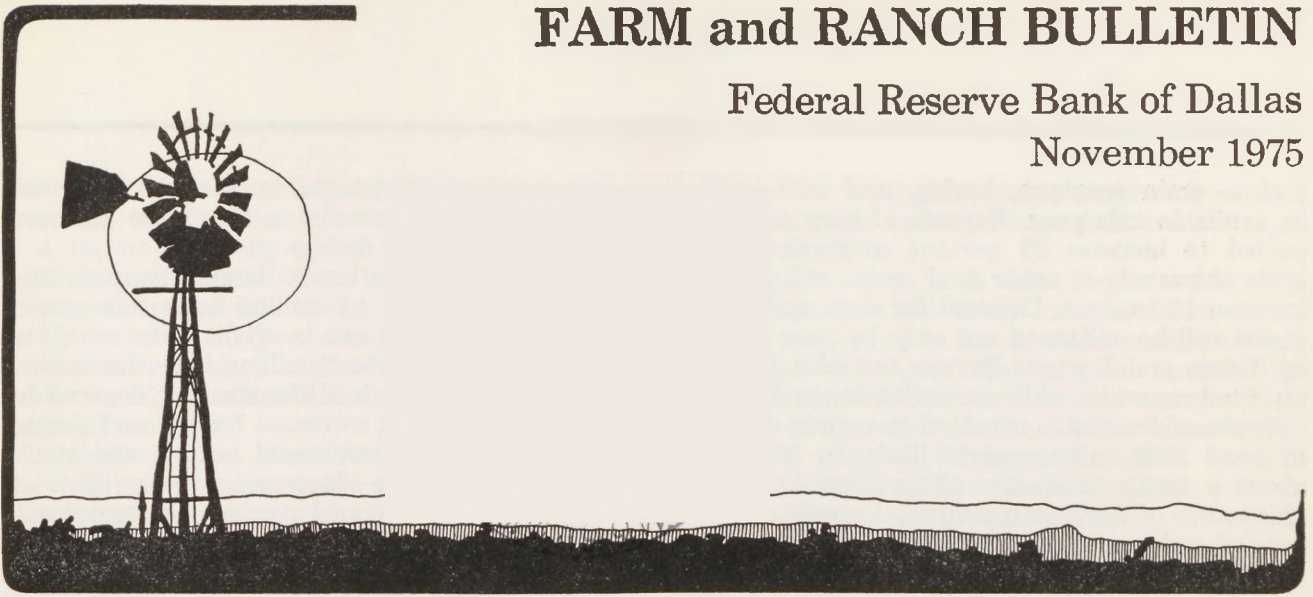


FARM and RANCH BULLETIN

Federal Reserve Bank of Dallas

November 1975



STRONG AGRICULTURAL EXPORTS PRODUCE FAVORABLE TRADE BALANCE

Exports of U.S. farm and ranch products are expected to total about \$22 billion in fiscal 1976, slightly higher than the \$21.6 billion of shipments in fiscal 1975. An increase in volume of shipments is expected to push overseas sales of agricultural products to a new record.

Shortfalls in crop production in several countries will substantially bolster world demand for U.S. crops in the 1975-76 marketing year. The total amount of agricultural products exported in fiscal 1976 is likely to approach 100 million metric tons. That would be about 12 million tons more than in 1975 and near the record 104 million tons in fiscal 1974.

Even with strong demand abroad, a large grain crop and a slowdown in feeding of hogs and cattle at home should result in lower average export prices for farm products. Although prices for most agricultural products strengthened this summer, prices for fiscal 1976 are generally expected to remain below levels in fiscal 1975. Also, sluggish economic growth in several foreign countries will likely dampen export demand slightly.

Exports of crops will account for about 92 percent of the projected \$22 billion in sales.

Shipments of livestock and livestock products, meanwhile, are expected to exceed slightly last year's \$1.68 billion, as values are still curtailed by low livestock prices.

A record U.S. wheat harvest this year has created large supplies available for export. The wheat crop in 1975 totals 2.14 billion bushels, almost a fifth more than output in 1974 and a fourth more than in 1973.

Sales of wheat to foreign buyers are expected to be around 1.25 billion bushels in the 1975-76 marketing year, up about a fifth over 1974-75. Much of the increased demand for wheat results from unfavorable weather in the Soviet Union and Eastern Europe. Grain production in those countries is well below the target levels, necessitating large purchases from the United States, Canada, and other countries.

Exports of wheat to less developed countries in non-Communist Asia and Africa are also likely to increase in fiscal 1976. But because of good crop prospects, sales of wheat to China are expected to continue declining.

A small corn crop last year reduced feed grain shipments from the United States in fiscal 1975. But larger supplies of corn and other feed

grains—grain sorghum, barley, and oats—will be available this year. Exports of corn are expected to increase 23 percent in fiscal 1976, while shipments of other feed grains will likely increase 19 percent. Demand for corn and feed grains will be enhanced not only by poor crops in Russia and Eastern Europe but also by an expected expansion of livestock feeding in Japan.

Soybean demand is expected to remain strong in fiscal 1976, with exports likely to increase about a tenth to nearly 450 million bushels. Shipments of soybean products, including soybean oil and meal, are apt to increase moderately.

With world rice production potentially larger than in fiscal 1975, exports are expected to increase only slightly in the current fiscal year. Rice exports are projected at about 73.5 million hundredweight, nearly 6 percent more than a

year earlier. Shipments to Western Asia will be stable, but rice sales to Southeast Asia and Eastern Asia will decline.

Shipments of cotton to foreign markets may increase to about 4.1 million bales this season. That would represent a slight gain over last season but would be 2 million bales fewer than in fiscal 1974. Much of the stronger demand for cotton stems from increased foreign and domestic consumption, but world output and stocks are below average—increasing the reliance on U.S. production. World stocks of cotton should be reduced because consumption is expected to exceed output for the first time since fiscal 1971.

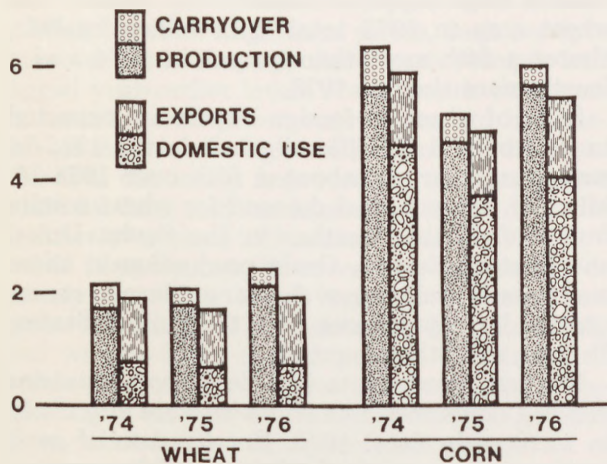
Although sales of U.S. farm products are expected to edge upward, the value of agricultural imports in fiscal 1976 is projected at \$9.3 billion, down \$300 million from 1975. Imports of competitive products could decline \$800 million—more than offsetting a \$500 million advance in imports of noncompetitive products. After imports are deducted from exports, agricultural trade this year will result in a surplus of approximately \$12.7 billion, slightly more than the \$12.0 billion a year earlier.

Agricultural trade has far-reaching effects on the national economy. Without large sales to countries abroad, U.S. farmers would curtail production either by private action in response to low prices or under public policy designed to control production. In a typical year, exports account for the disappearance of some 60 percent of the wheat and rice crops, around 40 percent of the soybean and cotton crops, and almost 25 percent of the corn crop. In 1974, for instance, farm exports accounted for production from 96 million acres of cropland—29 percent of the total acreage harvested.

Sales of agricultural products overseas benefit both the farm and nonfarm sectors by using resources—that would otherwise be idle—to generate employment and income and to boost capital investment. In 1974, U.S. farm exports supported an estimated 1.2 million full-time civilian jobs. Less than half of these were farm jobs. And more than 650,000 were nonfarm jobs

SUPPLY AND DISAPPEARANCE OF U.S. WHEAT AND CORN

8 BILLION BUSHELS



1975 preliminary

1976 estimated

SOURCE: U.S. Department of Agriculture

related to the assembling, processing, and distributing of agricultural products for export.

A recent study by the U.S. Department of Agriculture indicated that the added business generated by agricultural exports is almost equal to the value of the products exported. In other words, each dollar of agricultural exports generates nearly another dollar of output in the national economy.

Agriculture also contributes significantly to the U.S. merchandise trade balance. Primarily because of the substantially higher cost of importing oil, the U.S. nonagricultural merchandise trade balance has shown deficits in recent years. These deficits have been totally offset in some years and partially offset in others by surpluses in agricultural trade. In the 1974 and 1975 fiscal

years, for example, sizable surpluses in agricultural trade exceeded large deficits in nonagricultural trade.

Concern that large farm exports will raise food prices in the short run should be placed in perspective as to the overall benefit. Evidence persuasively argues that long-run benefits are much greater than short-run disadvantages. With some 70 percent of the additional economic activity going to the nonfarm sector, the economic effects of agricultural exports are not only substantial but well dispersed throughout the economy.

SIZABLE TEXAS CROP PACES DISTRICT PECAN PRODUCTION

Based on October 1 prospects, pecan production in producing states of the Eleventh District this year is projected at 122 million pounds. That is double the 1974 crop and over a fourth larger than output in 1973.

Meanwhile, pecan production for the nation as a whole will be about 242 million pounds. Although moderately lower than in 1973, the pecan crop this year could exceed last year's output a substantial 77 percent.

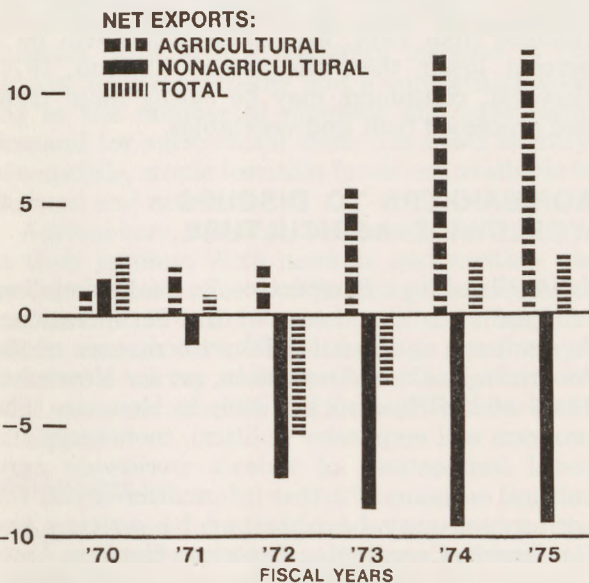
New Mexico is the only District state where pecan production will lag a year earlier. Output in New Mexico is expected to be 17 percent below the 1974 crop. By contrast, pecan production in Louisiana, Oklahoma, and Texas is expected to increase significantly.

The pecan crop in Texas is projected at about 55 million pounds—45 percent higher than in 1974. The Texas crop—equal to nearly half the District output—accounts for over a fifth of total U.S. production. Sharply higher output in Texas stems from young trees coming into production.

Output in Texas varies among producing areas. A good crop is expected in East Texas, the Red River Valley, and the Cross Timbers range. In South Central Texas and along the upper Gulf Coast, the crop ranges from below average to slightly above average. But in the large produc-

U.S. TRADE BALANCE

15 BILLION DOLLARS



1975 preliminary

SOURCE: U.S. Department of Commerce

ing area near San Saba, where a freeze in late April damaged blooms, and in the Trans-Pecos area and High Plains area, where crops were curtailed by both freezes and hail, the pecan set is poor.

Excessive moisture during the summer has caused some crop disease in Texas. Scab, powdery mildew, and honeydew adversely affected scattered areas throughout the growing season.

Aphids have been responsible for most of the insect damage to pecans. But shuckworms, case-bearers, weevils, webworms, and walnut caterpillars have also harmed crops. Orchards that have followed a routine spray program, however, have generally had healthy crops.

SOUTHWESTERN PECAN PRODUCTION

(Thousand pounds)

Area	1973	1974	1975 ¹
Louisiana	40,000	3,000	28,000
New Mexico	8,500	13,200	11,000
Oklahoma	28,000	2,500	28,000
Texas	20,000	38,000	55,000
Four states	96,500	56,700	122,000
United States	275,700	137,100	242,200

1. Indicated October 1
SOURCE: U.S. Department of Agriculture

FOOD CONSUMPTION DECLINES AS MEAT USE DROPS SHARPLY

Constrained by limited buying power and higher prices for food, consumers have curtailed food consumption this year. With supplies of fed beef, pork, and poultry products sharply reduced, consumption may decline almost 1.5 percent in 1975 to the lowest level since 1967.

Consumers are likely to eat almost 2.5 percent less animal-related products than in 1974. Total red meat consumption may fall 4 to 5 percent from a year earlier as output of pork and grain-

U.S. PER CAPITA FOOD CONSUMPTION

(1967 = 100)

Year	Livestock and livestock products	Crop products	Total
1967	100.0	100.0	100.0
1968	101.5	101.1	101.2
1969	101.2	102.0	101.5
1970	102.5	103.1	102.8
1971	103.8	102.8	103.3
1972	103.6	104.1	103.8
1973	99.0	105.3	101.9
1974	101.6	103.3	102.4
1975 ^e	99.3	103.2	101.0

e—Estimated
SOURCE: U.S. Department of Agriculture

fed beef has been cut substantially. Consumption of livestock products has fallen this year despite slightly increased supplies of veal, fish, dairy products, and grass-fed beef.

Consumption of crop-related products, meanwhile, is expected to remain essentially unchanged from 1974. But consumption will be 2 percent lower than the record high in 1973. However, consumers may be eating more fresh and processed fruit and vegetables.

AGRIBANKERS TO DISCUSS WORLDWIDE AGRICULTURE

“Agribanking: Perspective . . . Professionalism . . . Profits” is the theme of the 24th National Agricultural and Rural Affairs Conference of the American Bankers Association, set for November 16-19 at the Shamrock Hilton in Houston. The program will emphasize political, monetary, and social implications of today’s worldwide agricultural economy. Further information about the conference may be obtained by writing the Conference Coordinator, American Bankers Association, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036, or by calling (202) 467-4012.

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