Federal Reserve Bank of Chicago - -

June 24, 1966

Agricultural Letter

Number 862

FARM INCOME has continued to advance this year. Income from sales of crops, livestock and livestock products have been averaging substantially above a year earlier, reflecting both a larger volume of marketings and higher prices for most commodities. In the nation, farm cash receipts during the first four months of this year totaled more than $12 billion—about 17 percent greater than for the corresponding year-earlier period.

Prices received by farmers during January through May averaged about 11 percent more than in the corresponding year-earlier period although they have trended downward since February after reaching the highest level since the early Fifties. The decline of farm prices in recent weeks can be attributed primarily to a reversal in the upward trend of prices received for livestock and livestock products. Prices of crops have trended steadily upward since the beginning of the year.

During the first four months of 1966, the volume of crops sold was nearly 13 percent above that of a year ago while sales of livestock and livestock products during the same period exceeded last year's level by about 1 percent. The boost in crop marketings reflects delayed sales of last year's record crops which many farmers apparently held over in anticipation of higher prices and to defer income into 1966 for income tax purposes. Corn and soybeans in farm storage as of January 1 of this year were 12 and 48 percent, respectively, above the 1965 level. The increase of livestock marketings reflects the beginning of a turnaround in hog production as well as continued high levels of beef and broiler marketings.

Cash Receipts Show Sharp Advance from Year Ago

	January-April 1965	January-April 1966	Increase
	(million dollars)		(percent)
Illinois	677	913	35
Indiana	327	446	36
Iowa	934	1,026	10
Michigan	217	240	11
Wisconsin	408	456	12
Seventh District	2,563	3,081	20
United States	10,407	12,204	17

In the Seventh Federal Reserve District states, much the same pattern of sales and income has occurred. Cash receipts from farm marketings have shown a somewhat larger advance than for the nation, however. During January through April, cash receipts rose more than 20 percent from the comparable year-earlier period, with each of the District states recording sizable increases. Illinois and Indiana farmers posted the largest gains—up 35 and 36 percent, respectively—reflecting substantial increases in receipts from both sales of crops and livestock.

Net farm income in the Midwest for 1966 will undoubtedly exceed the year-earlier level. However, the margin over a year ago experienced during the first four months will likely be narrowed considerably as the year progresses. Rapidly rising farm costs are expected to cancel out some of the gain. Also, pork production is being rapidly expanded. This coupled with continued high levels of cattle and broiler marketings is likely to result in lower livestock prices, thus dropping net returns below current levels.

Although crop sales are expected to continue above a year earlier because of a larger planted acreage, primarily reflecting smaller participation in the Government's feed grain program, weather conditions throughout the remainder of the year will be one of the factors determining the actual volume. In addition, the smaller participation in the feed grain program will mean less Government payments to midwestern farmers. Income from dairying, on the other hand, will likely continue to improve, reflecting the continued favorable prices expected for dairy products.

Milk production in the United States has continued well under the year-earlier level even though dairy prices have been more favorable. For the first four months of 1966, milk output totaled nearly 5 percent below the 1965 level and in May production was at the lowest level for that month since 1940. Improved pasture conditions and increased grain feeding have helped boost the production per cow to a record level—nearly 2 percent above 1965. However, heavy culling of dairy herds, in response partly to relatively high prices for slaughter cows and partly to improved returns from alternative farm enterprises, as well as better opportunities for nonfarm employment, more than offset the gain in output per cow.

The number of dairy cattle declined about 1.5 million head or about 6 percent during 1965, compared with a 3 percent decline in the previous year. This was the sharpest drop in dairy cattle numbers since 1946 and brought the total to 25.2 million head—the lowest since 1900. With the continued improvement in income from dairying, the sharp decline in cow numbers experienced during the past year and thus far this year may be slowed somewhat during the remainder of 1966.

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