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# Agricultural Letter

Number 1025

NET FARM INCOME was pushed higher in the first half of this year. According to the Department of Agriculture, net income of farmers in the first half ran around a billion dollars (annual rate) higher than the \$14.6 billion realized in the same period last year. As a result of the strong showing in the first half of 1969, farmers' earnings for the year are likely to hold well above the 1968 levels. Earlier this year, farm income had generally been expected to run below last year's level.

This favorable showing was in spite of a near-record rise in farm production expenses. Outlays for production items during the first half ran at an annual record rate of \$38.4 billion. The gain over a year ago was \$2.5 billion—up sharply from the average increase of about \$1.5 billion a year during the past decade. Expenses were boosted by larger purchases of production items, but rising prices for nearly all items provided most of the impetus. Prices paid by farmers in the first half averaged about 5.5 percent higher than the year before.

Gross farm income during the first six months was boosted sharply—up nearly \$3.5 billion (annual rate) from last year. The rise in gross income is attributable to both higher cash receipts, mainly from livestock, and higher Government payments, mostly under the feed-grain program.

Through midyear, cash receipts from farm marketings rose nearly 7 percent from the corresponding year-earlier period. While crop receipts were higher, most of the gain was because of markedly higher receipts from the sale of livestock. Income from livestock and livestock products in the first six months averaged nearly 9 percent higher than in 1968. Meat-animal receipts accounted for nearly all of the gain reflecting sharply higher prices and slightly larger marketings.

Government payments through May totaled about 5 percent more than last year. As usual, most of the payments to farmers will be made in the second half when they harvest their crops. For all of 1969, direct payments to farmers under all of the various programs will probably total around \$250 million more than the \$3.5 billion paid out last year. Payments will amount to around 7 percent of the cash receipts and about 24 percent of net income if they are maintained at current levels.

In the Seventh District states the advance in cash receipts was moderated somewhat by the weakened crop sales. Income from the sale of crops was down about 7 percent in Illinois and only small increases were recorded in Iowa and Michigan. This reflected both smaller marketings and lower prices for the major Midwest crops, especially earlier this year. Livestock receipts were up sharply in the three Corn Belt states—Illinois, Indiana, and Iowa—reflecting the sharply higher prices of hogs and cattle. More modest increases in livestock receipts were recorded in Michigan and Wisconsin where dairy-ing is more dominate.

U.S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL STATISTICS SERVICE  
**Livestock Receipts Markedly Higher**

SEP 19 1969 (Change from year earlier January-May)  
Livestock Crops Total  
(percent)

Illinois	8.8	-7.1	0.8
Indiana	9.7	4.7	7.7
Iowa	9.9	0.5	7.8
Michigan	3.7	-	2.5
Wisconsin	3.7	6.0	3.9
United States	9.0	4.3	7.3

Farm income in the Midwest as well as the nation appears likely to continue above the 1968 level in the last half of 1969, although the advance is apt to be tempered by price weakness in crops, especially those important in the Midwest. Soybean prices are likely to be under pressure because of the reduced support level and the larger crop indications. Corn prices dropped sharply in recent weeks following the grain stocks report showing reduced usage in the second quarter. December corn futures contracts currently are around \$1.17 a bushel or about the same as the December 1968 cash price. Weather conditions through the remainder of the growing season, however, can still affect the production and price outlook. Receipts from feed grains will be augmented by Government payments to farmers participating in this year's program.

Income from the sale of livestock and livestock products, on the other hand, will likely continue higher than last year. Livestock prices—largely responsible for the improved income during the first half of the year—should average above 1968 prices, although the margin over a year ago is almost certain to narrow from that experienced in the first half. Dairy receipts also are likely to be held above the year before by slightly higher prices.

CREDIT CONFERENCE: The Annual Illinois Bankers Agricultural Credit Conference will be held September 17 and 18 at the University of Illinois. Conferees at this year's meeting will deal with "Agri-Banking—1970 and Beyond." Additional information can be obtained by writing the Conference Supervisor, 116 Illini Hall, Champaign, Illinois 61820.

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