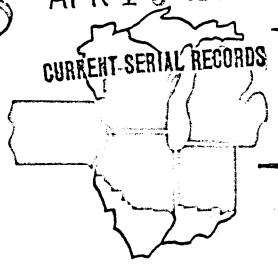
Federal Reserve Bank of Chicago - -

Agricultural Letter



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REALIZED NET INCOME per farm reached a record high of $4,182 in 1965, about 12 per cent above the preceding year, according to recent U. S. Department of Agriculture estimates. While total net farm income rose 9 per cent, the number of farm operators declined in all states, hence, helping to boost income per farm.

Total realized net farm income rose to an estimated $14.1 billion from $12.9 billion in 1964 and was at the highest level since 1952. The sharp rise stemmed, of course, from larger cash receipts primarily from livestock marketings and a further increase in Government payments.

Farmers' sales of livestock and livestock products increased about $2 billion last year to an estimated $21.8 billion, primarily reflecting sharply higher prices. The volume of livestock marketings was about the same as a year earlier. Prices received by farmers for hogs averaged 40 per cent above the 1964 level, and, although the number of hogs slaughtered dropped about 10 per cent, cash receipts rose about $700 million. Similarly, cattle prices averaged about 11 per cent higher, and this, combined with a small increase in slaughter, led to an increase of more than $1 billion in cash receipts from cattle and calves.

Sales of crops by farmers showed little change from a year earlier as slightly lower prices offset a small increase in the volume of marketings. Increased Government payments under the feed grain, wheat and cotton programs helped bolster many crop producers' income.

Government payments under both the wheat and feed grain programs were well above year-earlier levels, reflecting greater participation by farmers and some changes in the programs. Payments under the feed grain program rose 20 per cent from the 1964 level to about $1.4 billion, and payments under the wheat program increased from $439 million to about $532 million.

Government Payments Contribute to Higher Income

	1964	1965
	(million dollars)	
Indiana	78	100
Illinois	131	140
Iowa	226	229
Michigan	46	55
Wisconsin	48	52
United States	2,169	2,450

In the Seventh Federal Reserve District states, income gains outpaced those for the nation by a wide margin. Income per farm was at a record high in each of the District states with four of the five states showing gains of 19 per cent or more from the preceding year.

Cash receipts were higher than a year earlier in each of the District states—except Michigan which was unchanged—primarily reflecting the relative importance of livestock in the District. Sales of livestock and livestock products during 1966 accounted for about two-thirds of total cash receipts in the District compared to slightly over half for the nation. Slightly higher prices for major midwestern crops also helped bolster farm income in the District.

Incomes Increase Sharply

	Cash receipts from marketings		Realized net income per farm	
	1965 (millions)	Increase from year ago (per cent)	1965	Increase from year ago (per cent)
Illinois	$2,406	9	$5,979	19
Indiana	1,296	8	4,171	21
Iowa	2,950	10	5,665	19
Michigan	791	--	2,848	8
Wisconsin	1,221	6	3,762	19
District states	8,664	8	4,484	18
United States	38,930	6	4,182	12

Farm income in the Midwest is likely to increase somewhat further during the current year. This is indicated by the continued high level of farm prices and the larger inventories of crops carried over from last year. Prices received by farmers during February advanced 3 per cent from the preceding month and were 14 per cent above the year-ago level. Corn in farm storage in the District states as of January 1 was 13 per cent above the year-earlier level and soybeans in storage were about 40 per cent higher.

The volume of livestock and livestock products marketed during 1966 is expected to decline somewhat. But both cattle and hog prices are expected to continue strong although some decline from present levels is likely during the latter part of the year as supplies increase. The large inventories on farms are expected to contribute to an increased volume of crop marketings during 1966, and marketings could be boosted further during the second half of the year as a result of an anticipated increase in acreage of feed grains and wheat.

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FARM BUSINESS CONDITIONS

ANNUAL SUMMARY

Items	Calendar Years					
	1940	1950	1955	1960	1964	1965
PRICES:						
Prices received by farmers (1957-59=100)	42	107	96	98	98	102
Paid by farmers (1957-59=100)	42	88	94	102	107	110
Parity price ratio (1910-14=100)	81	101	84	80	76	77
Wholesale, all commodities (1957-59=100)	43	87	93	101	101	103
Paid by consumers (1957-59=100)	49	84	93	103	108	110
Wheat, No. 2 red winter, Chicago (dol. per bu.)	0.95	2.22	2.12	1.99	1.76	1.55
Corn, No. 2 yellow, Chicago (dol. per bu.)	0.63	1.50	1.41	1.16	1.25	1.30
Oats, No. 2 white, Chicago (dol. per bu.)	0.39	0.85	0.73	0.73	0.69	0.74
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	0.95	2.74	2.50	2.17	2.68	2.83
Hogs, barrows and gilts, Chicago (dol. per cwt.)	5.80	18.39	15.16	16.05	15.54	21.91
Beef steers, choice grade, Chicago (dol. per cwt.)	11.86	29.68	23.16	26.24	23.12	26.19
Milk, wholesale, U. S. (dol. per cwt.)	1.82	3.95	4.04	4.21	4.18	4.25
Butterfat, local market, U. S. (dol. per lb.)	0.28	0.62	0.58	0.60	0.59	0.60
Chickens, local markets, U. S. (dol. per lb.)	0.14	0.25	0.24	0.16	0.14	0.14
Eggs, local markets, U. S. (dol. per doz.)	0.18	0.37	0.40	0.36	0.33	0.33
Milk cows, U. S. (dol. per head)	61	198	146	223	208	211
Farm labor, U. S., without board[2] (dol. per wk.)	27.50	31.00	38.00	45.75	49.50	51.50
Factory labor, U. S. (dol. earned per wk.)	24.96	58.32	75.70	89.72	103.38	107.27
PRODUCTION:						
Industrial (1957-59=100)	44	75	97	109	132	143
Farm marketings[3] (1957-59=100)	64	83	96	107	118	118
INCOME:						
Total personal (bil. of dol.)	79	229	310	401	495	531
Farm:						
Cash receipts from marketings (bil. of dol.)	8.4	28.5	29.6	34.0	36.9	38.9
Farm operators' net, total (bil. of dol.)	4.6	14.0	11.8	12.0	12.9	14.1
Farm operators' net, per farm (dol.)	720	2,479	2,529	3,044	3,727	4,182
Farmer's income, per capita, from all sources (dollars)	250	884	960	1,255	1,270	1,510
EMPLOYMENT:						
Farm (mil.)	9.5	7.5	6.7	5.7	4.7	4.6
Nonagricultural (mil.)	37.9	52.5	56.2	61.0	65.6	67.6
FINANCIAL (District Member Banks):						
Demand deposits:						
Agricultural banks (1957-59 mo. avg.=100)	--	--	96	97	110	116
Nonagricultural banks (1957-59 mo. avg.=100)	--	--	98	101	108	113
Time deposits:						
Agricultural banks (1957-59 mo. avg.=100)	--	--	84	112	177	202
Nonagricultural banks (1957-59 mo. avg.=100)	--	--	85	110	193	222

[1] Preliminary estimates.

[2] Estimates based on monthly wage rates for years prior to 1948.

[3] Revised series.

[4] Revised series.