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Overview of the 1975 Agricultural Outlook

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Economics Newsletter

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Overview of the 1975 Agricultural Outlook

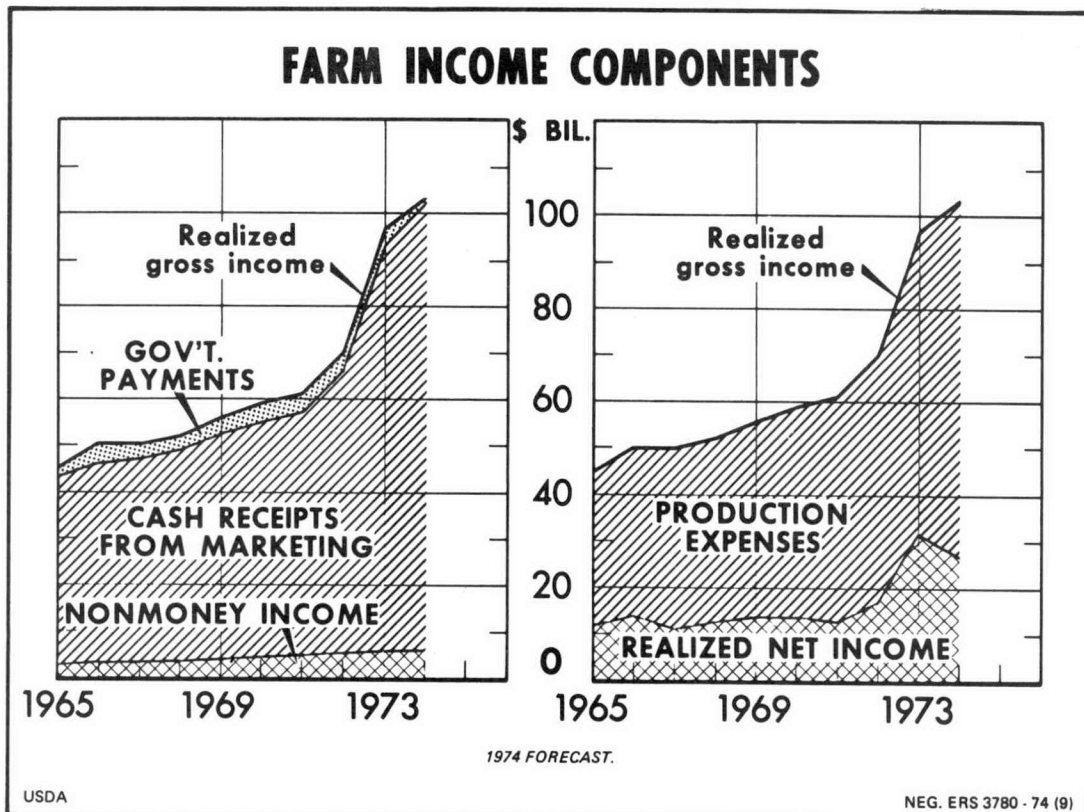
Shown below, in graphic form, is a summary of what has been happening to the farm income picture over the past ten years. The chart on the left shows the growth in incomes over the period, and the spectacular increases in gross income in 1973, with expected relatively high gross in 1974 when it is finally totaled up. The changes in sources of the incomes are also shown.

Of somewhat more interest is the graph on the right which capsulizes the "problems" that some of agriculture is encountering. While in total, gross incomes continue to increase, production expenses have increased also, particularly during 1974. Thus, the net income for 1974 will be down somewhat from the high of 1973. While not shown in this graph, this has resulted primarily

from the relatively high costs of feed and a decline in the prices of livestock, primarily beef animals.

In more specific terms, the realized net farm income for 1974 is expected to total about \$27 billion, near \$5½ billion below that for 1973, but still around \$10 billion higher than in 1972 which at the time was considered a reasonably good year.

Marketing receipts are expected to be up about \$6 billion; however, production expenses in 1974 may total \$10 billion more than 1973, due to the higher prices for fuel and fertilizer and the price impact of short grain crops on purchased feed. Crop receipts are expected to be up about \$8 billion, but lower livestock receipts of around \$2



billion means that the major impact has fallen on the livestock producer.

These data are in current dollars. In terms of dollar of constant purchasing power, the income figures are still quite favorable but the margin over earlier years is substantially smaller.

Also, the figures are national aggregates and do not, therefore, necessarily represent the situation for any individual farmer or even specific groups of farmers. This should be kept in mind when considering the relatively high net incomes of crop producers in 1973 and 1974 with a livestock industry caught in the middle.

The bad weather conditions of this past growing season left not only continuing high grain prices and particularly high prices for feeds for livestock, but also small carryovers of grain stocks. Therefore it is expected that given continued high levels of inflation and even "normal" growing conditions in 1975, the situation is likely to continue at least well into the year

if not longer. The commodity forecasts point to higher 1974/75 season average prices for crops than for the 1973/74 season.

Livestock feeding will be substantially lower to adjust to the smaller feed grain supply. The feed prices in relation to livestock prices will ration the reduced feed grain supply. Livestock prices might not change much until early 1976 if a big crop is on the way in 1975. A short crop would force slaughter of more sows and cows. Cattle slaughter has been on the increase as herds are culled; however, cattle numbers are the highest on records. In 1975 increased slaughter is likely but more of it will be in cows, nonfed steers and heifers. Pork production is expected to be down as adjustments can be made faster. Production of broilers, eggs and turkeys will follow a similar course.

The level of crop production in 1975 appears to be the key to the prices and production trends the last half of 1975 and into 1976. A repeat of the 1974 crop production experiences could be serious.

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HAVE A HAPPY AND PROSPEROUS NEW YEAR!!!!

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