

# FARM AND RANCH BULLETIN

Vol. 23, No. 1

January 1968

## AGRICULTURAL OUTLOOK FOR 1968

Gains in consumer buying power, together with population increases, are expected to expand domestic demand for farm products in the Nation during 1968, according to the U.S. Department of Agriculture. The record 1967 crop output points to larger marketings of farm products during the current year, with substantial gains for soybeans and grains. Prospects for the larger marketings in 1968 and for some improvement in average prices received by U.S. farmers are expected to result in larger cash receipts. Although gross farm income probably will exceed that in 1967, farm production expenses likely will continue to rise and may be largely offsetting. Other important factors in the 1968 outlook are stronger prices for livestock products, a continued high level of exports, and a moderate rise in retail food prices.

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

### Cotton

The outlook for cotton in 1968 is highlighted by another prospective sharp reduction in the carry-over. By August, stocks may total around  $6\frac{3}{4}$  million bales, which would be a reduction of around  $5\frac{1}{2}$  million bales from a year earlier and about 10 million bales below the record holdings of nearly 17 million bales on August 1, 1966. The decline in stocks during the past two seasons is a sharp reversal of

the upward trend during 1961-65 and was brought about by smaller crops and large disappearance. The reduced crops have resulted from the diversion of cotton acreage to soil-conserving uses and two consecutive years of unfavorable planting, growing, and harvesting conditions that reduced yields. Crops in both 1966 and 1967 were much smaller than had been anticipated. Estimated disappearance in 1967-68 is expected to approximate that in 1966-67 and to be about  $1\frac{1}{2}$  million bales above that in 1965-66.

The 1968 upland cotton program is designed to increase production to a level about in line with expected needs for mill consumption and exports, the total of which is not expected to vary greatly from that in 1967. The program is also intended to encourage production of a higher percentage of the Medium and longer staples. Principal changes from the 1967 program include a reduction in the required percentage of acreage diversion for program cooperators, an increase in the percent of voluntary acreage diversion permitted, a reduction in the payment rate, and a liberalization of rules pertaining to measurement of acreage allotments planted in skip-row patterns. Specifically, provisions of the 1968 cotton program include the following:

1. The required diversion for farmers cooperating in the acreage diversion program is 5.0 percent of the regular allotment, compared with 12.5 percent in 1967. The payment rate remains at 25 percent of parity on required

diversion; however, at 10.76 cents per pound, the rate is down slightly from the 10.78 cents in 1967 because of a slightly lower parity price.

2. The payment rate for voluntary diversion (up to an additional 30.0 percent of the allotment, compared with 22.5 percent in 1967) is 6.00 cents per pound—down from 10.78 cents in 1967.

3. The price-support payment rate is 12.24 cents per pound—up from 11.53 cents for the 1967 crop. The rate is higher because of the increase in permitted acreage from 87.5 percent in 1967 to 95.0 percent in 1968.

4. The national acreage allotment, including the national acreage reserve, remains at 16.2 million acres, and the loan rate for Middling 1-inch cotton, at average location, continues to be 20.25 cents per pound.

5. Rules pertaining to measurement of acreage allotments planted in skip-row patterns have been liberalized.

6. Small farm provisions will be continued, and the export market acreage also will be unchanged from that in 1967.

## Wheat

Total U.S. wheat supplies for 1967-68 are placed at 1,951 million bushels, an increase of 103 million bushels over the year-earlier level. This rise marks the first time since 1960-61 that the U.S. wheat supply has increased over that of the previous year. The carry-over of 426 million bushels on July 1, 1967, was the smallest since 1952, but the decline was more than offset by the record 1967 crop of 1,524 million bushels.

Total domestic disappearance of wheat may increase in 1967-68, primarily as a result of heavier use of wheat for feed. Feeding for the marketing year (which began July 1, 1967) is estimated at 100 million to 125 million bushels, compared with 93 million bushels in 1966-67. Food use of wheat may amount to 510 million to 515 million bushels; seed use is likely to total 70 million bushels, somewhat below the 78 million bushels in the preceding year. This decrease may be more than offset by increases in food and feed use, resulting in

a total domestic disappearance in 1967-68 of 680 million to 700 million bushels. This quantity would be about the same as in the preceding year but somewhat below the record 731 million bushels in 1965-66.

After allowing 680 million to 700 million bushels of wheat for domestic requirements for the 1967-68 marketing year, the quantity available for export and carry-over would be above that of a year earlier. In the summer of 1967, the USDA announced an export target of 750 million bushels, compared with 742 million bushels in the preceding marketing year. U.S. commercial exports are likely to be below the 1966 record level, while Food for Freedom shipments may increase. With the currently indicated level of total disappearance in 1967-68, carry-over stocks of wheat on June 30, 1968, are expected to be somewhat larger than the 426 million bushels in the summer of 1967. Barring an unexpected decline in exports from the indicated 750 million bushels, it appears that farm prices for the entire year may average from 10 to 15 percent above the loan rate.

## Rice

The rice supply in the United States is expected to reach an all-time high of nearly 100 million hundredweight in 1967-68. The 1967 crop totaled 89.6 million hundredweight, and the carry-over on August 1, 1967, of 8.5 million hundredweight was about the same as a year earlier. Privately held stocks have accounted for almost the entire carry-over in recent years.

After rising sharply a year earlier, rice imports returned to a low level in 1966-67 and are likely to continue to be small this year. Food use of rice reached a new peak of 24.6 million hundredweight in 1966-67 and is expected to remain at a high level during the current year. Data on food use include shipments to U.S. territories and Puerto Rico, as well as use by the Armed Forces. The increase in rice consumption is due largely to a rise in use in breakfast cereals.

The supply of rice available for export and carry-over in 1967-68 is expected to be about



10 percent larger than in the previous year. Exports are likely to continue strong, and some further increase in dollar sales appears probable. The extent of any such increase depends largely upon the availability of rice from Thailand and Burma, both of which declined in importance as exporters in 1967. As a result of record production, Japanese imports of rice may be substantially reduced from the level of recent years.

The size of the U.S. carry-over of rice on July 31, 1968, will be determined by the level of exports, but the USDA says that the volume is not likely to be substantially different from that of recent years. The national average price support for 1967-crop rice was \$4.55 per hundredweight, up 5 cents per hundredweight from the level of the two preceding years.

## Feed

A larger feed grain acreage and a generally favorable growing season produced a record U.S. feed grain crop in 1967. The big crop, combined with the large "free" carry-over stocks, resulted in an all-time high "free" supply. The big "free" supply of feed grains resulted in a substantial decline in feed grain prices as compared with the spring of 1967. With lower feed prices during the past fall and thus far this winter, together with more favorable livestock-feed ratios, heavier consumption of feed grains is in prospect for the 1967-68 season. Exports probably will continue to meet with strong competition from foreign countries and may not be much different from those in the preceding season. The large 1967 feed grain crop is expected to be somewhat above total U.S. requirements, and a moderate increase in the carry-over is in prospect at the end of the 1967-68 marketing year.

The 1968 Feed Grain Program contains provisions for increasing the acreage diverted from corn and sorghums by reinstating voluntary acreage diversion for payment. As in past years, a minimum diversion of 20 percent will be required for participation in the program.

Farmers will receive payments for diverting from 20 to 50 percent of their base corn and sorghum acreage to soil-conserving uses. Bar-

ley and oats are again excluded from the acreage diversion provisions of the program. The rate of payment for acreage diversion will be based on 45 percent of the total price support, times the projected yield per acre. The USDA says that increased diversion is considered desirable this year in view of the record 1967 feed grain crop and prospects for an increase in stocks at the close of the 1967-68 marketing year. The target is for the diversion of about 30 million acres from corn and grain sorghum, or 10 million acres more than in 1967. The program provides for the same level of price supports for each of the feed grains as in 1967.

## Cattle

According to the USDA, 1967 probably marked the third successive year in which total cattle numbers declined in the Nation, but the decrease apparently was more moderate than in previous periods of declining cattle inventories. The indicated reduction was around half a million head from the 108.5 million head on farms and ranches as of January 1, 1967. All of the decline occurred in dairy cattle since the number of beef cattle probably increased slightly; however, cattle and calf prices have not been high enough to encourage a large expansion in beef herds.

From the standpoint of future beef supplies, it is important that the number of beef cows on farms at the beginning of this year was a little larger than the record 34.6 million head on U.S. farms and ranches as of January 1, 1967. With more beef cows on farms, the beef calf crop also may rise slightly in 1968; consequently, fed beef production could be maintained at high levels. However, large increases in fed cattle marketings during 1968 cannot be made without reducing the feeder cattle supply and cutting back beef output during the following year.

Cattle slaughter in 1968 likely will be about equal to that in the preceding year. Total beef output probably will be about the same as a year earlier, with a further shift toward a larger proportion of production in the top-quality grades. Cow slaughter may be moderately smaller than in 1967, since beef herds

likely will be expanded and culling of dairy herds may be a little lighter.

Fed cattle marketings are expected to remain high in 1968. The number of cattle on feed at the beginning of the current year probably is as large as, or larger than, a year earlier; and a continued abundant supply of feeder cattle is expected to be available for feedlots. The shift toward marketing a larger percentage of all cattle through feedlots is expected to continue in 1968.

## Dairy

U.S. milk production in 1968 may be near the previous year's level. Also, prices received by farmers and gross cash receipts from dairying probably will be about the same as those in 1967 if there is no significant change in the dairy price-support program and in Federal milk marketing order pricing. The decreasing commercial disappearance of dairy products may stabilize and recover somewhat in 1968.

Despite the outlook for increased sales and lower imports, it is likely that Commodity Credit Corporation purchases will continue at substantial levels in 1968. Dairy price-support levels of \$4.00 per 100 pounds of milk for manufacturing purposes and 68 cents per pound for butterfat were established in mid-1966 and will extend through March 1968. The USDA will announce the 1968-69 price-support levels prior to April 1.

Milk production in 1968 may total near the 119.5 billion to 120.0 billion pounds estimated for 1967. Improved dairy prices since mid-1966 have made alternative farm enterprises and off-farm opportunities relatively less attractive than in 1965 and early 1966 and slowed the number of dairy herd sales. A prospective firm beef-cattle market, together with rising industrial wages and employment, suggests that herd culling and dairy sales will continue to reduce milk cow numbers at a higher-than-average rate in 1968.

## Wool

Shorn wool production in the Nation this year is expected to total slightly less than the

189 million pounds (grease basis) in 1967, as sheep numbers have continued to decline. Mill use of raw apparel wool was lower in 1967 but probably will increase in the current year. Prices of domestic wool likely will continue to move with the general trend in prices of imported wools. Shorn wool prices received by U.S. growers in 1968 are expected to average close to the 42 cents per pound estimated for 1967.

Factors affecting mill use of raw apparel wool in 1968 are more favorable than in the preceding year, and wool use may run a tenth higher than in 1967. No substantial change is expected in prices of raw wool consumed during 1968. Inventories of wool apparel fabrics are declining relative to unfilled orders for fabrics; however, increased use of man-made fibers probably will continue to limit gains for wool, according to the USDA.

## Poultry and Eggs

A cutback in egg production and a further small increase in poultry output appear likely in 1968. Broiler production is expected to rise again this year, but the gain may be smaller than that estimated for 1967. With low prices and large holdings in cold storage, turkey output may be cut below the record level of 1967.

The moderate cutback indicated for the output of eggs and turkeys and the holding to a small gain in broiler production reflect producers' response to lower broiler prices and further increases in production costs. Low prices for eggs during 1967 stemmed from an unusually large increase in supplies. Lower poultry prices were the result of increased supplies of poultry, together with keen competition from red meats, primarily pork.

The USDA says that there may be somewhat less competition from red meats in 1968, which could strengthen the demand for poultry. Large cold storage supplies of turkeys will be an offsetting factor. With big supplies of corn and soybeans in prospect, lower prices for poultry feed are expected in 1968. Indications are that prices for eggs will improve in the coming months as the production is cut back.