FARM AND RANCH BULLETIN

Vol. 25, No. 1 January 1970

CURRENT AGRICULTURAL SITUATION

Agricultural income from livestock was stronger than from crops in 1969. Although there were substantial gains in consumers' take-home pay, market supplies of livestock and products were expanded only slightly. As a result, livestock prices received by farmers were up sharply from the previous year. An abundant crop harvest, with large carryovers of grains and soybeans, weakened average crop prices. But with the volume of crop marketings up, cash receipts were about steady. Realized net farm income was close to $16 billion, up from the $14.8 billion achieved in 1968, according to the U.S. Department of Agriculture.

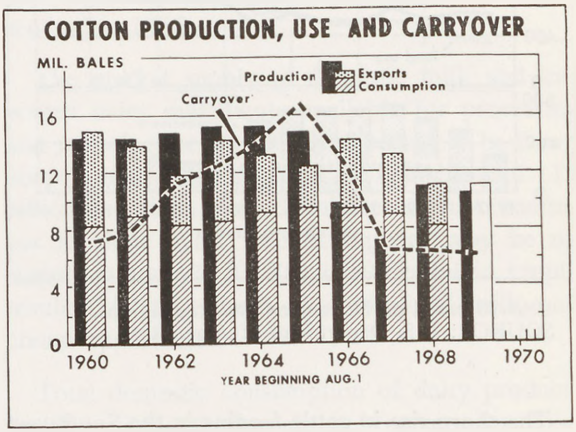
Agricultural production and income in the Eleventh Federal Reserve District states — Arizona, Louisiana, New Mexico, Oklahoma, and Texas — were sharply divided, with livestock and livestock products holding a moderately favorable income position, while crop income was weakened by poor yields and generally low prices.

Cotton

The nation's cotton stocks are expected to decline moderately in the 1969-70 season. Because disappearance may be more than in 1968-69, the carryover in August may slip to near the 6 million-bale level, compared with 6.5 million last August.

Cotton production in 1969 for the District states totaled approximately 4.5 million bales — 14 percent less than a year earlier. The U.S. crop totaled almost 10.1 million bales, down 8 percent from 1968 production.

Prospects for cotton disappearance in 1969-70 have weakened in recent months. Mill use probably will not exceed the 8.25 million bales of the previous season, the smallest in over a decade. The weakness is attributed to reduced military purchases, higher levels of textile imports, and continuing market losses to man-made fibers. Although annual exports averaged 3.75 million bales in 1964-68, exports in 1969-70 are expected to total near last season's level of 2.75 million bales.



Millions of running bales.
Ending carryover.
1969-70 based on October 1, 1969, indications.
SOURCE: U.S. Department of Agriculture.

Man-made fibers have continued to displace cotton in many uses. Total consumption of fibers increased in 1969, but use of cotton declined. The USDA estimates that cotton's share of the fiber market may ease to a new low of about 40 percent, while man-made fiber use may increase to 57 percent. Cotton is used with many man-made blends but usually as the minor fiber.

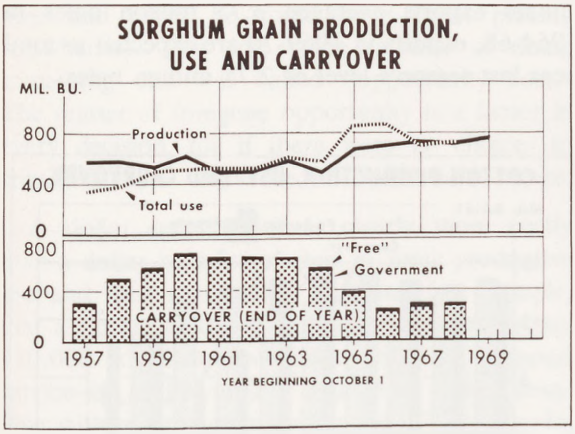
FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS

Because of the small 1969 cotton crop, the USDA increased the 1970 acreage allotment for upland cotton 6 percent. Direct price-support payments will be 16.80 cents a pound on domestic acreage allotments, compared with 14.73 cents under the 1969 program. The national average rate of price-support loans will still be 20.25 cents a pound for Middling 1-inch cotton at average locations.

Sorghum Grain

Production of sorghum grain in District states was estimated at close to 386 million bushels in 1969, or 4 percent less than in 1968. Nationally, the supply was up about 2 percent because of a large total crop of 757 million bushels.



1969-70 based on November 1969 indications.
SOURCE: U.S. Department of Agriculture.

The sharp rise in cattle feeding in the Southwest has also increased requirements for sorghum grain, which, in turn, give some support to prices. Prices received by Texas farmers in the last half of 1969 averaged approximately 20 percent above the level of the corresponding period a year earlier. In mid-October 1969, prices received by U.S. farmers averaged $1.91 per hundredweight, 30 cents above the loan and the highest for that month since 1956.

With more cattle on feed, domestic demand for sorghum grain is apt to continue strong in the 1969-70 season. Domestic use in 1968-69 was 620 million bushels, a record high. The USDA estimates that feed consumption in 1969-70 probably will exceed the previous high by 5 to 10 percent. Although exports were down 36 percent from the previous season, shipments of sorghum grain in 1968-69 totaled 106 million bushels. If the expected domestic expansion in use is realized in the 1969-70 season, the crop would fall below total requirements, reducing the October 1, 1970, carryover.

Wheat

Farmers in the District states produced about 200 million bushels of wheat last year — 9 percent less than in 1968. Total U.S. output, at 1,456 million bushels, was 7 percent less than in 1969.

Marking the third consecutive year of increase, the total U.S. supply of wheat in the 1969-70 marketing year is estimated by the USDA at 2,275 million bushels, or 164 million more than in 1968-69. A sharp decline in exports in 1968-69, resulting from an extended dock strike, as well as large and increasing world supplies, was only partially offset by increased feeding of wheat in the United States.

Exports are expected to rise a little from the 1968-69 level of 544 million bushels. But continued large production in several key importing countries has dampened any significant increase in world trade. Wheat stocks in the major exporting countries were up sharply last summer. Two-thirds of these stocks were held outside the United States, compared with less than half in 1961. Major exporters' supplies of wheat in 1969-70 may exceed domestic needs by 4.2 billion bushels. This is a record exportable surplus and enough to meet usual world import requirements for two years.

The 1970 wheat program is essentially the same as in 1969. But the supply-demand situation for wheat led the USDA to reduce allotments for 1970. In the five southwestern states, the 1970 wheat acreage allotment has been set at 4.6 million acres. The national acreage allotment was reduced to 45.5 million acres, 12 percent less than in 1969. The acreage diversion program for payment continues, and the national average loan rate remains at $1.25 a bushel.

Rice

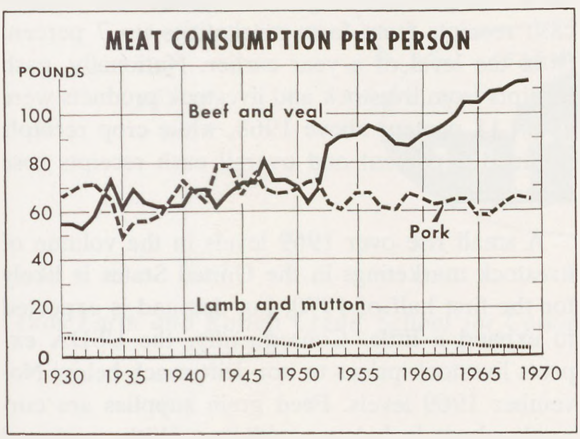
Adverse weather, along with a 9-percent reduction in planted acreage, lowered the 1969 rice harvest in Louisiana and Texas to about 41 million hundredweight — 24 percent less than in 1968.

U.S. production was down 14 percent for a total that was about 90.2 million hundredweight.

Total disappearance of milled rice in 1968-69 was up only slightly from a year earlier, in contrast to the sharp annual increases of recent years. Because an increased carryover partly offset the reduced 1969 crop, the rice supply for 1969-70 is nearly as large as in 1968-69. With prospects for a further decline in exports and little change in domestic use, the carryover may rise again this summer, but the increase will be more moderate. This implies that prices will stay close to the price-support loan of $4.72 per hundredweight.

Cattle

Livestock production in the District states rose about 6 percent in 1969 over the previous year. As in 1968, cattle and calves accounted for most of the increase. Even though total U.S. fed beef output increased in 1969, commercial beef production was only slightly larger because slaughter of nonfed steers and heifers dropped. Consequently, with increases in consumer demand for meat and a decline in supplies, the result was a strengthening in livestock and meat prices.



Pounds — carcass-weight basis.
1969 based on November indications.
SOURCE: U.S. Department of Agriculture.

Although cattlemen have been expanding the beef herd since 1958, increases in recent years have been small. The beef cow herd has risen an average of about 2 percent a year for the last five years, compared with a 5-percent average annual increase during the early 1960's. Declines in dairy cow numbers in 1965-67 slightly more than offset the increases in beef cow numbers. For the last couple of years, the gains in beef cow numbers have about equaled the reduction in dairy cow numbers.

Consumer demand for beef has continued to increase over the past decade. The average American consumed 81 pounds of beef in 1959, but he ate close to 110 pounds in 1969. This strong demand for beef is expected to continue next year, but with projected gains in red meat output, most meat and livestock prices are not likely to increase much.

Dairy

Continuing the trend of recent years, the number of milk cows in the five southwestern states as of January 1, 1969, dropped about 4 percent from a year earlier, but total milk production in 1969 was about steady. The rate of decline in numbers of milk cows in the nation slowed to about 2.5 percent, and total milk output decreased about 1 percent below 1968.

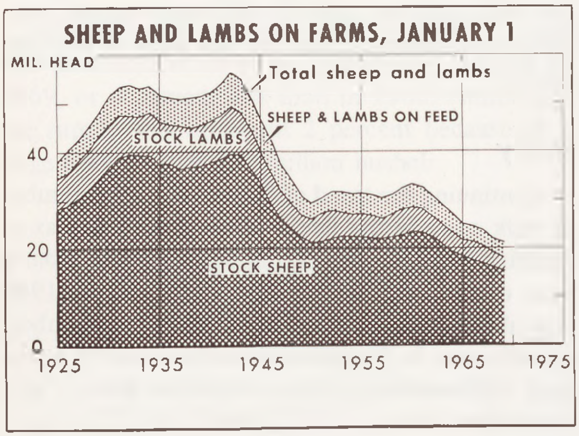
The market supply of domestic milk and imported dairy ingredients available for processing and manufacture in 1969 is expected to be down about a billion pounds from the equivalent of 113 billion pounds in 1968. If milk production continues to show gains, market supplies may be up slightly in early 1970. The 1969 decline in supply resulted from reduced marketings of milk and cream by farmers.

Total domestic consumption of dairy products (milk equivalent) was about 1 percent less than the 117 billion pounds of 1968. Most of the decline was in civilian consumption. The USDA expects per-capita civilian consumption to decline again in 1970.

Prices dealers paid for milk used in bottling early in 1969 averaged between 5 percent and 6 percent higher than a year earlier. But the gains narrowed to less than 3 percent in the third quarter and probably from 2 percent to 3 percent in the last quarter. If milk production continues to rise in early 1970 and premiums above Class I prices do not change, dealers are likely to pay slightly higher than year-earlier prices, according to the USDA.

Sheep and Lambs

The number of sheep and lambs in District states declined last year for the fourth consecutive year, dropping 5 percent lower at the start of the year than a year earlier. The number of sheep shorn fell 4 percent, and the average fleece weight slipped 3 percent. As a result, wool production was down about 6 percent from 1968.



1969 preliminary.
SOURCE: U.S. Department of Agriculture.

Total sheep and lamb numbers in the United States declined in 1969 for the tenth consecutive year. These numbers have dropped at an average annual rate of 4 percent since 1960, when the inventory was at its most recent peak. In the early 1960's, lamb slaughter was large in relation to inventories, and lamb prices were relatively low. Since 1965, however, slaughter supplies have dropped while consumer demand has been strong. Thus, prices in recent years have averaged above any period since the early 1950's. In the first ten months of last year Choice grade slaughter lambs averaged $28.80 per hundredweight at San Angelo, Texas, about $3.15 higher than for the same period a year earlier.

Poultry and Eggs

Broiler production in Eleventh District states increased in the first 11 months of 1969 at a rate indicating a 7-percent gain for the year. Even so, prices continued to rise, showing that with increased personal incomes, people were eating not only more beef but also more chicken. Despite this advance, however, total output of poultry and eggs declined slightly for the second consecutive year. Although the laying flock at the start of 1969 was 9 percent smaller than a year before, the output of eggs during the year was only about 5 percent less than in 1968. For the nation, egg production in 1969 is expected to total slightly below the 193 million cases produced the year before. This decline was primarily the result of a smaller laying flock and a decrease in the rate of lay in early 1969.

The USDA expects a moderate increase in egg production and larger broiler output in the first half of 1970 than the corresponding year-ago levels. Turkey meat supplies probably will be down. Although supplies are expected to be larger in the first half of 1970, strong demand for eggs used in liquid egg production will tend to hold average egg prices near year-earlier levels.

Farm Income

The expected increase in gross farm income in the five southwestern states in 1969 was due primarily to gains in cattle prices and beef production. Crop receipts in the first ten months were 2 percent lower than in January-October 1968, but livestock receipts were 13 percent higher. This brought cash receipts from farm marketings up 7 percent from the level of a year earlier. Nationally, cash receipts from livestock and livestock products were about 11 percent above 1968, while crop receipts declined 2 percent and overall cash receipts rose 6 percent.

A small rise over 1969 levels in the volume of livestock marketings in the United States is likely for the first half of 1970, but demand is expected to expand a little. Consequently, the USDA expects livestock prices to not drift much below November 1969 levels. Feed grain supplies are currently about in balance with use. With continued strong domestic and export demand, prices of feed grains are expected by the USDA to average slightly higher in the 1969-70 season than in the year before. Nevertheless, with production expenses continuing to advance, the cost-price squeeze will continue for both crop and livestock producers in 1970. For this reason, realized net income for the nation's farmers in the first half of 1970 may fall below the $15.6 billion rate of January-June 1969.

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