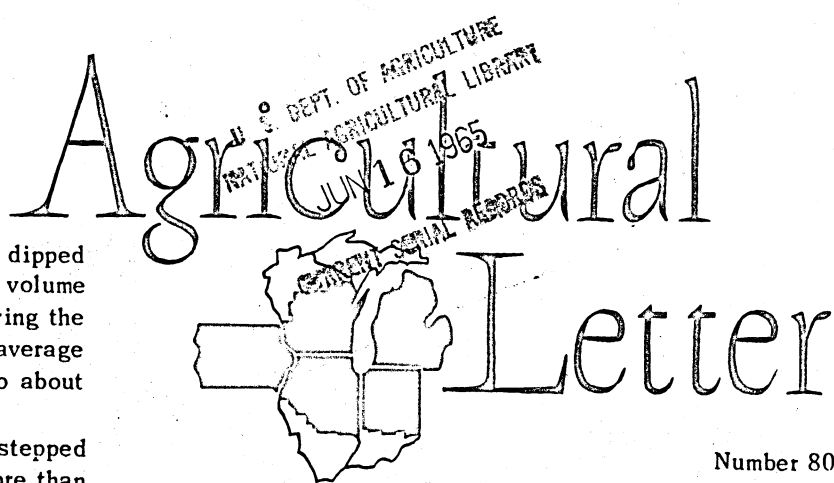


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INCOME OF THE NATION'S FARMERS dipped slightly during the first quarter of this year. The volume of farm marketings averaged slightly more than during the first three months of last year, but a drop in average prices received by farmers held cash receipts to about the same level.

While Government payments to farmers were stepped up about 6 per cent from a year ago, this was more than offset by the continued rise in farm production expenses. Net realized income as a result dropped in the first quarter to an annual rate of \$12.4 billion or about 2 per cent below the 1964 total. Farm operators' total net income was reduced slightly further by the reduction in farm inventories.

Net Income Slightly Below Year-Earlier Level

	1965* (billions)	Change from 1964 (per cent)
Cash receipts from farm marketings	\$36.5	-1
Nonmoney income and Government payments	5.6	+6
Gross farm income	42.1	--
Production expenses	29.7	+1
Realized net income	12.4	-2
Change in inventories	- 0.2	--
Adjusted net income	12.2	-4

*Seasonally adjusted annual rate.

Farmers' cash receipts from crop marketings during the first quarter of 1965 were estimated at \$3.2 billion, a decline of about \$100 million from the corresponding year-ago period. Both the average price and the volume of crop marketings were lower than a year earlier. Wheat prices were substantially lower than during the first quarter of 1964 because of the change in the Government support program at midyear.

Receipts from livestock and livestock products during the first quarter of this year rose about 2 per cent to a total of \$4.9 billion as prices for meat animals strengthened early this year.

In the Seventh District states, farmers' cash receipts during January and February were maintained at about the same level as in the corresponding year-earlier period. Sales of livestock and livestock products gained about 1 per cent from last year's level primarily reflecting higher prices for both cattle and hogs. Crop sales, however, declined nearly 2 per cent. Although prices were higher than in the first two months of 1964 for most midwestern crops, the smaller volume of marketings from last year's drought-shortened production more than offset this gain.

Net farm income in the Midwest is expected to continue near year-earlier levels during the remainder of

1965. Current conditions indicate that the volume of marketings may be about the same as in 1964 with slightly increased marketings of livestock and livestock products being balanced with a small decrease in crop marketings. Hog prices are expected to average well above year-earlier levels reflecting the substantial anticipated reduction in marketings—both the fall and spring pig crops were estimated 8 per cent lower. With only a moderate increase in cattle marketings in prospect, prices are expected to continue near or above year-earlier levels and net returns to feeding operations are certain to average above those of 1964. Receipts from dairy products are likely to rise further from the year-earlier total reflecting somewhat larger volume of milk sales at continued stable prices.

Marketings of most midwestern crops are expected to continue under the year-earlier level at least until harvest time, reflecting the smaller production as a result of additional acreage reductions under the 1964 wheat and feed grain programs, as well as smaller yields. Although participation in the 1965 acreage diversion programs is somewhat larger, production is expected to exceed the relatively short year ago output. Weather conditions throughout the growing season, however, will be a major factor in the final tally. Receipts from wheat and feed grains, of course, will be augmented by increased payments to farmers participating in this year's program.

Feeder Cattle inshipments into the eight North Central states during March dropped 14 per cent from the year-earlier level bringing the total for the first quarter to slightly more than a million head. This is nearly 16 per cent below the relatively high number shipped into these states during the corresponding period a year ago. Inshipments into each of the District Corn Belt states have also shown sharp declines—Illinois and Indiana down 12 per cent and Iowa down 20 per cent.

Part of this reduction in feeder cattle shipments has probably been the result of the strengthening in feeder prices since early this year. Since January, feeder prices at Kansas City have risen about \$3 per hundredweight and are currently about \$1 higher than a year ago. On the other hand, grazing has been limited this year in the Great Plains and in some Intermountain areas by cold temperatures and less than adequate moisture conditions. As of April 1, range conditions were less favorable than a year earlier in 12 of the 17 western states.

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