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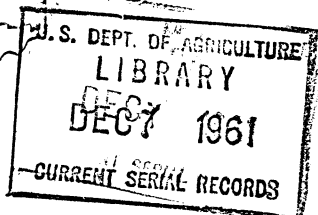
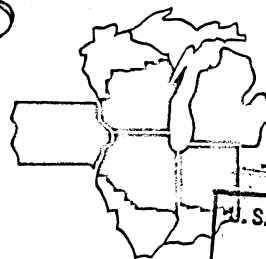
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Federal Reserve Bank of Chicago - -

November 17, 1961

# Agricultural Letter



Number 633

NET FARM INCOME IN 1962 will be about the same as in 1961 "with little over-all change in . . . total volume of farm marketings, or average prices received by farmers." This is the conclusion reached at the Annual Outlook Conference of the U. S. Department of Agriculture held in Washington last week. Some highlights of the conference follow:

Net farm income in the current year is estimated to be about a billion dollars higher than the \$11.7 billion in 1960. This reflects a record volume of marketings of farm products, higher support prices for major crops and increased Government payments under the feed grain and wheat programs. While a small rise in gross farm income seems likely next year, due to some further rise in cash receipts from livestock and livestock products and in Government payments under the 1962 wheat program, a small increase in production costs will leave net income at about the same level as this year.

The national economy has rebounded from the 1960-61 recession low reached in the first quarter as spending increased in major segments of the economy. With gains in employment and rising per capita income, stronger demand would be expected in 1962 for food as well as other goods and services. However, the pickup in business activity is not expected to exert any strong upward pressure on prices of either agricultural or nonagricultural products.

Hog producers enjoyed relatively favorable prices reflecting a comparatively low level of pork production through September. The spring pig crop this year was 7 per cent larger with the increase concentrated mainly in April and May. As a result, hog marketings rose above year earlier in October and will continue substantially higher the remainder of the year. However, marketings will taper off next spring reflecting the 2 to 3 per cent gain in this fall's pig crop.

Marketings next fall will reflect the 1962 spring pig crop. Farmers in the 10 Corn Belt states have reported intentions to increase farrowings by 4 per cent in the first three months of the spring period. Thus, hog prices for 1962 as a whole are expected to average somewhat below the 1961 level.

Cattle and calf slaughter is expected to be higher in 1962 and provide a 3 per cent increase in the supply of beef. The average farm price for all cattle and calves next year may be about the same as in 1961. An anticipated increase in cow slaughter will be accompanied by weakness in cow prices and also to some extent in prices of lower-grade steers and heifers.

Prices of fed cattle next summer are expected to be above the low level of mid-1961. The number of cattle and calves on farms and ranches is expected to increase further, by about the same amount as in 1960 and 1961.

Feed grain supplies will be about 6 million tons below last year, the first reduction since 1952, reflecting the cutback in acreage under the 1961 feed grain program. The total number of grain-consuming animals in 1961-62 will probably be 2 per cent higher than this year but a reduction in the rate of feeding per animal unit from this year's record would bring a slight reduction in total tonnage consumed by livestock. Nevertheless, total utilization and exports are expected to exceed production for the first time in 10 years.

Feed grain prices are a little higher this fall than a year ago and probably will average higher during the 1961-62 feeding year. This will reflect the higher price supports for 1961 crops, reduction in feed grain production and a slight increase in livestock numbers.

The Department of Agriculture has announced that sales of corn by the Commodity Credit Corporation, representing certificates issued under the 1961 feed grain program, would be at "market prices," but sales will not be made at levels below generally prevailing prices received by farmers in the fall of 1960. The objective "will be to permit feed grain prices during the marketing year to generally follow patterns, relative to harvest-time prices, similar to those of recent years."

Soybean production is estimated to be a record one-fourth above last year, reflecting larger acreage as well as record yields. With a higher support price, farm prices this fall probably will average considerably above year earlier prices but no sharp seasonal rise such as occurred during last winter and spring is indicated.

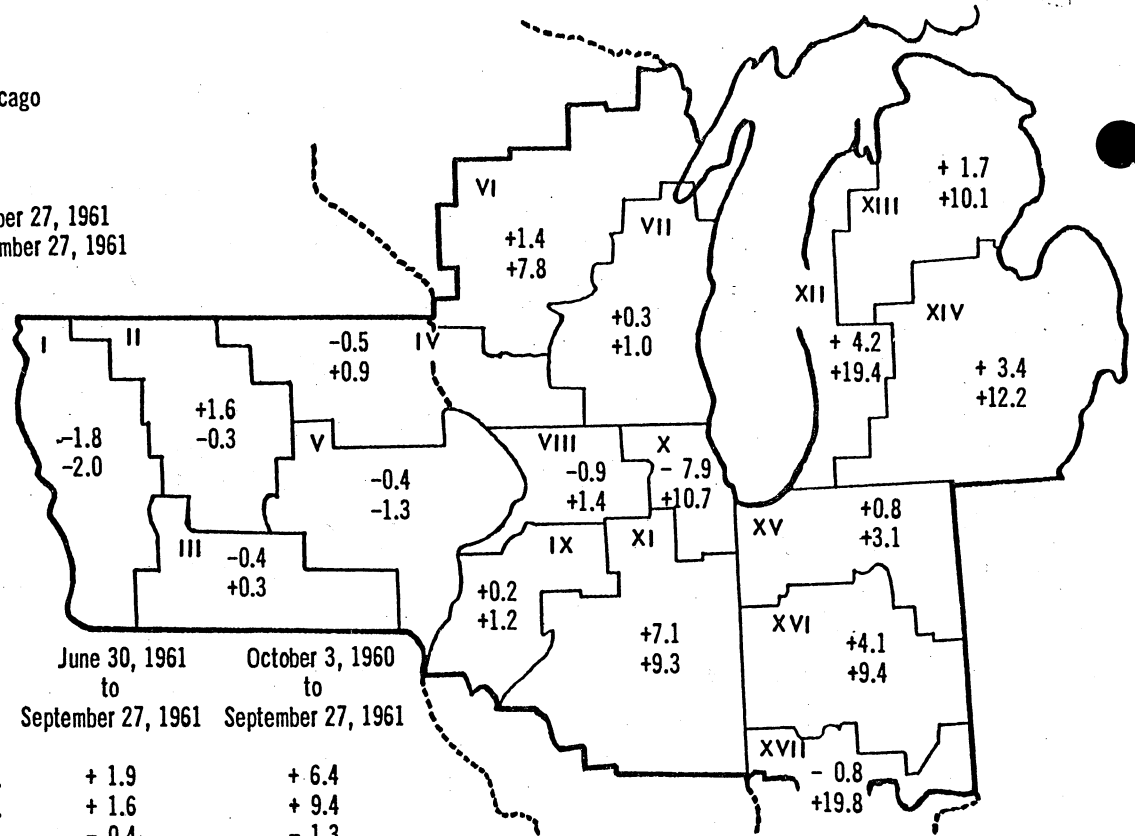
Dairy prices after next March will depend heavily on the level of support prices. Cash receipts from sales of dairy products may again reach a new record in 1962 reflecting a continuation of the increase in milk production as farmers respond to the favorable milk-feed price ratios. However, higher costs of production will have an offsetting effect on net income of dairy farmers. With little change expected in civilian consumption in the coming year, larger quantities of dairy products will probably be offered to the Commodity Credit Corporation for price support.

Research Department

Farm real estate loans outstanding  
District member banks outside Chicago

Per cent change:

TOP: June 30, 1961 to September 27, 1961  
BOTTOM: October 3, 1960 to September 27, 1961

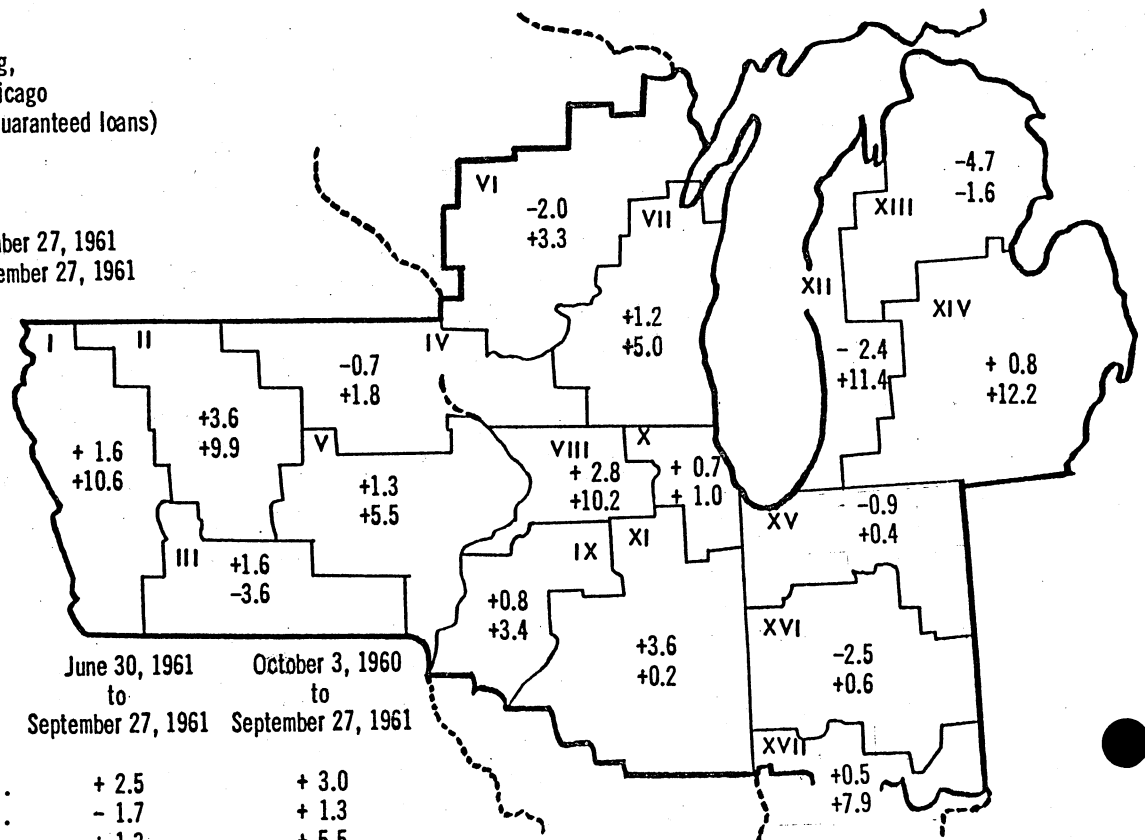


	June 30, 1961 to September 27, 1961	October 3, 1960 to September 27, 1961
Illinois .....	+ 1.9	+ 6.4
Indiana .....	+ 1.6	+ 9.4
Iowa .....	- 0.4	- 1.3
Michigan .....	+ 3.4	+13.3
Wisconsin .....	+ 0.7	+ 3.6
SEVENTH DISTRICT .....	+ 1.7	+ 7.1

"Short-term" farm loans outstanding,  
District member banks outside Chicago  
(excludes real estate and CCC guaranteed loans)

Per cent change:

TOP: June 30, 1961 to September 27, 1961  
BOTTOM: October 3, 1960 to September 27, 1961



	June 30, 1961 to September 27, 1961	October 3, 1960 to September 27, 1961
Illinois .....	+ 2.5	+ 3.0
Indiana .....	- 1.7	+ 1.3
Iowa .....	+ 1.3	+ 5.5
Michigan .....	- 0.1	+11.3
Wisconsin .....	- 0.3	+ 4.1
SEVENTH DISTRICT .....	+ 1.1	+ 4.7