosting 1973-74 supplies to more than 100 million hundredweight.

The U.S. farm price of rice, bolstered by strong export demand, has been at record levels since the start of harvest last season. Prices moved up sharply in the last three months of 1972 and averaged \$8.23 a hundredweight in April of this

AVERAGE RICE PRICES RECEIVED BY TEXAS GROWERS

DOLLARS PER HUNDREDWEIGHT
8.00



SOURCE: U.S. Department of Agriculture

year, up nearly 50 percent from a year before. Rice growers are not being overly optimistic, however, in spite of the world shortage and high prices. They realize that export demand could ease downward next year if weather conditions improve and world production increases.

WOOL, MOHAIR PRICES STRONGER

World demand for wool and mohair rose sharply last year and, with lower stocks in most countries, prices advanced. In April of this year, U.S. shorn wool averaged 91 cents a pound, up from 29 cents a year before. And Texas mohair prices were \$1.75 a pound, compared with 66 cents in April 1972.

Prepared by Carl G. Anderson, Jr.