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FARM INCOME edged up from year-ago levels in the first half of 1970. Record high cash receipts were nearly offset by sharply increased production expenses.

Higher prices for livestock, eggs, and dairy products boosted total cash receipts from marketings. Prices for cattle and calves averaged 7 percent above a year ago, despite a 2 percent increase in supplies. Hog prices, up a hefty 20 percent from the year-ago average, reflected strong demand as well as a 5 percent decline in slaughter. Egg prices increased 9 percent, even though supplies were slightly larger. In part because of increased government support rates, dairy farmers received 5 percent higher prices for milk during the first half for approximately the same volume as in 1969.

Cash receipts from crop sales during the first half of 1970 were down almost 2 percent from a year ago. Receipts from the two principal field crops of the Seventh District—corn and soybeans—about equaled year-ago levels. Although corn prices averaged 3 percent higher, the volume of marketings was lower. Farm level prices of soybeans on average were below year earlier prices during the first five months of the year, reflecting the reduced support rate. Beginning in June, however, strong demand pulled prices well above those of a year ago, despite a larger volume of marketings.

Government payments to farmers, which now account for over a fifth of annual net farm income, were markedly lower during the first half compared to a year ago. This was because no advance payments for idled acreage were made this year.

Higher production expenses eroded most of the gains in cash receipts. Overall, prices paid by farmers during the first half averaged 5 percent above a year ago. Outlays for production items rose to a $40 billion annual rate—$2 billion more than a year ago. Most of the increase can be attributed to the higher prices paid for production items, although larger amounts of some items also boosted total outlays. On balance, net realized income (estimated at a $16.1 billion annual rate at midyear) was only fractionally above year-ago levels.

The outlook for the remainder of 1970 differs from developments of the first half. Livestock prices are expected to fall under the burden of larger supplies. This autumn, hog marketings are expected to be around 10 percent greater than a year ago. Hog prices, which led the advance in farm prices in the first half, have already dropped below year-ago levels. By year-end, prices may drop below $20 per hundredweight from the current level of around $24 per hundredweight.

Cattle prices, too, will be under downward pressure from somewhat larger marketings and greater supplies of pork and poultry.

The higher support price for milk will keep dairy prices above a year ago, despite larger supplies. Egg prices, which began drifting lower in the second quarter, are expected to continue below year-ago levels during the remainder of the year although prices rebounded in July.

Income from crops, on the other hand, is expected to be boosted by higher prices. Strong demand for animal feed and oil products should keep corn and soybean prices above year-ago levels. Corn prices are currently 7 cents per bushel higher than last year. Futures prices suggest this margin will increase toward the end of the year, despite prospects for a harvest 3 percent larger than last year. Similarly, soybean prices are currently about 10 cents per bushel above last year, and futures prices suggest harvest-time prices this fall may be over 40 cents per bushel higher.

Government payments in the latter half of the year will be greater than usual since producers did not receive partial payments in the first half as in past years. Total payments for the year, however, are likely to be 3 to 4 percent less than last year because of reduced participation in the feed-grain program.

It is estimated that net farm income for the entire year will about equal the $16.2 billion realized in 1969. Declining livestock receipts and rising expenses will likely more than offset higher crop receipts.

The prospects for the remainder of the year will have differing impacts on Seventh District farmers. The receipts for Iowa farmers, the leading hog and cattle producers in the nation, will be most affected by the expected decline in livestock prices. Nearly two-thirds of the cash receipts of Iowa farmers are derived from the sale of cattle and hogs. Illinois and Indiana farmers are more dependent on specialized grain production. Well over half the farm cash receipts in Illinois and a third of the receipts in Indiana are from the sale of corn and soybeans. Higher corn and soybean prices portend considerable improvement in incomes of these farmers. Wisconsin farmers, of course, are the leading dairy producers in the nation. They may expect their receipts to continue above 1969 levels due to the higher price support for milk this year. Over half the farm receipts in Wisconsin are from the sale of milk. In Michigan, dairying accounts for almost a third of farm receipts, with fruits and vegetables accounting for nearly a fourth. With the exception of potatoes and apples, larger supplies of most fruits and vegetables are expected to equal demand with prices remaining about the same as last year.

THE ILLINOIS BANKERS AGRICULTURAL CREDIT CONFERENCE will be held September 16 and 17 at the University of Illinois. The theme for this year is "Agriculture and the 70's--A Decade of Decisions." For more information write Helen M. Kresich, Director of Communications, 188 West Randolph Street, Chicago, Illinois 60601 or phone (312) 346-0770.

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