

# Farm income jump can't keep up with production cost leap

WASHINGTON, D.C. — High interest rates, large supplies of meat and grains, the strong dollar, and weak consumer demand have limited the advance of farm cash receipts this year, reports USDA's Economic Research Service.

Total cash receipts in 1981 are expected to be 4 to 6 percent above 1980. Receipts may rise 2 to 4 percent for livestock and 6 to 8 percent for crops.

At the same time, farm production expenses will likely increase 8 to 10 percent in 1981, with interest and energy-based inputs rising the most.

With increases in production expenses outstripping gains in cash receipts, farmer's net cash income will probably fall below last year's level.

Net income before inventory adjustment is now projected at \$17 to \$21 billion, compared with \$21.9 billion in 1980. However, with this year's larger crops, net farm income after inventory adjustment is forecast at \$20 to \$24 billion—a slight improvement over last year's \$19.9 billion.

Farm prices slowly drifted downward through July while prices for production items were stable.

In the short run, changes in the ratio of the index of prices received by farmers to the index of prices paid (for production items, in-

terest, taxes, and farm wages) generally parallel changes in realized net farm income. This ratio has declined or been steady each month since December 1980.

In mid-July, commodity markets reacted to the favorable growing weather across the country. Farm prices of most crops slipped, as the potential for record 1981/82 output became apparent. Meanwhile, livestock prices remained fairly flat through the first three quarters of the year.

At the same time, prices for inputs and debt servicing continued to climb with the general rate of inflation, causing a squeeze on farmers' cash flow. Tight cash flow is expected to continue in the fourth quarter and into the first quarter of 1982, as crop prices keep falling, livestock prices remain flat, and prices paid by farmers move higher.

Direct government payments constitute a small portion of gross farm receipts—less than 1 percent in 1980. Payments through the first half of 1981 totaled about \$761 million. Total direct government payments for calendar 1981 are forecast between \$1.4 and \$1.6 billion—up from \$1.3 billion in 1980.

In the first quarter alone, payments to farmers and ranchers were about \$557 million. More than half of this represented disaster payments to wheat, rice, cotton,

and feed grain farmers hit by last year's drought. Producers received about \$200 million in disaster payments in the first half of 1981. Feed grain producers, many in the South, received about \$100 million in disaster provisions; wheat producers, \$20 million, and rice farmers, about \$1 million.

Last year's dry weather also affected livestock ranges and pastures, with the feed condition index 20 points or more below average in many areas. As a result of last fall's poor grazing, payments through the emergency

livestock feed program amounted to nearly \$250 million—the largest single payout for the first half of 1981. Other programs with large payments in the first half of the year include the agricultural conservation program, \$90 million; the Wool Act, \$36 million; and forestry incentives, \$6 million.

Storage payments for the farmer-owned grain reserve were about \$31 million through the first 6 months. High feed grain prices in the first two quarters of 1981 led to calling of reserves, forcing

producers to sell out of storage and refund unearned payments. However, a large influx of wheat from the record-large 1981 crop offset these paybacks, leaving net reserve payments up for the first half of the year.

The second half of 1981 should see equally large payment activity. Deficiency payments to wheat producers alone are projected to total about \$400 million—the result of poor market prices due to the large 1981 crop and slower-than-expected exports.

## Sen. Huddleston to address Farm Bureau annual meeting

PARK RIDGE, II. — US Sen. Walter Huddleston from Kentucky, the ranking minority member on the Senate Agriculture Committee, will address the morning general session of the American Farm Bureau Federation's 63rd annual meeting in San Diego, California, Tuesday, January 12, 1982.

As floor manager of the Senate Farm Bill, Senator Huddleston has been a key figure on the Senate/House Conference Committee seeking to develop 1982

farm program legislation that will preserve the market system and meet budget restraints of the Economic Recovery Program.

Huddleston, who has represented his native state in the Senate since 1973, began his political career by election to the Kentucky state Senate in 1965. He was reelected in 1969.

In 1973 he entered the U.S. Senate after becoming the first Democratic Senator elected to serve the Commonwealth of

Kentucky in 16 years. In addition to the Agriculture Committee, he currently serves on the Appropriations Committee, Intelligence and Small Business Committees of the Senate.

After serving in the Army as a tank gunner in Europe during World War II, he attended the University of Kentucky, earning a B.A. degree in radio arts in 1949. He then entered the broadcast field as sports and program director for WKCT radio in Bowling Green. He later was general manager of station WIEL in Elizabethtown. He is past president of the Kentucky Broadcasters Association.

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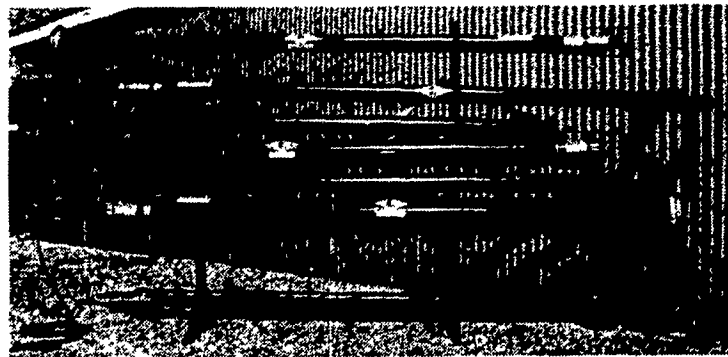
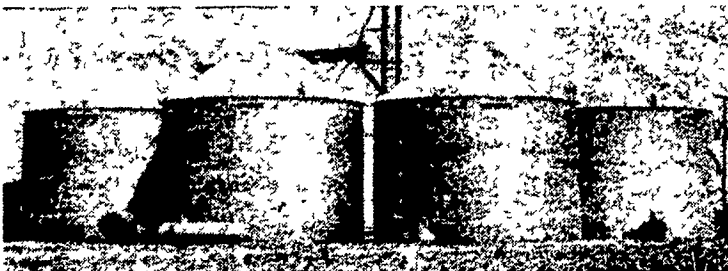
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## Md.'s tobacco yield and production up

COLLEGE PARK, Md. — The harvesting of tobacco in Maryland is over and curing operations are under way.

It is estimated that 23,000 acres of tobacco would be harvested this year. Yield is expected to be 1,300 pounds per acre and production 29.9 million pounds. Yield and production, figures were revised upward by the Maryland-Delaware Crop Reporting Service (from 1,150 pounds and 26.5 million pounds, due to respectively very good weather and growing conditions). Even at last years prices, the potential value of Maryland's 1981 tobacco crop is over \$50 million, reports University of Maryland's Pradeep Ganguly.

It may be noted that three other states - North Carolina, South Carolina and Virginia - are growing "Maryland Type" tobacco. Early data from the U.S.D.A., indicate that this year these states have harvested over 11,000 acres for nearly 15 million pounds; that is more than one-half of Maryland's estimated production.

Part of this out-of-state 'Maryland type' tobacco has already been marketed, mostly untied (on sheets), at prices up to \$1.75 per pound. Maryland's cured tobacco will not be sold until next spring, and it is too early to predict the effect of this development on the price of Maryland tobacco.

Maryland tobacco farmers received, on an average, a 30 cent per pound price increase for their 1980 crop. This year's crop when sold in Spring 1982 will probably bring a smaller price increase, if any.

Two factors could be cited as reasons. First, a relatively weaker demand due to faltering exports (both domestic and foreign demand have been strong in past years). Second, a larger 'potential' market supply due largely to the production and marketing of 'Maryland type' tobacco in other states.