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Although the payment-in-kind (PIK) program provided much needed temporary relief to many farmers during the past year, general economic conditions within the farm sector remain weak and current prospects indicate little improvement is likely in the months ahead. Net cash income, which was a nominal record-high in 1983, largely due to PIK, is expected to fall this year and again in 1985 as farm output rises and supplies begin to build. The fundamental problem in U.S. agriculture--commodity supplies exceeding demand--is expected to be the main reason for lower net cash income in the year ahead.

Some potential bright spots in the agricultural economy include an expected increase in export volume in 84/85, continued small increases in farm input prices caused by moderation of inflationary pressures in the general U.S. economy, lower feed prices which may hurt cash grain farmers but reduce costs for livestock producers, and the disbursal of Government payments which have been especially important in aiding cash flow within the sector since 1983. The impact of PIK was still felt strongly in 1984 as disbursal of 1983 PIK crops continued into the second quarter. The safety net provided by deficiency payments and CCC loans will likely remain very important to the sector through 1985.

Prices and Output

Prices received by farmers in 1984 for all commodities are expected to average about 5 percent greater than during 1983. Crop prices will likely average 8 percent higher as strong prices for fruits and nuts (+45%), cotton (+7%), and oil crops (+7%) outweigh lower prices for food grains (-3%). Prices received for livestock and products are expected to average 3 percent above a year earlier on the strength of demand-inspired poultry and egg prices (+14%) and higher meat animal prices (+3%). Dairy prices received will fail to rise for the third consecutive year and, in fact, will fall 1 percent in 1984. In 1985, prices received for all farm products will likely fall 0 to 4 percent as lower crop prices caused by excessive supplies outweighs slightly higher livestock prices caused by stronger meat animal prices.

Prices Received and Paid by Farmers, 1981-1985

Item	1981	1982	1983	1984F	1985F
	Percent change from previous year				
Prices Received:					
Crops	7.2	-9.7	5.0	7.9	-7 to -5
Livestock	-0.7	1.4	-2.8	2.8	0 to 2
All commodities	3.7	-4.3	0.8	5.2	-4 to 0
Prices Paid:					
Production items	7.2	1.4	2.0	2.0	2 to 4
Commod. & services, interest, taxes, and wages	8.7	4.7	2.5	2.5	2 to 4
Farm origin inputs	1.4	-4.1	3.6	0.7	- 1 to 1
Nonfarm origin inputs	10.9	5.3	3.1	2.4	3 to 5
Ratio 1/	-4.1	-8.6	-2.1	2.4	- 6 to -4

F = Forecast. 1/ Index of prices received by farmers for all commodities divided by the index of prices paid by farmers for commodities and services, interest, taxes and wage rates, 1977=100.

Prices paid by farmers for all items likely rose under 3 percent this year. Prices paid for inputs with farm origin (feed, feeder livestock, seed) remained fairly stable as higher seed and slightly higher feed prices offset lower feeder livestock prices. Prices paid for manufactured (nonfarm origin) inputs rose 2 percent in 1984 due mostly to higher machinery and fertilizer prices. Of all input items, seed and autos and trucks rose the most with each registering a 7-percent increase in 1984. In the year ahead, prices paid by farmers for all items are expected to rise 2 to 4 percent as nonfarm origin input prices rise faster than prices for inputs with farm origin. Prices for feeder livestock and autos and trucks are expected to rise the most in 1985.

Total farm output in 1984 will likely rise 16 percent from the drought and PIK shortened 1983 output. Crop production rose 26 percent after falling 26 percent in 1983 as both acres harvested and yields increased. Sharply higher output of feed grains, cotton, and oil crops were the most important in raising overall crop output. Livestock and products output likely fell slightly in 1984 from the record 1983 level as lower milk output and flat meat animal production outweighed stronger poultry output.

In 1985, total farm output is expected to rise 0 to 4 percent on the strength of higher crop output. Livestock production is expected to about equal that of 1984, as stronger poultry output offsets lower meat animal production. Milk output is not expected to change much from the 1984 level.

Farm Output, Input, and Productivity, 1981-1985

Item	1981	1982	1983P	1984F	1985F
		Percent change from previous year			
Output:					
Crops	14.9	1.7	-26.3	26.4	1 to 3
Livestock	0.9	-1.8	1.9	-0.9	-1 to 1
Total	14.6	3.4	-18.4	17.2	0 to 4
Input use	-1.0	-2.0	-5.0	4.2	-1 to 1
Productivity	13.9	0.9	-15.5	12.2	0 to 2

P=Preliminary. F=Forecast.

Cash Receipts

Total cash receipts from 1984 marketings of farm products are expected to rise 1 to 3 percent from 1983's $138.7 billion. Crop cash receipts are expected to increase 0 to 2 percent from the low $69.5 billion in 1983. Crop receipts increased because of stronger prices, especially during the first-half of the year. This outweighed lower overall marketing volume caused by the poor 1983 crop output. Livestock cash receipts are expected to rise 2 to 4 percent from the 1983 total of $69.2 billion. Livestock receipts likely rose in 1984 mostly because of stronger prices received while overall marketing volume was about unchanged from 1983.

In the year ahead, total cash receipts are expected to increase 1 to 5 percent as crop receipts increase 1 to 5 percent and livestock moves up 0 to 4 percent. Assuming an absence of weather extremes in the coming growing season, crop output could exceed the 1984 total. The resulting increased marketing volume would then be the key to higher crop receipts as average prices decline while livestock will likely depend on a combination of slightly stronger volume and a small rise in prices received.

In the livestock sector, receipts in 1984 will likely exceed the 1983 totals for all categories except milk and hogs. Cash receipts for cattle in 1984 will likely rise 5 to 7 percent as both prices and marketings increase. The expected 3 percent increase in the farm price of cattle will be the first since 1979 as cattle prices have steadily fallen the past 4 years. A combination of large total meat supplies and poor general economic conditions earlier in the decade were responsible for much of the decline in beef prices. In 1985, assuming no major deterioration in meat consumption, lower meat supplies will likely lead to higher beef prices. These higher prices will outweigh lower beef production, leaving cattle receipts up somewhat.

Cash receipts from marketings of hogs in 1984 are expected to fall 1 to 3 percent, the second consecutive year hog receipts have fallen. Although pork production likely fell 3 to 4 percent, prices for barrows and gilts only increased about 2 percent because of large supplies of competing chicken and beef. With meat supplies expected to fall in 1985 and pork output for the year expected to remain near 1984 levels, hog prices and cash receipts are expected to rise moderately.

Cash Receipts, 1981 - 1985

Item	1981	1982	1983	1984F	1985F
	Billion Dollars				
Crop receipts 1/	73.3	74.6	69.5	68-72	70-74
Food grains	11.6	11.5	10.0	8-10	9-11
Feed grains & hay	17.1	18.3	16.8	15-17	15-19
Oil crops	13.9	14.0	13.3	13-15	11-15
Other crops	30.7	30.8	29.4	30-32	30-34
Livestock receipts	69.2	70.1	69.2	70-74	71-75
Meat animals	39.8	40.9	38.8	40-42	40-44
Poultry and eggs	9.9	9.5	10.0	11-13	10-12
Dairy products	18.1	18.3	18.8	17-19	17-19
Other livestock	1.3	1.4	1.6	1-2	1-2
Total cash receipts	142.5	144.8	138.7	139-143	142-147

1/ Includes net CCC loans.

In a repeat of the strong 1983 performance, receipts from broilers will likely realize the largest gain of all livestock categories in 1984. Strong demand for chicken has allowed broiler prices to increase more than a tenth this year even though production has increased about 4 percent. The result has been a good year for broiler producers with cash receipts rising about a sixth--the greatest year-to-year gain since 1978. In 1985, broiler receipts may remain near 1984 levels as expanded output exceeds demand, resulting in lower broiler prices.

After a strong start this year, cash receipts from egg marketings have leveled off, leaving the expected 1984 total about 5 to 7 percent above the $3.4 billion of 1983. During the first half of 1984, Avian flu-reduced supplies were partly responsible for prices skyrocketing while increased second-half production caused prices to fall back to near pre-flu levels. In 1985, egg prices--free of Avian-flu influences--could fall back to near 1982 levels. These lower prices will likely outweigh gains in production, leaving egg receipts somewhat lower than in 1984.

In 1984, milk production declined for the first time since 1978, falling nearly 3 percent from last year's record level due to reduced milk marketings by participants in the dairy paid diversion program. While milk marketings fell in 1984, average milk prices received by farmers also fell about 1 percent due to the reduced support price and large supplies relative to demand earlier in the year. The combination of lower prices and reduced marketings will leave dairy cash receipts down 4 to 6 percent in 1984--the first decline since 1962.

In the year ahead, cuts in the milk support price will likely lead to further declines in milk prices received by farmers. Part of this decline will likely be offset by increasing marketings caused by the ending of the diversion program, leading to a small decline in dairy cash receipts.

In the crops sector, receipts are expected to move up slightly in 1984. Higher prices in the first half of the year were outweighed by sharply reduced volume leaving receipts lower than a year earlier. However, increased volume in the second-half likely outweighed lower prices, leaving crop receipts above a year earlier and contributed to slightly higher annual receipts. Receipts are expected to decline for wheat, corn, sunflower seed, and cotton. These declines will be outweighed by increases for hay, soybeans, peanuts, fruits, and vegetables.

Due to the unusual circumstances of last year (drought and PIK), it is possible that marketing patterns for the 1983 crop could have departed from the three year average assumed in the forecast. This could have caused shifting of receipts between 1983 and 1984. This information will be available shortly in the December "Crop Production" report. In 1985, crop receipts are forecast to increase somewhat as receipts for corn, sorghum, rice, cotton, and wheat outweigh expected declines in soybeans, peanuts, and tobacco.

Food grain receipts are expected to fall 5 to 7 percent in 1984 as wheat receipts decline 6 to 8 percent, outweighing a 4 to 6 percent gain in rice receipts. Rye receipts are also expected to decline. Wheat receipts are expected to fall because of a combination of reduced marketings (caused by the lower 1983 output) and lower wheat prices. Rice receipts are forecast to rise because of higher prices earlier in the year and increased marketings from this year's crop. In the coming year, receipts from food grains could rise somewhat as rice receipts, on the strength of increased marketings, rebound substantially and wheat receipts increase modestly.

Feed grain cash receipts are expected to fall 6 to 9 percent this year, due mostly to a drop of more than a tenth in corn receipts. Although corn production is up 81 percent this year, most of this will be marketed in 1985. Corn marketings in 1984 are down because of the very small 1983 crop. These lower marketings will outweigh somewhat higher prices leaving receipts lower this year. Next year, corn receipts are expected to rebound despite lower prices as the volume of marketings improves. Sorghum receipts are not expected to exhibit much change in 1984 as both marketings and average prices remain near year-earlier levels.

Oil crop receipts in 1984 may show a 4 to 7 percent increase over the $13.3 billion total of 1983. Soybean receipts could increase 2 to 5 percent because of the combined effects of higher first-half prices and stronger second-half marketings. Soybean production in 1984 is up 16 percent because of higher harvested acreage and better average yields. This stronger production will cause first-half 1985 marketing volume to increase over the comparable 1984 period. However, sharply lower prices in 1985 will likely overwhelm the increase in volume, leaving soybean receipts somewhat below the 1984 levels. After posting a sizable gain in 1984 because of strong marketings, peanut cash receipts will likely decline measureably due to lower marketings and prices.

Cotton cash receipts for 1984 are expected to fall 6 to 9 percent from the $4.3 billion of 1983. Production of cotton increased 71 percent this year over the drought and PIK-reduced 1983 output. Roughly 60 percent of cotton production is marketed in the calendar year of production. However, lower first-half receipts caused by reduced marketings from the short 1983 crop likely outweighed slightly stronger marketings and receipts during the second-half, leaving 1984 annual receipts lower. In the coming year, cotton cash receipts could increase somewhat due to increased marketing volume.

Vegetable cash receipts in 1984 are expected to rise 6 to 9 percent from the $8.2 billion of 1983. An increase in potato cash receipts of about one fourth over the $1.5 billion of 1983 will account for much of the increase in vegetable receipts. Higher potato prices compared with a year earlier and stronger crops in each of the 4 production seasons, equaling a 7 percent increase in total production, led to the rise in receipts. Potato receipts account for about a fourth of total vegetable receipts. Prices received for all commercial vegetables (excluding potatoes, sweetpotatoes, and dry beans) rose about 4 percent in 1984. In 1985, vegetable cash receipts may not change measureably from the 1984 level as potato prices and receipts decline with large supplies relative to demand. This drop in potato receipts next year will be offset by small increases in other vegetable receipts such as for dry beans.

Fruit and nut cash receipts are expected to increase 9 to 13 percent over the $6.2 billion of 1983. Volume of marketings in 1984 will be significantly below that of 1983 due to lower production of citrus fruits (especially oranges), apples, pears, and grapes. Almond production was record large while walnut output also increased. Prices received by farmers for all fruit increased more than 40 percent, outweighing the drop in production. In 1985, receipts from fruits and nuts may fall somewhat as increased production is offset by lower prices received.

Government Payments

As in 1983, Government payments will provide a significant contribution to 1984's gross cash income. Direct Government payments (cash plus PIK disbursements) in 1984 are forecast to be $7 to $10 billion, just below last year's record of $9.3 billion. Advanced payments on the 1985/86 crop are expected to be made during the final quarter of 1984. These advances will supplement the 1984 cash flows of wheat, rice, feed grain, and cotton farms. Total 1984 cash payments (deficiency, diversion, storage, and conservation programs) are now expected to total $3 to $5 billion, compared with last year's record $4.1 billion. Milk diversion payments (most of which are financed by operators through milk marketing assessments) and wheat deficiency and diversion payments will account for a major portion of total 1984 cash payments.

Advanced deficiency and diversion payments, which farmers may request when they sign up for 1985 farm programs, may shift nearly $1 billion in Government payments to the fourth quarter of 1984. Since sign-up extends until March 1985, advances could also provide additional cash flow to the sector in the first quarter of 1985. This cash would aid in purchasing production inputs and machinery for the 1985 planting season and would decrease the amount of external financing necessary for operations.

Total potential advanced payments on the 1985/86 crop are about $2.6 billion, although it is unlikely that all these will be taken as advances.

In the year ahead, direct Government payments will consist almost entirely of cash payments with just a trickle of wheat PIK payments likely to be disbursed in January. Direct Government payments are forecast to range from $4 to $7 billion in 1985 with more than half this amount consisting of deficiency payments, and another quarter coming from diversion payments, including milk diversion.

Other Income

Besides cash receipts from marketings of crops and livestock and Government payments, farmers also earn other cash income from such farm-related sources as machine hire, custom work, and recreational income. Income from these sources is expected to rise a third from the $1.5 billion of 1983. The rise will be due to increased machine hire and custom work income caused by higher acreage planted and harvested as well as a 26 percent rise in crop output. In 1985, slightly higher acreage planted and harvested will likely result in somewhat higher earnings from these other cash sources.

The nonmoney income category of the farm income account represents the gross rental value of housing provided by farm dwellings and the value of farm products consumed directly in farm households. The value of nonmoney income likely totaled 2 to 4 percent lower in 1984 than the $13.6 billion of 1983. This small change was due primarily to the reduced gross rental value of farm dwellings caused by the lower value of farm buildings in 1984. For the year ahead,' nonmoney income will likely stabilize or continue to trend slightly lower, following the decline expected in farm real estate values. The nonmoney imputations are excluded from the estimates of farmers' cash income and cash flow.

Production Expenses

The rebound in planted and harvested acreage this year, and the subsequent recovery in use of production inputs, are the main reasons for the expected 5 to 7 percent increase in 1984 cash production expenses. Total production expenses, which also include depreciation, household expenses, and labor perquisites, are expected to rise 4 to 6 percent. Input use is expected to show an increase of 3 to 5 percent in 1984, recovering much of the PIK-induced decline of 1983. For the second consecutive year, prices farmers pay for their production inputs will be less important than the level of input use in determining the change in farm production expenses. For 1985, continued moderation in prices paid by farmers for production inputs combined with stable input use may lead to a 1 to 5 percent increase in cash expenses and a 0 to 4 percent rise in total production expenses.

Total farm production expenses for 1984 are expected to range from $141 to $143 billion. The mid-point of this range is less than 4 percent above the 1981 total of $136.9 billion. Of the major categories, only interest expenses and other operating expenses have shown increases since 1981. Interest expenses this year are expected to total near the

1982 level. Farm origin input expenses which were $31.6 billion in 1981, have remained near the $31 billion mark since then because of a combination of low feed and feeder livestock prices.

Farm Production Expenses, 1981-85

Item	1981	1982	1983	1984F	1985F
	Billion Dollars				
Farm origin inputs	31.7	30.5	31.2	30-32	30-34
Manufactured inputs	24.5	22.9	20.9	22-24	22-26
Interest charges	19.9	22.2	21.2	22-24	22-26
Other operating	28.3	31.1	30.6	32-34	31-35
Other overhead	32.5	32.8	31.4	31-33	31-35
Total expenses	136.9	139.2	135.3	141-143	142-147
Cash expenses	111.4	113.4	109.5	115-117	118-122

F = Forecast.

Manufactured input expenses totaled $24.5 billion in 1981, then declined in 1982 and 1983 because of reduced use. Increasing acreage and input use in 1984 will lead to a 10-12 percent rise in expenses. However, the total will still be below that of 1981. Other overhead expenses (depreciation, property taxes, and net rent to nonoperating landlords) are expected to total about $32 billion in 1984. Lower depreciation expenses, caused by reduced capital stocks, have offset increased property tax liabilities to leave the other overhead category unchanged. Other operating expenses (repairs, labor, machine hire, dairy collections, and miscellaneous items) have shown the greatest increase since 1981. This is due mainly to rising cash wages, crop insurance, and the addition of dairy collections in 1983.

When the first estimates of 1984 production expenses are released next August, they will reflect new benchmarks obtained from the 1982 Census of Agriculture. Because rebenchmarking could conceivably change the expense levels, it is suggested that more emphasis be placed on the changes from the previous year, rather than on the absolute magnitude of the numbers themselves.

Production expenses for farm-origin inputs account for more than a fourth of total cash expenses. With the exception of seed, these expenses are associated with the production of livestock and are expected to fall slightly in 1984 from the $31.2 billion in 1983. Feed expenses are expected to fall 3 to 5 percent this year as reduced feed consumption, reflecting lower pork production and increased nonfed cattle slaughter, outweighs a 2-percent rise in prices paid for feed. In 1985, feed expenses are expected to remain flat as lower feed prices are offset by increased consumption.

Outlays for feeder and replacement livestock in 1984 are forecast to remain about even with the 1983 level of $8.8 billion. Lower feeder cattle prices will offset stronger feeder pig prices, leaving prices paid for replacement and feeder livestock down nearly 4 percent. Lower feeder prices will be offset by rising inshipments of cattle and sheep which will outweigh declining inter-state hog shipments. In the year ahead, purchased livestock expenses are forecast to rise 5 to 9 percent. Most of this increase will be due to stronger feeder livestock prices. With improved livestock-feed price ratios, more feeders will be purchased and placed on feed.

Manufactured input expenses are expected to rise 10 to 12 percent in 1984 from the $20.9 billion of 1983 as use of these items rebounds from last year's PIK-induced declines and prices paid for these items increases modestly. Fertilizer expenses likely rose a sixth as total use increased about a tenth, recovering most of the decline experienced in 1983, and prices paid for the year averaged about 5 percent higher. In 1985, fertilizer expenses will be moved higher by a combination of increased use caused by slightly higher acreage and somewhat higher prices. However, price rises will remain near the general inflation rate as energy prices remain fairly stable.

Energy expenses are expected to increase 5 to 7 percent in 1984 due mostly to increased consumption of fuels and oils and higher electricity prices. Fuel prices in 1984 remained about even with 1983 levels and was the third consecutive year withoug an increase. Electricity prices per kwh continued to moderate, rising about 5 percent in 1984, the same as 1983. This followed double digit rises in 1982. In the year ahead, farm fuel consumption will not likely change much as higher acreage about offsets increased conservation and efficiency efforts, and prices could rise slightly for the first time since 1981. This would leave fuel expenses largely unchanged next year.

Total farm interest expenses are expected to increase 5 to 7 percent in 1984 due to rising average interest rates on outstanding farm debt. Average total debt outstanding is expected to decline slightly in 1984, as nonreal estate debt outstanding falls. This will be the first decline in average total debt since 1945. As in 1945, most of the decline in 1984 can be attributed to a drop in outstanding CCC loans. Loan repayments due to PIK obligations and stronger crop prices earlier this year were mainly responsible for the decline in CCC outstandings. Although average nonreal estate debt outstanding will likely fall in 1984, increasing interest rates charged by farm lenders for short-term credit will push nonreal estate interest charges up 7 to 9 percent. The average interest rate for PCA loans is expected to be up from the 11.9 percent in 1983. The percentage of total cash expenses accounted for by nonreal estate interest charges will likely rise slightly from the 9.5 percent of 1983. In 1985, nonreal estate interest expenses are forecast to increase moderately as both average outstanding debt and average interest rates increase. If crop yields follow trend in 1985 and export demand does not appreciably pick up, the resulting new CCC loans will begin raising CCC debt outstanding again.

Real estate interest expenses, as during 1983, are again expected to exhibit a small increase--perhaps 2 to 4 percent. Although long-term interest rates have risen this year, the increase will not materially affect the average rate on debt secured by real estate this year because of the extended turn-over period of this type of debt. Unlike nonreal estate debt, average real estate debt outstanding will likely rise slightly this year. The increase will likely be smaller than during 1983 and much lower than the explosive growth experienced during the late 1970's and early 80's. The uncertain financial position of the farm sector has kept real estate purchases to a minimum while declining land values in many areas has made it a risky proposition for financial institutions to extend loans secured by real estate assets. In the year ahead, real estate interest expenses are expected to continue to rise slowly as long-term interest rates increase and average outstanding debt moves up slowly.

Income Indicators

Increased cash receipts from marketings and rising machine hire and custom work income will likely outweigh slightly lower direct Government payments in 1984, leaving gross cash income up about 2 percent to a nominal record-high. Cash marketing receipts, although above the low 1983 level, will not approach the record high of 1982. At the same time that gross cash income is expected to rise slightly, a combination of increased input use and slightly higher prices paid will leave cash expenses up 5 to 7 percent.

Because of larger expenses outweighing higher gross cash income, net cash income in 1984 is expected to fall--ranging from $34 to $38 billion--compared with the record $40.1 billion of last year. This will be the first decline in net cash income since 1981 when, like this year, cash expenses increased more rapidly than cash sources of income. It is only the second decline since 1977.

In 1985, gross cash income is forecast remain flat as higher cash marketing receipts are offset by reduced Government payments. As in 1984, gross income will likely be outweighed by increased cash expenses--even though the rise in cash expenses will be small. Thus, net cash income is expected to fall to a range of $31 to $36 billion in 1985.

Net farm income measures the income generated from a given calendar year's production and does not measure the income which farmers have at their disposal. On the income sources side, this series includes not only gross cash income but also imputed gross rental value of farm dwellings, the value of home consumption of self produced foods, and the value of the physical change in farm commodity inventories. On the expense side, the net farm income series includes not only cash operating expenses, but also expenses associated with operation of the farm dwelling and noncash expenses such as depreciation and labor perquisites.

In recent years, net farm income has been much more volatile than net cash income because of extremes in weather patterns and crop output. Last year, severe drought combined with PIK-reduced acreage to yield the largest year-to-year cut in crop output on record. This resulted in huge drawdowns of stocks of commodities built up in the excellent growing seasons of 1981 and 1982 and left the value of the physical change in commodity inventories at a record negative $11.7 billion. In 1984, crop output increased 26 percent and will result in some replenishing of stocks and a large increase in farm inventory change of about $6 to $10 billion. Because net farm income seeks to approximate a net value of production, the increase in output and the price levels in 1984 will likely leave net farm income nearly twice as high as the $16.1 billion of 1983--with a range of $29 to $33 billion likely.

In 1985, income prospects will be influenced by such variables as weather and it's impact on both crop and livestock output, the world economy and U.S. exports abroad, and farmers' decisions on such things as participation in acreage control programs, acreage planted, the mix of commodities planted, input use, and capital purchases and marketing decisions. Based on our assumptions and analysis of these variables, it appears that net farm income will be lower in 1985. Net farm income is forecast to range from $19 to $24 billion in 1985 as rising expenses, reduced Government payments, and a smaller increase in farm inventories will likely outweigh the volume-induced increase in commodity marketing receipts.

Off-farm income, which includes nonfarm wages and salaries, pensions, and interest income is expected to total $41 to $45 billion in 1984. Since 1980, off-farm income has accounted for the majority of total income for farms with sales of less than $100,000 of agricultural commodities per year. Farms with sales exceeding $100,000 (12 percent of all farms) of farm products, and who account for two-thirds of total farm output, rely mostly on farm-generated revenue for their livelihood. In 1985, off-farm income is forecast to total $43 to $47 billion as salaries and wages continue to increase in the general economy.

Net Cash Income by Farm Type

Out of the $40.1 billion in net cash income received in 1983, farms classified as crop farms received an estimated 55 percent or $25.8 billion, up from $21.9 billion in 1982. In 1984, crop farmers may receive $20 to $23 billion, down from 1983 because of higher expenses outweighing stronger receipts. Cash grain farms are expected to account for around 32 percent of crop income, down from about 44 percent in 1983. This group benefited the most from last year's PIK program. Vegetable farms are estimated to have the highest per-farm income, with over $90,000 a farm in 1983 and 1984.

Livestock farms likely accounted for 36 percent, or $14.2 billion, of the 1983 net cash income, down 5 percent from 1982. They are forecast to total $13 to $15 billion in 1984, or around 40 percent of the forecast total for the U.S. About 54 percent of all farms are classified as livestock operations. Net cash income per livestock farm is forecast to range from $11,200 to $11,600 for 1984, about the same as in 1983.

Dairy sector net cash income is forecast to total $5 to $6 billion in 1984, 35 percent of total livestock sector net cash income. The decline expected in 1984 for dairy cash receipts will be the first since 1962; however, further erosion in dairy receipts is expected again for 1985.

Farm Income and Cash Flow Statement

Item	1981	1982	1983	1984F	1985F
	Billion Dollars				
Farm Income Sources:					
1. Cash receipts	142.6	144.8	138.7	139-143	142-147
Crops 1/	73.3	74.6	69.5	68-72	70-74
Livestock	69.2	70.1	69.2	70-74	71-75
Cash Government payments	1.9	3.5	4.1	3-5	4-7
Value of PIK commodities	0.0	0.0	5.2	4-6	0
2. Direct Government payments	1.9	3.5	9.3	7-10	4-7
3. Other cash income 2/	1.9	2.0	1.5	1-3	1-3
4. Gross cash income (1+2+3) 3/	146.4	150.2	149.6	150-154	150-155
5. Nonmoney income 4/	13.6	14.2	13.6	12-14	12-14
6. Realized Gross Income (4+5)	160.0	164.4	163.2	163-167	163-168
7. Value of inventory change	7.9	-2.6	-11.7	6-10	-2 - 2
8. Total Gross Income (6+7)	167.9	161.8	151.4	171-175	163-168
Production Expenses:					
9. Cash expenses 5/ 6/	111.4	113.4	109.5	115-117	118-122
10. Total expenses	136.9	139.5	135.3	141-143	142-147
Income Statement:					
Net cash income: 1/ 6/					
11. Nominal (4-9)	35.0	36.8	40.1	34-38	31-36
Deflated (1972$) 7/	17.9	17.8	18.6	15-17	13-15
Net farm income: 1/					
12. Nominal total net (8-10)	31.0	22.3	16.1	29-33	19-24
Total net (1972$) 7/	15.9	10.8	7.5	13-15	8-10
Total net (1967$) 8/	11.4	7.7	5.4	9-11	6-8
13. Off farm income	39.8	39.4	41.0	41-45	43-47
Other Sources and Uses of Funds					
14. Change in loans outstanding 6/	15.5	6.8	2.9	4-8	2-6
Real estate	9.3	3.7	2.1	0-4	-1-3
Nonreal estate 9/	6.2	3.1	0.8	2-6	1-5
15. Rental income	5.7	5.6	4.3	4-6	4-6
16. Gross Cash Flow (11+14+15)	56.1	49.3	47.3	45-49	40-45
17. Capital expenditures 6/	16.8	13.6	13.1	12-14	11-15
18. Net Cash Flow 1/ 6/ (16-17)	39.3	35.6	34.2	32-36	28-33

F = Forecast. 1/ Includes net CCC loans. 2/ Income from custom work, machine hire, and farm recreational activities. 3/ Numbers in parantheses indicate the combination of items required to calculate a given item. 4/ Value of home consumption of farm products and imputed rental value of farm dwellings. 5/ Excludes depreciation and perquisites to hired labor. 6/ Excludes farm dwellings. 7/ Deflated by the GNP implicit price deflator. 8/ Deflated by the CPI-U. 9/ Excludes CCC loans.

Net cash income in the poultry and egg sector is expected to increase significantly this year to between \$3 and \$4 billion, compared with an estimated \$2.3 billion in 1983. The increase is largely because of stronger egg and broiler prices and receipts. These farms may account for a quarter of all livestock net cash income this year.