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# Agricultural Letter



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EMPLOYMENT IN AGRICULTURE continued its downward trend during 1965 and at an accelerated rate compared with other recent years. The number of persons working on farms during the past year averaged about 8 per cent fewer than in 1964, according to the U. S. Department of Agriculture. The decline in the previous year was about 6 per cent. Agricultural employment now totals about 5.6 million, a record low.

Contributing to the decline in agricultural employment during 1965 was the strict limitation on importation of foreign workers. During the first three quarters of 1965, foreign workers provided only one-sixth as much labor as during the comparable period in 1964, the U. S. Department of Labor reported. Most of the decline was in employment of Mexican nationals.

The rapid flow of farm workers out of agriculture during 1965 was greatly facilitated by the high level of economic activity in the nonfarm economy. In periods of economic prosperity, the increased availability of generally higher paying jobs in the cities tends to enhance the transfer of workers from agricultural to nonfarm jobs. In addition to the transfers to full-time jobs, many farmers and farm women take on part-time, nonfarm jobs as these become more generally available.

During 1965, industrial production, one measure of economic activity, rose to a record level—about 8 per cent above the previous year. Nonfarm employment rose to a record level—about 4 per cent above 1964, and unemployment dropped to 4.1 per cent in December 1965, the lowest level since 1956.

Migration from farms to cities has been rapid during the past decade. Farm population has dropped from about 20 million to about 12 million. Total farm employment and man-hours of farm labor have declined about one-third. While the movement out of agriculture is largely in response to the strong demand for nonfarm workers, it reflects also the efforts of farmers to offset higher production costs by extensive reorganization and mechanization of farms.

Number of Farm Machines Have Increased

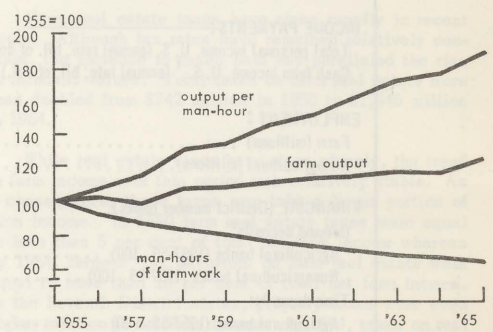
	1955 (thousands)	1965	Change (per cent)
Motor trucks	2,675	2,925	+ 9
Tractors	4,345	4,625	+ 6
Combines	980	990	+ 1
Corn harvesting equipment	688	815	+18
Balers	448	795	+66
Forage harvestors	202	355	+76

Since 1955, wage rates for farm labor have gone up more than 36 per cent and many farmers have reported

difficulty in obtaining qualified workers even at the higher wage rates. In contrast, prices of fertilizer have remained virtually stable, prices of building materials rose about 4 per cent and farm machinery increased about 27 per cent.

These price trends, along with relatively attractive prices for most farm commodities, have stimulated investment in output-increasing and labor-saving materials and facilities. With increased adoption of larger machines, mechanization of more and more farm jobs and other technological advances—such as hybrid seeds and animals, fertilizers, pesticides and weed inhibitors—total output has increased while the number of farm workers required has declined. Total farm labor has been reduced by about one-third during the past decade while total farm production has increased about one-fifth and output per man-hour nearly doubled.

Man-Hours of Farm Work Declines  
But Output Per Man-Hour Continues Rise



The advance in technology and the investment of additional capital needed to utilize the new technology most likely will continue. At what pace is an open question. But the desirability of developing new technology and making the economic adjustments caused by its adoption and use cannot be questioned. The achievement of a higher standard of living everywhere is closely linked to continued technological progress. However, as long as there is such progress or consumer's desires change, there will be need for adjustments in the labor force and in the amounts and kinds of capital invested.

Roby L. Sloan  
Agricultural Economist

**FARM BUSINESS CONDITIONS**  
October 1965 with Comparisons

I T E M S	1965		1964
	October	September	October
<b>PRICES:</b>			
Received by farmers (1957-59=100) . . . . .	103	103	98
Paid by farmers (1957-59=100) . . . . .	110	110	107
Parity price ratio (1910-14=100) . . . . .	77	78	76
Wholesale, all commodities (1957-59=100) . . . . .	103	103	101
Paid by consumers (1957-59=100) . . . . .	110	110	108
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.58	1.58	1.52
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.23	1.32	1.23
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.69	.72	.72
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.49	2.69	2.73
Hogs, barrows and gilts, Chicago (dol. per cwt.) . . . . .	23.88	23.16	15.69
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	26.74	27.08	25.07
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	4.55	4.41	4.50
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.61	.60	.59
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.37	.36	.35
Milk cows, U. S. (dol. per head) . . . . .	214	214	207
Farm labor, U. S. (dol. per week without board) . . . . .	50.25	--	47.25
Factory labor, U. S. (dol. earned per week) . . . . .	108.88	108	102.97
<b>PRODUCTION:</b>			
Industrial, physical volume (1957-59=100) . . . . .	144	143	132
Farm marketings, physical volume (1947-49=100) . . . . .	180	138	175
<b>INCOME PAYMENTS:</b>			
Total personal income, U. S. (annual rate, bil. of dol.) . . . . .	54.1	54.6	49.9
Cash farm income, U. S. <sup>1</sup> (annual rate; bil. of dol.) . . . . .	43.6	43.8	43.4
<b>EMPLOYMENT:</b>			
Farm (millions) . . . . .	5.0	4.8	5.1
Nonagricultural (millions) . . . . .	68.2	67.7	66.0
<b>FINANCIAL (District member banks):</b>			
Demand deposits:			
Agricultural banks (1957-59=100) . . . . .	122	114	116
Nonagricultural banks (1957-59=100) . . . . .	113	112	109
Time deposits:			
Agricultural banks (1957-59=100) . . . . .	210	207	183
Nonagricultural banks (1957-59=100) . . . . .	232	227	200
<sup>1</sup> Based on estimated monthly income.			

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