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# Agricultural Letter

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**FARM PRODUCTION OUTLAYS** ran at a record rate in the first half, showing the largest gain since the early 1950s. Expenses through June were estimated by the Department of Agriculture at an annual rate of about \$38.4 billion—up about \$2.5 billion from last year. This would compare with a rise of about \$1.5 billion during 1968 and an average annual increase during the past decade of about \$1.1 billion.

Increased purchases and generally higher prices for most of the more important production items continue, as they have during the past several years, to account for the rise. Since 1960, farm production expenses have risen about \$10 billion or nearly two-fifths. Approximately half of the increase can be attributed to increased purchases of production items and services. The remaining gain represents rising prices—up about 19 percent during the period. Some of the price increases 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 1969 have accounted for a considerably 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 have averaged nearly 6 percent higher than the year before. Prices for most production items rose during the first half. The exception was fertilizer materials—down about 5 percent from a year ago in June. Total fertilizer expenditures, nevertheless, probably increased as farmers boosted usage per acre in efforts to increase production.

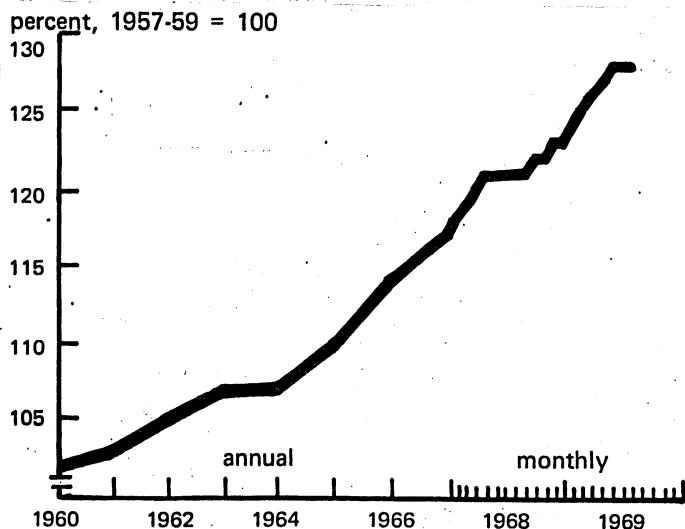
more rapid rate—reflecting the influence of the tight labor market and competition from higher-paying nonfarm employment opportunities. The composite farm wage rate in July averaged around \$1.29 per hour, 11 cents above last year.

Building and fencing materials were about 10 percent higher than in early 1968. Farm machinery and motor vehicle prices paid by farmers in the first half of 1969 ran 4 to 5 percent above a year ago.

Taxes and interest outlays also rose further during the first part of 1969. Taxes per acre of farmland are expected to average about 7 percent higher than last year. This reflects the expanding requirements of state and local governments, especially for schools.

Interest payable this year is also running ahead of last year's pace when farmers paid out slightly over \$3 billion in interest charges. Interest payable per acre on farm real estate debt was about 11 percent higher in the first half. The further expansion in borrowing to finance capital expenditures and larger loans per farm, stemming from farm enlargement, continue to boost total farm debt. Also, most farm lenders have raised interest rate charges on new loans—in many cases a full percent or more.

Prices of Most Production Items Move Higher



Higher prices of farm produced items, especially feeder livestock prices, provided considerable impetus for the enlarged production expenditures in the first half. Feeder livestock prices averaged nearly 12 percent above a year ago. Seed prices were about 2 percent higher. Feed prices were only about 1 percent more than last year but more livestock no doubt boosted the total expenditures. These items—feed, seed, and feeder livestock—typically account for about a third of the total farm production costs.

Farm production expenses will undoubtedly continue to increase during the latter half of 1969 but the rate of increase over a year ago may moderate. Some prices have declined in recent weeks. These have been confined primarily to items that are farm produced—such as feeder livestock and feed. Dampening of price increases for other production items is generally expected later this year as a result of continued monetary and fiscal restraints on the economy.

Expenditures for many of the other items and services of nonfarm origin were increased markedly by higher prices. Wage rates continued to rise during the first half of 1969 and at a

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## FARM BUSINESS CONDITIONS

I T E M S	1969		1968
	June	May	June
<b>PRICES:</b>			
Received by farmers (1957-59=100) . . . . .	117	117	107
Paid by farmers (1957-59=100) . . . . .	128	128	121
Parity price ratio (1910-14=100) . . . . .	76	75	73
Wholesale, all commodities (1957-59=100) . . . . .	113.2	112.8	108.7
Paid by consumers (1957-59=100) . . . . .	127.6	126.8	120.9
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.28	1.33	1.30
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.31	1.32	1.15
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.64	.68	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.69	2.72	2.71
Hogs, barrows and gilts, Chicago (dol. per cwt.) . . . . .	25.47	23.61	20.66
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	34.22	33.85	26.89
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	5.09	5.16	4.90
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.69	.69	.67
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.15	.14	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.31	.30	.30
Milk cows, U. S. (dol. per head) . . . . .	285	299	273
Farm labor, U. S. (dol. per week without board) . . . . .	--	--	--
Factory labor, U. S. (dol. earned per week) . . . . .	129.65 <sup>P</sup>	128.61	123.30
<b>PRODUCTION:</b>			
Industrial, physical volume (1957-59=100) . . . . .	173.9 <sup>P</sup>	172.7	164.7
Farm marketings, physical volume (1957-59=100) . . . . .	108	100	114
<b>INCOME PAYMENTS:</b>			
Total personal income, U. S. (annual rate, bil. of dol.) . . . . .	746.2	740.3	683.7
Cash farm income, U. S. <sup>1</sup> (annual rate, bil. of dol.) . . . . .	50.1	52.0	45.8
<b>EMPLOYMENT:</b>			
Farm (millions) . . . . .	4.4	3.9	4.5
Nonagricultural (millions) . . . . .	74.6	73.4	72.8
<b>FINANCIAL (District member banks):</b>			
<b>Demand deposits:</b>			
Agricultural banks (1957-59=100) . . . . .	136.5	133.1	126.7
Nonagricultural banks (1957-59=100) . . . . .	129.7	131.4	124.1
<b>Time deposits:</b>			
Agricultural banks (1957-59=100) . . . . .	332.0	329.5	294.4
Nonagricultural banks (1957-59=100) . . . . .	318.0	319.8	306.2
<sup>1</sup> Based on estimated monthly income. <sup>P</sup> Preliminary.			

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