Crop Controls and 1955 Outlook

shifts in land use pattern expected to follow acreage allotments for 1955 will influence farm incomes

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The following article was prepared from the more detailed publication Looking Ahead in '55, *available without cost in the local office of the University of California Agricultural Extension Service.*

Under crop production controls in effect January 1, 1955, California's cotton allotment was 778,686 acres—compared with the 1954 allotment of 936,408—a reduction of around 158,000 acres. The acreage in cultivation on July 1 was 906,700.

California's wheat allotment for 1955 is 477,950 acres, a reduction of 84,000 acres from the 1954 allotment. However, it is estimated that only 487,000 acres of wheat were harvested in the state in 1954.

Sugar beet acreage is being reduced in 1955. California's proportionate share is 182,410, as compared with 211,000 acres in 1954—a reduction of 28,590 acres. This is a new program, not in effect in 1954. It extends diversion of acreage into districts not affected by the cotton and wheat programs.

Present legislation requires that marketing quotas and acreage allotments for rice be announced and voted on when the total supply is 10% above the normal supply. That is the case now, with a large 1954 crop and carry-over and lower exports. The Secretary of Agriculture on December 28 declared marketing quotas and a national allotment of 1,859,099 acres, and January 28 as the date for the referendum. Nationally this was a reduction of 24.7%. The Secretary announced on January 18 that the acreage allotment to eligible California rice growers would be 343,362 acres. This is a 31.3% reduction from estimated seeded acreage of 500,000 acres in 1954. Two thirds of the voting rice growers must vote in favor of the quotas or marketing quotas will not be put into effect, and the support price will drop to 50% of parity. Approval of marketing quotas by rice growers means 156,000 acres must be diverted to other crops or left idle.

Originally there were many limitations on the use of diverted acres in 1955. They were removed in several stages—feed grains, dry beans, and, on December 13, the few remaining limitations, including potatoes and commercial vegetables, were removed. Cross compliance or observance of all allotments as a condition of price support was also removed. Price supports on barley, grain sorghums, and oats have been announced at 70% of parity as compared to 85% last year.

California made some large acreage shifts in 1954 without serious difficulty or serious price declines. Alfalfa acreage increased 44,000 acres, barley 358,000, corn 84,000, and grain sorghum 57,000. Indications are that additional diversion will be along similar lines in 1955. Too much of an unsupported cash crop, such as alfalfa hay, could result in serious price reduction.

Outlook

The problem of what to grow in 1955, where several choices are available, is a serious one for many field and vegetable crop producers. So, too, is the problem of disposition—to sell at harvest time, to store if storage is available, to put under support loan, or to feed to livestock.

Farm prices have been falling for almost four years—down 21% since February 1951—while prices of supplies farmers buy have continued to hold rather steadily. This cost-price squeeze on the farmers' net incomes is not expected to be relieved in 1955.

While average farm prices may be almost as high—as a result of government price supports—prospective reductions in certain controlled crops will mean that cash receipts from farm marketing in 1955 are likely to be reduced by about one billion dollars. Production costs may be lower, perhaps by about a half billion dollars, as farmers make more serious adjustments to lower prices and less production of high-cost crops. Farmers' net incomes, therefore, are expected to drop off in 1955 by about half a billion dollars, going to $12 billion as compared to $12.5 billion in 1954. This outlook for lower farm income applies only to the over-all average of all farm products and is made on the assumption that the international situation will not change much and that weather and crop yields will be average.

The demand for farm products appears to be very good, especially the domestic demand. Consumers have been spending about 25% of their disposable income for food, and the outlook is for sustained level of individual income. Foreign demand, which accounts for about 9.5% of the market for farm production, is expected to be up about 10% in the 1954–55 marketing year. Cotton exports are expected to rise perhaps to 4.5 million bales from the 3.8 million bales exported in the 1953–54 marketing year. Wheat exports may rise about one sixth. Government aid in exporting agricultural products in the form of facilitating currency conversion is expected to improve the general export market.

In spite of the excellent demand situation for farm products, supplies continue to outrun the demand, and large quantities of some commodities accumulate in government storage. Government stocks of farm surplus commodities make the one black spot in an otherwise rather bright outlook for farmers. Government investments in supporting farm products either in inventories or loans may approach the $10 billion now authorized. Production adjustments will be needed to bring supplies of some crops into a reasonable relationship with prospective demand, and further reductions in acreage allotments of wheat, cotton, sugar beets, and perhaps corn and rice, seem inevitable next year.

The over-all measure of agricultural prosperity is the parity ratio—the ratio of farm prices to farm costs. The 100% parity ratio has long been the goal of government legislation. The parity ratio is now 87%. It is almost certain that in 1955 the 100% parity will not be realized unless there is a war or some other extreme emergency. In retrospect, parity ratios in the neighborhood of 85% to 95% have appeared to be periods of rather satisfactory agricultural prosperity. It is not anticipated that parity ratio will drop much below 85% next year. For most of the agricultural crops, the fast-growing population with a desire to improve its diet presents the farmer with a growing market that within a few years should significantly improve the farm situation.

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