



Federal Reserve Bank of Dallas

# FARM and RANCH BULLETIN

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## WORLD FOOD PRODUCTION LAGS EXPECTATIONS

After reaching an all-time high last season, world food production in 1974 will likely fall short of that record. In the main, the downturn is due to dampened prospects—especially for grains—in parts of North America, South Asia, and China that have been plagued with climate-related problems.

Adverse weather conditions have, in fact, impacted on the output of several countries this season. According to a recent U.S. Department of Agriculture report, farm output in Asia is severely curtailed by poor crops in India and Bangladesh. And in the People's Republic of China, where the harvest of early crops was good, the fall harvest is deemed an uncertainty. Unseasonable weather has also caused a big shortfall in North American crops.

Some areas, however, are showing production upswings. Prospects in Latin America appear generally good, even though some early crops were lost to weather. Farm output in Africa is improved, due primarily to record grain crops in countries of Southern and Northern Africa and to beneficial rains in other parts of the continent.

Many major agricultural regions, meanwhile, expect favorable harvests this season. According to the USDA, agricultural output in the Soviet Union, although somewhat smaller than expected, will probably be larger than last year. In Eastern Europe, crop production will approach record levels of the past two years. And in Western Europe, agricultural enterprises have benefited from generally good weather.

### Grain market tight

Early fall estimates of total grain production and consumption in the 1974-75 season indicate the world grain market will remain tight. Produc-

tion of wheat, coarse grains, and rice is expected to decline, dropping world grain output below both the record level of last season and the trend since 1960. Consumption will be dampened by limited supplies and high prices but could increase slightly in many less developed countries.

Per capita disappearance of grain is also expected to decline from last year. The falloff will stem mainly from reduced livestock feeding in developed countries.

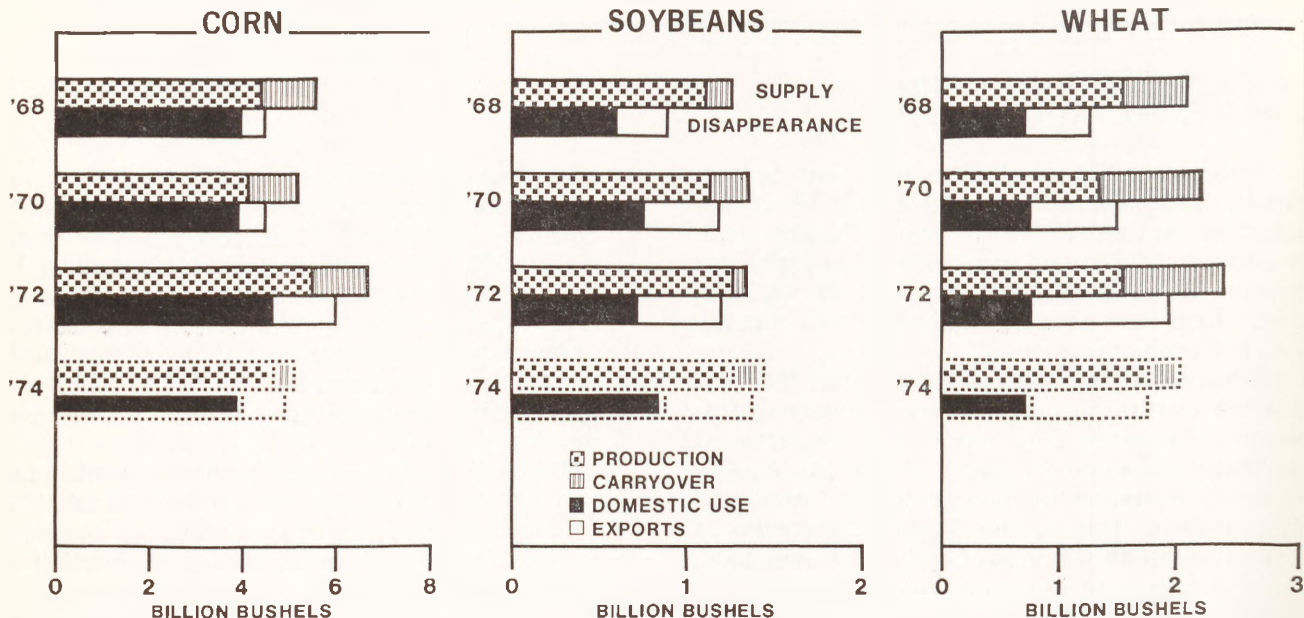
Preliminary estimates indicate that world meal and oil production will ease downward in 1975, although stocks from 1974 should keep available supplies near year-earlier levels. A shortfall in U.S. soybeans—a crop that plays a major role in the world supply of meal and oil—is the main reason for the decline. Vegetable oil output is also forecast to be down slightly in 1975—again, a result of the soybean shortage. A slackening in the growth of incomes worldwide is, however, expected to hold consumption of meal and oil in 1975 close to 1974 levels.

In the case of livestock, after dropping sharply in 1973, world commercial meat output is on the rise. As a result of strong prices in 1973, herds of cattle, hogs, and sheep and flocks of poultry are expanding significantly worldwide.

Meat prices are below peaks but higher than levels that existed before the current period of rapid price changes. A combination of factors, including slower worldwide economic growth, inflation, and higher retail prices for meat, have curtailed demand. A developing farm cost-price squeeze has led many governments to intervene in the market by purchasing meat or imposing import restrictions.

Milk production was somewhat higher in the first half of this year but by year-end may lag

## PRODUCTION AND CONSUMPTION OF SELECTED U.S. CROPS



1974 figures estimated

SOURCE: U.S. Department of Agriculture

last year's level. Production of butter has shown little change from 1973, but individual butter consumption has eased. Consequently, stocks of butter have increased—especially in the European Economic Community, where milk production has increased moderately.

### Food situation unstable

Disrupted by unfavorable weather and buffeted by new economic and political policies, the world food situation has been highly unstable in the past two years. Food prices have climbed as reserves have fallen, and food shortages have surfaced in countries where supplies were previously abundant. Further, expectations of large increases in U.S. output from idled land returned to production were unfulfilled. With supply tied

to current production levels and population growth spurring demand, the world must contend with another year of uncertainty about food prices and supplies.

This instability is confounding. Before 1972, the world enjoyed two decades of expanding food production and rapid gains in general agricultural activity. Bountiful supplies of grain brought declining food prices and made large amounts of food available to many countries of the world. Large stocks of grain provided a cushion against shortfalls in production, even though they were mostly viewed as expensive burdens.

But then, food production suddenly declined in 1972, and even with large crops in the 1973 season, grain stocks were drawn down to low levels. Consequently, prices of food commodities

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soared to record levels. Rapid economic growth in most of the world in the early 1970's compounded the demand for food.

Now, high fertilizer prices in the face of uncertain supplies further complicate the food situation. A growing concern is whether or not the world can produce enough food to feed its burgeoning population. The amount of land that can be easily and economically farmed under present techniques is limited.

Agricultural technology is, however, making great strides in developing more productivity from land and allowing for increased food production. Therefore, more than such traditional stumbling blocks as weather and inferior soil, the greatest obstacle to rapid gains in worldwide food production appears to be policy decisions. Essential to an improved world food situation is a program that would stabilize farm markets yet, at the same time, provide a strong incentive to expand agricultural productive capacity.

## **LITTLE CHANGE SEEN FOR FARM EXPORTS**

Agricultural exports by the United States in fiscal 1974 reached a record high of more than \$21 billion, a two-thirds increase over a year earlier. While most of the gain was due to higher prices, the volume of farm trade has, nevertheless, nearly doubled since 1970.

With limited supplies available for export, the volume of U.S. agricultural trade may decline substantially in fiscal 1975. But even with a smaller volume of exports, higher prices will likely boost their value close to last year's level.

Much of the decline in exports will probably be in wheat—especially to major markets in the Soviet Union, the People's Republic of China, and Western Europe. In fact, world wheat exports may decline moderately from the level of 70 million tons in 1974 primarily because of the downturn for the United States. U.S. exports of wheat to the developing countries of Asia, Latin America, and Africa are expected to remain high.

Because of a shortfall in the corn crop, feed grain shipments from the United States in fiscal 1975 are apt to drop sharply. But other major feed grain exporters, such as Argentina, Thailand, and South Africa, have larger exportable supplies available this year, and feed grain production in the European Economic Community is also expected to increase.

With world rice production likely to fall below last year's record, rice exports by the United States should increase to about 2 million metric tons. Much of this increase is expected in commercial sales to the Middle East and in AID shipments to less developed countries during the current year. Soybean meal exports will likely be moderately higher in 1975, while soybean oil shipments may decrease slightly.

Shipments of cotton may decline to around 5 million bales this season, down from about 6 million bales exported last season. Increased foreign production and a softening of worldwide demand are weakening the prospects for U.S. cotton exports, according to U.S. Department of Agriculture forecasts.

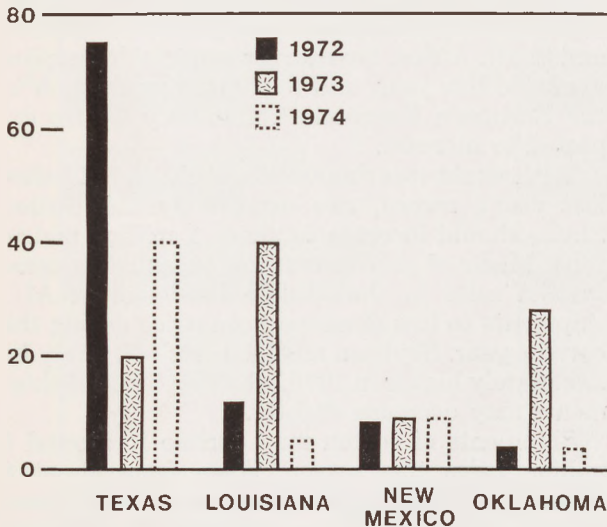
Meanwhile, U.S. imports of agricultural products in fiscal 1975 may rise slightly, totaling around \$10 billion. Most of the increase will be in sugar, vegetables, and oil bearing commodities. But to a great extent, lower prices for animal products and many tropical products will offset higher prices for sugar and other nonlivestock competitive items. On balance, then, an agricultural trade surplus of over \$10 billion is likely for fiscal 1975.

## **U.S. PECAN OUTPUT DOWN; TEXAS PRODUCTION UP**

Pecan output for the nation as a whole is forecast at 150 million pounds—a substantial 46 percent below last year's crop and 18 percent less than in 1972. According to a recent U.S. Department of Agriculture report, unfavorable weather has accounted for much of the falloff in nut supplies. But even though the U.S. pecan crop is

## SOUTHWESTERN PECAN PRODUCTION MIXED

MILLION POUNDS



1974 figures estimated

SOURCE: U.S. Department of Agriculture

Hot, dry weather during late spring and early summer resulted in trees in many areas suffering drought stress and shedding an above-average amount of nuts. Beneficial rains in most areas of Texas in late August and in September will help the maturity and growth of the remaining crop.

### WORKSHOP TO FOCUS ON AGRICULTURE'S VITAL ROLE

The increasingly important role of American agriculture in domestic and international affairs will be examined at the 23rd National Agricultural and Rural Affairs Conference of the American Bankers Association. The conference, set for November 10-13, will be in St. Louis.

General sessions will include discussions on world markets for U.S. agriculture, how consumers view agriculture, the transportation crisis, and outlook sessions on energy, cotton, grains, soybeans, fresh fruits and vegetables, hogs, and cattle, as well as the general economy. Workshop sessions will explore legal aspects of agricultural lending, agricultural lending procedures for new loan officers, estate planning for farm families, financing capital requirements of young farmers, warehouse receipts financing, land use policies, and financing feeder pig production.

Further information about the conference may be obtained from the Conference Registration Coordinator, American Bankers Association, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036.

Prepared by Carl G. Anderson, Jr.

reduced, production in Texas—based on October 1 prospects—is expected to increase to 40 million pounds this season. That would represent a crop twice as large as a year earlier.

Pecan output in Texas varies with locale. In East Texas and the Red River area, a generally light crop is expected. In South Central Texas, the crop ranges from poor to good. Orchards that followed routine spray programs last year and were not affected by walnut caterpillars have produced an ample amount of nuts.

In the large producing area around San Saba, most trees have a moderate to heavy set of pecans. The set in the High Plains and Trans-Pecos areas on improved trees is generally lighter than last year, but with new production from young trees, overall production is expected to increase.