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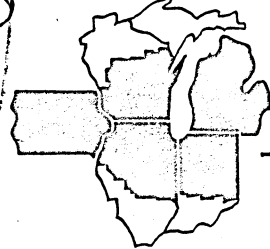
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Agricultural Letter



September 19, 1958

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U. S. DEPARTMENT OF AGRICULTURE

MEASURING AND ESTIMATING the operations of the farm economy occupies the time of many "white collar farmers" in the U. S. Department of Agriculture and in many private organizations. How much are farmers producing and moving into marketing channels and what prices are they receiving? What are the costs for equipment and supplies used in the farm business? What remains for family living after production expenses have been deducted from gross income?

In order to estimate farm income, over-all information on marketings, prices and costs must be compiled from many sources. Thus, it almost goes without saying that data on farm income (and other phases of agriculture) are "estimated."

FARM INCOME continues strong in the third quarter. Realized net income of farm operators for the nine months ending September 30 will be 19 per cent higher than the comparable year-earlier figure, according to the USDA.

Bigger receipts have more than offset a further gain in production expenses. Prices paid by farmers in the third quarter are running nearly 5 per cent higher than year earlier. While nearly all cost items show advances, replacement cattle show the largest gain, nearly 25 per cent. Feeder cattle are a farm-produced "production cost" item, however, so higher feeder costs will not influence net farm income over-all. The result will be higher net returns to producers of replacement stock and a lower net to Corn Belt feedlot operators on the purchasing end.

Actual bushels and pounds of farm products marketed in 1958 will probably be a fifth larger than in 1957. This reflects increased crop marketings, partly from delayed sales of last year's late harvest and partly from record production this year.

Red meat production has pushed upward to year-earlier levels only in the past few weeks and is likely to remain near year-earlier levels for the remainder of the year. Output of broilers for January through August, however, is about 15 per cent above 1957 levels. Milk production has not increased from the record 1957 level. Seventh District states showed a 2 per cent decline from year-earlier August milk output, except Michigan, which gained 1 per cent.

Marketings are translated into farmers' dollar sales through prices which typically change more radically than quantities marketed. For example, a 10 per cent lower beef output this past spring resulted in 30 per cent higher prices. The reverse would occur in the case of crops if price supports were not in operation. Thus the decline in marketings of red meats has increased farm incomes through much higher prices while increased mar-

ketings of crops have improved farm incomes because prices have been supported.

For the next year, however, indications are for a moderate decline in livestock receipts. While beef production and beef prices in 1959 are not likely to be much different from this year, hog production appears to be the key to 1959 livestock returns. Much lower pork prices and in turn lower total receipts from hogs are a possibility.

The fall pig crop shows an increase of 15 per cent over last year, according to the latest USDA report. In addition, farmers' plans indicate a 20 per cent increase in the number of sows farrowing in the months December to February. The first half of the spring pig crop period accounts for just over one-third of the total spring pig crop. This large increase indicated for the December-to-February farrowings could mean a further shift to earlier farrowings such as occurred this year. On the other hand, it could be a continuation of the upward trend in production of pork.

THE POSITION OF THE CORN BELT is discussed in a recent publication from Iowa State College. The conclusion drawn is contrary to the notion that "the Corn Belt is not what it used to be." Instead the four Corn Belt states have increased corn acreage and production from the 1940-49 average whereas seven southern states have actually decreased acreage and production.

