Cotton Price and Production

lower total farm earnings in 1959 prospect for California growers whether operating under Allotment Plan A or Plan B

Trimble R. Hedges

First of a two part article based on Mimeographed Report No. 215, "An Evaluation of Allotment Plans A and B on California Cotton Farms in 1959" by the same author and Douglas D. Caton and released by the Giannini Foundation, Division of Agricultural Sciences, University of California, Berkeley.

California cotton growers may choose in 1959 between Plan *A*—price supports at not less than 80% of parity coupled with regular allotments—and Plan *B*—price supports at 15% of parity less than for Plan *A*, but with allotments up to 40% larger. Announced price support levels under this program are 30.4¢ per pound for Plan *A* and 24.7¢ per pound for Plan *B*, basis U. S. average location and middling 7/8" cotton. Estimated California support prices, considering the average grade and staple length for the 1958 season, but including no location adjustment, are 34.53¢ per pound for Plan *A* and 28.83¢ per pound for Plan *B*. The following analysis of the comparative incomes to California cotton producers under the two alternative programs is based on slightly lower prices, however: 33.6¢ per pound for Plan *A* and 27.3¢ per pound for Plan *B*.

Growers who elect Plan *B* will require 1.31 acres of cotton at 2.5 bales per acre yield to equal Plan *A* earnings on one acre. Usually, the 0.31 acre shifted to cotton was returning some net income in an alternative crop and cotton profits must cover that amount, in addition to compensating with added cotton acres for lower net earnings per acre. The profit advantage of Plan *B* over Plan *A* is narrow and—apparently—will not bring 1959 earnings up to the 1958 level for most growers. However, there are good reasons for some farmers to choose Plan *B* over Plan *A*, but the income advantage of Plan *B* is in no sense absolute for all conditions.

A favorable year for crops other than cotton, plus a higher support price for the more restricted cotton acreage in 1959, would make it advantageous to many farmers—particularly on the smaller farms—to elect Plan *A*.

Domestic cotton prices to growers are influenced by price support policies and Commodity Credit Corporation loan and purchase rates; by the particular disposition of Commodity Credit Corporation stocks; by the quantity and quality of production; by the price of competitive substitutes; and, by export sales. As a result of these and other price factors, average prices, as well as actual prices, received by individual farmers have a marked tendency to vary from the loan rate.

Some of the forces making for price variation will operate in 1959 and individual farmers with cotton of inferior grade, short staple length, or other undesirable quality characteristics can expect to sell at a price disadvantage.

The over-all cotton situation and past experience provide some advance indications of likely developments. If sizeable amounts of cotton receive Plan *B* support at 15% of parity lower than Plan *A*, and if the Commodity Credit Corporation sells freely for unrestricted use at 10% above Plan *B* level, United States prices for California cotton probably would be near the 30¢ per pound level. Other United States cotton would sell at prices related to the California cotton by quality and location differentials. United States average cotton prices to producers differed little from those in California during the five crop years, 1954–1958, except for 1957 when United States prices were relatively lower.

Such a price structure would mean, essentially, an out-and-out subsidy to growers under Plan *A*, inasmuch as the Commodity Credit Corporation buying price would be above the selling price by about 8.5% of parity. Another result would be to reduce the present subsidy to foreigners importing United States cotton. This two-price type arrangement resulted in foreigners buying United States cotton at 6¢–7¢ per pound less than United States users had to pay during 1958. If 1959 prices do behave in such a manner and export subsidy programs continue, growers under Plan *A* would receive a subsidy, foreigners would still receive some subsidy, but less than in the period 1956–1958, and United States industrial and private cotton users would be spared the difference between Plan *A* support prices and Commodity Credit Corporation selling prices. Taxpayers would have to continue to underwrite the subsidy to Plan *A* producers—the difference between support and Commodity Credit Corporation selling prices—plus the remaining export subsidy.

Actual market prices may vary widely under the new program, as under the previous one. The range of such variations could be between 80% and 65% of parity, though prices might possibly drop below the 65% level on occasions. It seems reasonable to estimate that the market price may be below the upper loan rate, and centered between 27.3¢ and 30¢ per pound.

A sharp decrease from the 1958 crop year domestic prices is expected, by some analysts, to occur in 1959. The decrease may be of sufficient dimensions to contract United States cotton mill purchases during the summer of 1959, because of reluctance of mill owners, processors, and distributors to carry cotton. The decrease may cause the government to receive an unusually large proportion of the 1958 crop in its price support loan and to own most of the end-season stocks.

The greater the use of Plan *A* the greater will be the effect on private buying at the origin. If a substantial number of cotton farms choose Plan *B* the surplus problem may be aggravated, and if this proves to be the case the government may reduce the overplanting allowed under Plan *B* for 1959 to less than 40% for the 1960 season.

The 16 million acre minimum for 1959 is larger than the planted acreages resulting in surpluses at 80% of parity

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Management of Second Growth Stands of Douglas-fir

Recent studies by Rudolf F. Grah, Specialist in Forestry, University of California, Berkeley, show the effect of low stand density on quantity and quality of yield.

One of the common problems of modern timber management is that some lands tend to regenerate after cutting with far fewer trees per acre—low stand density—than were in original stands at similar ages.

Data on quantity and quality of yield of Douglas-fir were analyzed to show that, within the range of initial stand densities considered, the net harvestable volume is not significantly affected by stand density. On the other hand, quality as measured by knot size and amount of excessively fast grown wood was shown to be very greatly affected by density. From an economic viewpoint, stands grown at low initial densities yielded a soil expectation value of $44 per acre less than those of full density. Three general conclusions are drawn which have application to current management practice: *1.* Low initial density reduces financial value of Douglas-fir stands; *2.* Fill-in planting and pruning to overcome quality deficiencies are effective and profitable investments; and *3.* Stand improvement investments are most profitable on the better sites, and those sites should be given priority in the allocation of funds.

STRAWBERRY

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southern California probably can not be delayed as long as those for Lassen.

The Solana strawberry apparently requires a longer minimum growing period, during the establishment season, if optimum performance is to be realized. Also, Solana probably should be established with stored plants and the plantings made early in the summer, compared to Lassen. Winter planting of Solana is not recommended.

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RANGELAND

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CIPC, were used. Residues from such herbicides may be injurious to perennial grass species seeded at a later date unless rapid breakdown of the chemicals occurs. Complete elimination of some resident annual grasses may not be desirable because certain grass species, such as soft chess, provide food forage. However, reduction or elimination of weedy grasses would greatly improve the range, particularly if followed by the introduction of desirable annual clovers or perennial grasses. The effect of applying legume selective herbicides such as EPTC and CIPC not only failed to damage the seeded rose clover but also resulted in a greater cover of native annual legumes.

The promising results of this investigation justify further work on the problem of reducing competition during seedling establishment of annual rangelands by the application of pre-emergence herbicides.

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POTATOES

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rates above five pounds per acre provided control of broadleafed weeds and grasses for a period of three weeks. NPA and CDAA failed to provide adequate control. This may have been due in part to a rapid leaching of these materials from the upper soil. Yellow nutgrass which was present was not controlled by any of the herbicides tested.

Neburon and CDEC were the only herbicides which provided weed control with no injury to the potatoes at the highest rates used. Simazin caused a reduction in tuber formation at concentrations which fell in the range best suited for weed control. Monuron and diuron, while controlling weeds, left a narrow margin of safety for the crop plant. CDAA and NPA failed to provide adequate control under conditions of the field trials.

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COTTON

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and higher supports during the past few years. If farmers take full advantage of the allowed acreage, greater surpluses than ever may be in prospect for the immediate future, in spite of reduced price support levels.

The United States gained only about 6% in cotton production and consumption between two five-year periods—from 12.9 million bales produced, and 12.1 million consumed in 1935–1939 to 13.7 and 12.8 million in 1953–1957.

Foreign use of United States cotton declined about 6%—1.0 million bales—but a 29% increase in United States use—2.0 million bales—offset this drop and resulted in a 6% gain in world-wide consumption between the same periods.

The rate of growth in the world cotton market has slowed, and little change has occurred since 1955, although foreign production has tended to expand as United States cotton output contracted.

United States cotton growers lost ground in the world market in the period beginning just before World War II, a disadvantage that is both absolute and relative. The United States is selling less cotton abroad now, in spite of the fact that foreign consumers are using more total cotton. The one major change that has prevented a still worse position for California and United States growers is increased consumption in the domestic market. However, both per capita and total bale consumption in the United States have declined since 1955.

The facts relative to the cotton situation are quite important to California and United States growers as they consider whether to elect Plan *A* or Plan *B* for the 1959 and 1960 seasons. At the upper extreme, if all growers chose Plan *B* and obtained yields equal to those in 1958, the result would be an overwhelming surplus. Plantings might reach about 22,834,000 acres; an average yield of 470 pounds of lint per acre would mean total production at about the 21.5 million bale level. The estimated 1958–59 disappearance—about 12.25 million bales—would still leave about 9.5 million bales to add to the August 1, 1959, carryover of 8.7 million. The result would be that carryover into 1960–61 would be over 18 million bales—an unworkable figure that would undo all progress in recent seasons toward working off surpluses.

To be continued

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