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CURRENT SERIAL RECORDS

Agricultural Letter

Number 974

NET FARM INCOME continues to average higher than a year ago according to the U. S. Department of Agriculture. Realized net income of the nation's farmers in the second quarter of this year was estimated at a seasonally adjusted annual rate of \$14.8 billion—about 4 percent more than the final tally last year. Except for 1966, this would be the highest since the early 1950s.

Gross farm income in the second quarter was estimated at an annual rate of about \$51 billion—nearly 3 percent above a year before. The rise in gross income can be attributed to higher cash receipts and larger government payments, mostly under the feed-grain and wheat acreage diversion programs.

Through midyear, cash receipts from farm marketings rose about \$300 million from the year-before level. Larger receipts from livestock and livestock products accounted for most of the gain. Higher livestock prices were received for about the same volume of sales. Higher crop prices—about 3 percent higher—were largely offset by smaller marketings.

last year's cost by a billion dollars. Prices paid for production items in the first half averaged about 3 percent more than in the same period last year. The volume of a number of items was also larger. Most of the increase in prices was for items of nonfarm origin. Machinery prices were about 6 percent higher and general farm supplies were about 2 percent higher. Except for feeder cattle prices—which were up about 4 percent—most farm produced commodities were lower. Feed cost—one of the largest expense items—averaged about 5 percent lower.

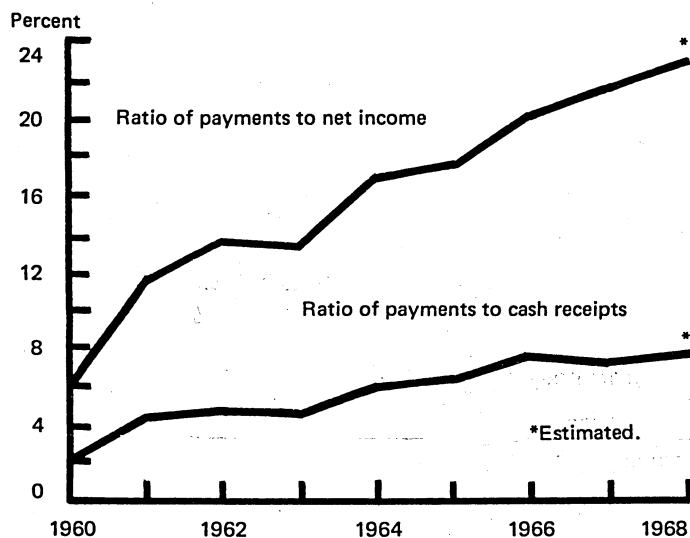
Farmers in the Seventh Federal Reserve District have generally fared less well than those in the nation as a whole, especially grain farmers. Cash receipts from crops were higher in Illinois and Iowa. But this was due to the substantial increase in marketings from the record 1967 crops. Prices received for these marketings were, of course, sharply lower. Corn prices through the first half of 1968 averaged about 17 percent lower and soybean prices were about 6 percent lower. Livestock receipts were up in all of the states of the district, except Wisconsin where they were about the same as last year. This, of course, primarily reflected the generally higher prices received for cattle, coupled with slightly larger marketings of both cattle and hogs.

With declines coming in the prices of both crops and livestock, net incomes of Midwest farmers may be less favorable for the rest of the year. Although participation in acreage diversion programs has increased, production is expected to be close to last year's record outpouring. As a result, corn futures contracts for December are about \$1.04 a bushel and November soybean contracts are about \$2.52 a bushel. Both prices are well below those received for last year's crops.

Larger supplies of livestock are also expected. Recent surveys of cattle and hogs on farms point to larger marketings in the second half of 1968. Moreover, depressed feed prices are apt to encourage feeding to heavier marketing weights, further increasing supplies.

Note: *Agricultural Letter* number 972 indicated the maximum legal interest rate on loans in Illinois was 7 percent. There are a number of exceptions, however. Loans to corporations and loans for certain business purposes are, for example, exempt from this restriction.

Government Payments to Farmers Up



Government payments to farmers participating in the feed grains and wheat programs are expected to boost payments under all programs to about \$3.4 billion—about \$300 million more than last year. Direct payments to farmers under all programs will probably account for around 8 percent of total cash receipts from the sale of farm commodities and about 23 percent of total net income. These proportions have been rising rapidly in recent years, reflecting the shift from price-support loans to direct payments. In 1960, for example, government payments amounted to about 2 percent of total cash receipts and 6 percent of net farm income.

Production expenses continued their steady upward trend through the first half of the year. If the current rate of advance is extended, outlays for production items will top

Roby L. Sloan
Agricultural Economist

FARM BUSINESS CONDITIONS
April 1968 with Comparisons

I T E M S	1968		1967
	April	March	April
PRICES:			
Received by farmers (1957-59=100)	107	107	101
Paid by farmers (1957-59=100)	121	120	116
Parity price ratio (1910-14=100)	73	74	72
Wholesale, all commodities (1957-59=100)	108	108	105
Paid by consumers (1957-59=100)	120	120	115
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.41	1.50	1.73
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.16	1.17	1.38
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.80	.80	.76
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.71	2.71	2.88
Hogs, barrows and gilts, Chicago (dol. per cwt.)	19.23	19.37	17.81
Beef steers, choice grade, Chicago (dol. per cwt.)	27.49	27.75	24.66
Milk, wholesale, U. S. (dol. per cwt.)	5.03	5.08	4.77
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.67	.66	.65
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.13
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.29	.30	.30
Milk cows, U. S. (dol. per head)	270	269	257
Farm labor, U. S. (dol. per week without board)	63.50	--	58.75
Factory labor, U. S. (dol. earned per week)	118.21	120.18	112.56
PRODUCTION:			
Industrial, physical volume (1957-59=100)	163	163	156
Farm marketings, physical volume (1957-59=100)	53	98	99
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	669.8	666.5	616.5
Cash farm income, U. S. ¹ (annual rate, bil. of dol.) . .	42.7	48.4	47.4
EMPLOYMENT:			
Farm (millions)	3.9	3.5	3.7
Nonagricultural (millions)	71.0	71.0	69.7
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	125.7	124.1	121.0
Nonagricultural banks (1957-59=100)	121.3	119.7	118.9
Time deposits:			
Agricultural banks (1957-59=100)	289.0	284.1	252.6
Nonagricultural banks (1957-59=100)	303.6	305.2	273.6
¹ Based on estimated monthly income.			

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