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AGRICULTURAL OUTLOOK FOR 1962

Prospects for an expanding domestic market and record farm exports dominate the Nation's agricultural outlook picture for 1962, reports the United States Department of Agriculture. The income gains registered for 1961 probably will be maintained in 1962, with little over-all change expected in the realized net income of farm operators, total volume of farm marketings, or average prices received by farmers. These expectations assume average growing conditions, expansion in general economic activity, and the continuation of existing farm programs and price supports.

With average growing conditions and effective feed grain and wheat programs, production and marketings of crops may be smaller in 1962. However, the decrease likely will be about offset by a continued upward trend in livestock output, particularly of hogs, cattle, and dairy products.

Expenditures for farm-produced foods in 1961 were approximately 3 percent above the preceding year and probably will show some further increase in 1962 as a result of anticipated gains in consumer incomes.

Indications are that export outlets will continue to be large. For the fiscal year ending June 30, 1962, the value of agricultural exports is expected to total about $5 billion, or slightly above the 1960-61 record. Factors contributing to the favorable export outlook include strong economic activity in Western Europe and Japan, record gold and dollar holdings in many countries which trade with the United States, and the accelerated Food for Peace Program.

Compared with 1961, crop prices in the Nation may average slightly higher this year, reflecting the new support level of $2 per bushel for the 1962 wheat crop and the continuing influence of higher supports for many of the 1961 crops. Larger marketings of livestock and livestock products are expected to exert some downward pressure on prices, but the anticipated rise in consumer incomes and the continued high support levels for dairy products are likely to keep the average of these prices close to the 1961 level.

Production expenses reached an all-time high of nearly $27 billion in 1961, or about $500 million more than in the preceding year. The Department of Agriculture expects some further increase in these expenses in 1962, but probably less than the gain last year.

The credit and financial situation of farmers generally improved in 1961 over a large part of the United States. Underlying the improvement were increases in farm income and a resumption of the upward trend in farm real-estate values, which came to a temporary halt in 1960. This improvement is expected to continue and perhaps increase somewhat in 1962.

The following are summaries of national outlook statements by the Department of Agriculture for some important commodities in the Southwest.

Cotton

The carry-over of cotton in the United States on August 1, 1962, is expected to be around 400,000 bales above the 7.2 million bales on

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS

hand a year earlier. Cotton stocks held by the Commodity Credit Corporation on August 1, 1961, totaled about 1.5 million bales, compared with approximately 5 million bales a year earlier, and were the smallest for any August 1 since 1952. On the other hand, stocks held in commercial hands on August 1, 1961, totaled about 5.7 million bales — the largest number since 1958. On August 1, 1962, stocks held in commercial hands are expected to be considerably smaller, while stocks held by the CCC may be as much as 3 million bales larger.

The 1961 cotton crop in the United States, including a small amount of imports, is expected to exceed disappearance. In the 1961-62 season (which began August 1, 1961), disappearance probably will be somewhat smaller than the 14.9 million bales in the preceding season.

Per capita domestic consumption of cotton in the United States this year is expected to be above the 1961 estimate of 22.2 pounds — the lowest level since 1958. Exports from this country during the 1961-62 marketing year may decline from the 6.6 million bales of 1960-61 to about 5.5 million bales.

Wheat

The most important features of the wheat outlook include (1) an anticipated slight reduction in carry-over on July 1, 1962 — the first decline since 1958, (2) a prospective further reduction in carry-over by July 1, 1963, (3) an all-time high for exports in the 1961-62 season, (4) wheat prices that are high this year relative to the support rate, and (5) the 1962 wheat program.

The total wheat supply in the Nation for the 1961-62 marketing season (which began July 1, 1961) is down slightly from the record of a year earlier. The decline is a result of the smaller 1961 crop, which more than offset the increase in the July 1, 1961, carry-over.

Domestic disappearance of wheat in 1961-62 is indicated at 590 million bushels, and exports may reach a record 675 million bushels. On the basis of these estimates, approximately 1,365 million bushels of wheat probably will be carried over on July 1, 1962, or a reduction of about 45 million bushels from the year-earlier level.

As a result of acreage diversion under the 1962 wheat program, this year's wheat production could decline by about 160 million bushels below that in 1961 to around 1,075 million bushels. A crop of this size, together with an expected carry-over of about 1,365 million bushels and imports of approximately 8 million bushels, would result in a total wheat supply of 2,448 million bushels for the 1962-63 season. Exports for 1962-63 are projected at 625 million bushels, and domestic disappearance may total about 590 million bushels. Based on these estimates, the wheat carry-over at the beginning of July 1963 would be about 130 million bushels smaller than the carry-over expected on July 1 this year.

Wheat prices received by the Nation's farmers in 1961-62 may average above the announced support level for the first time since 1950-51, when they averaged 1 cent per pound above the support price.

Rice

Acreage controls and large-scale exports, mainly under Government programs, have reduced the carry-over stocks of rice in the United States for the 1961-62 season to about one-fourth of the record 34.6 million hundredweight 5 years ago. The carry-over on August 1, 1962, is expected to be about 9 million hundredweight, with little change likely in 1963.

The national supply of rice in 1961-62 is indicated at 64 million hundredweight, or 4 percent below that in the preceding season and about one-tenth less than the 1955-59 average.

Domestic disappearance of rice in 1961-62 is estimated at 27.3 million hundredweight, up fractionally from the previous season. Exports are indicated at around 28.7 million hundredweight, down slightly from the 29.6 million hundredweight in 1960-61.

Prices received by the Nation's rice growers in 1960-61 averaged 17 cents per hundredweight above the national support of $4.42. In 1961-62, they are again expected to average well above the announced support rate of $4.71 per hundredweight for 1961-crop rice. A national allotment of 1,817,856 acres has been proclaimed for 1962-crop rice, which is 10 percent above the allotment for the 1961 crop.

East Texas Bankers Agricultural Conference To Be Held in Tyler January 25, 1962

The twelfth annual East Texas Bankers Agricultural Conference will be held in Tyler, Texas, on January 25, 1962. Registration will begin in the American Legion Hall at 8:30 a.m. Sponsors of the conference are the Tyler Clearing House Association and the East Texas Agricultural Council.

An outstanding feature of the Tyler meeting will be an address by General Earl Rudder, President of Texas A. & M. College. Other discussions will include ways to increase profit from pastures, the outlook for livestock, and a success story of agricultural output in an east Texas county.

Feed

The 1961-62 feeding season (which began October 1, 1961) is the first season in nearly a decade in which supplies of feed grains declined, and a smaller carry-over is in prospect for the close of the marketing season. Although total feed grain acreage in 1961 was reduced 16 percent, record yields were partially offsetting, and production decreased only about 11 percent. Price supports are higher for 1961-crop feed grains, and feed grain prices in the current season may average above those in 1960-61. Stocks of high-protein feed probably will be ample, and hay supplies are expected to be adequate and generally well distributed.

Total feed grain utilization in 1961-62 may exceed 1961 feed grain production. Carry-over of feed grains into 1962-63 is expected to be approximately 5 million tons less than the record of 84 million tons carried over into 1961-62.

According to the Department of Agriculture, higher feed grain prices are in prospect for the current season because of the increased price supports for the 1961 crops, smaller feed grain production, and the slight increase in the number of livestock to be fed. On the other hand, the larger volume of feed grains to be sold under the 1961 feed grain program may also influence prices, particularly those for corn and grain sorghums.

Cattle

Cattle prices this year may average about the same as in 1961. Fed cattle prices are not expected to decline as sharply this spring as a year ago and may be above 1961 levels through the summer. However, slaughter cow prices probably will be lower during the late summer and fall than in the corresponding period last year.

The Nation's cattlemen increased their herds in 1961, for the fourth consecutive year. The rise in cattle slaughter was more than offset by a larger calf crop, a reduction in calf slaughter, and a slightly greater number of live cattle imported from Canada and Mexico. Consequently, the cattle and calf build-up is expected to show a larger gain than that achieved in 1960. Most of the gain is indicated to be in the cow and calf categories.

The increase in cattle numbers is expected to continue in the current year. Per capita beef supplies probably will be about the same as in 1961.

A slightly higher feed grain price level during the spring and summer is expected to curtail the feeding of steers and heifers to excessively heavy weights. Furthermore, total commercial slaughter probably will include substantially more cows and slightly fewer fed heifers than in 1961. For these reasons, average dressed weight is expected to be slightly below a year ago.

Dairy

Supplies of milk and dairy products in the United States this year probably will be more abundant than in 1961. Although milk output is expected to rise, consumers are not likely to increase their total purchases of dairy products very much, if at all, according to the USDA. Moreover, the relatively large quantities of dairy products currently in storage suggest no significant build-up in commercial inventories. As a result of these factors, substantially more dairy products probably will be offered to the Government under the price-support program.

In 1961, consumers reduced their purchases of all major dairy products except cheese. Reductions were particularly sharp for fluid milk and butter. Thus, total consumption from commercial sources was significantly lower than in other recent years. The expected advance in economic activity this year, however, may partially arrest the downtrend in demand for dairy products and keep total consumption from commercial sources at about the same level as last year.

Part of the larger supplies of Government-owned dairy products in 1962 probably will be used to expand domestic distribution — particularly of cheese — to schools, institutions, and needy persons. Because of these larger distributions, the total consumption of dairy products from all sources this year may be higher than in 1961.

Supplies of butter probably will be sufficiently large to permit substantially greater exports under Government programs for the first time since 1956; shipments of nonfat dry milk are likely to continue to be large, as they have been since 1953.

The Nation's farmers may realize some further increase in cash receipts from the sale of milk and dairy products in 1962, but this gain may be mainly offset by greater production costs.

Wool

This year's outlook for the domestic wool industry in the United States is for moderate gains in domestic consumption of wool, mill activity, foreign trade in raw wool and wool products, and average prices received by producers for shorn wool.

An increase in mill consumption of apparel wool is expected for 1962 as a result of (1) the current steady demand for apparel products, (2) stepped-up military procurement, (3) a moderate rise in inventory accumulation, and (4) an expected increase in consumer incomes and expenditures. Only a small rise in mill consumption of carpet wool is in prospect for 1962.

Indications are that the average price received for shorn wool will remain relatively stable through the 1961-62 marketing year (April 1, 1961-March 31, 1962). With mill consumption expected to increase in 1962, a moderate price rise probably will occur in the first part of the 1962-63 marketing year. The shorn wool incentive level for the 1962 marketing year (April 1, 1962-March 31, 1963) has been set at 62 cents per pound, grease basis.

World wool production and consumption in 1962 probably will be near record levels. Stocks of raw wool are expected to be relatively low, and output of wool products may increase moderately. World trade probably will expand, and prices likely will remain relatively stable.

Poultry and Eggs

Egg production in the United States in 1962 may exceed the 170 million cases estimated for the preceding year, and prices received by producers likely will average below those in 1961.

The laying flock at the beginning of this year is expected to be slightly smaller than the 340 million potential layers on hand at the start of 1961, but the rate of lay per bird is likely to average higher because there are more pullets and fewer hens in the flocks.

The rise in the national egg supply this year probably will be greater than the prospective increase in the population, thereby adding 2 or 3 eggs to the average consumption of 323 eggs per person estimated for 1961.

The outlook for broilers and turkeys in 1962 is more clouded than that for eggs, according to the Department of Agriculture. Producers of both of these meat birds had a very difficult year in 1961, and their actions in the current year will depend, to a large extent, upon the financial resources that remain available to them from their usual sources of credit.

The turkey situation is likely also to be influenced by the proposed marketing orders for turkeys and turkey hatching eggs; authority for these orders is provided by the Agricultural Act of 1961. Current legislation does not authorize such programs for broilers or chicken eggs.