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READERSHIP SURVEY

This issue of Agricultural Letter includes a detachable readership survey on page 3. To help us in our continuing efforts to increase the usefulness of Agricultural Letter, please detach the survey, respond candidly to the questions, and—after folding and sealing—return it to us as a self mailer. Your response will give us a better understanding of our readers' preferences and will be greatly appreciated.

Prices received by farmers have declined somewhat from the August peak, but remain above year-ago levels. The October index of prices received by farmers for all farm products, although unchanged from the previous month and down 2 percent from August, was up 6 percent from a year ago. Similarly, the index of prices paid by farmers was unchanged from September but up 3 percent from a year ago. These price trends, combined with a substantial increase in government payments and a decline in production expenses, have contributed to a strengthening of farm income this year. Projected gains in cash receipts and inventory values suggest the upward trend in net income will continue in 1984.

The rise in the overall index of prices received by farmers conceals marked contrasts in trends between crop and livestock prices. The index of all crop prices has trended upward since the first of this year, and in October exceeded the cyclical low of a year ago by 20 percent. Year-to-year gains of more than 60 percent for corn and soybeans have paced the upward spiral in crop prices. Corn prices in mid-October—at $3.30 per bushel—remained above $3 for the sixth consecutive month. Soybean prices, at their highest level since spring 1977, averaged $8.32 per bushel at mid-month.

Producers of livestock and livestock products, on the other hand, have experienced a significantly different price trend throughout the year. Except for a slight increase in August, the index of prices received for livestock has declined steadily from the first quarter peak. The October index of livestock and product prices was down 5 percent from a year earlier and nearly 8 percent below the March peak. Leading the price decline were hogs, while poultry and eggs showed year-to-year gains in October. Hog prices in October averaged about $41 per hundredweight, down 9 percent from September and down 27 percent from a year ago. In contrast, steer and heifer prices in October showed a slight increase from the previous month but continued to trail year-ago levels by 2 percent. Similarly, the prices of dairy products rose slightly in October, but remained marginally below last year's level. The poultry and egg price index, on the other hand, retained a 13 percent year-to-year gain in October, despite a monthly decline of 4 percent.

Prices paid by farmers, after creeping up during the first quarter, have remained quite stable since late spring. The October index of prices paid remained unchanged from a month earlier, but was 3 percent above the level of a year ago. Individual components of the overall prices paid index, however, varied considerably. The combined effects of PIK and the drought, for instance, have resulted in livestock feed prices jumping 25 percent above last year's level. The impact of the higher feed prices on producer returns has been partially offset by a decrease of more than 11 percent in feeder livestock prices. Fertilizer prices and fuel and energy prices have also showed year-to-year declines. In contrast, prices paid for autos and trucks and for farm machinery were up from a year ago. Farm real estate taxes and wage rates averaged above year-ago levels in October as well.

Farm income estimates for 1983 show substantial increases from the low levels of the past few years.

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from Prior period	Percent change from Year ago
Index of prices received by farmers	1977=100	October	136	0	+ 6
Crops	1977=100	October	137	+ 1.5	+20
Livestock	1977=100	October	135	- 1.5	- 5
Index of prices paid by farmers	1977=100	October	161	0	+ 3
Production items	1977=100	October	153	- 0.7	+ 3
Producer price index* *(finished goods)*	1967=100	October	288	+ 1.0	+ 1
Foods	1967=100	October	264	+ 0.4	+ 3
Processed foods and feeds	1967=100	October	258	- 0.5	+ 3
Agricultural chemicals	1967=100	October	277	+ 0.3	- 4
Agricultural machinery and equipment	1967=100	October	328	0	+ 3
Consumer price index** *(all items)*	1967=100	October	303	+ 0.3	+ 3
Food at home	1967=100	October	282	- 0.1	+ 1
Cash prices received by farmers					
Corn	dol. per bu.	October	3.30	- 0.6	+67
Soybeans	dol. per bu.	October	8.32	+ 0.5	+64
Wheat	dol. per bu.	October	3.56	- 2.7	+ 4
Sorghum	dol. per cwt.	October	5.10	- 3.0	+38
Oats	dol. per bu.	October	1.66	+ 7.1	+26
Steers and heifers	dol. per cwt.	October	56.80	+ 1.1	- 2
Hogs	dol. per cwt.	October	40.30	- 8.6	-28
Milk, all sold to plants	dol. per cwt.	October	13.70	+ 1.5	- 1
Broilers	cents per lb.	October	29.3	-13.3	+15
Eggs	cents per doz.	October	68.5	+ 4.7	+17
Income *(seasonally adjusted annual rate)*					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	146	+ 3.1	+ 2
Net farm income	bil. dol.	3rd Quarter	21	- 5.1	+31
Nonagricultural personal income	bil. dol.	October	2,763	+ 1.0	+ 8

*Formerly called wholesale price index.

**For all urban consumers.

Although both crop and livestock receipts are expected to be down this year, a large increase in government payments—including roughly $4 billion in PIK payments—will boost total cash income to farmers almost 3 percent above the year-ago level. Moreover, the large acreage cuts associated with PIK and other government programs will likely reduce cash expenses about 3 percent this year. The contrasting trends in cash income and expenses are expected to boost net cash income for farmers 18 percent this year to a new high of $43 billion. However, total net income of the farm sector—the difference between total gross income and total expenses—is expected to show a smaller year-to-year increase. Total gross income, which includes changes in the value of inventories and other non-cash earnings, is projected to be down marginally this year. The inventory value adjustment—measured as the value of the change in stocks—will be large and negative this year due to the substantial drawdown of crop inventories. The resulting decline in gross income, however, will be more than offset by a 3 percent drop in total expenses, holding net income 13 percent above last year.

The outlook for farm prices foreshadows higher cash receipts in 1984. Corn and soybean prices are projected by the USDA to average near $3.50 and $9.00 per bushel, respectively, for the 1983/84 season. In both cases, however, large acreage increases this spring are expected to drive prices down by next summer. The ongoing reduction in hog inventories is expected to hold hog prices in the mid-$40 per hundredweight range through the early part of next year. However, the current reduction in breeding stock is expected to tighten supplies in the second half, boosting hog prices to the low-to mid-$50s. Similarly, fed cattle prices are expected to hold in the low $60 range until spring when

Readership Survey

(Please detach, seal, and mail.)

1. What Agricultural Letter topics interest you?

	Most 1	2	3	Least 4
a. Agricultural policy/farm programs	☐	☐	☐	☐
b. Agricultural trade/exports	☐	☐	☐	☐
c. Farmland values	☐	☐	☐	☐
d. Farm debt/credit conditions	☐	☐	☐	☐
e. Commodity production and price trends	☐	☐	☐	☐
f. Farm earnings/cost of production	☐	☐	☐	☐
g. Food prices/consumption	☐	☐	☐	☐
h. Other (specify) _____	☐	☐	☐	☐

2. What judgements would you make about the following areas?

	Excellent 1	2	3	Poor 4
a. Timeliness of articles	☐	☐	☐	☐
b. Interpretation and analysis	☐	☐	☐	☐
c. Use of statistical/graphical material	☐	☐	☐	☐
d. Frequency of publication	☐	☐	☐	☐
e. Informational content	☐	☐	☐	☐
f. The statistical data usually appearing on page 4	☐	☐	☐	☐

3. What recommendations would you make about the following features of Agricultural Letter?

	Greater 1	Less 2	As is 3
a. Length of articles	☐	☐	☐
b. Use of charts & tables	☐	☐	☐
c. Frequency of publication	☐	☐	☐
d. Focus on developments in District states	☐	☐	☐
e. Range of topics	☐	☐	☐

4. How much of Agricultural Letter do you usually read? (check one)

☐ a. Less than 25% ☐ c. 50% to 75%
☐ b. 25% to 50% ☐ d. More than 75%

5. How useful is Agricultural Letter in helping you stay abreast of trends and developments in agriculture?

Very useful 1	2	3	Not useful 4
☐	☐	☐	☐

6. In what sector are you employed? (check one)

☐ a. Agricultural lending
☐ b. Other agri-business
☐ c. Farming
☐ d. Government/regulatory agency
☐ e. Academic (including student)
☐ f. Press/news media
☐ g. Other (specify)_____

7. What is your occupation? (check one)

☐ a. Student
☐ b. Farmer
☐ c. Executive or administrator
☐ d. Economist
☐ e. Educator (noneconomic)
☐ f. Other professional
☐ g. Other (specify) _____

8. What is your highest level of education?

☐ a. High school graduate
☐ b. College graduate
☐ c. Graduate or professional degree

9. If you are a teacher, do you assign or recommend Agricultural Letter to your students? (check one)

☐ a. Regularly ☐ b. Occasionally ☐ c. Rarely

10. Recent legislation requiring the Federal Reserve to price its services *may* require us to impose an annual subscription fee for Agricultural Letter. If that were to be the case, would you continue your subscription at an annual fee of $10?

☐ a. Yes ☐ b. No

11. Additional comments and suggestions about Agricultural Letter _____

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reduced cattle marketings will push prices to the upper $60s per hundredweight.

The outlook for farm expenses in 1984 portends substantial increases. Much of the land idled under 1983 crop support programs will come back into production, significantly increasing crop farmers' cash expenses. The resulting increase in demand for inputs is expected to boost fertilizer and pesticide prices next spring. In addition, feed costs for livestock producers will average higher in the year ahead. The increase in total cash expenses is expected to outweigh the increase in cash receipts, resulting in some decline in net cash income next year. However, the possibility of large crop harvests next year foreshadows a large, positive change in the value of inventories and a further rise in total net farm income in 1984.

Peter J. Heffernan

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