

# Agriculture's Adjustment

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...lizers, has fallen significantly, and the growth in the volume of crops produced per acre of U.S. cropland has fallen. Investment in machinery and structures has been below replacement levels since 1981 and should also act to

curtail productivity growth. Finally, the demand for new loans, which has already declined about 20 percent, should continue to slow as farmers adopt less intensive production processes and other cost-cutting strategies.

• Demand for farm sector output

should gradually improve as a result of continuing world economic growth and the decline in the exchange value of the U.S. dollar that began about a year ago. Lower commodity loan rates should also begin to enhance the competitiveness of U.S. crops.

Export demand growth may reach three percent per year by the decade's end—still far below the eight-percent annual growth of the 1970's. Domestic demand will grow slowly.

• Farm sector income, returns, and liquidity should begin to improve as many of the above developments occur. However, significant gains are not expected in the near term. Net farm income is likely to be in the \$26-\$30 billion range in 1986 and 1987 while net cash income is expected to remain near last year's record high, reflecting large government farm payments. At least two years of demand growth will be required to draw down existing commodity stocks to normal levels. Land values appear to be bottoming out in some parts of the country, and current rates of return to farmland have climbed back to levels considered near-normal by historical standards.

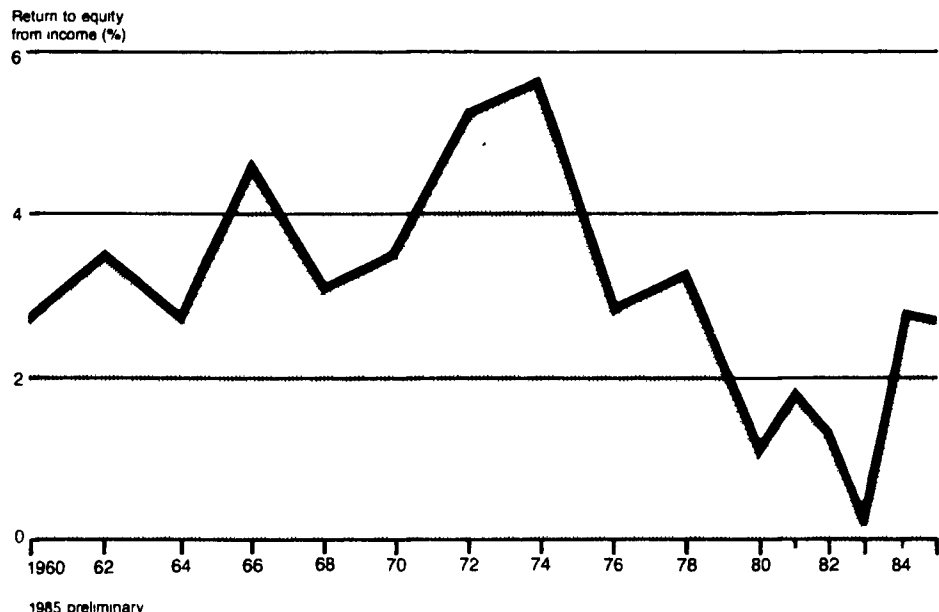
"Farm financial stress," Meekhof adds, "reflects an

inability of many farmers to service debt load from current earnings. These repayment problems have been made critical by a fundamental readjustment of asset values, resulting in an overall loss in owners' equity of around \$270 billion since 1980. Because of this loss (primarily in land), their equity can no longer shield many farmers from their debt repayment problems. Cumulative losses in equity have put some farmers into technical insolvency, as land values have dropped below outstanding loan balances."

For farmers already in this situation—and 96 percent are not—the future doesn't hold much promise of relief, he says. But the adjustments now occurring do hold promise for those who are not overburdened by debt, for those who manage to get their debts under control, and for those younger people who may decide to enter farming.

(Eric Van Chantfort, Info. Spec., USDA)

## After Dropping Sharply, Returns to Investment in Farming Have Moved Nearer to Historical Levels



## Forwood Elected

SYRACUSE, N.Y. — Earl R. Forwood, president of Eastern Milk Producers Cooperative, has been elected to the executive committee of the National Milk Producers Federation.

The election took place during the federation's recent summer meeting near Arlington, Va., where the group is based.

Forwood, a dairy farmer from Hop Bottom, Pa., also serves on the federation's dairy stabilization committee.

He noted that the federation's member cooperatives represent more than 60 percent of the nation's milk supply.

Forwood also takes an active role in other dairy organizations, including the National Dairy Promotion and Research Board, the Regional Cooperative Marketing Agency, the Dairy Cooperative Coordinating Committee of the Northeast, the Northeast Dairy Conference, and the Pennsylvania Farmers Association.

Before his election to the Eastern board in 1980, Forwood was treasurer and alternate delegate of the Hop Bottom Local. In 1981 and 1982 he served as secretary of Eastern's board of directors, and in 1983 he was elected to his first term as president.

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John Tautin Crawford County	7 81 tons	3 608	9,770
Robert Glenn Lawrence County	6 97 tons	2,783	8,136
Frank and Tom Telesz Warren County	7 29 tons	3,366	8,900
Ronald Meyer Clinton County	7 12 tons	3,194	8 408
Stephen Mellott Franklin County	8 08 tons	3,614	9,765

\*Compared to an average of 6.57 tons/acre among 93 participants.

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