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REALIZED NET INCOME of the nation's farmers totaled \$12.6 billion in 1964, up slightly from a year earlier and about the same as in the two previous years. The slight increase was the result of stepped up Government payments to farmers which more than offset the small decline in cash receipts and the somewhat smaller-than-usual rise in farm production expenses.

Cash receipts from farm marketings edged down from \$36.9 billion in 1963 to about \$36.7 billion as lower prices for many farm commodities canceled the effects from the larger volume of marketings.

Total gross income to farmers, however, rose from \$41.7 to \$42 billion reflecting the sharply increased Government payments. These cash payments in 1964 totaled about \$2.2 billion—up nearly \$500 million from a year earlier. Wheat program payments to participating producers were about double the \$214 million paid out in 1963, due mainly to payments for marketing certificates. Payments under the feed grain program totaled nearly \$1.2 billion—up about \$320 million from the previous year. (Other sizable expenditures to support farm income—subsidized exports and domestic consumption, storage, etc.—are not included in these figures.)

Farm operating expenses continued their upward trend reflecting somewhat higher prices for manufactured items and the further substitution of farmers' capital for farmers' labor. The increase during the past year of about \$150 million, however, was well below the 1954-63 annual increase of \$750 million and the smallest in ten years with the exception of 1960.

Net income per farm rose about \$138 during 1964, to a new high of \$3,642, primarily reflecting the continued decline in number of farms. In the Seventh District, realized net income per farm varied by states—Iowa, Michigan and Wisconsin showed gains while Illinois and Indiana experienced declines. Cash receipts were lower in each of the Corn Belt states but higher Government payments more than offset the decline in Iowa. In Michigan and Wisconsin incomes were bolstered by larger receipts from dairy as well as increased Government payments.

Net incomes of farmers appear relatively low compared with nonfarm earnings but these figures do not take into account the earnings many farmers receive from nonfarm pursuits. Furthermore, the use of average or aggregate farm income figures obscures the wide disparity of family incomes in agriculture. Recently published estimates by the U. S. Department of Agriculture, however, serve to give a better insight into the farm income situation.

In 1963 total net income of the farm population from all sources was \$21.2 billion compared with \$19.8 billion in 1959. Income received from agricultural sources rose from \$11.3 to \$12.5 billion and off-farm income increased from \$8.5 to about \$8.7 billion.

While total income rose slightly during this period, the steady decline in farm population boosted net income

per farm substantially and affected the number of farm families in both low- and high-income groups. Average personal income of farm families from all sources increased from \$4,826 in 1959 to \$5,935 in 1963. In turn, the number of low-income families was significantly reduced.

Income Distribution by Class of Farm, 1963

Value of sales	Farms		Sales	Realized net farm income	Off-farm income	Total net income
	Thous.	Per cent	Per cent			
<u>Commercial</u>						
\$20,000 and over	384	10.7	54.5	10,180	2,177	12,357
10,000-19,999	594	16.6	23.6	6,207	1,512	7,719
5,000- 9,999	609	17.0	12.6	3,731	1,778	5,509
2,500- 4,999	463	13.0	4.8	2,337	2,080	4,417
<u>Non-commercial</u>						
Part-time	903	25.3	2.3	919	4,450	5,369
Part-retirement	418	11.7	1.4	1,086	1,880	2,966
Other	202	5.7	0.8	1,406	510	1,916
Total	3,573	100.0	100.0	3,504	2,431	5,935

Farms with agricultural sales of less than \$2,500 declined about one-fifth in number from 1959 to 1963, and the proportion of all farms with sales less than \$2,500 fell from about 47 to 43 per cent. On the other hand, those farms with sales of \$10,000 and over increased 18 per cent in number and rose from 20.2 to 27.3 per cent of the total.

Although "noncommercial" farms continue to make up the bulk of the total number—despite the sharp decline—sales from these farms accounted for only about 5 per cent of the United States total in 1963. Cash farm income for these farms averaged about \$1,030 while off-farm income averaged about \$3,222. Those commercial farms with sales of \$2,500 to \$4,999 had an average farm income of \$2,337 but other sources raised total income to an average of \$4,417.

At the other end of the scale, those farms with sales of \$5,000 and over constituted only 44 per cent of all farms but had average incomes from farming alone of well over \$6,000 and accounted for 91 per cent of farm sales. At the very top of the scale, farms with sales of \$20,000 and over accounted for less than 11 per cent of all farms but had sales accounting for well above half of the total. In 1963, income for these farms from all sources averaged \$12,357.

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FARM BUSINESS CONDITIONS
JANUARY 1965 WITH COMPARISONS

I T E M S	1965	1964	1964
	January	December	January
PRICES:			
Received by farmers (1957-59=100)	98	97	101
Paid by farmers (1957-59=100)	108	107	107
Parity price ratio (1910-14=100)	74	75	78
Wholesale, all commodities (1957-59=100)	101	101	101
Paid by consumers (1957-59=100)	109	109	108
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.53	1.52	2.24
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.29	1.27	1.24
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.79	.76	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.96	2.91	2.78
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.33	15.86	14.81
Beef steers, choice grade, Chicago (dol. per cwt.)	24.28	24.01	22.61
Milk, wholesale, U. S. (dol. per cwt.)	4.41	4.48	4.34
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.59	.60	.58
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.13	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.31	.33	.38
Milk cows, U. S. (dol. per head)	204	203	209
Farm labor, U. S. (dol. per week without board)	50.00	--	48.00
Factory labor, U. S. (dol. earned per week)	105.52	106.81	99.90
PRODUCTION:			
Industrial, physical volume (1957-59=100)	138	137	128
Farm marketings, physical volume (1957-59=100)	127	137	128
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	510	506	479
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	38.9	39.6	41.0
EMPLOYMENT:			
Farm (millions)	3.7	3.8	4.0
Nonagricultural (millions)	65.3	66.6	63.2
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	115	115	110
Nonagricultural banks (1957-59=100)	110	117	102
Time deposits:			
Agricultural banks (1957-59=100)	190	187	168
Nonagricultural banks (1957-59=100)	210	204	183
¹ Based on estimated monthly income.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.