



October 1973

**INCREASING DEMAND FOR MEAT  
EXPANDS NEED FOR GRAIN**

Rising worldwide demand for livestock products and improved international trade relations have sharply increased the demand for U.S. grain. And to meet the new level of demand, grain production can also rise to higher levels without creating surplus stocks, which were common a decade ago. Since the 1961-65 period, the domestic and export use of corn and grain sorghum has advanced approximately 50 percent and wheat usage has increased by more than a third. This year's record grain crops, therefore, are moving to final users under unseasonably strong market conditions.

**Climbing grain usage**

The increased consumption of meat has expanded livestock feeding, especially of cattle. The result has been a major increase in grain usage—especially corn, grain sorghum, and wheat—as around 8 pounds of feed, mostly grain, are required to produce a pound of fed beef.

Both domestic and overseas use of corn has risen substantially since the first half of the 1960's. In the 1972 marketing year, nearly 4.7 billion bushels of corn were used domestically, with exports exceeding 1.2 billion bushels. That was in contrast to 1961-65 averages of 3.5 billion bushels for domestic use and about 0.5 billion bushels for exports.

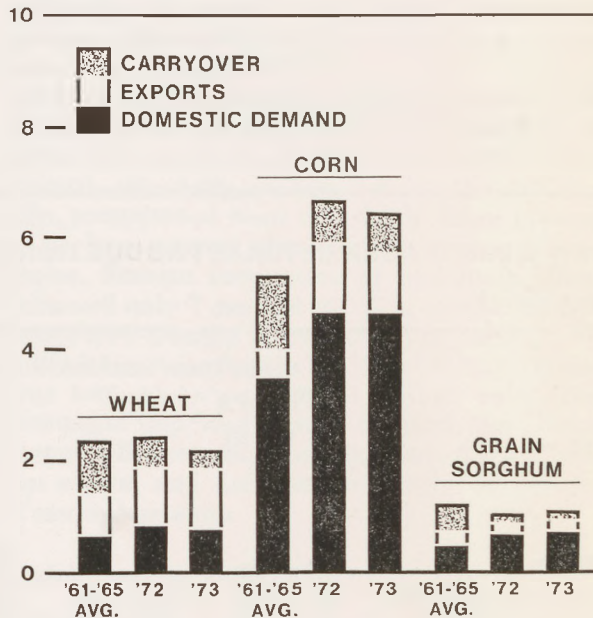
Grain sorghum usage has also moved upward, with 1972 domestic use totaling approximately 700 million bushels—a level 50 percent greater than the 1961-65 average. Moreover, grain sorghum exports have increased in recent years, accounting for a fifth of the total disappearance in 1972.

The growing need for livestock feed is extending to wheat. Most wheat has been used for hu-

man consumption. But increasing amounts of wheat have been fed to livestock in recent years. In 1967, less than 60 million bushels of wheat were used for feed, but by 1971, the amount had grown to around 265 million bushels—nearly a third of total domestic usage. And although the

**TOTAL USE AND CARRYOVER  
OF SELECTED GRAINS**

BILLION BUSHELS



1972 figures preliminary

1973 figures estimated

SOURCE: U.S. Department of Agriculture

use of wheat for cattle feed has declined since then, due to its comparatively high price, the decline has been remarkably slight.

Annual wheat disappearance averaged 1.4 billion bushels during 1961-65, with 45 percent used domestically and 55 percent exported, and the annual carryover averaged about a billion bushels. By 1972, disappearance totaled nearly 2.0 billion bushels—a 43-percent gain—and carryover had dropped to less than half a billion bushels. Consequently, this year's record crop of about 1.7 billion bushels met strong demand, with prices rising well above previous levels.

### Evolving international markets

The opportunity for U.S. farmers to expand grain sales has become apparent as worldwide demand for grain has increased. Increasing affluence is making this demand effective at higher volumes and prices. In addition to a growing market in other countries of the world, improving trade relations with the Soviet Union and other Communist countries signal the opening of a new market for farm products. Furthermore,

devaluation of the dollar has strengthened buying power of several countries that have traditionally bought large amounts of U.S. farm products. As a result, the demand for grain is broad based and U.S. farmers are experiencing the strongest grain market of modern times.

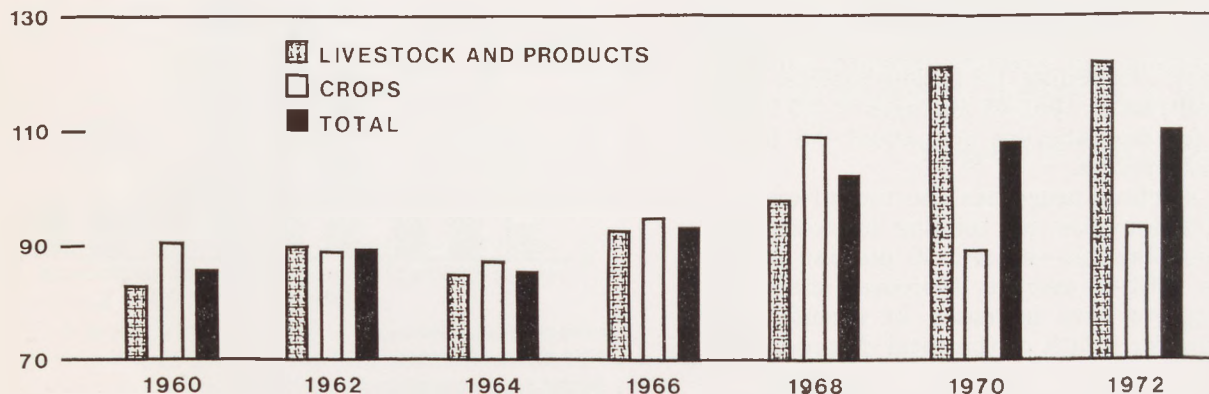
### LIVESTOCK GAINS IN NEW MEXICO; CROP PRODUCTION STEADY

Livestock production in New Mexico, boosted by a big gain in beef, has advanced nearly 50 percent since 1960. The acceleration of cattle feeding since 1966 has bolstered the growth in beef output, and the livestock industry now accounts for about two-thirds of the state's agricultural output. On balance, total agricultural production for the 1960-72 period increased by more than a fourth.

The average number of cattle on feed in New Mexico has more than doubled, increasing from slightly more than 100,000 in 1966 to 245,000 in July of this year. The sheep industry, despite a decline, remains larger than the fairly small,

### NEW MEXICO AGRICULTURAL PRODUCTION IN SELECTED YEARS

1967-69=100



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but growing, pork industry. And milk production, which accounts for nearly 7 percent of the state's agricultural output, has grown in line with total agricultural production.

Crop production has shown little change. Significant increases in feed grain, forage, and vegetable crops have been offset by a sharp decline in cotton production. In addition, large stocks of some crops, generally low prices, and acreage controls have dampened crop production during much of the period.

However, the upswing in demand for agricultural products could encourage more crop production in the future. And with increasing demand for meat, livestock production is expected to continue its expansion. As a result, agricultural production in New Mexico could advance at an even faster pace than that in the past 12 years.

#### **WHEAT PROGRAM ANNOUNCED FOR 1974**

The wheat program established by the four-year Agriculture and Consumer Protection Act of 1973 is designed to encourage production to meet increased demand. There will be no set-aside requirement for 1974 and no conserving base stipulations during the program's duration.

The wheat program features a target price of \$2.05 a bushel. If the average price for wheat reaches or exceeds the target price, the producer will receive no payment. But if the average price received by all producers is under the target price for the July-November 1974 period, producers will be paid on an amount of bushels determined by multiplying the farm allotment by the projected yield established for the farm.

The national allotment is set at 55.0 million acres, slightly more than the estimated harvested acreage this year. On average, each producer's 1974 allotment will be about three times the size of his 1973 allotment. This allotment represents the number of harvested acres of wheat, based on the estimated average yield, that would result in production equal to estimated domestic

and export disappearance in the 1974-75 marketing year.

Under the new program, there will be no preliminary payment and any payment due will be paid after December 1, 1974. The total amount of payments a producer can receive under one or more of the 1974 wheat, feed grain, and upland cotton programs may not exceed \$20,000. Loans will be available to producers on their 1974 wheat crop at a national average of \$1.37 a bushel—12 cents over 1973 loans.

#### **BALANCE EXPECTED IN GLOBAL COTTON MARKET**

Unlike in most recent years—when world cotton production far exceeded demand—the world crop this season is expected to balance with usage. Mill use is likely to gain nearly 2 million bales over last season's 56.6 million, while output may decline slightly from the 59.4 million bales produced in 1972-73.

The drop in production primarily reflects reduced acreage as more land is used for food crops. But cotton consumption continues to trend upward, especially in less developed countries. Also, competition from man-made fibers appears to be less intense abroad than in the United States. Foreign production of man-made fibers increased only 7 percent in 1972, compared with nearly a 20-percent larger output at home.

World cotton exports in 1973-74 may remain near last season's record 21 million bales. But because of improved foreign demand, the United States will likely increase its share slightly over last season and account for nearly 30 percent of world shipments.

#### **HIRED FARM WORK FORCE UP**

Hired workers on the nation's farms numbered 2.8 million in 1972, 7 percent more than a year before. This was the second year in a row that the farm work force increased. The gains were preceded by three years of decline. A big part

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of the gain was caused by expanded farm activities associated with increased production, exports, and prices. The more optimistic outlook for agriculture in 1973 may have helped the work force situation in 1972.

Increases were most significant for workers in the production of oil, sugar, and cotton crops and in cattle feeding. The number of short-term workers—those working at farming fewer than 25 days a year—declined slightly. Not only were the increases in numbers greatest among longer-term workers, but most of the new additions were in the prime age group, those ages 25 to 34. The gain in younger workers suggests that favorable economic conditions on the farm will attract workers, thus providing an ample work force.

#### **FEED GRAIN CARRYOVER SEEN DOWN**

The nation's feed grain use is projected to decrease slightly in the 1973-74 season. But because of record disappearance, carryover is expected to drop slightly to 30 million tons by the start of the 1974-75 season, the lowest level since 1953.

Total feed grain supplies for the 1972-73 season amounted to nearly 249 million tons, but domestic use and exports pushed disappearance to 214 million. By contrast, prospective supplies appear to be only slightly more than 240 million tons this season, with disappearance around 210 million tons.

#### **BANKERS TO DISCUSS AGRIBUSINESS**

The 22nd National Agricultural and Rural Affairs Conference of the American Bankers Association will focus on the challenges and opportunities in financing agribusiness. The conference, set for November 11-14 in Minneapolis, will view agribusiness as the "dynamic growth industry."

General sessions will include discussions on who will control agriculture, the energy crisis as it affects agriculture and agricultural lenders, attracting funds for agriculture and agribusiness, and what bank examiners look for in agricultural loans. Workshop sessions will explore techniques of farm lending, analysis of farm credit, agricultural environment issues, estate planning for farm families, and managing rural development.

Further information about the conference may be obtained from Derl Derr, Director, Agricultural Bankers Division, American Bankers Association, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036.

Prepared by Carl G. Anderson, Jr.