Farmers Food

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record. The September crop report indicates the corn crop will set a record at 5.8 billion bushels, up about four percent from a year ago. The soybean estimate is set at 1.6 billion bushels, up nearly 25 percent from last year's record. Despite the record prospects for 1973, grain prices continue at levels which are so high that many farmers feel they cannot afford to expand livestock production.

Grain production in 1974 is expected to be substantially above this year. Early estimates place next year's increase in wheat production at 110 million bushels. The corn crop should increase 580 million bushels to a total of 6.3 billion bushels. This would be a crop nearly 85 percent larger than was produced just 10 years earlier. Total feed grain production in 1974 may be 8 to 10 percent larger than the 1973 record. Soybean acreage in 1974, however, is not expected to be as large as was planted this year. It is expected that some soybean land will be diverted to cotton production in 1974. By 1985 grain production could be more than two-fifths higher than today. Soybean production will probably double. Feed grain production might increase by a half and wheat production could easily increase by one-third. Even with strong export markets there will be years when unneeded wheat and feed grains will begin to accumulate.

Changed government policy

To assure that big crops are produced in 1974 the government has ended restrictive programs to cut back agricultural output. The 1974 feed grain program is designed to encourage producers to go "all out" in expanding production. There will be no set-aside requirement and no restictions on acreage planted for 1974 and there will be no conserving base for the duration of the Agricultural and Consumer Protection Act of 1973. Farmers are likely to respond to this new freedom in the Farm Program by planting about 11.4 million more acres to wheat and corn in the 1974 crop year.

World demand for grain has increased sharply in the past year. The question is "Will foreign demand remain high now that prices have moved to very high levels?" These high prices will probably discourage future grain sales from the U.S. Importing nations, in addition to cutting back their grain orders as much as possible, will do their utmost to increase their own grain production. It is reported that 1973 grain harvest in the Soviet Union has been excellent and will nearly meet the target levels. It is true that U.S. producers will go all out to produce more grain in the next few years, but we should also recognize that other exporting nations, which compete with us for world markets, will be increasing their grain production too.

Uncertainties

Much of the so-called increased need for U.S. grain comes from two general sources: (1) The Soviet Union and the Peoples Republic of China have recently become big customers for U.S. grains and (2) the threat of famine in many of the emerging nations.

Trade relations with the Soviet Union have come a long way in the past year but legislation to normalize trade relations with the Soviets has been stalled in Congress. While normal trade between the two countries may not develop soon, it will ultimately imporve. The Soviet Union is interested in Western capital and technology and U.S. businessmen want to sell to the Russians. At this point it would appear that there are so many uncertainties regarding trade with the Russians and Chinese that it will be difficult to make long-range production plans on the assumption that these two countries will or will not be customers. We just don't know whether last year's thaw in relations and our big grain sale will prove to be the beginning of bigger sales or just a brief thaw in the Cold War.

The threat of famine in parts of India, Pakistan, Bangladesh, and the African drought belt puts the U.S. in a dilemma. If drought conditions worsen in these nations, it is reported that 10 to 30 million people could starve. Only the well-fed nations, particularly the U.S., could help solve such a disaster if it occurs. With our balance of payments problem, the U.S. is under a great deal of pressure to sell as much grain as possible, and may not have as much left over to donate to countries faced with famine. Other wealthier nations may be faced with the same dilemma. Can the wealthier nations cooperate in developing programs to assist the nations where drought threatens? The richer nations may need to simplify their diets and waste less food to help provide relief for less fortunate areas.

Prospects for the future

Strong export demand is expected to continue during the coming year. Possible more than a billion bushels of wheat has already been committed to foreign markets. Significantly about one-fourth of this is not marked for any destination. It may be in the hands of traders and speculators who will later dump it if the price drops.

Preliminary export commitments are equivalent to about 60 percent of the 1973 wheat harvest. In normal years the nation exports about 40 percent of the wheat crop. Despite the increased level of exports, there is little likelihood that export embargos will be used to restrict exports of grain to incure adequate supplies for domestic use. Carryover stocks of wheat will probably not be much more than 250 million bushels of wheat when harvest of the 1974 crop begins. Thus there will be adequate supplies for domestic use but the close supply-demand relationship will keep prices high as compared to other years when supply greatly exceeded demand. About 530 million bushels of wheat will be used for food in the U.S. in the 73-74 year.

Strong demand and high prices for agricultural products will aid in setting a new farm income record for 1973. Net farm income is expected to increase about 21 percent from last year's record $19.7 billion. The largest benefactors will be the grain producers. Improved incomes will encourage grain producers to expand production next year.

The biggest user of grain in the U.S. is the livestock industry. Because grain prices have risen more than livestock prices in the past year, livestock producers are not optimistic about future profitability of livestock production. Through hog prices on September first, at $52 per hundredweight, were $23 per hundred above a year earlier, farmers indicated they would not expand hog numbers this fall and winter. The hog-corn ratio, a rough measure of hog profitability, was 21 in September compared to the more favorable 24 a year earlier. Recent memories of the hardships caused by price freezes, ceilings, consumer boycotts, and rapidly rising feed prices have also undoubtedly influenced farmers' decisions to hold back on expansion. Many probably reason "Why take all of that risk in livestock when I can just sell my grain at a high price?"

Beef production will increase over the next two-year period because the calves have already been born which will make the beef supply during much of this period. The 1973 beef calf crop increased about 6 percent, the largest increase in 9 years. If profit margins are too narrow, however, many of these animals will not be purchased for finishing in feedlots.

During the coming year Americans will not go hungry. Despite a 60 percent increase in exports of agricultural products there will still be enough for domestic use—at relatively high prices. Higher export activity will likely lead to a favorable balance of payments in 1974. This will enable Americans to continue to purchase the imported goods and to continue to travel in foreign lands which we have come to enjoy so much in recent years.

As the inflationary forces in the economy continue to increase we will see wages and salaries increase substantially. Food prices and taxes will increase but not as much as wages. But the consumer still fretful about higher prices of food asks, "When will we be able to buy steak again for 89 cents a pound?" The 89 cent steak is probably as far away as the 5 percent home mortgage, a new Buick for $2300, and a minimum wage of 90 cents per hour. There is no food shortage in sight in the U.S. unless consumers again exert pressure on the government for price controls as they did this past year.