USDA notes improved farm income

WASHINGTON, D.C. – After several long, lean years, U.S. farmers are finally realizing improved incomes, says USDA.

Farm returns in 1978 are turning substantially higher, say analysts, who cite sharply increased livestock earnings, moderately higher crop receipts, and stepped-up government payments.

USDA economists recently summed up the situation this way: "Generally, farmers seem to be in a good equity position, particularly established farmers who have benefited from rising real estate values. Although some farmers in important producing areas of the Nation remain vulnerable to further financial setbacks the overall financial health of the industry appears sound."

By midyear, the experts were projecting net farm income for calendar 1978 to reach about $25 billion. While that's still well below the record $30 billion earned in 1973, it's a $5-billion-improvement over last year.

As always, certain farmers will fare better than others depending on their relative efficiency, the size of their operation, and the commodities they produce.

For livestock and poultry producers as a group, the economists see solid gains. Prices for livestock and products have turned higher than previously expected and continued basic strength seems likely.

In the beef cattle arena, feedlot operators have taken a pounding since 1973, when feeding costs shot skyward relative to prices received for fed cattle. However, cattlemen's earnings began improving last year, gathered strength into this year, and should soon signal the end of the liquidation phase of the cattle cycle.

As producers begin stabilizing their herds, beef slaughter will fall off, further shoring up cattle prices. Current estimates put average Choice steer prices in the mid-$50's throughout the second half of 1978 - compared with last year's average of just over $40.

The longer term situation suggests declining beef production and rising prices for at least the next 3 years, which economists say is necessary to materially improve the financial shape of feeder livestock producers.

Recent loan repayment difficulties of cattle raisers are expected to ease, although substantial refinancing will probably occur as the buildup phase of the cattle cycle gets underway.

Except for poor years in 1971 and 1974, hog producers managed to avoid the prolonged hard times that plagued cattlemen. And while they faced the same soaring feed costs that cattlemen did, hog producers generally received favorable prices for their finished animals relative to the price of feed.

Hog producers look to be in a good financial position this year, and will probably not be adversely affected by a slight rise in pork production as 1978 draws to a close.

Unlike hog producers, dairymen got caught in a profit squeeze that hung on through 1973-75, but finally eased in 1976. Returns turned sharply higher last year.

Current legislation will help the dairy sector fend off hard times over the next several years. The Food and Agriculture Act of 1977 requires a milk price support level of not less than 80 per cent of parity through March 1979 and also specifies that the level be adjusted semiannually through March 1981 to reflect changes in the parity index. Because of the higher support prices, financial conditions of dairy farmers should improve this year and beyond.

Grain producers, particularly wheat farmers, watched their cash receipts rise sharply during 1971-74, but saw the bottom begin falling out of the market the following year. Wheat farmers were hardest hit by bumper crops both here and abroad.

Calculated as a return to land, earnings from wheat plunged from $47.65 an acre in 1974 to minus $6.81 at 1977 market prices. Therefore, while earnings in 1974 could have paid a debt of $468 an acre at 9 per cent interest over a 25-year period, returns in 1977 wouldn't even cover labor and management charges.

Corn producers found themselves in similar straits, while soybean farmers did considerably better.

Prospects of stronger demand for grains and a number of specific actions – including changes in the grain reserve program, acreage diversion for feed grains and cotton, and a higher target price for wheat - should improve the cash flow positions of producers of these crops.

A closer look at some typical 3,040-acre Montana wheat farm show that net returns (net cash income less depreciation and the cost of family labor and management) plummeted from about $93,500 in 1975 to $35,000 the next year and less than $15,500 in 1977.

But given better price prospects and barring adverse weather, this farm should realize net returns approaching $42,000. This would equal just over 7 per cent of equity, versus less than 3 per cent last year.

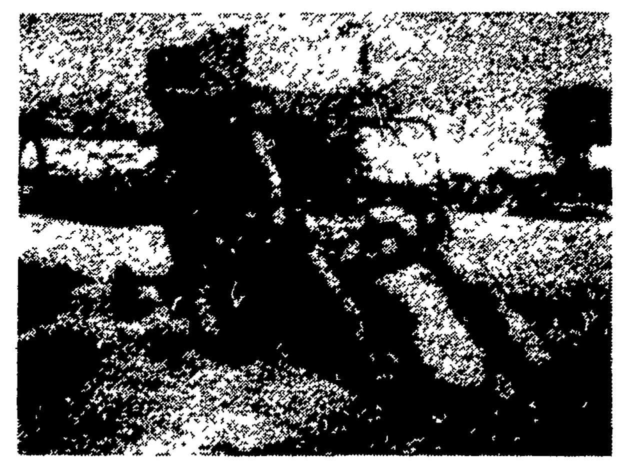
On a 400-acre east central Illinois corn and soybean farm, the debt to equity ratio last year dropped below the previous 2 years, mainly because assets – led by soaring land values – climbed at a much faster pace than farm debt.

The rapid rise in assets, coupled with a $15,000 drop in net cash income, caused net returns to slide from 16 per cent of equity in 1976 to less than 6 per cent last year.

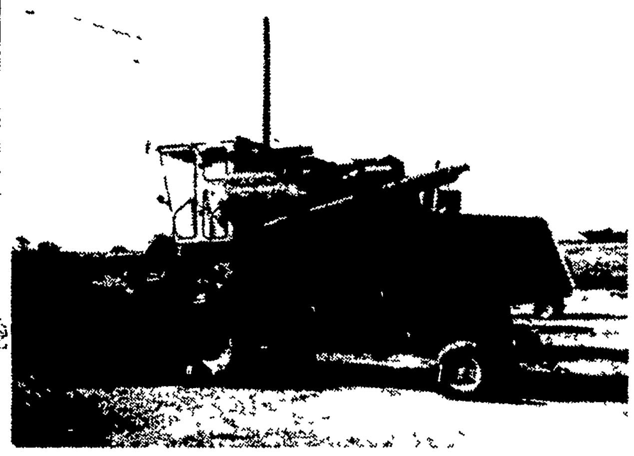
Net cash income on this typical Illinois corn and soybean farm is expected to recover substantially this year to around $35,000.

POW WOW DAYS

USED COMBINE
MF 410 Diesel w/Cab, 13' Platform, 3 row N.R. Corn Head........ $8,250.



USED COMBINE
AC Model E w/10' Platform, Pickup Reel, 2 Row Corn Head, Real Clean ...... $5,750.



USED COMBINE
John Deere 55 Corn Soybean Special 12' Head .... $11,700.

USED PLANTER
John Deere 7000, 4 row wide, condition-A1.......... $4,750.

USED HAYBINE SPECIALS

John Deere 1209	$2,450.00
New Holland 479	2,750.00

USED BALER SPECIALS

New Holland 67 Baler	$1,150.00
John Deere 14T	750.00
John Deere 14T w/ejector	700.00
John Deere 24T	950.00
John Deere 24T w/thrower	1,750.00
New Holland 275 w/thrower	2,350.00
NH 269 w/thrower	1,750.00

USED HARVESTER SPECIALS

NH 880 2 Row Narrow Row Head	3,650.00
NH 717 Single Row Head, 9 Knife Cutter Bar	1,750.00
JD #12 w/single Row Head	350.00

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New Set 18 4x30 Snap on Duals w/New Goodyear 6 Ply Tires	$1,050.00
3 pt Hitch for 630 tractor	400.00

USED TRACTORS

MF 175 Diesel	$5,850.00

USED PLANTER SPECIALS

Tag 11650 John Deere 1250 - 6 Row Plateless	$2,350.00
11941 John Deere 494A - 4 Row	650.00
11934 John Deere 494A - 4 Row	1,275.00

USED COMBINE SPECIALS

AC - C w/4 Row Corn Head 14' Platform	$8,750.00
Cockshutt 427 w/Power Steering & 10' Platform	1,450.00

USED GRAIN DRILLS

John Deere 17 x 7	$750.00
Co-op 15x7 Fert Grain Drill w/grass seed attach	750.00
MF 21x7 Plain	1,650.00

USED TILLAGE SPECIALS

John Deere 4-16" Hyd Reset Three Point	$2,250.00
Ford 4-18" Semi-Mount Spring Reset	2,450.00
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John Deere 1600 10' Chisel Plow	1,325.00

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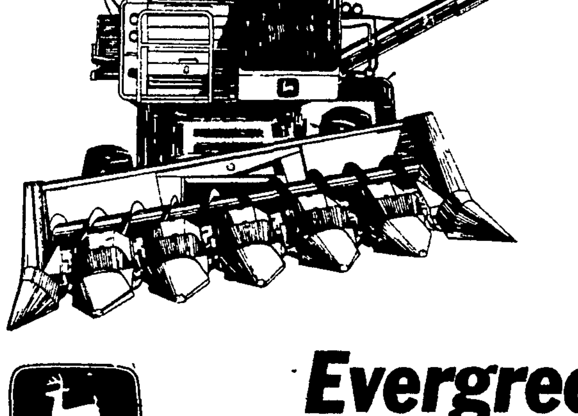

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Snowmobiles illegal on game lands

HARRISBURG - Sportsmen are warned that it is illegal to operate snowmobiles on State Game Lands during the deer season.

Hunters are also reminded that State Forest Lands are closed to snowmobiles until after the end of the antlerless deer season, which concludes on December 16.