

Farm income. Rising prices received for meat animals in April, May, and June raised farm income prospects for 1965. Realized net income for the second quarter was estimated at a seasonally adjusted annual rate of \$15.0 billion, up \$2.4 billion from the first quarter and \$2.0 billion from the second quarter a year ago. The increase in gross receipts outpaced that in production expenses. With prospects for continued strength in meat animal prices and for relatively stable crop prices and a harvest larger than in 1964, realized net farm income in 1965 may turn out to be the highest since the \$13.7 billion of 1953. In the last 4 years realized net income has ranged from \$12.5 to \$12.9 billion.

In the second quarter, increases in cash receipts and government payments both contributed to a 7 per cent gain in gross realized income over a year earlier. Gains in cash receipts from sales of livestock and products reflected higher prices. Meat animal prices were a fifth above the low second quarter prices of 1964 while meat production was 6 per cent less. Dairy and poultry product prices were moderately higher even though marketings were also a little higher. For crops, prices in the second quarter were about equal to a year ago and volume of marketings was 6 per cent larger. Larger government payments reflected increased participation in the feed grain and cotton acreage retirement programs and an increase in the proportion of the price support on wheat that is made through payments.

Production expenses in the second quarter were somewhat higher than a year earlier. Feed prices were up a little and purchased livestock prices were sharply higher than a year ago. The long-run upward trend in overhead costs continued.

Livestock situation. Cattle feeding turned up in May and June in response to the profitable feeding margins this year following two unprofitable years. Placements of cattle on feed during the second quarter a fourth larger than a year earlier brought the inventory of cattle on feed to 7.5 million head, 9 per cent more than in mid-1964. Production of fed beef is expected to stay above year-earlier levels through out the remainder of 1965. Prices are also likely to be well above year-earlier levels reflecting income gains, population growth, and smaller pork supplies.

All evidence points to a continuation this fall of the decline in hog production underway since the spring of 1964. The combined spring and fall pig crops of 1965 are indicated to be 9 per cent below 1964 and 15 per cent below 1963. Pork production during the remainder of 1965 will probably be 10 per cent below year-earlier levels. Hog prices are expected to decline seasonally this fall but only to levels well above those of last fall. If producers respond to favorable price ratios as in the past, expansion in hog production may begin in 1966.

Broiler production has increased sharply in recent weeks. The very large expansion has prompted the Department of Agriculture to warn this industry against overexpansion.

Expansion in cattle feeding may be the major cause of a recent acceleration in short-term debt of farmers, following a year and a half of slackening rate of expansion. Outstanding loans of PCA's for the country have shown a more rapid rate of increase since March; in the Corn Belt acceleration began earlier and was larger.