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AGRICULTURAL OUTLOOK FOR 1963

The United States Department of Agriculture foresees no significant change in the realized net income of the Nation's farm operators during the current year as compared with 1962. If the international situation remains about the same, expectations are that 1963 will be another year of relative stability in farm output, domestic and foreign demand for farm products, farm prices, and aggregate net realized farm income.

Gross farm income increased slightly in 1962, and some further gain is anticipated this year. Cash receipts from farm marketings in the United States may be about the same as in 1962, with somewhat larger quantities sold (especially of livestock products), but prices may average lower. Government payments under the feed grain and wheat programs are likely to be higher in 1963.

Some rise in production expenses is anticipated, which could just about offset the prospective small gain in gross income arising mostly from larger Government payments. Increases in average income per farm and per capita occurred in 1962, and some further improvement is likely in the current year.

The domestic market for the Nation's farm products is expected to expand by about 1½ percent in 1963, primarily as a result of population growth. Export markets for farm products probably will not differ substantially from the high level of $5.1 billion attained in 1961-62. Shipments of certain commodities (for example, flour and poultry) from the United States to Europe may be affected by policies of the Common Market countries.

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, 1963, is expected to total around 9.0 million bales, which would be over a million bales more than a year earlier and the largest carry-over since 1957. The all-time high was 14.5 million bales on August 1, 1956. Following this peak, the carry-over trended downward, reaching a low of 7.2 million bales on August 1, 1961. Cotton stocks held by the Commodity Credit Corporation are also expected to rise during the 1962-63 season (August 1, 1962-July 31, 1963), while stocks held in commercial hands may decrease.

The increase in the carry-over during the current season is a result of a larger crop and smaller disappearance than last season. As of December 1, the 1962 crop was estimated at 14.7 million bales, or 405,000 bales more than the 1961 output and the largest production since 1953. Disappearance during the current season is indicated at 13.6 million bales, or 300,000 bales below a year earlier and the smallest quantity since 1958. The smaller disappearance is anticipated because of a decline in domestic mill consumption of cotton; exports may total near the 1961-62 level.

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS

The national acreage allotment for the 1963 crop of upland cotton has been set at 14.4 million acres, compared with 18.1 million acres for the 1962 crop. The allotment for 1963-crop extra-long staple cotton has been set at 149,880 acres, which is up sharply from the 100,293 acres allotted for the 1962 crop.

Wheat

The national wheat outlook is highlighted by the new wheat program and an expected reduction in carry-over stocks on July 1, 1963 — which would be the second consecutive reduction in the carry-over.

The total wheat supply for the 1962-63 marketing year (which began July 1, 1962) is about one-tenth below the supply in each of the two previous seasons. The decrease is the result of reductions in both carry-over and production. The 1962 wheat crop was 12 percent smaller than a year earlier but only 3 percent below average. The 1962-63 wheat supply is estimated to be below that of the previous year, but it should still be adequate for domestic use and exports for a 2-year period.

Domestic disappearance of wheat for 1962-63 is indicated at slightly over 600 million bushels, or about the same as the average disappearance in 1957-61. Exports in 1962-63 are placed at 600 million bushels. This total is very large, but it is substantially below the levels of the two previous seasons.

The wheat carry-over on July 1, 1963, is forecast at 1,200 million bushels. A carry-over of this size would be about 100 million bushels below that on July 1, 1962, and the second consecutive reduction. Stocks were reduced by about the same number of bushels during the preceding marketing year.

The support price for 1963-crop wheat has been raised from $1.82 to $2.00 per bushel for farmers who participate in the voluntary acreage reduction program authorized by the Food and Agriculture Act of 1962. The 18-cent per bushel increase in the support price will be paid-in-kind to cooperating farmers; the payment will be based on the normal production of each farm's harvested acreage. In addition, the program offers income-maintaining payments to farmers for diverting acreage from wheat production to conservation uses. In general, the acreage diversion provisions will be similar to those for 1962.

Rice

Carry-over stocks of rice in the United States on August 1, 1962, totaled 5.3 million hundredweight, or only about 15 percent of the record level of 6 years ago. Major factors in the reduction were acreage controls and large-scale exports, principally under Government programs.

A national acreage allotment of 1.8 million acres has been proclaimed for 1963-crop rice. This figure is about the same as the 1962 allotment but is one-tenth above the minimum allotment provided by law. The advance national average support price for 1963-crop rice has been set at $4.71 per hundredweight, or the same as the 1962-crop support price.

The 1963 allotted acreage, assuming a yield near that in 1962, will produce a crop of about 62.6 million hundredweight, after allowance is made for a small acreage in the Conservation Reserve program and for normal underplanting and abandonment. A crop of this size, together with the estimated August 1, 1963, carry-over of 8.2 million hundredweight and imports of 303,000 hundredweight, would make a total rice supply of 71.1 million hundredweight for the 1963-64 marketing year. This quantity would be about 13 percent more than estimated domestic consumption and exports during the marketing season.

Feed

The outlook for feed in 1962-63 (the feeding season began October 1, 1962) is similar in many ways to the situation in the preceding season. Supplies of feed grains and other concentrates are down again, and demand is expected to continue strong. A further reduction in feed grain stocks is in prospect — probably about equal to the 14 million-ton reduction in 1961-62. Feed prices were slightly higher in 1961-62 than a year earlier and are expected to average at least as high in 1962-63 as for the past year.

The total supply of feed grains and other concentrates declined during the past 2 years, following a steady buildup in stocks during much of the preceding decade. The 1962-63 supply of 241 million tons is 19 million tons smaller than the record for 1960-61. The smaller stocks are the result of a reduction in feed grain acreage in 1961 and 1962 through farmer participation in the feed grain program. The total acreage of feed grains in 1961 and 1962 was down about 18 percent from the total acreage harvested in 1959 and 1960, the base years for the program.

Total utilization of feed grains has trended upward in the postwar years, but usage was below total production each year from 1951 to 1960, resulting in a continuous accumulation of feed grain stocks. In 1961-62, total consumption reached a peak of 155 million tons, or 9 million tons more than in the preceding year, exceeding production for the first time in 10 years. With increasing livestock numbers in prospect for 1962-63, domestic consumption of feed grains is expected to continue heavy, probably exceeding the high level reached during the preceding season.

Cattle

Cattle marketings in the United States are expected to increase in 1963. The upward trend in the demand for beef will tend to maintain prices, despite larger marketings. Consequently, cash receipts from the sale of cattle and calves this year probably will be larger than in 1962.

Cattle numbers have been increasing since 1958 and are expected to continue to increase in 1963. The net addition to cattle inventories in 1962 was about 2.5 million. For the first time in history, cattle numbers in the United States exceeded 100 million head, and an inventory of about 102 million head is forecast for January 1963, or about 3 percent above a year ago.

Commercial cattle slaughter in 1963 may total nearly 27.0 million head, or 3 to 4 percent above that in 1962; beef production probably will increase by a like amount. The rise in slaughter during 1963 is expected to be made up mainly of steers and cows, with only a slight increase in heifer slaughter. Cow slaughter may be sufficient to reduce beef imports from the record level of 1962.

Total beef consumption in the Nation this year probably will reach an all-time high of about 16.7 billion pounds, and annual per capita consumption may show a gain of 1 pound to a total of 90 pounds per person. The overall demand for beef in 1963 is expected to rise as a result of population growth, a continued upward trend in the preference for beef, and an increase in real per capita income.

Dairy

In many respects, the dairy outlook for 1963 is similar to that for 1962. Milk production in 1962 increased over the preceding year, and consumption ran substantially below available supplies; consequently, price-support purchases were very large. The dairy outlook for this year is based on the assumption that the present dairy support program will be continued, with supports at 75 percent of parity.

The USDA says that the 1963 dairy outlook differs from that of 1962 in one very important respect — the consumption picture is somewhat improved. A gain in aggregate consumption of milk and dairy products occurred in 1962, and the prospect is for a further increase in the current year. Major reasons for the expected gain in 1963 are: (1) Civilian population may rise sufficiently to more than offset the declining per capita use of milk from commercial sources, and (2) CCC-stock donations for domestic distribution are expected to continue at levels at least as high as last year.

Milk production in the United States is expected to register another gain this year, probably about 1 billion pounds over 1962. The longtime downtrend in milk cow numbers continued in 1962. However, the number of milk cows should be large enough in 1963 to attain another record milk outturn, even if the average production gain per cow is only around 150 pounds — considerably below the average for the past 7 years. Marketings of milk and cream from the Nation's farms in 1963 are likely to exceed 120 billion pounds for the first time of record. Sales are expected to increase more than production as the number of people on farms with milk cows continues to decrease.

Farm marketings of milk in the United States may increase about 1.5 billion pounds in 1963, but the gain in consumption of dairy products from commercial sources is expected to be much less. Therefore, CCC purchases in the current year may be larger than in 1962. Both gross and net income from farm marketings of milk and cream in 1963 are likely to be lower than last year.

Wool

The outlook for the Nation's wool industry in 1963 is for a moderate increase in domestic consumption of wool over 1962, reflecting a continued rise in imports of wool textile products, a relatively stable mill use of apparel wool, and a rise in mill use of carpet wool. Shorn wool production probably will decline because of fewer sheep numbers. Slightly smaller imports of dutiable raw wool and moderately larger imports of duty-free wool can be expected. Increased fiber competition probably will result from lower prices for man-made fibers.

The average price received by producers for shorn wool in the 1962 marketing year (April 1, 1962-March 31, 1963) may be slightly higher than that received in 1961. The marketing year under the wool incentive payment program of the National Wool Act is being changed from an April-March period to a calendar year basis. In view of this transition, the 1963 marketing year will be only 9 months — April 1 through December 31. After 1963, the marketing year will be on a 12-month calendar year basis.

The shorn wool incentive level for the 1963 marketing year (April 1, 1963-December 31, 1963) has been established at 62 cents per pound, grease basis, which is the same as for the first 8 years of the program. The mohair support level for the 1963 marketing year has been set at 76 cents per pound, grease basis, or 2 cents above the preceding marketing season.

Production of apparel wool fabric in 1962 is estimated to be larger than in the preceding year, and output of nonapparel goods was about unchanged. The outturn of woven wool fabric during 1963 is expected to be at about the same level as in the last 3 years.

Poultry and Eggs

Egg production in the United States in 1963 probably will be slightly above the 175 million cases estimated for 1962. Output in the early part of 1963, however, may be somewhat below a year earlier because of the smaller laying flock. Egg prices this year are expected to show less of a rise from spring to fall than in 1962 and to average somewhat lower for the year as a whole.

The higher prices received by broiler and turkey producers in 1962 as compared with the preceding year appear to have set the stage for a large expansion in poultry production in 1963, according to the Department of Agriculture. Broiler output may continue substantially above the 1962 level throughout much of 1963, especially during the first part of the year. For the same period, prices are likely to be below those in 1962. Reasons for these expectations include: (1) The broiler industry is in a much stronger financial position than a year earlier; (2) prices in early 1963, although lower than in the same months of 1962, may not be so low as to force an immediate sharp reduction in broiler production; and (3) output will be encouraged by an expected increase in the supply of broiler hatching eggs.

The 1963 turkey crop is indicated to be larger than the 92 million birds produced last year and second only to the record 1961 output of 108 million turkeys. As of October 1, 1962, turkey producers in 15 states expressed intentions to keep slightly more breeder hens in 1963 than they did in 1962.

Dairy cattle — like human beings — need salt, and they can develop a salt deficiency if their rations do not contain adequate amounts of this mineral. Continuous feeding of a salt-deficient ration can result in death of animals, according to Shannon Carpenter, Area Dairy Specialist with the Texas Agricultural Extension Service.