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# Agricultural Letter



Number 664

NET FARM INCOME during the first half of 1962 was at an annual rate of \$12.8 billion, 2 per cent above the same period of 1961. Gross farm income was estimated at \$40.3 billion compared with \$39.4 billion in the preceding year.

The gain in gross income in the first half of 1962 reflected increased Government payments, higher prices for crops and continued large volume of marketings. Government payments to farmers for the first five months totaled \$509 million, up nearly \$146 million from 1961. The increase was largely payments under the Government feed grain and wheat programs. Payments to farmers under these programs in 1962 are expected to total about \$1.2 billion. Last year, with the wheat program getting under way in the fall, payments totaled around \$809 million.

Higher production expenses largely offset the increase in gross farm income. Prices of most production items, except feeder livestock, were higher. Interest and taxes payable per acre were up about 6 per cent and farm wage rates were 3 per cent higher than in the first half of 1961. Farmers' production expenses this year are estimated at \$27.6 billion or about \$600 million above last year.

### Farm income shows further rise

	1962*	Change from 1961
	(billions)	(per cent)
Cash receipts from farm markets .....	\$35.3	+2
Nonmoney income and Government payments..	5.0	+2
Gross farm income .....	40.3	+2
Production expenses .....	27.6	+2
Realized net income .....	12.7	+2
Change in inventories .....	0.1	-
Adjusted net income .....	12.8	+2

\*Seasonally adjusted annual rate.

Farmers' cash receipts from crop marketings are estimated at \$5.4 billion for the first half of this year—up 8 per cent from year earlier. The increase reflected higher returns from cotton, oil bearing crops, food grains, feed crops and vegetables.

Receipts from livestock and livestock products during the first half of 1962 totaled \$9.4 billion—about 1 per cent less than in the same period a year earlier. While the volume of marketings was larger than in the first half of 1961, lower prices caused a decline in cash receipts. Dairy price supports were reduced as of April 1 and prices for turkeys and eggs have been well below year-ago levels.

In the Seventh District states, farmers' cash receipts during the first five months and the per cent change from the year-earlier period were as follows:

	1961	1962	Change
	(--- millions)---	---	(per cent)
Illinois .....	\$ 841	\$ 930	+10.6
Iowa .....	1,046	1,093	+4.5
Indiana .....	442	440	-0.5
Michigan .....	240	260	+8.3
Wisconsin .....	496	497	-
United States .....	12,047	12,292	+0.2

Income from the sale of livestock and livestock products was virtually unchanged from a year ago in Indiana, Wisconsin and Iowa but rose 2 per cent above last year in Illinois and Michigan. Crop sales, however, grossed about 20 per cent more than in 1961 in Illinois, Iowa and Michigan, reflecting heavy marketings of 1961 crops of feed grains at favorable prices. Crop receipts of Wisconsin farmers were up 8 per cent from year earlier but were down slightly in Indiana.

Recently, however, lower prices for soybeans and corn, plus smaller marketings of hogs, has caused income in the Corn Belt to drop below 1961 levels.

During the second half of 1962, net farm income is expected to continue at current levels. Conditions at midyear indicate that the volume of farm marketings may be about the same as in 1961. Marketings of livestock and livestock products are expected to be a record high this year but this will probably be offset by a drop in the volume of crop marketings. Additional acreage reductions under the Government's wheat and feed grain programs would be responsible for most of the decline from last year. As of July 1, reductions in acreage were indicated for corn, oats, barley and wheat, while some expansion was expected in sorghums, rye and rice. Early season crop prospects point to yields per acre somewhat below last year's high levels, but generally above average.

Marketings of cattle and hogs during the fall are expected to exceed those of last year. Hog prices will probably remain close to year-ago levels this fall but cattle prices are expected to fall below those of the comparable period last year.

Research Department