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# Agriculture

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## AN EIGHTH DISTRICT PERSPECTIVE

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Winter 1984

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### USDA Analysts Expect Farm Income To Increase

Forecasts of agricultural production, commodity prices and farm income for 1984 were presented recently at the U.S. Department of Agriculture's 60th Annual Outlook Conference. Generally, USDA analysts predicted increases in net farm income based on expectations of increased product marketings. Unresolved policy issues, however, tempered the forecasts for many individual products. Crop forecasts, for example, were subject to much uncertainty since it was not clear how production would respond to the lingering effects of PIK, last summer's drought and relatively unattractive government incentives to reduce planted acreage.

#### Retail Food Prices

The USDA expects the food component of the Consumer Price Index (CPI) to increase between 4 and 7 percent in 1984, more than double the 2.2 percent increase of 1983. As the data in table 1 on the second page indicate, increases are expected to be nearly equal across major food groups; only pork, dairy products and nonalcoholic beverage prices are expected to rise at slower rates. Food prices—red meat prices, in particular—could increase at a slower rate if changes in the dairy program induce a large-scale slaughter of older dairy cows. In the absence of a sizable increase in dairy cow slaughter, however, increasingly smaller supplies of beef and pork are expected to cause 10 to 15 percent rises in red meat prices during the last six months of 1984.

#### Financial Conditions

Net farm income for 1984 is expected to increase 10 to 15 percent from the \$24-\$26 billion range currently estimated for 1983. In contrast to the nearly \$19 billion received from price support programs and direct income supplements in 1983, however, the USDA expects income gains for 1984 to be

realized through a greater volume of product marketings. Crop marketings—corn and soybeans, in particular—are expected to be primary contributors to increases in farm income as production rebounds from the low levels of output caused by PIK and the drought. A breakdown by major expenditure and revenue categories is given in table 2.

#### Corn, Wheat and Soybeans

Barring a recurrence of last year's drought, USDA economists expect 1984 production figures for wheat, corn and soybeans to be near record highs. Without strong incentives from price support programs to reduce corn production, a crop in excess of eight billion bushels is expected this year. Incentives in the 1984 wheat program to reduce wheat production also appear to be insufficient to cause any sizable reduction in planted acreage. With a 4 to 8 percent increase in expected plantings over the 62.5 million acre level of 1983, a 1984 harvest near 1982's 2.8 billion bushels is likely. Soybean acreage is expected to range between 70 to 73 million acres in 1984 which, when combined with trend yields, would produce a 2.2 billion bushel crop. Harvests for these crops in the predicted ranges would contribute to significant price declines from current levels.

#### Beef and Pork

Two factors dominate the outlook for meat prices in 1984. First, last summer's drought and poor grazing conditions, which raised feed costs by about 20 percent, caused producers to market animals that normally would have been held longer; these increased marketings in late 1983 portend smaller meat supplies and higher meat prices in the second half of 1984. Second, if dairy farmers are paid to reduce output, many analysts believe that about one million dairy cows may be



slaughtered. A slaughter of this size could dampen increases in red meat prices from their relatively low present levels by circumventing the potential supply reduction anticipated in the last half of 1984.

The most likely price and production movements for red meats described by USDA economists—without considering the complicating effects of a large dairy cow slaughter—include the following projections: Beef production is expected to decline 3 to 4 percent in 1984. As the effects of the larger liquidation in late 1983 are reflected in smaller numbers of animals available to market, fed steer prices are expected to move from this winter's \$62 to \$66 per hundredweight (cwt.) range to the upper \$60s by this fall. At retail, this implies an increase in choice beef prices from about \$2.40 per pound to about \$2.60 per pound.

Hog prices, which averaged \$49.55 per cwt. during the first nine months of 1983, are expected to show increases throughout 1984 to a range of \$50 to \$54 per cwt. by the fourth quarter. Lower beef and pork production and further increases in personal income were cited as reasons for this 9 percent increase over 1983 hog prices. Most of the increase in retail pork prices is expected to occur in the latter half of 1984 in response to increasingly smaller market supplies. Retail pork prices in the fourth quarter of 1984 are expected to be 13 to 15 percent higher than they were in the fourth quarter of 1983. The smaller pork supplies for 1984 are attributable to the approximately 20 percent increase in feed costs caused by PIK and the drought.

—Michael T. Belongia

**Table 1**  
**Changes in Consumer Price Indexes (1982-84)**

<u>Food Category</u>	<u>1982</u>	<u>1983<sup>p</sup></u>	<u>1984<sup>f</sup></u>
All food	4.0%	2.2%	4-7%
Food away from home	5.3	4.4	4-7
Food at home	3.4	1.1	3-6
Meat, poultry and fish	4.0	-0.4	4-7
Dairy products	1.4	1.3	2-5
Fruits and vegetables	5.5	0.5	4-7
Cereals and bakery products	4.5	3.2	4-7
Nonalcoholic beverages	2.8	1.9	2-5

p = preliminary; f = forecast.

SOURCE: USDA Outlook Conference Proceedings, November 2, 1983.

**Table 2**  
**Net Farm Income (1980-84, billions of dollars)**

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983<sup>f</sup></u>	<u>1984<sup>f</sup></u> (change)
Cash receipts	\$140.5	\$142.3	\$144.6	\$142 - 144	+
Government payments <sup>1</sup>	1.3	1.9	3.5	8 - 10	-
Inventory change	- 5.3	7.6	- 1.9	- 6 - - 8	+
Gross farm income	150.1	167.1	162.2	160 - 162	+
Production expenses	128.6	137.0	140.1	135 - 137	+
Net farm income	21.5	30.1	22.1	24 - 26	+
Real net farm income <sup>2</sup>	12.0	15.4	10.7	11 - 12	+

f = forecast.

<sup>1</sup> Includes value of PIK payments.

<sup>2</sup> Deflated by the GNP implicit deflator, 1972 = 100.

SOURCE: USDA Outlook Conference Proceedings, November 2, 1983.

**Agriculture—An Eighth District Perspective** is a quarterly summary of agricultural conditions in the area served by the Federal Reserve Bank of St. Louis. Single subscriptions are available free of charge by writing: Research and Public Information Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, Missouri 63166. Views expressed are not necessarily official positions of the Federal Reserve System.

## EIGHTH DISTRICT AGRICULTURAL DATA

Prices and Costs <sup>1</sup>	Sept. 1983	Oct. 1983	Nov. 1983	Average for 1982	Percent Change	
					Year-To-Date <sup>2</sup> 1983	Same Period Year Ago
CONSUMER PRICE INDEX (% change)						
Nonfood	0.5%	0.4%	0.4%	0.3%	3.9%	3.6%
Food	0.2	0.4	-0.1	0.2	1.4	1.1
PRODUCTION COSTS FOR FARMERS (% change)						
All inputs	0.3	-0.3	0.6	0.4	3.5	3.5
Fertilizer	0.0	-3.2	0.0	-0.3	-3.6	-5.5
Agricultural chemicals	0.0	0.0	0.0	0.7	4.2	4.2
Fuels and energy	-1.7	0.0	-1.2	-0.2	-2.8	-4.7
PRICES RECEIVED BY FARMERS (% change)						
All products	-2.0	-1.2	0.8	0.0	6.9	5.1
Livestock	-1.2	-1.7	0.4	0.4	-2.5	-2.9
Crops	-2.6	-0.8	1.2	-0.5	18.6	15.5
FEEDER CATTLE						
Wholesale price - Kansas City (\$/cwt.)	\$58.31	\$60.20	\$61.20	\$64.82	-1.8	-4.2
FEEDER PIGS						
Wholesale price - So. Missouri (\$/head)	\$22.96	\$22.27	\$24.72	\$51.14	-47.9	-45.8
BROILERS						
Wholesale price -12-city (¢/lb.)	54.51¢	50.38¢	57.61¢	46.67¢	29.2	34.7
TURKEYS						
Wholesale price - New York, 8-16 lb. young hens (¢/lb.)	64.90¢	66.72¢	66.41¢	60.75¢	22.5	-1.1
CORN						
Wholesale price - St. Louis (\$/bu.)	\$ 3.60	\$ 3.50	\$ 3.53	\$ 2.57	41.8	45.3
SOYBEANS						
Wholesale price - N.C. Illinois (\$/bu.)	\$ 8.44	\$ 8.15	\$ 8.16	\$ 5.88	46.8	50.8
WHEAT						
Wholesale price - No. 1, hard winter - Kansas City (\$/bu.)	\$ 3.90	\$ 3.84	\$ 3.82	\$ 4.00	-4.0	-1.0
LONG-GRAIN RICE						
Wholesale price - Arkansas (\$/cwt.)	\$18.68	\$18.80	\$18.98	\$17.72	3.2	8.1
COTTON						
Wholesale price - all markets (¢/lb.)	63.10¢	64.10¢	66.70¢	55.27¢	16.4	11.4
					Percent Change	
<b>U.S. Exports</b>	July 1983	Aug. 1983	Sept. 1983	Average for 1982	Year-To-Date <sup>2</sup> 1983	Same Period Year Ago
Corn (mil. bu.)	124.6	121.9	144.3	161.2	-17.4%	33.5%
Soybeans (mil. bu.)	51.6	60.2	53.9	78.0	-40.2	-7.1
Wheat (mil. bu.)	126.0	97.0	135.8	130.1	51.0	1.0
Rice (rough equivalent, mil. cwt)	4.9	6.7	8.5	6.3	103.7	80.4
Cotton (thou. bales)	432.0	403.0	339.0	532.7	-14.2	-8.4
<b>Receipts<sup>3</sup></b>						
CROPS (millions of dollars)						
United States	\$5,799	\$6,141	\$6,104	\$6,187	-19.2	6.5
District (seven-state total)	1,135	1,009	1,152	1,281	-25.5	6.4
LIVESTOCK (millions of dollars)						
United States	5,430	5,979	5,722	5,848	-2.4	-1.4
District (seven-state total)	845	931	893	907	-1.7	-4.3

## EIGHTH DISTRICT AGRICULTURAL DATA

<b>Crop Production<sup>4</sup></b>	<b>Marketing Year</b>		
	<b>1980/81</b>	<b>1981/82</b>	<b>1982/83</b>
<b>CORN (October 1 - September 30)</b>			
Acres planted (mil. acres)	84.0	84.2	81.9
Production (bil. bu.)	6,644.8	8,201.6	8,397.3
Yield (bu. per acre)	91.0	109.8	114.8
Ending stocks (bil. bu.)	2,774.2	3,904.1	5,079.8
<b>SOYBEANS (September 1 - August 31)</b>			
Acres planted (mil. acres)	70.0	67.8	72.2
Production (bil. bu.)	1,792.1	2,000.2	2,277.0
Yield (bu. per acre)	26.4	30.1	32.2
Ending stocks (bil. bu.)	679.4	652.2	866.9
<b>WHEAT (June 1 - May 31)</b>			
Acres planted (mil. acres)	80.6	88.9	87.3
Production (bil. bu.)	2,374.3	2,798.7	2,808.7
Yield (bu. per acre)	33.4	34.5	35.6
Ending stocks (bil. bu.)	988.8	1,163.9	1,541.4
<b>RICE (August 1 - July 31)</b>			
Acres planted (mil. acres)	3.4	3.8	3.3
Production (mil. cwt.)	146.2	182.7	154.2
Yield (cwt. per acre)	44.1	48.2	47.4
Ending stocks (mil. cwt.)	16.5	48.9	68.2
<b>COTTON (August 1 - July 31)</b>			
Acres planted (mil. acres)	14.5	14.3	11.3
Production (mil. bales)	11.1	15.6	12.0
Yield (net bales per acre)	0.8	1.1	1.2
Ending stocks (mil. bales)	2.7	6.6	8.7

<sup>1</sup> The consumer price index and its components are seasonally adjusted. All other data are not seasonally adjusted.

<sup>2</sup> Percent change from December 1982, based on the most recent month available.

<sup>3</sup> Data for receipts are seasonally adjusted.

<sup>4</sup> Annual data for crops are based on each crop's marketing year. *SOURCE: Crop Production, Statistical Reporting Service, Crop Reporting Board, USDA.*