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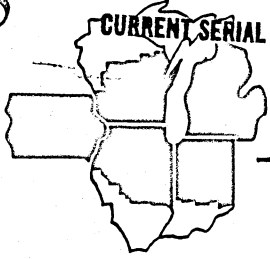
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# Agricultural

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# Letter



Number 883

THE AGRICULTURAL OUTLOOK FOR 1967, as summarized by the U. S. Department of Agriculture in recent meetings at Washington, is not quite so good as the extremely favorable situation in 1966. Cash receipts from farm marketings are expected to be increased by continued relatively high prices, particularly of crops. But reduced Government payments and further increases in operating costs are likely to reduce farmers' net income by "perhaps as much as 5 percent." With the exception of 1966, however, net income would still be the highest in more than a decade.

Net realized income this year is expected to total around \$16.2 billion—up more than \$2 billion from 1965 and the second highest on record (exceeded only in 1947). Major factors contributing to this advance include increased demand (both domestic and foreign) for some farm commodities, smaller supplies of some products and sharply increased Government payments.

Cash receipts from farm marketings have been running about 12 percent above the 1965 level, reflecting higher prices and a larger volume of both crop and livestock marketings. With a rise of about \$1 billion in Government payments, gross income for the year is expected to total about \$49 billion—up \$4 billion from last year and the highest on record. With the continued decline in the number of farms, realized net income per farm is estimated to be up about 16 percent from a year earlier to around \$4,900.

The national economy has also advanced strongly throughout 1966, reflecting a strong demand for investment goods, buoyant consumer demand and stepped-up defense spending. Current prospects point to a further rise in economic activity during the coming year, although uncertainties abound concerning the rate of expansion. With further gains in employment and personal income anticipated, a stronger demand is expected for food as well as other goods and services. Also, opportunities for off-farm income would remain favorable.

Crop inventories, going into 1967, are smaller for a number of major crops which reflects the sharp expansion in domestic use and exports and the somewhat smaller production. Feed grain production fell nearly 2 million tons short of matching the 1965 output. This, coupled with a large reduction in carryover stocks, has reduced supplies to 201 million tons—about 15 million below last year and the smallest since 1957. Continued strong domestic and foreign demand is expected to hold total feed-grain use close to the record 174 million tons of the past year, exceeding this year's crop output by about 9 percent. This would result in a further reduction of carryover into 1967-68 down about 13 to 18 million tons from 43 million a year earlier. Wheat supplies are also sharply lower, primarily reflecting the sharp expansion in exports under Government programs as well as increased domestic use and a slightly smaller crop.

Soybean supplies, on the other hand, expanded considerably, reflecting a record harvest. Total soybean supplies are estimated at 965 million bushels, compared with 873 million last year. Nevertheless, with an anticipated substantial increase in use, particularly soybean meal, the fairly close balance between supply and demand that prevailed in recent years is expected to continue.

Because of the declining grain stocks and expanding domestic and foreign demand, a number of actions have been taken to promote expanded output in 1967. The Government's recently announced feed grain program for 1967 provides for an increase in the price support loan on corn from \$1.00 to \$1.05 per bushel and for an elimination of payments on retired acreage, except for small farms. According to USDA estimates, these changes, along with similar actions affecting other feed grains, will increase total feed grain acreage by some 12 to 15 million acres. Moreover, the 1967 wheat program permits a 68.2 million acre allotment, one-third above that of 1966; the 1966 rice allotment was increased 10 percent. With USDA estimates indicating a return of 25 to 30 million acres to production, crop output in 1967 would increase substantially under normal growing conditions. This would likely result in some rebuilding of stocks even with a continued rise in domestic and foreign demand. While the current shorter supplies are likely to hold grain prices above year-earlier levels during much of 1967, a sharply expanded crop output would probably result in some downward pressure on grain prices during the latter part of the year.

Livestock production during the coming year is expected to show little change from the 1966 level. The moderate expansion in hog production which has led to larger pork supplies during the second half of 1966 is expected to extend into 1967. Further rapid expansion in broilers and turkeys are in prospect for next year and an anticipated increase in egg production may be the largest in more than a decade. Also, milk production is expected to show a small rise from the reduced 1966 level. Slaughter supplies of cattle and calves, however, are expected to decline, reflecting a rebuilding of breeding herds which have been reduced during the past couple of years. Overall, price prospects for livestock and livestock products are expected to continue to be relatively favorable.

Roby L. Sloan  
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