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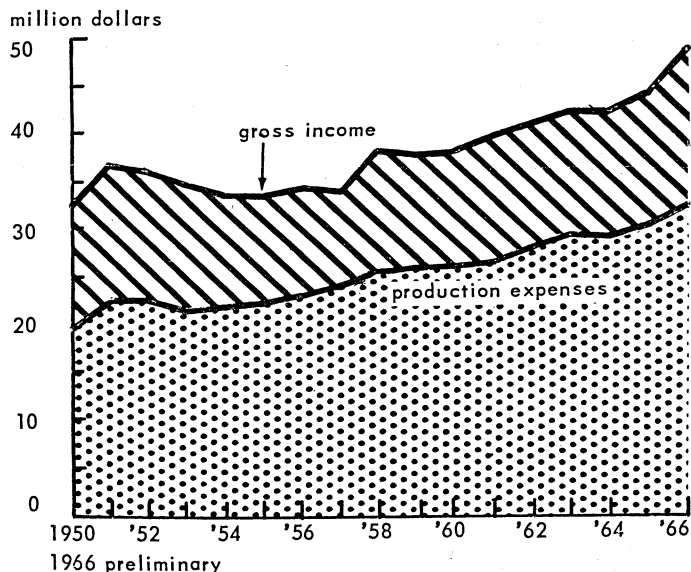
December 16, 1966

FARM PRODUCTION OUTLAYS rose to a record level in 1966, showing the largest annual increase since the early Fifties. Preliminary estimates indicate that production costs this year will total nearly \$2.5 billion above the total outlays of \$30.7 billion during the previous year. This would compare with a rise of about \$1 billion during 1965 and an average annual increase during the past decade of about \$750 million.

Increased purchases and generally higher prices for most of the more important production items in 1966 continue, as they have during the past several years, to account for the rise. Since 1950 farm production expenses have risen about \$13 billion or 67 percent. Approximately three-fifths of the increase has been attributable to increased purchases of production items and services while the remaining two-fifths represents rising prices—up about 29 percent during the period. Some of the price increase may be ascribed to the improved quality of production items or extra services provided to the farmer. Thus, measured in value received, prices for some production items may not have risen as rapidly as indicated.

Rising prices during 1966 have accounted for a somewhat larger proportion of the increase in production outlays than in other recent years. Prices paid by farmers have risen about 3 percent since the beginning of the year and for the entire year are expected to average about 4 percent above the 1965 level.

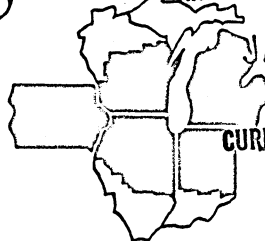
Increase in Production Expense
Largest Since Early Fifties



Outlays for nearly all production items rose during 1966, but expenditures for farm produced items, such as feed, seed and livestock (which account for about 30 percent of total farm costs), showed the sharpest increase—up about 14 percent from a year ago. Prices of both feed and livestock were sharply higher—up 4 and 13 percent, respectively. Seed prices, on the other hand, declined slightly.

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Expenditures for commodities and services of non-farm origin were also higher, having increased about 5 percent from a year earlier. Wage rates of farm workers continued to rise during 1966, but at a more rapid rate which partially reflects the influence of the tight labor market and competition from higher-paying nonfarm employment opportunities. The composite farm wage rate is estimated at about \$1.03 per hour—a rise of 8 cents from last year.

While price increases for some types of fertilizers were offset by reductions for other types, total fertilizer expenditures continued to rise as farmers increased application per acre in efforts to boost production. The upward trend in expenditures for pesticides and herbicides also continued.

Expenditures for farm machinery were substantially higher. Prices of farm equipment were about 4 percent higher and retail tractor sales—the major implement expenditure—are estimated nearly one-fifth above a year ago.

Taxes and interest outlays also rose further during 1966. Taxes per acre of farmland averaged about 6 percent above 1965, reflecting the expanding requirements of state and local governments, especially for schools.

Interest payable this year on both real estate and non-real estate debt is expected to be about \$2.5 billion or 14 percent above last year. The further expansion in credit needs to finance capital expenditures and larger loans per farm, stemming from farm enlargement, continued to boost total farm debt during 1966. Also, most farm lenders boosted interest rate changes on new loans by 0.5 percent or more during the past year. Total farm debt is estimated at about \$45 billion, up about \$4.7 billion from the 1965 level.

Farm production expenses undoubtedly will continue to increase during the coming year although current U. S. Department of Agriculture estimates point to a substantially smaller advance than occurred in 1966—perhaps less than half as large as the 1966 increase. Obviously, any current projection at this time may be wide of the amount actually spent. Farmers are expected to sharply expand production of wheat and feed grains during the coming year. This, of course, will result in a rise in associated production expenditures.

Roby L. Sloan
Agricultural Economist