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THE BUDGET submitted to Congress early this year estimated Federal expenditures on behalf of agriculture and agricultural resources (excluding "food for peace" programs) at \$3.2 billion for the fiscal year ending June 30, 1968. This would be about \$138 million more than the expected total for fiscal 1967, but \$134 million below the actual expenditures in fiscal 1966. Moreover, with the exception of the current year it is the smallest amount budgeted for agriculture since the mid-Fifties.

Programs to boost farm income, of course, continue to account for the largest portion of the agricultural budget. Expenditures in fiscal 1968 for this purpose are estimated at \$2.5 billion, nearly \$100 million larger than in the current fiscal year and more than \$500 million larger than such expenditures during the previous year. In fiscal 1966 outlays for income support activities were sharply curtailed as a result of the large sales of Commodity Credit Corporation owned grain. Furthermore, a smaller volume of the 1965 crop placed under CCC loans since market prices averaged well above the loan rate during the marketing year. Successive increases in expenditures for this purpose result from projected lower sales of agricultural commodities by the CCC although the larger outlays are expected to be offset to some extent by reduced payments to farmers for idling crop acreage (principally wheat and feed grain acreage) and by an anticipated increase in the holding of price support loans by commercial banks because of the attractive rates paid on CCC certificates.

Slightly Lower Expenditures for Agriculture Indicated

| | Fiscal years | | |
|---|-------------------|-------------------|--------------|
| | Actual 1966 | Estimated 1967 | 1968 |
| | (million dollars) | | |
| <u>Budget expenditures</u> | | | |
| Farm income stabilization | 1,925 | 2,368 | 2,467 |
| Agricultural land and water resources | 346 | 379 | 381 |
| Rural electrification and telephones | 373 | 259 | 319 |
| Farming and rural housing | 160 | -532 | -584 |
| Research and other agricultural services | <u>503</u> | <u>560</u> | <u>591</u> |
| TOTAL | 3,307 | 3,035 | 3,173 |
| "Food for peace" program | <u>1,784</u> | <u>1,710</u> | <u>1,799</u> |
| Total agricultural and "food for peace" | 5,091 | 4,745 | 4,972 |

Increases in expenditures, of nearly \$100 million, are also budgeted for research and agricultural services reflecting greater emphasis on research in areas of nutrition, health and community services. Larger funds are also provided for plant and animal inspection and quarantine services.

Expenditures budgeted for the Farmers Home Administration would be sharply reduced by additional sales of

certificates of participation in FHA loans to private investors. Budgeted expenditures for rural electrification and telephones would also be reduced through proposed legislation permitting the receipts from REA loans to be used to offset expenditures.

Food for peace expenditures have not been included in the agricultural budget since fiscal 1966, although the program continues to be handled largely through the U. S. Department of Agriculture. Total expenditures for this purpose are expected to show little change from 1966 levels. The amount of commodities sold for foreign currencies is expected to be reduced in 1968 but increased foreign donations of farm products are expected to offset this savings.

Farm real estate taxes have continued their rapid rise. Although tax rates have remained relatively stable since the turn of the decade, the increase in total taxes has paralleled the rise in farmland values. Taxes paid on farm real estate totaled \$1,648 million in 1965—more than \$100 million larger than the previous year. This was the 23rd consecutive yearly increase and was the largest annual increase ever recorded—exceeding the previous record increase in 1960.

Taxes per acre in each of the Seventh District states are well above the average for the nation. For example, in 1965 they ranged from just over \$3 per acre in Wisconsin to about \$4.90 in Illinois, compared to \$1.61 for the United States. Part of this differential can be attributed to higher average land values but tax rates in the District also average higher. While taxes levied per \$100 valuation in the nation during 1965 averaged only \$1.02, comparable rates in the Seventh District states ranged from \$2.07 in Wisconsin to \$1.13 in Indiana.

The basic push behind the rise in property taxes, of course, is the rising cost of local governments. During the past decade, local governments increased annual spending at an average rate of about 14 percent per year. Property taxes continue to be the chief source of revenue for most local government units. The most important category of local spending is public education. Although increased amounts of state aid—largely from non-property taxes—have been made available, local government expenditures for schools have more than doubled in the past decade. Moreover, population growth and the continued population shifts associated with the growth of suburbs are expected to further boost expenditures for schools and other government services.

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FARM BUSINESS CONDITIONS

December 1966 with Comparisons

| I T E M S | 1966 | | 1965 |
|--|----------|----------|----------|
| | December | November | December |
| PRICES: | | | |
| Received by farmers (1957-59=100) | 107 | 107 | 107 |
| Paid by farmers (1957-59=100) | 115 | 115 | 111 |
| Parity price ratio (1910-14=100) | 77 | 77 | 80 |
| Wholesale, all commodities (1957-59=100) | 106 | 106 | 104 |
| Paid by consumers (1957-59=100) | 115 | 115 | 111 |
| Wheat, No. 2 red winter, Chicago (dol. per bu.) | 1.80 | 1.76 | 1.69 |
| Corn, No. 2 yellow, Chicago (dol. per bu.) | 1.45 | 1.34 | 1.24 |
| Oats, No. 2 white, Chicago (dol. per bu.) | .80 | .79 | .77 |
| Soybeans, No. 1 yellow, Chicago (dol. per bu.) | 3.00 | 2.99 | 2.66 |
| Hogs, barrows and gilts, Chicago (dol. per cwt.) | 20.20 | 20.59 | 28.44 |
| Beef steers, choice grade, Chicago (dol. per cwt.) | 24.50 | 24.94 | 26.60 |
| Milk, wholesale, U. S. (dol. per cwt.) | 5.30 | 5.39 | 4.62 |
| Butterfat, local markets, U. S. (dol. per lb.) | .68 | .69 | .62 |
| Chickens, local markets, U. S. (dol. per lb.) | .12 | .13 | .14 |
| Eggs, local markets, U. S. (dol. per doz.) | .41 | .42 | .41 |
| Milk cows, U. S. (dol. per head) | 257 | 256 | 217 |
| | | | |
| Farm labor, U. S. (dol. per week without board) | -- | -- | -- |
| Factory labor, U. S. (dol. earned per week) | 114.68 | 113.99 | 110.92 |
| | | | |
| PRODUCTION: | | | |
| Industrial, physical volume (1957-59=100) | 159 | 158 | 148 |
| Farm marketings, physical volume (1957-59=100) | 130 | 177 | 134 |
| | | | |
| INCOME PAYMENTS: | | | |
| Total personal income, U. S. (annual rate, bil. of dol.) | 601.5 | 598.5 | 558.2 |
| Cash farm income, U. S. ¹ (annual rate, bil. of dol.) | 41.2 | 41.3 | 44.4 |
| | | | |
| EMPLOYMENT: | | | |
| Farm (millions) | 3.5 | 4.0 | 3.6 |
| Nonagricultural (millions) | 71.1 | 71.0 | 69.1 |
| | | | |
| FINANCIAL (District member banks): | | | |
| Demand deposits: | | | |
| Agricultural banks (1957-59=100) | 124.2 | 126.5 | 123.3 |
| Nonagricultural banks (1957-59=100) | 240.4 | 239.2 | 214.5 |
| Time deposits: | | | |
| Agricultural banks (1957-59=100) | 124.1 | 117.3 | 121.0 |
| Nonagricultural banks (1957-59=100) | 251.5 | 248.2 | 234.2 |
| | | | |
| ¹ Based on estimated monthly income. | | | |

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