



December 1973

## SURGE IN DISTRICT FARM EXPORTS EXCEEDS NATIONAL ADVANCE

Agricultural exports from the five states of the Eleventh District—Louisiana, Texas, Oklahoma, New Mexico, and Arizona—surged to \$1.5 billion in fiscal 1973. The total was 72 percent more than in the previous year, compared with the record 60-percent increase for the nation as a whole. The advance was boosted mainly by higher prices, a rebound in crop production in 1972 from drouth-reduced yields in 1971, and renewed world demand. The market improved for several District crops, especially cotton and rice.

Exports in the year ended June 30 accounted for 21 percent of total farm marketings, up from 15 percent the previous year. Of particular interest to the District, export sales took 70 percent of the rice crop, 77 percent of wheat production, and 23 percent of sorghum grain production. The shares of soybean and cotton production going for export advanced to 56 percent and 34 percent, respectively. All these shares were above year-earlier levels, and each of the crops is important to District agriculture.

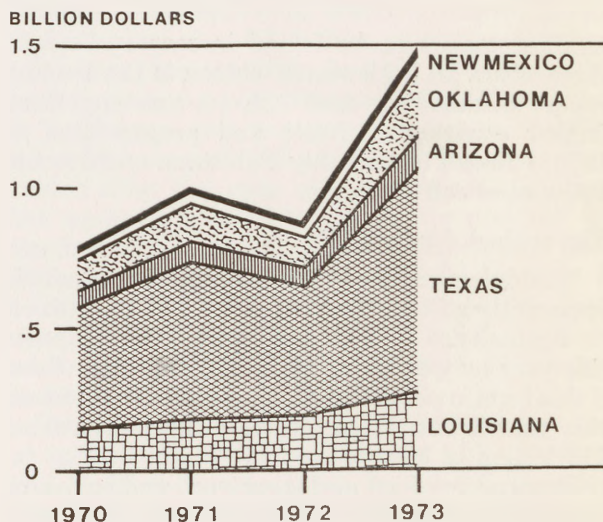
Texas led the District advance in absolute terms with \$799 million of exports, over three-fourths more than in 1972. The expansion of Texas agricultural exports was broad-based, with the value of wheat shipments increasing well over threefold while hides and skins and feed grains showed gains nearly as sharp. Significant increases were also shown by shipments of cotton and rice—the state's first and third most important export crops, respectively.

Texas became the nation's third largest agricultural exporter in fiscal 1973. Texas is the nation's leading exporter of cotton, rice, cottonseed oil, tallow, and hides and skins. Louisiana and Oklahoma followed Texas in value of exports with \$269 million and \$241 million, respectively.

They also represented the extremes in relative growth. Louisiana, with more stable crop production over the past two export years, had only an increase of 40 percent; rice, soybeans, and cotton were the major export commodities. But Oklahoma shipments increased 133 percent with the recovery of wheat production, which accounts for over half of Oklahoma's exports. The other major export commodities for Oklahoma include hides and skins, cotton, and feed grains.

Although Arizona, with \$113 million, and New Mexico, with \$44 million, were the District's

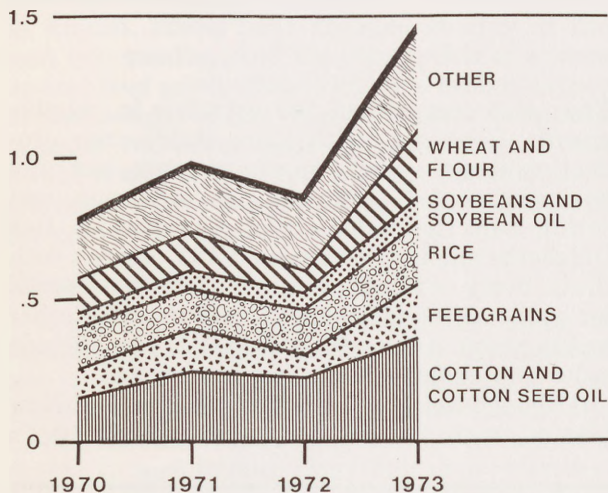
## VALUE OF ELEVENTH DISTRICT AGRICULTURAL EXPORTS



SOURCE: U.S. Department of Agriculture

## VALUE OF COMMODITY EXPORTS FROM THE ELEVENTH DISTRICT

BILLION DOLLARS



SOURCE: U.S. Department of Agriculture

smallest exporters, both had increases of about three-fifths. In both states, cotton is the leading export commodity. And Arizona was the third largest exporter of fruits and preparations in 1973. Arizona trailed only California and Florida and was ahead of Texas.

### The outlook for fiscal '74 . . .

World demand for U.S. agricultural products is apparently still on the uptrend. The Department of Agriculture is now estimating that exports this year may reach as high as \$19 billion. Even if this level is not attained, the value of shipments this year is almost certain to eclipse the record \$13 billion of last year.

Demand for feed grains, cotton, and soybeans is expected to advance this year, but shipments of wheat and rice may moderate. Low stocks should, however, prevent prices from tumbling. And District farmers and ranchers are producing crops

and livestock at record rates this year, which will facilitate expansion of export shipments.

### . . . and beyond

All indicators point to expanded agricultural exports in the future. The United States, with the most favorable land-climate mix in the world, has numerous comparative advantages in agricultural production. And the organizational structures of both agriculture and supporting institutions are capable of rapid response to changing markets. A large share of the basic agricultural research, especially for soybeans and feed grains, has been expressly oriented to U.S. conditions.

World food needs will expand in line with population growth. Total population in 1985 is expected to be near 5 billion—35 percent more than in 1970. And over the same period, total world agricultural trade is expected to expand at least 60 percent—or in 1970 prices, total near \$70 billion. Because of the advantages U.S. farmers and ranchers have, they can expect to capture an increasing share of this market.

## 1974 PEANUT AND RICE PROGRAMS ANNOUNCED BY USDA

Rising stocks of peanuts and governmental concern that rice surpluses will develop in the next two years have shaped the 1974 programs for peanuts and rice. However, legal requirements limit the Government's flexibility in establishing the guidelines.

### Peanuts

The Department of Agriculture has announced that marketing controls on peanuts will be continued in the form of quotas. Because of surpluses in 1973, the 1974 acreage allotment will be lowered to the minimum legal level of 1.61 million acres, as provided in the 1938 act. Price support will also be at the legal minimum—75 percent of parity as of August 1, 1974. But in spite of these moves, stocks are expected to increase by more than 350,000 tons in 1974.

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To lower the cost of the program, the USDA announced four administrative changes. The changes include:

- No price support for peanuts that contain aflatoxin
- Elimination of allotment transfers by lease, sale, or owner privileges
- An increase in storage, handling, and inspection charges—to \$17 from \$15 per ton—that producers must assume
- No tolerance in measured acreage will be allowed for program compliance

As a result of the new guidelines, program costs should be cut approximately \$6.6 million in the next year.

### Rice

The USDA announced changes in the rice program that are apparently offsetting. Two of the changes—reducing the national acreage allotment to just over 1.6 million acres and lowering the loan and purchase rate to the minimum level of 65 percent of parity—should reduce production. On the other hand, marketing quotas have been lifted for the 1974 crop—in effect, encouraging expansion of production. While seemingly at cross-purposes, the inverse program adjustments are required by law.

The acreage allotment level is determined by a formula that considers the projected supply situation for the upcoming marketing year given the current situation. The Department of Agriculture anticipated a serious surplus developing if the 2.2 million-acre base in effect this year was maintained, especially since exports are expected to decline by two-fifths and the removal of marketing quotas could potentially add 600,000 acres to production.

By law, the marketing quota must be lifted in any year that shows a short carryover. Because of unexpectedly strong exports, a decline in yields, and low beginning stocks, carryover for the 1974 crop year fell to 4.7 million hundredweight. As a result, marketing quotas for the 1974 crop had to be lifted.

The effective loan and purchase level for the 1974 rice crop will be \$6.23 per hundredweight (rough rice). However, if this level is below 65 percent of the August 1974 parity price, the loan and purchase price will be increased to that level.

Acreage allotments for producing District states in 1974 include 475,008 acres for Louisiana; 422,313 acres for Texas; and 229 acres for Arizona. These account for over half of the national total.

### AGRICULTURAL EQUITY IMPROVES WITH INCREASE IN ASSETS

The value of agricultural assets at the beginning of 1973 totaled \$385.5 billion, 12.5 percent more than at the beginning of 1972. The gain was sharply higher than the 7.8-percent and 3-percent increases in the two preceding years.

Preliminary data show the advance in the value of physical assets is broad-based. Because of a sharp gain in farmland values, real estate assets, which account for two-thirds of total physical assets, increased \$28.2 billion, or just over 12 percent. Non-real-estate assets advanced nearly 15 percent to over \$98 billion, as livestock values rose more than a fourth. And the liquid financial assets position of farmers rose about 7 percent.

To finance this expansion in assets, farmers and ranchers assumed additional liabilities at a record rate. But with record incomes last year, the agricultural debt-to-asset ratio declined for the first time in several years, falling to 19.2 from 19.6 the year before. Total debt on January 1, 1973, was \$7.1 billion above a year earlier. Real estate debt was up 10 percent to \$34.5 billion, while non-real-estate debt increased 12 percent to \$37.3 billion.

With the improved asset and financial position of agriculture at the beginning of 1973, farmers and ranchers have been able to respond to record demand for agricultural products. Despite adverse weather conditions last spring, farmers planted record acreages and are now harvesting bumper crops. The expanded base will also fa-

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## BALANCE SHEET OF THE UNITED STATES FARMING SECTOR, JANUARY 1

(Billion dollars)

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	1973	1972	1963	Percent change 1973 from	
				1972	1963
Assets					
Real estate .....	\$258.7	\$230.5	\$143.8	12%	80%
Non-real-estate .....	98.5	85.7	59.0	15	67
Financial .....	26.3	24.9	18.6	6	41
Total .....	383.5	341.1	221.4	12	73
Total liabilities .....	\$73.6	\$66.9	\$31.7	10	132
Debt-to-asset ratio .....	19.2	19.6	14.3	-2%	34%

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SOURCE: U.S. Department of Agriculture

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facilitate additional expansion of production to meet future demands.

On balance, with the expansion this year of physical assets—especially equipment and livestock—and financial assets, agriculture will have significantly more productive capability in 1974. And in all likelihood, for the second consecutive year, agriculture will show an improved debt-to-asset ratio.

### AGRICULTURAL BRIEFS

- Price ceilings on domestic fertilizer were lifted on October 25. This will permit farmers to compete with foreign buyers more equitably.
- The 1973-74 orange crop—over 190 million boxes—is expected to be within 4 percent of the record crop of last season. There is a fairly large carryover of processed items, so prices are expected to continue at about this year's level—estimated at \$2.51 per box.

- The 1973-74 grapefruit crop is estimated at 66 million boxes—5 percent above last season. Consumer demand is expected to expand somewhat and both export and processing demand may grow moderately, indicating prices should hold up fairly well.
- Milk production may decline further in 1974 if high slaughter prices continue along with high feed costs. However, average per cow production is expected to recover after slipping this year.

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