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Agricultural Letter

THE AGRICULTURAL OUTLOOK FOR 1959 was summarized by the U. S. Department of Agriculture this week as follows: "Although an increasing flow of products from farms will probably maintain total cash receipts from marketings, the elimination of acreage reserve program payments after 1958, and prospects for a further slight rise in production expenses could well bring a reduction of some 5 to 10 per cent in realized net farm income, depending largely on the level of crop production next year."

FARMERS' REALIZED NET INCOME in the first three quarters of 1958 has been running nearly one-fifth above 1957 levels and is expected to maintain this increase in the last quarter of 1958. Gross farm income has been 10 per cent above last year due largely to substantial increases in cash receipts from marketings. Farm production expenses have increased too, but by only half as much as gross farm income. Thus, net farm income has increased sharply.

Per capita income of persons living on farms may exceed \$1,000 this year for the first time in history. Although the business recession has brought a leveling off in income of the farm population from nonfarm sources, income from agriculture has increased sufficiently to raise income per person on farms well above the estimated \$967 received in 1957.

The higher cash receipts from marketings in 1958 are due primarily to three factors. First, smaller supplies of beef and continued low levels of pork production have meant higher prices, giving farmers an 8 per cent increase in livestock receipts. Bad weather last winter in the South which destroyed much of the winter fruit and vegetable crops increased prices. Good weather this summer brought a record outpouring of crops, prices of which for the most part were supported by the Government. Thus, crop receipts have been 14 per cent higher than last year.

In July, estimated expenditures of the Department of Agriculture for price support activities during the current fiscal year were \$4.0 billion, an increase of \$1.6 billion since the first of the year, and crop estimates have been revised upward since then.

ANNUAL OUTLOOK STATEMENTS appraising the prospects for the ensuing year are released each autumn by the USDA. A brief summation of statements for major Midwest commodities follows.

Livestock. Prices probably will not be as high next year as this. The abundance of feed grains has brought a substantial increase in farmers' plans for hog production, and prices of hogs will likely decline considerably next year. On the other hand, the Department expects prices of cattle to hold up well next year as slaughter remains low while farmers and ranchers are expanding their breeding herds. Prices of sheep and lambs will

probably remain fairly stable in 1959.

Dairy. Milk prices will likely remain close to support levels in 1959, and it is expected that the support level will be about the same as in 1958. Production of milk will probably be slightly larger but more nearly in balance with commercial consumption than in any of the past six years.

Poultry. The supply will be larger at the beginning of 1959, and prices during the year are likely to be lower than the 1958 average. The expected larger supply of pork will tend to weaken poultry prices somewhat as compared with the current year.

Eggs. Production in 1959 is likely to be higher in the first part of the year than in 1958, reflecting the larger size of the laying flock. Production may continue high in the latter part of the year if the number of eggs laid per bird rises further. The resulting average price for eggs in 1959 is expected to be lower than in 1958.

Crop production. The total volume of crops harvested in 1959 "could be as large as in 1958 even if weather conditions are no better than average next year." Continuing improvements in technology and the return to production of 17 million acres from the acreage reserve, only partially offset by increases in acreage in the conservation reserve program of the soil bank, could maintain crop output near the 1958 record.

Cash receipts from farm marketings. Farmers' cash receipts in 1959 may be maintained near the 1958 level. Somewhat lower receipts from hogs and wheat are in prospect, but larger receipts from cotton are likely if acreage is expanded. Soil bank payments will decline following termination of the acreage reserve at year end. This accounted for \$700 million in payments to farmers in 1958. New appropriations of nearly \$300 million for expanding the conservation reserve will still leave a substantial decline in Government payments. Farm production expenses may increase slightly, reflecting higher interest, tax and wage payments next year.

Realized net farm income. A decline is indicated, but probably no more than half as large as the increase in 1958. Thus, 1959 may turn out to be the second best year in the last five. And if the favorable weather of this year were to be repeated next year, farm income could be as high as in 1958.

Research Department

