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Agricultural Letter



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FARM PRODUCTION EXPENDITURES continue on the upswing this year, but the rate of increase will probably be down from last year. According to a recent survey by the U.S. Department of Agriculture, farm production expenditures totaled \$89.2 billion in 1976, up 9 percent from the year-earlier level. Evidence of production expenditures for this year is still somewhat limited, but it appears the rate of increase might slow to approximately 4 to 6 percent.

The accounting procedures used in compiling the USDA's recent production expenditures survey differ in some respects from those utilized in deriving net farm income estimates. Consequently, the results of the expenditures survey cannot be used directly to alter earlier net farm income estimates for 1976. However, the 9 percent gain reported in the expenditures survey is somewhat larger than the 7 percent rise for production expenses contained in current net farm income estimates. This implies that net farm income estimates for 1976—which will be revised next month—may be lowered.

1976 farm production expenditures (billion dollars)

Feed	\$14.1	Purchases** of	
Livestock and poultry	7.2	Autos and trucks	\$ 2.2
Seeds and plants	2.5	Tractors	2.7
Fertilizer and lime	7.2	Other equipment	5.6
Chemicals	1.9	Custom hire	1.4
Fuel and energy	5.2	Interest	4.7
Auto and machinery operating costs*	4.0	Taxes	3.2
Rent	8.1	Marketing expenses	2.0
Wages and contract labor	7.4	Insurance	1.2
Farm improvements	5.3	Other	3.4
		Total	89.2

*Excludes fuel.

**Net of trade-in allowances.

Feed purchases totaled \$14.1 billion last year and represented the largest major category of expenditures. The feed bill included \$7.4 billion for mixed or formula feeds—about evenly divided between poultry and other livestock—\$2.2 billion for grains, \$2.0 billion for feed supplements, and \$1.3 billion for hay and forage purchases. Livestock purchases totaled \$7.2 billion—including \$2.8 billion for purchases of feeder cattle and calves—and \$1.2 billion for beef cattle and calves. However, the USDA report acknowledges that the estimated expenditures for feed and livestock may be understated since large feedlot operations were not included in the sample.

Among major crop inputs, expenditures for seed, fertilizer, and chemicals totaled \$11.7 billion last year,

while rent expenses—both cash rent and share rent—totaled \$8.1 billion. Operating costs for machinery and motor vehicles approximated \$4 billion. The bill for fuels and energy exceeded \$5.2 billion—including \$2.1 billion for gasoline, \$1.2 billion for fuel oil, and \$1.0 billion for electricity.

Farms with annual sales of over \$100,000 accounted for just over one-half of last year's total farm production expenditures, while expenditures among farms with sales of \$40,000 to \$99,000 represented another one-fourth. In recent years approximately 16 percent of the more than 2.8 million farms in the United States have achieved annual sales of \$40,000 or more. At the other extreme farms with annual sales of less than \$5,000—which represent approximately 43 percent of all farms—accounted for only 7.5 percent of last year's total farm production expenditures. Moreover, the earnings among these small farms, on average, apparently fell far short of expenditures. Among farms with receipts of \$1,000 to \$5,000, expenditures averaged \$6,657, while expenditures among farms with receipts of less than \$1,000 averaged \$4,571.

For the current year farm production expenditures will no doubt continue to rise, but the rate of increase will likely fall short of last year's gain. During the first five months of this year, the index of prices paid by farmers for production inputs averaged 5 percent above the corresponding year-earlier period. Although prices of a number of inputs have stabilized or declined over the past year—particularly fertilizer and chemicals—increases of 10 percent or more have been evident for feed, seed, fuels and energy, motor vehicles, and rent. The large volume of acreage planted this year, coupled with the expanded production of livestock, indicates the quantity of most operating inputs purchased by farmers this year may be up slightly. Prospects for purchases of capital inputs, however, are somewhat mixed. Although unit purchases of most major items of machinery and equipment declined during the early part of this year, prospects for increased expenditures for storage facilities and land improvements may be somewhat offsetting.

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