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FARM INCOME in the Midwest as well as the nation is expected to continue under the 1966 level during the last half of 1967. Income from crops may decline somewhat because of lower crop prices. Crop production is indicated to reach a record level. Corn prices received by farmers declined about 5 cents per bushel from mid-June to mid-July following the forecast of a record 4.5 billion bushel crop, and December futures contracts have declined about 15 cents to $1.21 per bushel since early June. Weather conditions through the remainder of the growing season, however, can still affect the production and price outlook. Receipts from feed grains will be augmented by Government payments to farmers participating in this year's program, but such payments are estimated to be below those of 1966 because of reduced participation.

Income from sales of livestock and livestock products, on the other hand, will likely approach the year-earlier during the fall. Livestock prices—largely responsible for reduced income during the first half of this year—may average higher than year-ago prices, reflecting reduced production of pork and beef. Dairy receipts, however, may be below the 1966 level during the remainder of the year since milk prices this fall are likely to average below the very high levels of a year earlier.

Net farm income in the United States declined during the first half of this year. According to the Department of Agriculture, realized net income through the first six months was at a seasonally adjusted annual rate of $14.5 billion. This was down about $1.7 billion from the near record last year.

Gross farm income during the first six months was estimated at an annual rate of $49.1 billion—down slightly from the corresponding period a year earlier. The decline is attributable primarily to lower receipts from marketings of commodities. Direct government payments to farmers were estimated to have risen, reflecting larger payments to cotton and wheat program participants.

The decline in cash receipts from marketings reflected the lower prices for both crops and livestock. Receipts from livestock were nearly $300 million less than a year earlier because of lower prices for meat animals and poultry and eggs. Crop receipts were down about $100 million from the same months in 1966 because of lower grain prices and a sharp drop in cotton marketings.

Production expenses continued upward during the first half of this year—further reducing farmer's net income. Expenses through June were at an annual rate of $34.5 billion about 2 percent above the record outlays last year. Higher prices for most production items account for much of the increase. The index of prices paid by farmers for production items, interest, taxes and wage rates was 3.5 percent higher in the first five months than a year earlier. The only major farm input for which prices were lower was feeder livestock—down 5 percent from a year ago.

In the Seventh Federal Reserve District, farm income did not decline as sharply as for the nation. Higher crop receipts partially offset lower receipts from marketing of livestock and livestock products. Cash receipts in the District during January through May declined about 1 percent from the corresponding year-earlier period—receipts from crops were up about 2 percent while livestock receipts declined nearly 3 percent.

Higher corn prices more than offset a lower volume of marketing during the first half of the year to bolster crop receipts in the District. Receipts from crop marketings were up significantly in Iowa, Michigan and Wisconsin, while Illinois and Indiana recorded declines reflecting the drought shortened 1966 corn crops in these states.

Lower meat animal and poultry and egg prices during the first five months depressed livestock receipts in the District, but receipts from milk marketing were substantially higher. In the first five months of this year livestock receipts in Michigan and Wisconsin were up 3 and 7 percent, respectively, from a similar 1966 period, primarily reflecting higher dairy product prices.

The calf crop is expected to decline slightly this year, the second consecutive year of decrease. The 1967 crop was recently estimated by the U. S. Department of Agriculture at 43.1 million head—1 percent less than the previous year.

The supply of feeder calves this fall, however, likely will be about the same as that of a year earlier, since much of the decrease in the calf crop occurred in the predominantly dairy states. In Minnesota and Michigan declines of 3 and 8 percent, respectively, were reported while in Wisconsin, the nation's leading dairy state, the calf crop fell 1 percent. These declines probably reflect the continued cutback in dairy herds—as of January 1 dairy cows totaled 5 percent fewer than a year ago. A majority of the states west of the Mississippi River reported calf crops about the same or larger than those of last year.

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