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THE AGRICULTURAL OUTLOOK CONFERENCE, held last week by the USDA, generated optimism for the first half of 1976, but major uncertainties virtually precluded objective forecasts for the second half. Prospects envisioned by the USDA for the first half included a slowing in the rate of food price increases, a sustained record pace for exports, strengthening evidence of a recovery in livestock production, and a continuing high level of net farm income. Reflecting the wide range of uncertainties, however, many observers are dubious of some of the USDA forecasts.

Net realized farm income estimates were expressed in terms of a "fiscal (crop) year." Although the concept is new and was not clearly defined, it apparently represents the 12 months ending around mid-1976. The USDA currently projects that cash receipts from farm marketing in fiscal 1975/76 will rise about $10 billion from the $91 billion level estimated for fiscal 1974/75. Higher prices are expected to boost receipts from livestock marketings sharply, while larger supplies will contribute to a slight rise in crop receipts. Moderating increases in production expenditures will offset some of the rise in receipts. However, net realized farm income for "fiscal 1975/76" will run well above the fiscal 1974/75 level and perhaps approximate the $28 to $29 billion estimated for the second half of calendar 1975.

Agricultural exports are expected to increase for the fifth consecutive year in fiscal 1976, perhaps exceeding by $1 billion the $21.6 billion mark of fiscal 1975. A sharp increase in the volume of shipments—particularly to the USSR—will more than offset the lower world prices. Imports of agricultural commodities are also expected to rise during the current fiscal year. Nevertheless, the agricultural trade balance will likely exceed the fiscal 1975 record of $12 billion by around $700 million.

Food prices are projected to rise at a 4 to 5 percent annual rate during the first half of 1976, about one-half the rate of increase posted during all of 1975. Some seasonal declines in livestock production during the first quarter are expected to sustain some upward pressures on food prices. Forecasts of the marketing spread—the difference between the retail value and the farm value of food—portend further advances during the first half of 1976, but the year-to-year gains will likely be substantially below the 11 percent level posted during the first half of 1975.

Prospective beef supplies are one of the major uncertainties surrounding the 1976 outlook. The increased availability of feed supplies already has triggered marked increases in feedlot placements, a precursor to a much higher level of fed cattle slaughter in the first half of 1976. Much of the increase in fed cattle slaughter, however, will likely be offset by a slowing in the slaughter of cows and nonfed steers and heifers. The rate of decline in cow and nonfed slaughter, as well as prospects for sustained year-to-year increases in feedlot placements, will largely hinge on actual and perspective feed prices and pasture conditions. In light of these uncertainties, the USDA is cautiously projecting that choice steer prices will average $42.50 per hundredweight in the first quarter and perhaps rise to $47.50 in the second quarter.

Pork production will continue to lag year-ago levels during most of the first half of 1976, but current conditions strongly support prospects for year-to-year gains in the second half. Based on actual and intended farrowings for recent months, hog slaughter may lag the year-ago level by 15 percent in the first quarter and 5 to 6 percent in the second quarter. Barrow and gilt prices are expected to average in the low- to mid-$50s per hundredweight range during the first half.

Milk production may register a marginal rise in the first half of 1976 as prospective gains in output per cow offset the comparatively small declines in cow numbers. The increased production and prospects for a less exuberant demand may cause milk prices received by farmers to register a somewhat larger-than-normal seasonal decline during the first half. However, higher support levels will hold prices above year-ago levels.

Crop supplies for most of 1976 will be well above the depressed year-earlier levels, reflecting the bumper 1975 harvest. Although exports will be at a record pace, crop prices will hold below year-ago levels as the pick-up in domestic utilization rates slowly recovers from the sharp cutbacks of this year. The USDA currently expects that corn prices received by farmers in the 1975/76 marketing year will average 25 to 50 cents per bushel below the 1974/75 average of $3; that wheat prices may average about 25 cents per bushel below the $4 average of 1974/75; and that soybean prices could average $1 to $1.25 per bushel below the $6.50 average registered in 1974/75. The particularly sharp decline envisioned in soybean prices suggests farmers will likely increase feed grain plantings at the expense of soybean acreage next spring.

Gary L. Benjamin
Agricultural Economist