

Farm Bureau says ag assets dropped 40 percent in 1985

PARK RIDGE, IL — The value of the nation's farm assets continued to decline in 1985, falling an additional \$40 billion. Asset values declined by \$100 billion in 1984 representing a two-year drop of 15 percent. Net farm income should also fall to \$25 billion, the lowest level in eight years.

According to the American Farm Bureau Federation, prices for most farm commodities fell in 1985. "The good news is that farm production costs for the sector as a whole also declined in 1985 though not enough to compensate for the lower prices," said Robert Delano, AFBF president.

Farmers will sell between \$136-\$140 billion worth of farm products in 1985 down from \$142 billion in 1984. Farm production expenses could fall by as much as \$5 billion, primarily the result of lower interest rates and less expensive energy supplies.

The nation's farmers registered record or near record production in dairy products, corn and soybeans. Ideal weather throughout most regions of the

country produced larger corn and soybean crops as the growing season progressed. Corn growers are expected to harvest 8.72 billion bushels worth an estimated \$21.5 billion dollars. Soybeans, the nation's second most valuable crop, will register an estimated \$11 billion in value from 2.13 billion bushels. Wheat receipts are estimated at \$7.5 billion from a 2.42 billion bushel crop.

Corn, soybeans and wheat also represent the nation's leading export commodities. The decline in farm export levels is seriously affecting the nation's farm economy and presents a near-term crisis on the farm market front. From a high of \$44 billion in sales in 1980, foreign sales slipped to \$32 billion in 1985, with a further decline expected in 1986.

The biggest drop has occurred in wheat sales. Wheat export commitments so far this year are the lowest in 10 years and about one-half of what they were one year ago. Weak export sales combined with large supplies on hand paint the gloomiest outlook for wheat

producers. Many countries have boosted their wheat production sharply. Global wheat production has increased 14 percent since 1980. Corn exports are down 1.5 percent; soybeans 13.7 percent and cotton 13 percent.

Cattle and calves continue to be the nation's most valuable farm commodity. Receipts in 1985 are expected to total \$29.2 billion, a drop of \$1.5 billion from the previous year. The cattle market dropped sharply in mid-1985, aggravated by the marketing of overweight cattle.

Dairymen produced a record 143 billion pounds of milk in 1985, worth over \$19 billion. Hog producers suffered from lower market prices with the value of production dropping by nearly \$700 million to a total of \$9 billion. Sheep producers realized improved prices with market receipts climbing to \$500 million, up nearly 7 percent. Poultry production accounted for \$10.5 billion in sales. Market prices were up for turkey producers. While prices were lower for egg and broiler

operations, producers benefitted from the lower grain prices.

American farmers also produced an estimated \$3.8 billion worth of cotton. Other crops registering more than \$1 billion in sales were tobacco, sorghum, barley, rice, sugar, oranges, grapes, peanuts, potatoes, tomatoes and apples.

Lower farm prices translated into slowly rising food prices for consumers. Retail food prices climbed a modest 2.2 percent in 1985. All the increase in cost occurred outside the farm sector. The farm share of the retail food dollar stands at 27 percent. Retail food prices are expected to rise in a range of 2 to 4 percent in 1986 following closely with the expected rate of inflation.

For the most part the nation enjoyed good weather conditions throughout the growing season. Drought conditions existed in a portion of northern plains states. The only other adverse weather conditions struck at harvest time with flooding conditions hitting West Virginia and other portions

of the east coast and gulf states, causing delays in harvest and some crop losses.

In 1985 farm debt adjustment became a major concern. Many farmers and their lenders were forced to write-down or restructure their debts. An estimated 25 percent of America's farm families face serious financial difficulties.

"The debt problems will continue into 1986," warned Delano. "No one knows when or where the bottom will be reached in land values. We have some reason to believe that the decline is beginning to slow and that land values may stabilize in 1986. Steps taken Congress to deal with farm credit problems should help. But, the financial stress will continue.

"The action taken to aid the Farm Credit System was an important first step. This action helps the System specifically. We must, however, be sure that the longer term financial interests of all farmers are met as well, with viable and diversified sources of farm credit.

"The nation's agriculture is undergoing many changes. The booming export markets of the 1970s have passed and we will not return soon to the levels reached then. Future land values will be based more on farm earnings," said Delano, "not speculative earnings based on increased inflation. These changes carry mixed blessings. Estate transfers will be eased by the change in land values. Young farmers will have greater opportunities to become established. Land rentals should begin to reflect the new values in farm production. The adjustments will be difficult for many farmers.

"Many of the adjustments will occur in 1986. Government farm programs will result in fewer acres planted overall. The large supplies of commodities on hand, especially wheat, will slow any price recovery brought on by smaller crops. A weaker dollar will help us to compete in world markets, if it is the result of stronger currencies in foreign countries. Perhaps the greatest response will come in the area of specialty crops," said Delano.

"Protectionist legislation poses a serious threat to American agriculture," the farm leader warned. "The Asian countries targeted in the recent textile restraint bill account for \$10 billion in annual farm export sales. We would be the first to suffer in trade retaliation. The President's veto of the only major protectionist bill to come out of Congress was a key victory for agriculture.

"Trade, federal tax and spending policy and environmental issues will be among the other major issues facing agriculture in 1986," Delano added.

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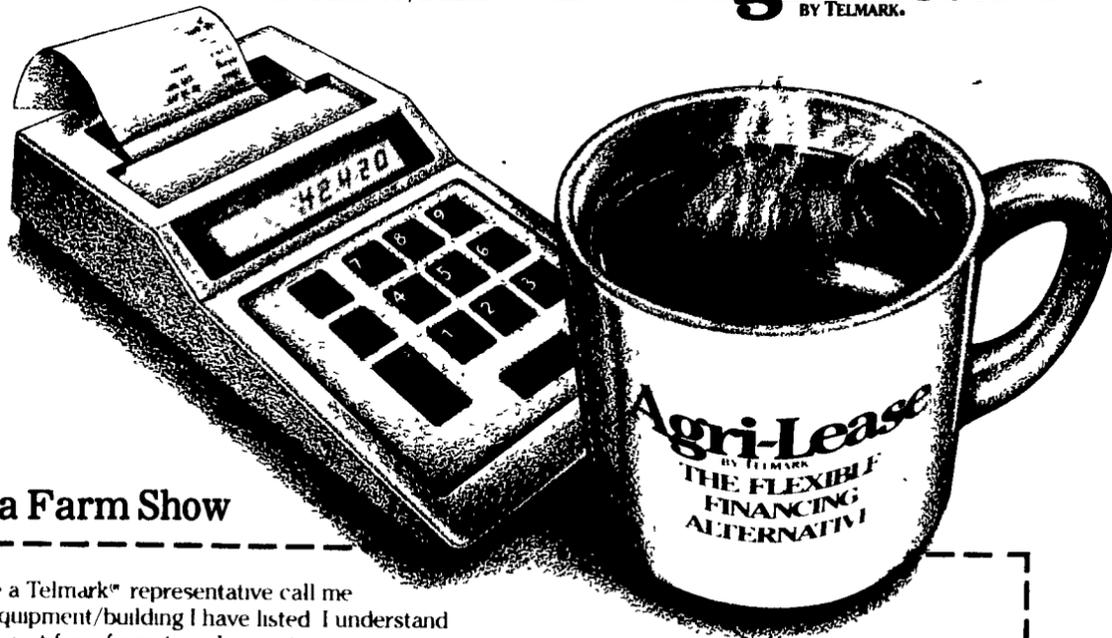
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