

Farm Income Declines¹

NET FARM income in the United States was 10 per cent less in 1967 than a year earlier, according to the United States Department of Agriculture. Cash receipts from sales of farm products were down slightly, while production expenses continued to rise. Prices received by farmers averaged 5.3 per cent lower in the first 11 months than in the same months in 1966, reflecting sizable gains in supplies of both livestock and crops.

Although net income per farm declined noticeably from the \$5,049 in 1966, it still was the second highest on record. Income (after taxes) per capita of the farm population was essentially unchanged from the \$1,717 received in 1966. Despite the setback last year, income per farm has increased at a relatively high rate in recent years. Net income per farm and per capita after-tax incomes of farm people have risen at a 6.5 per cent annual rate since 1960. By comparison, after-tax incomes per capita of the nonfarm population have increased at a 4.6 per cent rate.

Farm income in the Central Mississippi Valley states in 1967 probably declined about the same per cent from the 1966 level as the national figure.² Cash receipts from products sold in the Valley states during

the first 10 months of 1967 were one per cent above those of the same period a year earlier. This favorable comparison is not expected to continue through the remaining months, however, because of the greatly reduced cotton crop. With a lower level of estimated cash receipts and some further increases in production costs, net income to Central Mississippi Valley farmers was probably well below the 1966 total.

Production and Supply of Farm Commodities

Production of both crops and livestock in 1967 was well above year-earlier levels. The record 1967 crop was estimated to be 4 to 5 per cent greater than the 1966 harvest, reflecting major gains in corn, sorghum grain, soybeans, rice, and wheat. Among livestock products, sizable increases occurred in the production of red meat (beef, pork, veal, lamb and mutton), poultry, and eggs.

PRODUCTION OF LIVESTOCK PRODUCTS UNITED STATES			
	1966	1967	Per Cent Change
Total Red Meat (mil. lbs.)	32,622	33,850 ¹	3.8
Eggs (mil.) ²	55,070	58,540	6.3
Milk (mil. lbs.)	120,230	119,800	- 0.4
Chicken and turkey (mil lbs.) ³	5,219	5,766	10.5

Source: U. S. Department of Agriculture
¹Estimated
²January-October inclusive
³January-August inclusive

¹This article is based on data presented at the National Agricultural Outlook Conference in Washington, D.C., November 13-16, 1967.

²The "Central Mississippi Valley" is used as a descriptive name for the Eighth Federal Reserve District. The district includes all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee, as shown by the map on the cover.

Larger feed grain acreage together with a favorable growing season contributed to the 1967 feed grain crop of 176 million tons. This was 12 per cent above the 1966 output and about 6 million tons above estimated domestic use plus exports. Carry-over stocks, which had declined to 37 million tons at the beginning of the current market year, are likely to be somewhat higher at the end of the year.³

Corn production, which accounts for the major portion of the feed grain supply, rose to 4.7 billion bushels, up 15 per cent from a year earlier. This large harvest resulted from a 6 per cent increase in acres harvested and a record average yield of 78 bushels per acre. Sorghum grain production of 766 million bushels was 7 per cent larger than a year earlier. Oat production was down 2 per cent and barley was down 6 per cent.

Supplies of edible fats, oils, and oilseeds are sharply above year-earlier levels as a result of the record soybean crop. These supplies, estimated at 19.0 billion pounds, are 8 to 9 per cent greater than in 1966-67. The soybean crop was almost one billion bushels, or about 5 per cent above the year-earlier level and 35 per cent above the previous five-year average. Cottonseed production, which accounts for about one-sixth of total oilseeds, was down 21 per cent, and peanuts were up 4 per cent.

Demand for oilseed products, both for domestic use and exports, has grown rapidly. Usage of soybeans in the current marketing year is expected to total about 950 million bushels, almost 10 per cent more than last year. Nevertheless, carry-over stocks are expected to rise somewhat from the 91 million bushels last year.

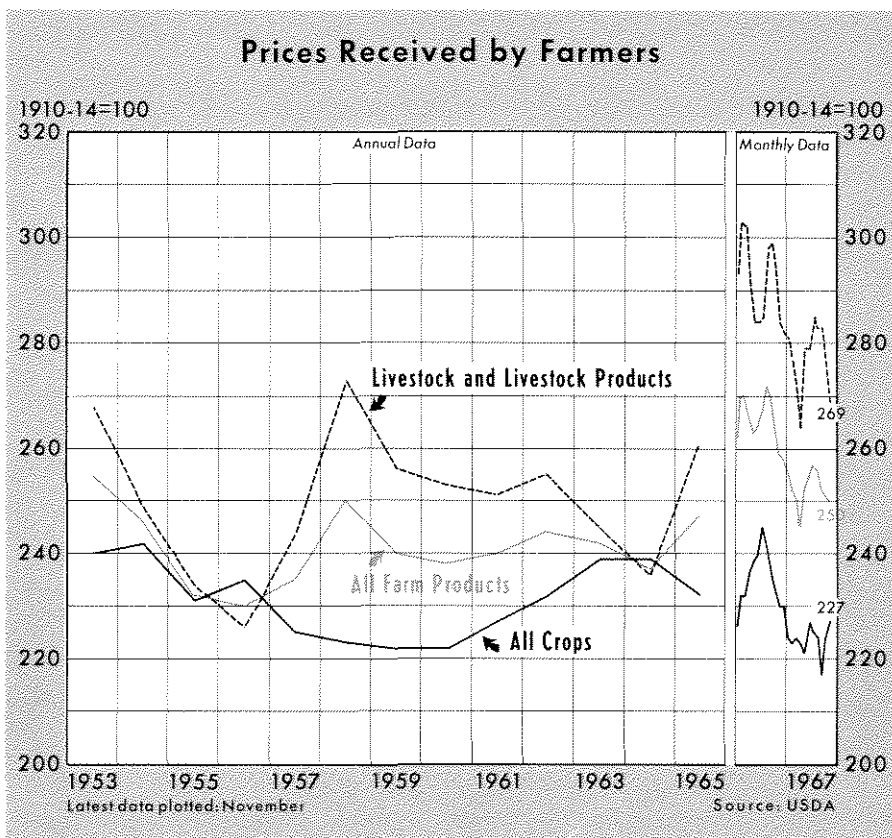
Carry-over stocks of wheat, which had declined for several years, are also likely to remain about unchanged despite the record 1967 crop of 1.5 billion bushels. This is 16 per cent larger than wheat production in 1966 and about 26 per cent greater than the 1961-65 average. Domestic use of wheat for feed, however, is expected to rise substantially, and exports may increase

³The market year begins with the harvest season and varies with individual crops. The market year for corn begins on October 1; for wheat, July 1; rice and cotton, August 1; and soybeans, September 1.

somewhat. Wheat usage (both domestic use plus exports) is estimated to total about 1.5 billion bushels in the current marketing year, and carry-over may be less than 500 million bushels, about as in 1967.

Rice supplies in the 1967-68 marketing year total almost 100 million cwt., reflecting a record crop of 90 million cwt. plus 6 million cwt. in carry-over stocks. Although rice supplies are about 7 per cent above the 1966-67 level, carry-over stocks this year may remain about unchanged. Use of rice for both domestic food and export has increased steadily in recent years, and this trend is expected to continue in the current marketing year. In 1966-67 food and export use totaled 25 and 52 million cwt., respectively, with industry (primarily breweries) and seed accounting for another 8 million cwt.

Cotton stocks at the end of this year are expected to be sharply below the generally excessive levels since 1952. The 1967 crop, estimated at 7.6 million bales, was down 20 per cent from a year earlier. This is 49 per cent below the 1961-65 average and is the smallest crop since 1895. The small cotton crop reflects a combination of factors including reduction of 600,000 acres planted, greater abandonment of planted acres because of a poor growing season, and lower yields. Carry-over stocks dropped about 4.5 million bales last



year, and the outlook points to a 5.5 million bale stock reduction this year. This estimate is based on predicted exports of 4.7 million bales, about the same as last year, and domestic mill consumption in excess of 9 million bales, slightly below the 1966-67 level. These estimates suggest a carry-over of 6.7 million bales at the end of the current year, which will be the smallest carry-over of cotton since 1953.

The excessive stocks of tobacco, typical of the late 1950's and early 1960's, have been reduced in recent years, and the 1967 crop points to some further reduction of burley tobacco carry-over. The flue-cured crop of 1.28 billion pounds is about 15 per cent greater than a year ago and slightly above estimated domestic consumption plus exports. The carry-over of this type of tobacco at the end of the current marketing year may be slightly higher than last year, when stocks were the lowest since 1962. With a decline of 6 per cent in the burley crop to 546 million pounds, coupled with an estimated disappearance in excess of 620 million pounds, stocks will be down further at the end of the current market season. The desirable ratio of burley supplies for aging purposes is about 2.8 times annual usage. The ratio is now about 3.0 times annual use.

Livestock production gains were similarly large in 1967. Production of pork and poultry were each about 15 per cent greater in the first 6 months than in the same months a year earlier. Commercial beef production was up about 6 per cent, along with both broiler and egg production, while milk production remained about the same. In the third quarter, however, production of most livestock products was nearer 1966 levels. During the July-September months cattle slaughter was only 2 per cent above that of the same months a year earlier, and hog slaughter was only 9 per cent higher. By September broiler production had been reduced to the September 1966 level. Despite this decline, production of most livestock products in 1967 was well above year-earlier levels.

With the abundance of farm production, per capita supplies of meat and poultry in 1967 were estimated at record levels. Per capita consumption of red meat (beef, veal, lamb and mutton, and pork) was estimated at 175.3 pounds, about 5 pounds above the 1966 average and above the previous high of 174.5 pounds in 1964. Per capita consumption of ready-to-cook poultry averaged 37.5 pounds, up from the previous record of 36.0 pounds in 1966. Turkey consumption of 8.8 pounds per person was also above the previous high of 7.8 pounds in 1966.

Impact of Supply on Prices

The larger flow of commodities to market in 1967 depressed farm prices. Prices of all farm products averaged 5.3 per cent lower in the first 11 months of 1967 than in the same period a year earlier. Crop prices were down 4.7 per cent, and livestock prices were down 5.5 per cent. Both crop and livestock prices declined sharply from the fourth quarter of 1966 to the first quarter of 1967 and remained at these lower levels through the second quarter. With the large harvest prospects, crop prices remained at this generally lower level throughout the year. Livestock prices rose somewhat in the third quarter, with reduced marketings, but declined again in the fourth quarter.

Of the major crops, the greatest price declines occurred in cotton and soybeans, which averaged 14 and 10 per cent lower, respectively, during the first 11 months compared with the same months in 1966. Wheat and corn were down about 4 per cent each. Part of the decline in cotton prices reflects a change in the Government price support program. In late 1967 cotton prices had regained much of their earlier loss, reflecting the major decline in 1967 production and lower Government stocks.

Hogs, broilers, and eggs showed the greatest price declines of the livestock products. During the first 11 months of the year, hog prices averaged 16 per cent below year-earlier levels, and broiler prices were down 14 per cent, both reflecting major gains in production. A decline in egg prices of 20 per cent for the same months reflects a 6 per cent gain in production and a continued downtrend in demand. Egg consumption per capita reached a peak of 403 eggs in the mid-1940's and has declined substantially since that time. Consumption averaged only 318 eggs per person in the past three years, despite the relatively low prices during most of the period.

Agriculture in the Central Mississippi Valley

Cash receipts from farm commodity sales during the first 10 months of 1967 were 1 per cent higher in the Central Mississippi Valley states than during the corresponding months a year earlier. Returns from crop sales were up about 6 per cent, reflecting a heavier carry-over of tobacco marketings into 1967 than in the previous year. When data for the remaining months are compiled, however, crop returns in the area will probably decline relative to year-earlier levels as a result of the sizable reduction in cotton output.

**CASH RECEIPTS FROM FARMING
CENTRAL MISSISSIPPI VALLEY**
(millions of dollars)

	Jan.-Oct. 1961-1965 Average	Jan.-Oct. 1966	Jan.-Oct. 1967	Per Cent Change 1966-1967
Arkansas	573.1	644.0	587.9	- 8.7
Kentucky	399.6	467.2	518.6	11.0
Mississippi	523.9	543.9	563.3	3.6
Missouri	931.5	1,073.8	1,092.2	1.7
Tennessee	390.1	423.3	421.0	- 0.6
Central Mississippi Valley	2,818.2	3,152.2	3,183.0	1.0
Illinois	1,835.8	2,329.4	2,166.5	- 7.0
Indiana	1,014.8	1,171.9	1,092.4	- 6.8
United States	29,244.6	34,512.2	34,126.8	- 1.1

Source: U.S.D.A.

Similar to the national pattern, major increases in production of most crops occurred in the Central Mississippi Valley in 1967. Production of all major crops in the region, with the exception of cotton and tobacco, was well above year-earlier levels. Soybean output was up 6 per cent, with all states showing major gains except Missouri. Arkansas and Mississippi, which have become major soybean producing states in recent years, produced 9 and 18 per cent larger soybean crops, respectively, in 1967 than a year ago. Arkansas, with a production of 91.7 million bushels last year, was the leading soybean producing state in the Valley group and third largest in the nation. The 1967 soybean crop in the five Valley states was estimated at 49 per cent above the five-year 1961-65 average. In comparison, soybean production in the nation was 35 per cent above the average for the same period.

Corn production in the region was up 18 per cent in 1967 with all Valley states sharing in the increase. Kentucky, with an increase of 44 per cent, showed the greatest percentage gain.

Production of cotton, formerly the major cash crop in the region, continued down in each state in 1967. Bales produced in the area were down 30 per cent from a year earlier. Greatest percentage declines occurred in Missouri and Tennessee where production was down 63 and 57 per cent, respectively. Cotton production in Missouri totaled only 60 thousand bales, compared with 162 thousand a year earlier and a 1961-65 average of 419 thousand bales. Production in Tennessee fell to less than 50 per cent of the 1961-65 average. Production in the major producing states of Arkansas and Mississippi in 1967 was down 31 and 19 per cent, respectively, from the year-earlier levels and 65 and 43

per cent, respectively, from their 1961-65 average. Although part of the decline in cotton production during the past two years was caused by poor weather conditions, much of the reduction reflects basic supply and demand forces that have pointed toward reduced cotton output for several years. These forces include rising cotton production outside the United States, reduced demand for American cotton relative to other fibers, and increased competition for land and labor resources formerly used for cotton production.

The Arkansas rice crop, which accounts for about 90 per cent of the area total, continued upward, rising to 5 per cent above 1966 production and 26 per cent above the 1961-65 average. This was about equal to the national rate of gain.

The area's tobacco crop in 1967, which is primarily in Kentucky, was 6 per cent smaller than a year ago and about 13 per cent below the 1961-65 average. For the nation as a whole, tobacco production was up about 6 per cent in 1967 from a year earlier.

Outlook for 1968

The United States Department of Agriculture predicts a net farm income in 1968 of about \$15 billion, roughly equal to the 1967 level. An expected gain in cash receipts plus a moderate gain in direct Government payments may boost realized gross farm income more than a billion dollars. Farm production expenses, however, are expected to rise about the same amount as realized gross income.

With fewer farms and farmers in prospect, realized net income per farm will probably be higher than in 1967 but somewhat below the record level of 1966. This rise will be coupled with some further gains in off-farm income by farm people. Consequently, per capita disposable income of farm people should be somewhat larger than the 1967 level, which was about equal to that of a year earlier.

Prospects for Production and Prices

The volume of farm product marketings in 1968 may be somewhat larger than in 1967. Livestock output is expected to remain about the same, but the volume of crop marketings, because of the large output in 1967 and the lateness of a number of major crops, will be substantially greater.

Estimates of little change in volume of livestock production in 1968 are based on projections of about the same amount of red meat and milk production,

MAJOR CROP PRODUCTION 1967 COMPARED WITH PAST OUTPUT

(Percentage Change)

	Corn		Wheat		Soybeans		Rice		Cotton		Tobacco	
	Average 1961-65 to 1967	1966 to 1967	Average 1961-65 to 1967	1966 to 1967	Average 1961-65 to 1967	1966 to 1967	Average 1961-65 to 1967	1966 to 1967	Average 1961-65 to 1967	1966 to 1967	Average 1961-65 to 1967	1966 to 1967
Arkansas	-52.2%	16.0%	159.6%	60.4%	47.8%	9.4%	25.8%	4.7%	-64.9%	-31.2%	-	-
Kentucky	42.1	43.7	70.9	35.9	89.7	40.2	-	-	-	-	-10.9	-5.2
Mississippi	-26.8	9.6	493.8	85.3	95.9	18.0	36.8	-0-	-43.4	-18.7	-	-
Missouri	13.0	8.9	42.8	30.8	14.3	-12.0	25.7	2.6	-85.7	-63.0	-25.2	-20.3
Tennessee	7.1	21.1	128.6	90.3	123.5	30.6	-	-	-74.8	-57.3	-20.5	-8.2
Central Mississippi Valley	14.1	17.9	85.1	45.7	49.2	6.3	26.8	4.2	-58.8	-30.3	-13.3	-6.0
Illinois	44.4	31.9	23.9	25.6	14.9	14.8	-	-	-	-	-	-
Indiana	26.3	13.1	9.8	8.5	-5.3	-3.9	-	-	-	-	-7.6	-2.8
United States	25.6	14.7	25.6	16.2	35.3	4.8	31.9	5.4	-49.0	-20.4	-7.1	6.3

Source: USDA, 1967 estimates as of December 1.

some decline in egg production, and a relatively small increase in poultry output. On the basis of cattle numbers and number on feed, total cattle slaughter in 1968 will probably continue at about the 1967 level, with somewhat larger fed cattle marketings offsetting a decline in marketings of cows and calves. Hog slaughter for the year may average slightly higher. Little change from year-earlier levels is expected during the first six months, but with larger feed supplies and lower feed prices, hog slaughter will probably rise above year-earlier levels in the second half of 1968. Lamb slaughter is expected to continue the downward trend of recent years. Dairy cow numbers will probably decline another 3 to 4 per cent in 1968, but output per cow has been increasing at about this rate. Thus, little change in milk production is anticipated.

Broiler production is expected to continue up in 1968 but at a slower rate than in 1967. Recent placements of pullet chickens for broiler supply flocks have been down from year-earlier levels. This cutback, coupled with the very low prices of recent months, point to a reduction in the rate of increase of broiler output in early 1968. If prices provide the incentive later in the year, the smaller laying flocks still have the capacity for an increase in broiler production.

Egg producers are expected to cut back from the record number produced in 1967 in response to the relatively low prices received. Production may run slightly above 1967 levels in the first half of the year, but after mid-year production is expected to drop below the year-earlier rate.

The record production of crops in 1967 of 4 to 5 per

cent above 1966 assures larger marketings of most crops during the 1967-68 marketing season. What happens later in the year as the new harvesting season begins depends upon numerous factors including anticipated prices, growing conditions, and government programs. The 1968 government programs which have been announced are designed to reduce wheat and feed grain acreage by about 10 per cent and expand cotton production to equal estimated domestic consumption plus exports. This would require an increase in 1968 output of about 75 per cent from the very small 1967 crop.

Prices received by farmers for all commodities in 1968 are expected to average somewhat higher than in 1967. Despite the large volume of crop marketings in prospect, crop prices are likely to average about the same as in 1967. Most crop prices currently reflect government price supports, thus the larger supplies are not expected to depress prices much more. If overall livestock product marketings are unchanged as anticipated, output per capita will decline somewhat. This decline, coupled with a very strong prospective demand, points to higher prices.

Prices are expected to average somewhat higher for cattle, hogs, calves, and lambs. Milk prices are likely to average near 1967 levels if current price supports and Federal milk marketing order price levels continue. Egg prices to producers may average below year-earlier levels in the first half of 1968, but higher in the second half of the year. Broiler prices in the early months of 1968 should remain about unchanged, al-

though they are expected to be moderately higher later in the year.

Outlook for Food Costs

Reflecting a sizable decline in prices received by farmers and an offsetting increase in processing and distribution costs, food prices at retail stores in 1967 remained about unchanged. Total food prices, which include retail store sales plus restaurant sales, rose 1 per cent, as a 5 per cent increase occurred in restaurant

prices.

Advances in food prices are expected in 1968. Farm commodity prices are expected to rise rather than fall. Demand for food will continue up, but supplies may remain about unchanged. Also, continued advances in food marketing costs must ultimately be reflected in food prices. Thus, in contrast to 1967 when a larger per capita supply of food products contributed to price stability, little change in supplies and higher prices suggest an overall increase of 2 to 3 per cent in food costs for 1968.

