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# Agricultural Letter

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**NET FARM INCOME** estimates have been revised, resulting in lower figures for 1974, 1975, and first-quarter 1976. According to the U.S. Department of Agriculture, a combined 3 percent drop in cash receipts from farm marketings and a 4 percent rise in production expenses pushed 1975 net realized farm income (net income before any adjustment in inventory values) down to \$22.7 billion, \$5.1 billion less than 1974. However, the value of commodity inventories held by farmers at year-end 1975 was \$2.9 billion higher than a year earlier, holding net farm income at \$25.6 billion—down only \$.9 billion from the comparable 1974 figure and the third highest on record. Moreover, after slipping somewhat in the first quarter, estimated net realized farm income, measured on a seasonally adjusted annual rate, reached a new record second-quarter rate of \$29.8 billion, also the highest quarterly level in two years.

**Cash receipts** from farm marketings totaled \$89.6 billion in 1975, second only to the 1974 record. For the second consecutive year cash receipts from crop sales exceeded receipts from sales of livestock and related products. Nevertheless, all of the drop in cash receipts occurred in the crop sector, down 9 percent to \$46.7 billion in 1975. Cash receipts from marketings of livestock and products totaled \$42.9 billion in 1975, up 4 percent from 1974, but \$3 billion short of the 1973 record.

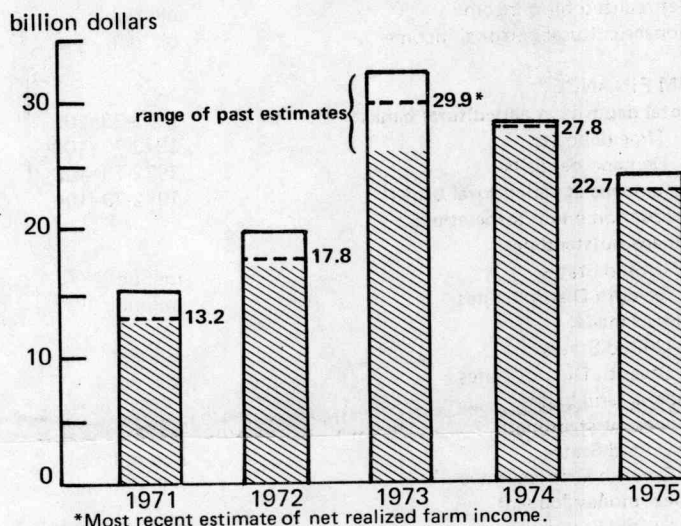
### Cash receipts in the district follow national trends

	Livestock		Crops		Total	
	Received in 1975	Percent change	Received in 1975	Percent change	Received in 1975	Percent change
	<i>(million dollars)</i>					
Illinois	1,892	5	3,513	-10	5,405	- 5
Indiana	1,222	5	1,774	- 8	2,996	- 3
Iowa	3,902	3	2,712	-25	6,614	-11
Michigan	713	4	943	- 2	1,656	0
Wisconsin	2,113	9	539	4	2,652	8
Seventh District states	9,842	5	9,481	-13	19,323	- 5
United States	42,902	4	46,661	- 9	89,563	- 3

Changes in cash receipts accredited to Seventh District states are much the same as the national situation with the exception of Wisconsin. The heavy influence of the dairy industry in Wisconsin is reflected by the 9 percent rise in livestock receipts. Iowa showed the smallest cash gain in the livestock sector of any district state due to the state's heavy commitment to the cattle industry, which offset much of the gain from hogs, while the large decline in crop receipts reflects a less-than-usual level of crop production.

**Farm production expenses** rose to \$75.5 billion in 1975, up \$2.7 billion from the previous year, but considerably less than the \$13 and \$7 billion gains recorded in 1973 and 1974, respectively. Feed purchases, the largest single category of production expense, actually declined \$2 billion in 1975. This was offset by increases in just about all other major categories. Most pronounced were increases in depreciation and fertilizer expenditures, both up 17 percent. However, the rise in fertilizer costs pales in comparison to 1974 when farmers' expenditures jumped 74 percent.

### Revisions of farm income estimates have been substantial in recent years



**Farm income estimates** have been subject to large revisions in recent years. The changes stem from the large and sometimes erratic swings in commodity prices, shifts in traditional crop marketing patterns and a rapid rise in the prices of many farm inputs. While revisions of the most recent year are usually widely publicized, those affecting more distant years often receive less attention. Nevertheless, they should be updated to make accurate comparisons of economic conditions within the farm sector over time.

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## AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
<b>INDEX OF PRICES</b>					
<b>Received by farmers</b>	1967=100	July	196		
Crops	1967=100	July	216	+ 2.4	+ 3
Livestock	1967=100	July	178	- 3.3	+ 6
<b>Paid by farmers</b>	1967=100	July	195		- 2
Production items	1967=100	July	199	0	+ 7
<b>Wholesale price index (all commodities)</b>	1967=100	July	184	0	+ 8
Foods	1967=100	July	182	+ 0.7	+ 5
Processed foods and feeds	1967=100	July	183	+ 0.1	- 1
Agricultural chemicals	1967=100	July	185	+ 0.4	- 1
Agricultural machinery and equipment	1967=100	July	183	- 1.8	- 12
<b>Consumer price index (all items)</b>	1967=100	June	170	+ 0.5	+ 8
Food at home	1967=100	June	180	+ 0.5	+ 6
				+ 0.5	+ 3
<b>CASH PRICES</b>					
Corn	dol. per bu.	July	2.82	+ 2.9	+ 4
Soybeans	dol. per bu.	July	6.73	+ 9.3	+ 27
Wheat	dol. per bu.	July	3.33	- 2.6	0
Sorghum	dol. per cwt.	July	4.53	+ 5.6	+ 7
Oats	dol. per bu.	July	1.64	0	+ 13
Steers and heifers	dol. per cwt.	July	35.80	- 8.4	- 10
Hogs	dol. per cwt.	July	47.70	- 2.9	- 12
Milk, all sold to plants	dol. per cwt.	July	9.28	+ 1.9	+ 13
Broilers	cents per lb.	July	25.4	+ 4.5	- 14
Eggs	cents per doz.	July	55.5	+ 3.2	+ 19
<b>INCOME (seasonally adjusted annual rate)</b>					
Cash receipts from farm marketings	bil. dol.	2nd Quarter	102	+ 11.7	+ 11
Net realized farm income	bil. dol.	2nd Quarter	30	+ 44.0	+ 27
Nonagricultural personal income	bil. dol.	May	1,316	+ 0.6	+ 11
<b>FARM FINANCE</b>					
<b>Total deposits at agricultural banks<sup>1</sup></b>	1972-73=100	July	153	+ 0.2	+ 12
Time deposits	1972-73=100	July	176	+ 1.0	+ 17
Demand deposits	1972-73=100	July	122	- 1.2	+ 5
<b>Total loans at agricultural banks<sup>1</sup></b>	1972-73=100	July	169	+ 1.7	+ 18
<b>Production credit associations</b>					
<b>loans outstanding:</b>					
United States	mil. dol.	June	12,006	+ 2.6	+ 12
Seventh District states	mil. dol.	June	2,123	+ 3.3	+ 16
<b>loans made:</b>					
United States	mil. dol.	June	1,439	+ 1.9	+ 19
Seventh District states	mil. dol.	June	281	+ 6.4	+ 18
<b>Federal land banks</b>					
<b>loans outstanding:</b>					
United States	mil. dol.	June	17,403	+ 1.4	+ 17
Seventh District states	mil. dol.	June	3,283	+ 1.7	+ 20
<b>new money loaned:</b>					
United States	mil. dol.	June	324	+ 10.2	+ 6
Seventh District states	mil. dol.	June	72	+ 8.6	+ 33
<b>Interest rates</b>					
Feeder cattle loans <sup>2</sup>	percent	2nd Quarter	8.77	0	0
Farm real estate loans <sup>2</sup>	percent	2nd Quarter	8.95	0	0
Three-month Treasury bills	percent	8/5-8/11	5.18	+ 0.6	- 19
Federal funds rate	percent	8/5-8/11	5.25	- 2.1	- 14
Government bonds (long-term)	percent	8/2-8/6	8.03	0	- 5
<b>AGRICULTURAL TRADE</b>					
Agricultural exports	mil. dol.	May	1,848	- 4.3	+ 24
Agricultural imports	mil. dol.	May	848	- 5.4	+ 23
<b>FARM MACHINERY SALES</b>					
Farm tractors	units	May	13,858	- 27.6	- 14
Combines	units	May	1,880	+ 4.2	+ 5
Balers	units	May	1,980	+109.1	+ 21

<sup>1</sup> Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

<sup>2</sup> Average of rates reported by district agricultural banks.