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NET FARM INCOME has been trending downward throughout 1974 and will definitely fall short of last year's \$32 billion record. The major factors responsible for the decline include a pervasive increase in the cost of farm production inputs, a decline in livestock prices, and curtailment of nearly all government farm subsidy payments.

Cash receipts from farm marketing are running ahead of year-earlier levels in both the Seventh District and the nation. The increase stems almost entirely from rising crop sales, up 18 percent nationally from a year earlier. Livestock receipts have slipped 3 percent below the previous year's total. Most likely, these trends will continue in the fourth quarter.

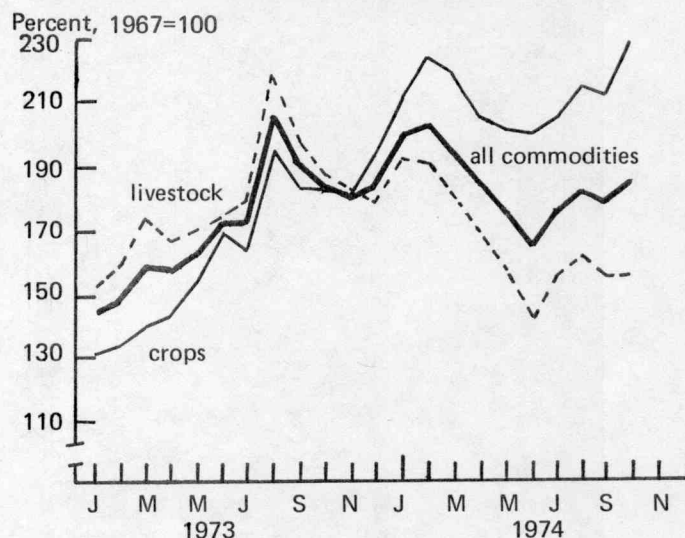
All district states experienced an increase in cash receipts from crop sales during the first eight months of 1974, but only Michigan and Wisconsin recorded increases from the sale of livestock and related products. These two states derive a relatively high percentage of livestock and related product cash receipts from milk, and milk sold at prices substantially above year-earlier levels throughout the first eight months of this year. As a result, cash receipts from total farm marketings in Michigan and Wisconsin were up 23 percent and 15 percent, respectively. Total cash receipts received by Illinois farmers were up 11 percent, while Indiana farmers experienced a 10 percent rise. In Iowa, cash receipts from crop sales were up slightly, but livestock sales declined 4 percent leaving total cash receipts 2 percent lower than in the same 1973 period. Iowa farmers use a large amount of their grain to feed livestock, and these figures reflect the substantial losses incurred by feeders, especially cattle feeders, this year.

Prices received from crops and prices received from livestock and related products have followed increasingly divergent paths. Although the average price received for all farm products nearly matches the year-earlier level, crop prices reached record levels this year. As of mid-October, crop prices averaged 25 percent higher than a year earlier. On the other hand, livestock and related product prices stood 17 percent below the mid-October 1973 level. During the first ten months of 1974, crop prices have averaged 43 percent above the same year-earlier period while livestock and related product prices averaged about 7 percent less.

Prices paid by farmers for farm production inputs continue upward under the unrelenting pressures of inflation and product shortages. Overall, prices of farm production items during October averaged 29 percent higher than a year earlier. Of the nine major categories of production items reported by the USDA, only feeder animals cost less in 1974 than in the comparable 1973 period. Fertilizer prices have jumped a

whopping 81 percent, motor supplies (which include fuel and oil) are up 39 percent, building and fencing materials and general farm supplies are up 30 percent. Little relief from rising prices for farm production inputs appears forthcoming in the months ahead, although the rate of increase may slow somewhat.

**Crop Prices Strengthen
Livestock Prices Falter¹**



¹Prices received by farmers.

Total farm production expenses are likely to reach almost \$76 billion in 1975, up approximately 17 percent from 1973. Gross farm income, which includes cash receipts from farm marketings, government payments, and nonmoney income (home consumption of farm products) is likely to reach nearly \$102 billion, up 5 percent from the past year. But the increase will not be sufficient to offset the rise in production costs. While government payments will be down over \$2 billion in 1974, farm disaster payments will offset part of the loss. Realized net farm income will likely total around \$26 billion in 1974, down substantially from 1973 but still the second highest total ever achieved.