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INCOME PROSPECTS appear favorable for most farmers in 1972. Farm incomes were moving strongly upward at the close of 1971, and the present outlook for commodity prices and government programs suggests the upswing will continue in 1972.

Profits from hogs, a major enterprise on many Seventh District farms, are likely to show the sharpest increases this year. Hog marketings may be down as much as 7 percent during 1972, resulting in substantially higher prices. Net profits are likely to be up even more due to lower feed costs. Futures contract prices for hogs and corn to be delivered at midyear reflect a hog-corn price ratio of 21—the highest since 1969, a very profitable year for hog producers.

Cattle feeding profit prospects are less certain this year. Farmers are expected to market about 5 percent more animals in 1972 than in 1971 but at only moderately lower prices. If employment and consumer incomes make strong gains in 1972, increased demand for beef could strengthen prices. Lower grain prices will help maintain feeders' profit margins, but higher prices for feeder stock may be largely offsetting. Corn Belt farmers sharply curtailed cattle feeding operations during 1971, but at year-end, Midwest farmers were again expanding their operations. Indeed, Iowa farmers increased numbers on feed by 4 percent over a year earlier as of December 1 and regained their ranking from Texas as the leading cattle feeding state.

Dairy farmers are likely to continue to enjoy good profits this year. Continued heavy government support, abundant supplies of grain and hay, plus the largest supply of herd replacements in more than a decade should assure high returns to milk producers. Mounting government stockpiles of dairy products and improved dairy farmer incomes last year would appear to be factors that will forestall another increase in milk price supports this spring. But pressure from dairy farmer organizations may cause supports to be raised, as was the case in 1971.

Corn prices over the next few months will depend largely upon the magnitude of direct government purchases and the extent to which farmers take advantage of the government loan program. Direct purchases of corn thus far have been small, but corn placed under loan is running more than triple the year-earlier level. Almost 85 percent of the nation's crop is eligible for government loans, compared with only 44 percent the previous year.

Corn supplies exceed expected needs by 1.4 billion bushels in the current marketing year—the largest excess supply in seven years. As a result, corn prices will likely average near the support loan rate of $1.08 per bushel plus storage and handling charges. A large increase in idled acreage this year, however, could provide strength to corn prices late in 1972. The announced goal of the Department of Agriculture is to idle 38 million feed grain acres in 1972—double that of last year. If achieved, this is expected to result in a 12 percent reduction in corn acreage from 1971.

The soybean situation in 1972 is much different from corn. While corn price prospects are dominated by the large supply, soybean price prospects hinge largely on demand—especially foreign demand. The total supply of soybeans this season is estimated about 4 percent smaller than last year. The smaller supply will be rationed by higher prices assuming current strong demand is sustained.

Last year, well over half the U. S. soybean crop was shipped overseas. Increased competition from larger world supplies of oilseeds and protein meal, however, may reduce foreign purchases of U. S. soybeans during 1972. Exports would also be curtailed by another lengthy dock strike. The injunction that sent dock hands back to work at East and Gulf Coast ports ends February 14. On the plus side, the recent devaluation of the dollar should give U. S. soybeans a price advantage over competitors in foreign markets.

As the year progresses, the expected size of the 1972 soybean crop will begin to influence prices. This year's feed grain program is aimed at encouraging farmers to plant less corn and more soybeans. Current price relationships favor such a shift. A Department of Agriculture estimate points to a 10 percent increase in soybean acreage—quite large by past experience. Such an increase would likely cause prices to decline more than seasonally after midyear. At this juncture, however, it appears soybean prices are likely to remain near the historically high 1971 levels with net returns of producers at correspondingly high levels.

Government programs in 1972 should also contribute substantially to higher farm incomes. Direct payments to farmers are expected to rise by as much as $800 million. Most of the increase will go to feed grain farmers in the Midwest. In addition, continued government restraints on nonfarm wages and prices may slow the perennial rise in farm production expenses and contribute to higher net farm profits.

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