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Federal Reserve Bank of Chicago - -

March 9, 1962

# Agricultural Letter



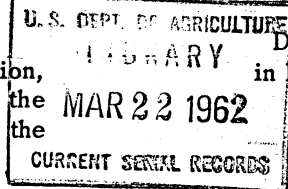
Number 646

NET FARM INCOME in 1961 totaled \$12.7 billion. This was about \$1 billion higher than 1960, slightly above the level in 1958 and the highest since 1953.

The increase of \$1.5 billion in gross farm income was about equally divided between higher cash receipts and Government payments. Cash receipts from farm marketings reached a record \$34.8 billion, up about \$750 million, or 2 per cent from 1960. This was due to both a larger volume of marketings and higher prices. Marketings of livestock and livestock products rose while prices of crops were higher.

Government payments to farmers totaled \$1.5 billion, up nearly \$700 million from 1960. Virtually all of the increase was accounted for by payments under the Government feed grain and wheat programs.

Illinois was the largest for any state while Indiana's 27 per cent was the third largest.



District States Exceed U. S. Rise in Net Income Per Farm During 1961

	1960	1961	Change
	----- (dollars) -----		(per cent)
Illinois	3,516	4,878	+39
Indiana	2,702	3,436	+27
Iowa	4,134	4,996	+21
Michigan	2,225	2,590	+16
Wisconsin	2,794	3,211	+15
United States	2,963	3,323	+12

Feed Grain Program Boosts Government Payments

	Total Payments		1961 Feed Grain Program
	1960	1961	
	----- (million dollars) -----		
Illinois	17.9	106.1	86.9
Indiana	16.8	70.2	53.3
Iowa	20.8	129.6	106.1
Michigan	18.0	37.2	18.0
Wisconsin	16.9	40.0	23.1
District total	90.4	383.1	287.4
United States	693.1	1,484.4	767.1

In the three Corn Belt states—Illinois, Indiana and Iowa—higher prices for hogs, milk and soybeans boosted cash receipts from sales of these commodities. In addition Government payments under the 1961 feed grain program increased sharply.

The two Dairy states of Michigan and Wisconsin had smaller changes in net income per farm. Nevertheless, increases of 15 and 16 per cent in per farm income were recorded in these two states as higher production and higher prices for milk boosted cash receipts from that source. While Government payments were much smaller in the dairy areas than in the feed grain areas, they contributed to the greater income.

Partially offsetting the higher gross farm income has been a rise of \$500 million in production expenses. Most categories of expenses rose during 1961 though the increases were smaller than in most postwar years.

Income per farm reached a new record in 1961—\$3,323. This was 12 per cent above the 1960 level and slightly above the previous record in 1958, reflecting the continuing decline in the number of farms. It is estimated that there were 3,811,000 farms in the continental United States in 1961, a decrease of 3.5 per cent from the year before.

NON-REAL ESTATE FARM LOANS at member banks in the District increased 2.9 per cent in the last quarter of 1961 and at year-end were 3.8 per cent above outstandings at the end of 1960.

To some extent, the increase in farm income in 1961 was borrowed from 1962. Payments for acreage retired under the feed grain and wheat programs were received in 1961. Some of the feed grains and all of the wheat normally produced on this land would have been sold in 1962.

Increases in loan volume of 5 per cent or more in the last three months of 1961 were recorded by banks in western and eastern Iowa, and north and west central Illinois. This apparently reflects the higher average price paid for feeder cattle during the fall.

In the Seventh Federal Reserve District net income per farm increased substantially more than in the United States from 1960 to 1961. The 39 per cent increase in

Farm real estate loans outstanding increased in most areas of the District during the fourth quarter though there were declines in central and southeastern Iowa and south central Indiana.

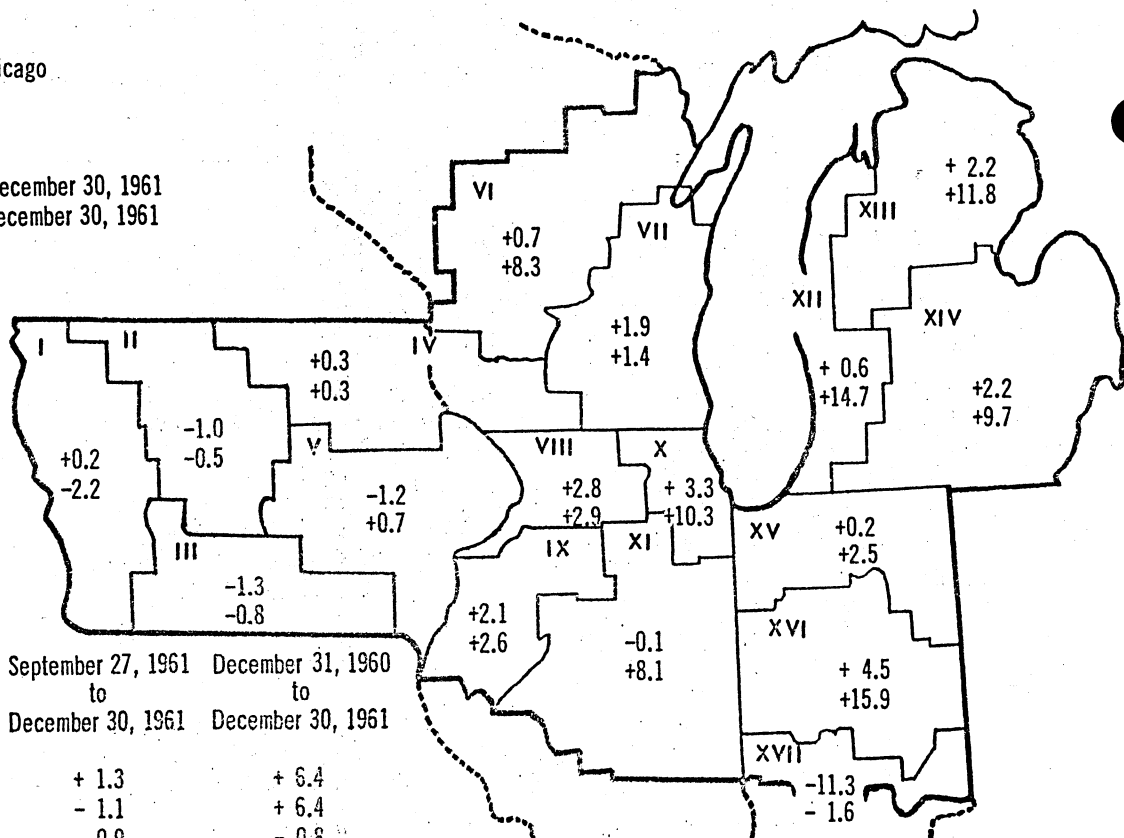
Research Department

Farm real estate loans outstanding  
District member banks outside Chicago

Per cent change:

TOP: September 27, 1961 to December 30, 1961

BOTTOM: December 31, 1960 to December 30, 1961



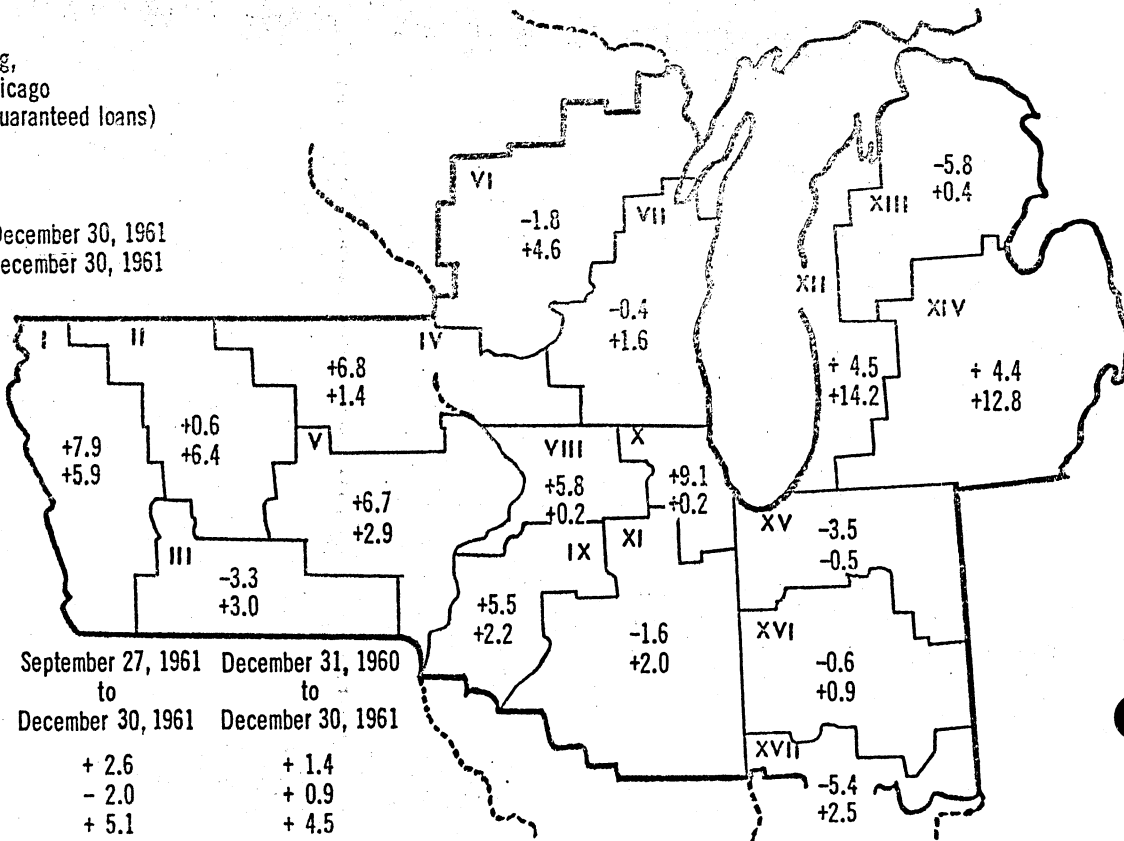
Illinois .....	+ 1.3	+ 6.4
Indiana .....	- 1.1	+ 6.4
Iowa .....	- 0.9	- 0.8
Michigan .....	+ 1.9	+10.7
Wisconsin .....	+ 1.7	+ 4.1
SEVENTH DISTRICT .....	+ 0.6	+ 6.0

"Short-term" farm loans outstanding,  
District member banks outside Chicago  
(excludes real estate and CCC guaranteed loans)

Per cent change:

TOP: September 27, 1961 to December 30, 1961

BOTTOM: December 31, 1960 to December 30, 1961



Illinois .....	+ 2.6	+ 1.4
Indiana .....	- 2.0	+ 0.9
Iowa .....	+ 5.1	+ 4.5
Michigan .....	+ 3.9	+12.3
Wisconsin .....	- 0.2	+ 2.6
SEVENTH DISTRICT .....	+ 2.9	+ 3.8