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December 12, 1975

Agricultural Letter

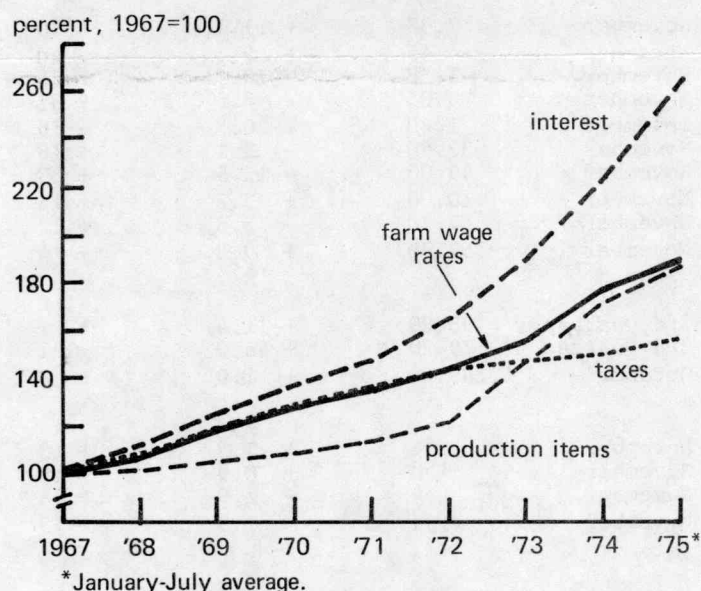
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FARM PRODUCTION COSTS will top \$77 billion in 1975 according to the most recent U.S. Department of Agriculture estimate, up more than 5 percent from last year. While the overall index of prices paid by farmers for production items will be up about 9 percent this year, this rate of increase will be only about one-half as large as the rates recorded in the previous two years. In November the combined index of production items, interest, taxes, and wage rates was 5 percent higher than a year earlier.

Indexes of prices paid by farmers



Feed prices were 14 percent below the year-earlier level in November. The drop largely reflects curtailed livestock feeding and a bumper crop. An index of feed grain prices received by farmers was 29 percent below the November 1974 level last month. A continued lackluster postharvest recovery for feed grain and oilseed prices may indicate further reductions in the prices paid for feed.

The postharvest recovery of corn prices—the major feed grain—has been subject to countervailing market forces and, therefore, has been somewhat limited, especially at the terminal level. However, market analysts generally agree that larger placements of feeder cattle and increased broiler production may impart strength to corn prices in the first half. The market has been sensitive to export news lately, but domestic feed utilization will account for about two-thirds of all corn utilization—more than twice the amount of current export projections.

Feeder livestock prices were 26 percent above a year earlier in November, a marked turnaround from last spring when they were running 13 percent under the year-earlier rate. Lower feed cost and higher fed animal prices have greatly enhanced the demand for

feeder animals. The trend toward higher priced feeder animals may be somewhat offset by recent lower fed animal prices, however.

Fertilizer prices are about equal to year-ago levels, following sharp declines since last spring. The overall fertilizer price index declined 11 percent between April and October. This is the first time the index on fertilizer prices has declined since the fall of 1969 and reflects vastly improved supplies.

The long standing trend of increasing fertilizer consumption was reversed in the year ending June 30, 1975. The decline in usage reflects unusually high prices and a somewhat abbreviated spring planting season. A combination of lower usage and increased production from new and expanded plants suggests that fertilizer supplies will be ample in 1976 and that spring price increases will be moderate. Some products such as phosphates may be priced very near fall levels—possibly lower in a few instances.

Farm machinery prices continued to increase at a rapid pace in 1975 although the upward pressures are now moderating. The index of farm machinery prices stood 21 percent above the year-earlier this fall, down somewhat from the 25 percent year-to-year increase reported last spring. Inventory levels of farm machinery have increased substantially—tractors up 46 percent and self-propelled combines up 53 percent—the past year. Furthermore, the wholesale price index (WPI) for agricultural equipment has indicated a likely slowing in the prices farmers pay for machinery. The WPI in these categories has been running about 10 percent above year-ago levels recently, less than one-half the rate of increase reported in the same period for the last two years.

Prices of motor supplies were about 9 percent above year-ago levels with approximately the same magnitude of increase in both the fall and spring. Reduced nonfarm demand has caused prices to soften recently. Agricultural chemical prices rose somewhere between 10 and 20 percent in 1975 depending on the formulation. Supplies will be up in 1976 as firms expand production of nearly all categories of ag chemicals. This should stabilize prices or hold increases to a minimum, compared to recent years.

Terry Franci
Agricultural Economist

AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	November	185	- 4.1	+ 2
Crops	1967=100	November	188	- 5.5	- 16
Livestock	1967=100	November	184	- 3.2	+ 20
Paid by farmers	1967=100	November	188	0	+ 6
Production items	1967=100	November	192	0	+ 5
Wholesale price index (all commodities)	1967=100	November	178	- 0.4	+ 4
Foods	1967=100	November	186	- 1.0	+ 5
Processed foods and feeds	1967=100	November	183	- 1.9	- 4
Agricultural chemicals	1967=100	November	198	- 1.1	+ 9
Agricultural machinery and equipment	1967=100	November	174	+ 1.7	+ 9
Consumer price index (all items)	1967=100	October	165	+ 0.6	+ 8
Food at home	1967=100	October	179	+ 0.6	+ 8
CASH PRICES					
Corn	dol. per bu.	November	2.33	- 11.1	- 30
Soybeans	dol. per bu.	November	4.45	- 9.5	- 40
Wheat	dol. per bu.	November	3.58	- 10.9	- 26
Sorghum	dol. per cwt.	November	4.05	- 8.6	- 31
Oats	dol. per bu.	November	1.40	- 0.7	- 18
Steers and heifers	dol. per cwt.	November	37.50	- 2.1	+ 18
Hogs	dol. per cwt.	November	49.00	- 15.5	+ 33
Milk, all sold to plants	dol. per cwt.	November	10.00	+ 3.5	+ 18
Broilers	cents per lb.	November	27.20	- 5.5	+ 12
Eggs	cents per doz.	November	57.70	+ 9.3	+ 4
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	3rd Quarter	98.00	+ 11.4	+ 7
Net realized farm income	bil. dol.	3rd Quarter	29.20	+ 46.0	+ 31
Nonagricultural personal income	bil. dol.	October	1,239.00	+ 1.0	+ 8
FARM FINANCE					
Total deposits at agricultural banks ¹	1972-73=100	November	146	+ 1.5	+ 13
Time deposits	1972-73=100	November	158	+ 0.9	+ 18
Demand deposits	1972-73=100	November	128	+ 2.9	+ 6
Total loans at agricultural banks ¹	1972-73=100	November	152	+ 1.9	+ 15
Production credit associations					
loans outstanding:					
United States	mil. dol.	September	10,814	- 0.6	+ 14
Seventh District states	mil. dol.	September	1,860	+ 1.3	+ 22
loans made:					
United States	mil. dol.	September	1,067	+ 8.4	+ 14
Seventh District states	mil. dol.	September	205	+ 18.4	+ 28
Federal land banks					
loans outstanding:					
United States	mil. dol.	September	16,044	+ 4.6	+ 22
Seventh District states	mil. dol.	September	2,831	+ 1.3	+ 23
new money loaned:					
United States	mil. dol.	September	260	+ 2.8	- 10
Seventh District states	mil. dol.	September	48	+ 14.3	+ 14
Interest rates					
Feeder cattle loans ²	percent	3rd Quarter	8.79	- 0.1	- 1
Farm real estate loans ²	percent	3rd Quarter	8.80	- 1.1	- 1
Three-month Treasury bills	percent	11/27-12/3	5.56	+ 0.4	- 25
Federal funds rate	percent	11/27-12/3	5.25	- 0.6	- 42
Government bonds (long-term)	percent	11/27-12/3	8.34	- 0.1	+ 4
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	August	1,601	+ 3.5	+ 10
Agricultural imports	mil. dol.	August	688	- 9.9	- 19
FARM MACHINERY SALES					
Farm tractors	units	September	15,592	+ 53.8	+ 15
Combines	units	September	6,111	+101.3	+ 9
Balers	units	September	2,549	- 30.0	+ 6

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

² Average of rates reported by district agricultural banks.