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WHEAT CARRY-OVER MOVING UPWARD AGAIN

The wheat turnaround that began in 1961 has turned around again. It sounds like an old story, but present estimates of production, domestic use, and exports favor an increase in wheat carry-over beginning with July 1, 1968. Carry-over is the difference between total supply (beginning carry-over, total production, and imports) and disappearance (domestic use and exports).

Most wheat farmers can remember the surplus buildup in 1960-61, when carry-over reached above the 1.4-billion-bushel mark. Following the peak in carry-over in 1961, the surplus fell steadily through 1967, when the July 1 carry-over was 425 million bushels, the smallest quantity in 15 years.

The cause for the turnaround is quite simple: production is outrunning demand. All wheat production is estimated, as of July 1, at 1.6 billion bushels for the 1968 crop year, which is 4 percent above last year's output. The 1968 wheat acreage was reduced because of estimates by the U.S. Department of Agriculture that world wheat supplies would increase, but improved growing conditions in the winter wheat areas of the United States have more than offset the 1968 acreage reduction.

Adding the estimated 1968 wheat production to the July 1 carry-over of more than 537 million bushels results in a total 1968-69 supply of about 2.1 billion bushels. Overall prospects for disappearance of the 1968-69 wheat crop appear to be about the same as the total disappearance of 1.4 billion bushels in 1967-

68. Domestic consumption is expected to increase, but some slack in exports is anticipated.

The condition of the 1968 world wheat crop indicates that competition for foreign markets will be more intense in 1968-69. Stocks of wheat available for export and carry-over on April 1, 1968, in the five major exporting countries were 1.9 billion bushels — 175 million bushels more than a year earlier. Large importers of U.S. wheat, such as India and Pakistan, are expecting bumper wheat crops, and India is predicting a record food grain crop.

U.S. Wheat: Supply, Disappearance, and Carry-Over

(In millions of bushels)

Year ¹	Total supply	Total disappearance	Ending carry-over
1959	2,420.1	1,106.7	1,313.4
1960	2,676.2	1,264.9	1,411.3
1961	2,649.4	1,327.4	1,322.0
1962	2,419.4	1,224.2	1,195.2
1963	2,345.9	1,444.5	901.4
1964	2,185.9	1,368.6	817.3
1965	2,133.8	1,598.6	535.2
1966	1,848.6	1,423.6	425.0
1967 ²	1,950.3	1,413.1	537.2
1968	2,126.0 ³	1,425.0 ³	701.0 ³

¹Year beginning July 1.

²Preliminary.

³Estimated.

SOURCE: U.S. Department of Agriculture.

Therefore, if 1968 estimates of wheat production are correct, domestic consumption remains constant, and exports meet strenuous competition, the U.S. wheat carry-over by July 1, 1969, may increase by 200-300 million bushels, depending mainly on export demand. This would represent the second continuous year of a surplus buildup, following the low of 425 million bushels of carry-over wheat on July 1, 1967.

Futures Trading Declines

The volume of futures trading in agricultural commodities in the Nation dropped substantially in 1967-68 from the record trading of the previous year, said the U.S. Department of Agriculture in its release of fiscal-year data from the Commodity Exchange Authority.

In 1967-68, speculators and hedgers had 14.7 million futures transactions in wheat, corn, soybeans, pork bellies, and 16 other agricultural commodities traded on commodity exchanges, as compared with 19.1 million in 1966-67. The value of all regulated futures trading in 1967-68, estimated at \$59.5 billion, dropped sharply from the previous year's figure of \$86.4 billion, reflecting both a decline in trading volume and lower prices of major commodities.

The CEA's fiscal-year report on futures trading includes, for the first time, livestock and livestock products. Live cattle, live hogs, frozen pork bellies, and hides were brought under futures-trading regulations by amendment of the Commodity Exchange Act on June 18, 1968.

Frozen pork bellies, with a 1967-68 volume of 1.3 million contracts, was the most actively traded of the new commodities and was the fourth largest of all commodities regulated at the end of the fiscal year. Live cattle and live hogs also had increased volumes during fiscal 1968.

Grain markets accounted for the year's greatest decline in futures trading; the decline is attributed generally to large supplies of major grains and a drop in prices. Wheat trading of 9.3 billion bushels declined from its previous-

year record of 10.4 billion bushels. However, cotton registered a strong comeback, following a period of nominal trading, with a volume of 19.7 million bales in 1967-68, as compared with only 85,700 bales traded a year earlier.

Agricultural Processing Is Important In Oklahoma's Economy

An interindustry analysis of the Oklahoma economy, recently completed by Charles H. Little, Assistant Professor of Agricultural Economics, Oklahoma State University, revealed that agricultural processing is a key industry in Oklahoma's economy. Agricultural processing ranked first in the State in terms of output multipliers.

Output multipliers measure the value of total new output generated by a \$1 change in final demand for commodities produced in a given sector. The output multiplier for agricultural processing was \$2.50; the original purchase of \$1.00 is included in the \$2.50 multiplier. An additional \$1.50 of output was generated through the interaction of firms in the agricultural-processing sector with those in the other sectors. The large multiplier for agricultural processing is due to that sector's purchases of inputs from other Oklahoma suppliers and to the selling of inputs to other producing sectors.

The multiplier for the livestock and livestock-products sector was the second largest (\$2.25). This high multiplier indicates that there is considerable interaction among livestock producers and other firms in the Oklahoma economy.

About 900 million pairs of shoes are required each year in order to keep the Nation's population shod, points out the Agricultural Research Service. Of this total, 600 million pairs are leather shoes manufactured in the United States; 150 million pairs are nonleather and synthetics; and 125 million pairs are imported. Women buy an average of 4 pairs of shoes each year, while men purchase an average of only 1¾ pairs.

Corporate Farming in Arizona and New Mexico

In November 1967, Secretary of Agriculture Freeman, in the midst of growing concern about corporations having agricultural operations, directed the Economic Research Service to conduct a survey to determine the number, kinds, and general characteristics of corporations that are directly involved in the production of farm commodities.

The U.S. Department of Agriculture recently released the first part of the survey on corporate farming, covering 22 states in the Corn Belt, Lake, Mountain, and Pacific Northwest regions. Among the individual states included in the first part of the survey were the Eleventh Federal Reserve District states of Arizona and New Mexico. The report on Louisiana, Oklahoma, and Texas will be included in the second part of the survey, which will be completed at a later date.

The results of the study indicate that corporations have not made serious inroads on the family farm in the area as a whole. A total of 153 corporations in New Mexico, operating 6,216 acres of farming land, and 205 corporations in Arizona, operating 2,165 acres, were found for the two states. These totals for the two states represented about 2 percent and 6 percent, respectively, of all commercial farms and 17 percent and 12 percent, respectively, of the total land in farms for each state.

Approximately 72 percent of the corporations found in New Mexico were family corporations, compared with 63 percent in Arizona.

About 14 percent of the corporations in New Mexico and 13 percent of those in Arizona were individually owned. The remaining corporations in each state were other types of corporations with diversified ownership.

About one-fourth of the corporations in each state had one or more business activities in addition to their farming interests. A larger percentage of the corporations in Arizona with additional business activities were in agribusiness, while a larger percentage of those in New Mexico were involved in nonagribusiness operations. Only about 3 percent of the diversified corporations in each state were involved in agribusiness and nonagribusiness operations.

Total gross sales of farm products from all corporations found in the 22 states, including Arizona and New Mexico, were estimated at slightly less than \$1 billion in 1967, or about 4 percent of the total cash receipts from farm marketings in the 22 states. Crops produced by corporations having agricultural operations tended to be similar to those produced by farms generally in each state; however, livestock operations on corporate farms appear to be more frequent and on a substantially larger scale than for all farms in each of the regions.

Approximately 45 percent of all corporations were reported to have been organized prior to 1960; and about an equal proportion, in 1960-66. The proportion organized in 1967 and through the first month or two of 1968 was about 8 percent.

CCC Interest Rates

Effective August 25, 1968, the interest rate payable on certificates of interest issued by the Commodity Credit Corporation to financial institutions participating in the financing of crop price-support loans has been decreased to 5.375 percent annually. According to the U.S. Department of Agriculture, this decrease in the interest rate, from 5.875 percent, is in line with recent changes in the money market. This was the first decrease in interest rates paid on CCC certificates of interest since April 1967.

Cotton Production

(In thousands of bales)

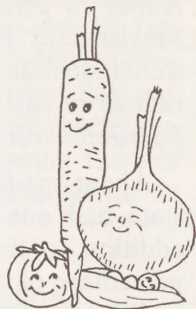
Area	1968 ¹	1967	Average 1962-66
Arizona	635	454	776
Louisiana	540	428	566
New Mexico	180	157	242
Oklahoma	200	194	303
Texas	3,325	2,767	4,223
Total	4,880	4,000	6,110

¹August 1 estimates.

SOURCE: U.S. Department of Agriculture.

Vegetable Processing in the South

The cannery in Anytown, Texas, was built to process 1,000 cases of canned tomatoes a day. However, less than 800 cases are coming off the production line, leaving 22 percent of the processing plant's production capacity unused. Across the Louisiana border, there is a similar situation. The cannery was replaced a few years ago by a processing plant, where peas and okra and kale and other leafy greens are frozen, but about 26 percent of the plant capacity there is not being utilized.



There are many more examples of underutilization of plant capacity in the South similar to the two above. If canning and freezing plants in the region were producing at their full capacities under normal conditions, their contribution of canned and frozen vegetable products to the Nation's supply could be about 390,000 more tons than current output. These are findings of a study by the Economic Research Service, in cooperation with southern agricultural experiment stations, and recently prepared by J. L. Pearson of the Florida Agricultural Experiment Station. The primary purpose of the study was to measure the vegetable processing capacity of plants in 11 southern states.

The study covered all but 4 plants in the area, including 134 canning plants, 18 freezing plants, and 2 canner-freezer combination plants. Texas, with 29, had the largest number of plants of both types. For the South as a whole, only 57 percent of the vegetable canning capacity of 58 million cases and 74 percent of the freezing capacity of 256 million pounds were being utilized; 38 percent of the surplus tonnage capacity was in Louisiana.

Use of processing capacity varied among types of plants, products, plant sizes, and areas. In general, the largest plants used the greatest portions of their capacities. Freezers tended to process on a larger scale than canners. Among single commodities, there was propor-

tionately more unused capacity for tomatoes (22.4 percent) than for any other vegetable.

The causes of nonuse of capacity ranged from purchasing of inputs to selling of outputs. Problems with raw product procurement and quality were revealed by 45 percent of the canners. About the same proportion of freezers had procurement problems, but less than a fourth of them complained about raw product quality.

Because of the seasonality of raw products, variations in raw product supplies occur. Therefore, many processors find it in their best interests to have enough capacity to accommodate seasonal supply. As a result, operation at full capacity is the exception rather than the rule.

Approximately 39 percent of the canners, but only 22 percent of the freezers, reported that availability of labor was a problem. On the output side, 43 percent of the canners and 33 percent of the freezers reported that they had some problems selling additional outputs.

Over the 1964-68 period, researchers found that, for the South, the freezer industry has had a sharper growth than the canning industry. Out of 14 plants that closed during the period, only 1 was a freezer plant.

Cotton-Blending Machine Proven in Mill Test

A machine that blends cotton fibers from as many as 20 bales has successfully passed testing in a commercial mill, the U.S. Department of Agriculture reports. The new machine, now ready for commercial use, is called the SRRL Bale-Opener-Blender.

A comparison of the new unit with the conventional system showed that the new unit is consistently better in cloth uniformity, strength variation, warp and filling, cloth nep count, and warp strength. The new machine is intended to meet the need for a unit that would remove cotton from the bale and deliver thoroughly blended tufts at controlled weights of one-tenth to one-half gram. The machine also takes less floor space than machines now used to open and fluff tightly packed cotton.