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THE BUDGET submitted to Congress early this year estimated Federal expenditures on behalf of agriculture and agricultural resources (excluding "Food for Peace" programs) at \$3.4 billion for the fiscal year ending June 30, 1967. This would be about \$500 million less than the expected total in fiscal 1966, nearly \$1.5 billion below the actual expenditures in 1965. Moreover, it is the smallest amount budgeted for agricultural outlays since the mid-Fifties.

Actual budget expenditures for agriculture in the recent years, however, have proven exceedingly difficult to estimate accurately. Indeed, actual expenditures have exceeded estimates in 7 of the past 10 years. In fiscal 1965, the budget was originally estimated at \$3.2 billion; it was later revised to \$4.5 billion, and the actual expenditure totaled \$4.8 billion. Again, the 1966 budget was originally projected at \$3.9 billion but was recently revised to \$4.3 billion.

The largest item in the agricultural budget, of course, continues to be programs to bolster farm income. Expenditures in fiscal 1967 for this purpose are estimated at about \$3 billion. This is \$145 million less than in the current fiscal year, partially reflecting the smaller amounts of grains expected to be placed under the price support program because of the lower loan rates on most price supported commodities. Under the Food and Agricultural Act of 1965, greater emphasis will be placed on direct payments to farmers—rather than on high support prices through commodity loans—to induce participation in acreage reducing programs.

Budget expenditures	Actual	Estimated	
	1965	1966	1967
	(million dollars)		
Farm income stabilization	3,438	3,134	2,989
Agricultural land and water resources	341	374	348
Rural electrification and telephones	392	193	196
Farming and rural housing loans	268	90	- 612
Research and other agricultural services	457	522	452
Total	4,898	4,313	3,372
"Food for Peace" program	1,641	1,701	1,539
Total agriculture and "Food for Peace"	6,539	6,914	4,911

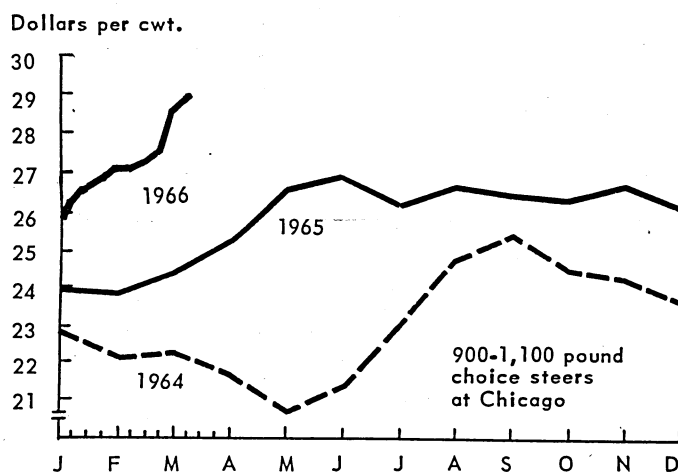
Another projected reduction would be effected through legislation in the Federal financing area that would authorize the sale of certificates of participation in Farmers Home Administration loans to private investors. Other cutbacks in the proposed budget would result from shifting the full cost of meat and poultry inspection to a system of fees collected from processors, from a reduction in the volume of milk distributed through the school lunch program and from the use of Rural Electrification Administration loan receipts to offset its expenditures. Each of these, however, would require additional legislation.

Food for Peace expenditures are not included in the agricultural budget estimates for fiscal 1966 and 1967, although the program continues to be handled largely through the U. S. Department of Agriculture. These ex-

penditures for fiscal 1967 are currently estimated at about \$1.5 billion—a slight decline from a year earlier, reflecting primarily the anticipation of lower prices for wheat and cotton and lower ocean freight rates. The amount of commodities shipped is expected to be larger. Legislation now pending, to replace the expiring P.L. 480 under which the present Food for Peace program operates, could necessitate an upward revision of this estimate, however.

Prices of fed cattle have increased sharply in recent weeks. Choice 900-1,100 pound steers at Chicago averaged about \$29 per hundredweight during the week ended March 5—nearly \$3 higher than at the start of the year and more than \$5 per hundredweight above the year-earlier price. Prices are up even though the number of cattle slaughtered under Federal inspection has continued to exceed year-ago levels. Slaughter during January averaged about 6 per cent above a year ago, and average weekly slaughter in February showed a gain of about 5 per cent.

Fed Cattle Prices Increase Sharply



Sales of beef futures contracts on the Chicago Merchandise Exchange indicate that many individuals are expecting choice cattle prices to continue near current levels during the spring and early summer months. Each of the near-term contracts is well above \$28 per hundredweight. The report of cattle on feed in January indicates some further increase in marketings of fed cattle during the second quarter. Any accompanying price decline, however, would be tempered by the continued strong demand for beef, resulting from continued small pork supplies and further increases in consumer incomes.

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Agricultural Economist

FARM BUSINESS CONDITIONS

December 1965 with Comparisons

I T E M S	1965		1964
	December	November	December
PRICES:			
Received by farmers (1957-59=100)	107	103	97
Paid by farmers (1957-59=100)	111	110	107
Parity price ratio (1910-14=100)	80	77	75
Wholesale, all commodities (1957-59=100)	104	104	101
Paid by consumers (1957-59=100)	111	111	109
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.69	1.66	1.52
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.24	1.16	1.27
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.77	.72	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.66	2.54	2.91
Hogs, barrows and gilts, Chicago (dol. per cwt.)	28.44	24.89	15.86
Beef steers, choice grade, Chicago (dol. per cwt.)	26.60	26.68	24.01
Milk, wholesale, U. S. (dol. per cwt.)	4.60	4.62	4.47
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.62	.62	.60
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.13
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.41	.38	.33
Milk cows, U. S. (dol. per head)	217	215	203
Farm labor, U. S. (dol. per week without board)	--	--	--
Factory labor, U. S. (dol. earned per week)	110.92	109.30	106.55
PRODUCTION:			
Industrial, physical volume (1957-59=100)	148	146	137
Farm marketings, physical volume (1957-59=100)	132	159	137
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	551	546	506
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	44.4	40.6	39.6
EMPLOYMENT:			
Farm (millions)	3.6	4.1	3.8
Nonagricultural (millions)	69.1	68.7	66.6
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	123	124	115
Nonagricultural banks (1957-59=100)	121	115	117
Time deposits:			
Agricultural banks (1957-59=100)	215	213	187
Nonagricultural banks (1957-59=100)	234	233	204
¹ Based on estimated monthly income.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.