

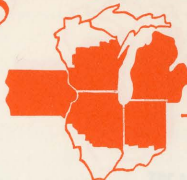
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UNIVERSITY OF ILLINOIS

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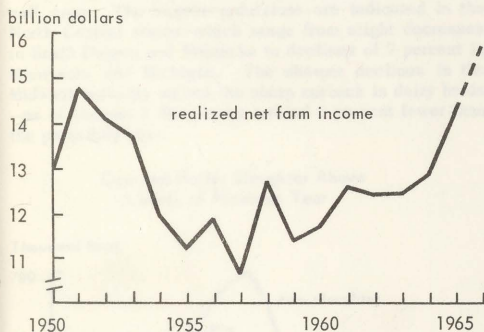
# Agricultural Letter



Number 868

**NET FARM INCOME** continued to surge upward during the first half of this year. The U. S. Department of Agriculture recently revised its forecast for the entire year to reflect the generally higher level of prices during the second quarter. Total realized net farm income for the year now is expected to rise to about \$15.7 billion. If this is attained, it would be about \$1.5 billion above the 1965 tally of \$14.2 billion and the highest since 1948.

Upswing in Net Farm Income Continues



Gross farm income during the first six months was estimated at an annual rate of about \$48.5 billion—nearly 10 percent higher than a year earlier. The rise is attributable primarily to higher cash receipts from marketings. Also, direct Government payments to farmers were estimated to have risen, principally reflecting the changes in the Government cotton and wheat programs.

Through midyear, cash receipts from farm marketings rose nearly \$2.2 billion, about 14 percent, from the corresponding year-earlier period. Although prices for crops averaged slightly below the year-ago level during the first six months of 1966, increased marketings—in part reflecting the large carry-over from last year's record production—boosted cash receipts from crops about \$300 million above the 1965 level. Sharply higher prices for livestock products—up 18 percent from a year earlier—and slightly larger marketings combined to yield livestock producers about \$1.9 billion more in cash receipts.

Government payments to farmers participating in the wheat and cotton programs during 1966 are expected to boost payments under all programs to about \$3.5 billion—about \$1 billion greater than in 1965. The bulk of these payments will be made during the second half of the year. Direct payments to farmers under all programs in 1965 are expected to account for about 8 percent of total cash receipts from the sale of farm commodities and nearly 22 percent of net farm income.

Production expenses have also shown a substantial rise during the first half of this year. Current estimates point to a nearly \$2 billion increase from the total outlays of \$30.7 billion last year. This would compare with a rise of about \$1.3 billion in 1965 and with an average annual increase during the past decade of about \$750 million. Higher prices for most production items account for much of the increase although larger amounts of some of the more important production inputs, such as feeder and replacement livestock, fertilizer and farm machinery, have helped boost the total outlays. Prices paid by farmers for production items, interest on debts, taxes and wage rates averaged about 4 percent higher during the first six months of 1966 than a year earlier.

In the Seventh Federal Reserve District, farm income has advanced even more rapidly than for the nation. This reflects in large part the relative importance of livestock production. Sales of livestock and livestock products in the District states account for more than two-thirds of the total cash receipts compared with less than three-fifths for the nation. Cash receipts during January through May rose about 18 percent from the corresponding year-earlier period—receipts from sales of crops were up about 12 percent while livestock receipts rose more than 20 percent.

Farm income in the Midwest as well as the nation is expected to continue above year-earlier levels although the margin over a year ago experienced during the first half of 1966 is likely to narrow as the year progresses. Livestock prices—which were primarily responsible for the large increase in income during the first half of this year—probably will average lower, reflecting the expansion in pork production and continued high levels of cattle and broiler marketings. Income from crops may increase somewhat because of the sharp increases in prices in recent months, but weather conditions will continue to play a large role in determining the size of this year's harvest.

Income of wheat and cotton growers, of course, will be augmented by higher Government payments to farmers participating in the respective programs. However, because of smaller participation by midwestern farmers in the feed grains program, payments to Seventh District farmers probably will total somewhat less than a year ago.

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