Good Year Predicted For Farmers

Farmers will continue to be squeezed in the cost-price spiral as they ponder 1974 farm income prospects, but they can look forward to another good year of earnings, and credit availability should be no problem.

That is the year-end assessment of E. A. Jaenke, Governor of the Farm Credit Administration, the agency which supervises the $21 billion borrower-owned Farm Credit System.

Citing the good 1972 and 1973 farm income levels, Jaenke predicted that farm income will be better than average in 1974, but will not reach record 1973 levels because of rising production expenses, moderating farm prices and slower expansion of exports.

"We are genuinely optimistic that adequate credit will be available through the Farm Credit System," Jaenke said, "but because of the higher cost of money and inflationary pressures, the price may be higher."

Borrowers in the Farm Credit System – The Federal Land Banks and Associations, Federal Intermediate Credit Banks and Production Credit Associations, and Banks for Cooperatives – were doubly rewarded during 1973 by the record farm income levels and improvement in overall loan quality, Jaenke noted in his year-end report. Because of the strengthening of farmers' financial positions, the number of loan foreclosures, delinquencies and problem loans declined.

The Farm Credit Administration Governor said that as farmers and their cooperatives remain optimistic about future farm income and continue to incur rising levels of debt to expand their operations, the Farm Credit System has reached new milestones of service to the people of American agriculture.

"During calendar year 1973, we served more than 433,000 farmers and ranchers, and about 2,900 farmer cooperatives. Taken in the aggregate, these are record levels for the Farm Credit System," Jaenke reported.

Since reporting record lending levels at mid-year, Jaenke noted an upsurge in Federal Land Bank and Production Credit Association borrowing activity in the past six months with loans outstanding exceeding figures for last year by approximately one-third. Since June 30, Banks for Cooperatives loans made have exceeded year ago levels by nearly 81 percent.

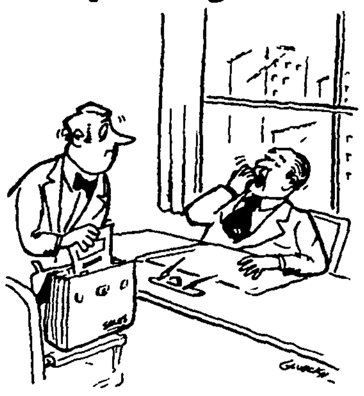
During the 12 months ending November 30, Jaenke reported that the Farm Credit System had 731,033 loans outstanding. Loans made during this period totaled $20.9 billion, up 42 per cent over last year. Net loans outstanding on November 30 amounted to $21.1 billion, up 19 per cent over the comparable 1972 figures.

Jaenke took note of the unavoidable disruption in the farm economy caused by the energy shortage.

"The immediate impact is in price – costs of fuel and energy in all forms are rising and will go higher," he said. "The banks and associations in the Farm Credit System will need to carefully review with their borrowers the effect of increased production expenses and the resulting squeeze on farm profits."

New money estimates for calendar year 1974 are projected at $3.3 billion, about the same as for 1973, Jaenke revealed. Interest rates charged farmers by the Farm Credit banks and associations will rise a little further in the first half of 1974, even if the cost of marketing debt declines. This will occur because low cost debt will be returned and replaced by securities of higher yields.

My Neighbors



"Must you go at last?"

USDA Review Of Fluid Milk Prices

The U.S. Department of Agriculture (USDA) has decided to make no changes in the method of determining minimum fluid milk prices that dealers must pay dairy farmers under Federal milk marketing orders.

The decision, announced recently, is based on a public hearing held Aug. 28-30 and Sept. 18-19 in Clayton, Mo., to review levels of fluid milk prices paid to farmers, and to determine whether emergency price action would be needed for the next few months. The Department decided, except for a temporary action in September (a 60-cent per hundredweight increase Sept. 9-30), that the basic formula price now in the orders will give assurance to dairy farmers of price levels during coming months needed to maintain adequate supplies of milk.

Since September the milk order price formulas – without being changed – have resulted in additional price increases to dairy farmers, $1.11 through December, and another 15-cent increase in January, officials of USDA's Agricultural Marketing Service explained. Also, feed prices, a principal cost in milk production, have declined to some extent. Thus, officials said, the milk order basic formula price (average pay price in Minnesota and Wisconsin for manufacturing grade milk) is responding to current supply and demand conditions.

USDA's decision denies proposals made at the hearing to increase, for a temporary period, Class I prices more than would result from the formula, or to provide a minimum or "floor" for the basic formula price used in determining Class I prices. In addition, the decision takes no action on suspending Class I base plans in any orders, another issue considered at the hearing.

The decision formally ends the proceeding. It will appear in the Federal Register Jan. 3, 1974, or may be obtained from the Dairy Division, Agricultural Marketing Service, USDA, Washington, D.C. 20250.

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