

# Agriculture: The Best Year Ever

by Gene D. Sullivan

When the record books have been completed, 1972 will stand out as the best year in history for District farmers. Growing demand for farm products resulted in rising prices and increased output for most agricultural commodities, producing record-breaking farm income in both the crop and livestock sectors. This was despite crop losses resulting from heavy rains during the harvest season. Although farm costs also rose, profits have increased and farmers have been encouraged to borrow more money to expand operations.

## Cash Receipts

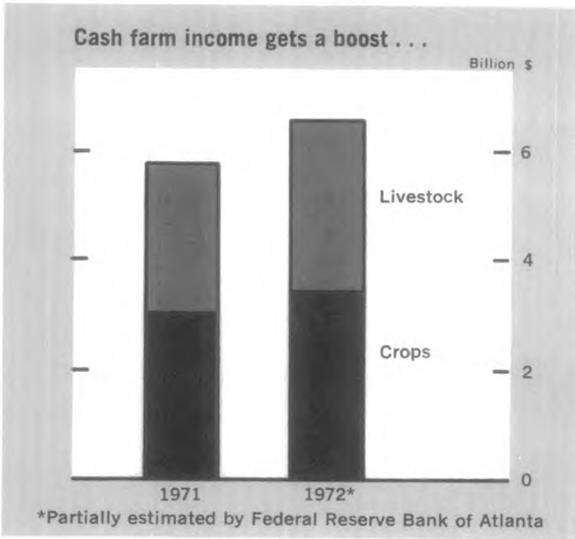
Throughout 1972, cash receipts from farm marketings ran ahead of year-ago levels. Early in 1972, the strongest push came from higher livestock prices. Later in the year, crop prices advanced also, helped in no small measure by Russia's grain purchases. Although prices of poultry, eggs, cotton, and citrus fruits sometimes ran counter to the trend, average annual prices still compared favorably with 1971's levels.

Cotton provided one of the strongest boosts to District farm income. The high prices of late 1971 and early 1972 stimulated farmers to raise output by about 15 percent. Although this increase came at the expense of grain output, the trade was a favorable one for District farmers.

## Farm Costs

In spite of control programs, prices paid by farmers for commodities and services showed the sharpest rise in recent years. Interest rates, wages, taxes, and prices of production items all registered significant increases. Only a slower rate of growth in living expenses held back increases in prices paid for commodities and services.

Higher prices and expanding output of crops and livestock resulted in



rapidly rising production expenses. Cash receipts rose even faster, however, creating larger net returns to farmers.

### Credit

Total agricultural credit reached an all-time high of \$6.3 billion in District states in 1971, but moved even higher in 1972. Increases in land purchases for farm enlargement, soaring nonreal estate capital needs, and expanded production have all fed the demand for farm credit.

Most lenders experienced favorable farm loan repayments in 1972. However, there were pockets where drouth severely restricted production and where heavy fall rains and flooding destroyed crops before they could be harvested. In these unfortunate areas, some loan carry-overs have been unavoidable.

### The Outlook

Favorable prices and increasing profits will stimulate further expansions in production, where allowed, in the year ahead. A reduction in cotton acreage allotments has been announced, but the diverted land will almost certainly be utilized to expand increasingly profitable soybean production. Livestock producers are likely to continue expanding output as rapidly as possible in response to 1972's unusually high prices. With no foreseeable letup in the brisk demand for food and feed products, 1973 could be a still better year for District farmers. ■

