Deep in the Land of Taxes
Outlook

Farm exports continue climbing. Trade experts project another hike in our total sales this year. Volume is expected to remain near the fiscal 1978 record, while stronger prices push values to another high.

Nine in a row. In each of the past 9 years, U.S. farmers have set new export records. Recent highs were $22.8 billion in fiscal 1976, $24.0 billion in 1977, and $27.3 billion in 1978. And a tenth record is in sight, as fiscal 1979 exports are forecast to expand to about $29 billion.

A point to remember: Forecasts for fiscal 1979 are still highly tentative. Weather at home and abroad during the next 10 months will have a strong bearing on volume and prices. So too will policy changes and economic growth in our major overseas markets, particularly textile demand and the profitability of livestock industries. Thus, our exports are forecast in a range between $26 and $32 billion.

Beans booming. World demand for high-protein meals continues very strong, and Brazil's short soybean crop this year will boost our soybean and products exports through the first half of fiscal 1979.

However, watch the size of the Brazilian crop next spring. It's expected to be up substantially, which means U.S. beans and meal will face stiffer competition in world markets during the second half of the marketing year.

In all, U.S. soybean exports are expected to expand slightly from last year's record high, with larger shipments to Western Europe, East Asia, Canada, and Mexico. But meal and oil shipments likely will train the record highs of fiscal 1978.

Record global grain crop. World grain production rose about 6 percent in 1978/79—and stocks are expected to grow substantially, too. Thus, world trade—and U.S. exports—may not match last year's volume. However, higher average unit values for wheat and feed grains should raise the total value of our grain exports.

U.S. coarse grain exports may slip a bit in volume. Good harvests in the U.S.S.R. and European Community (EC) could trim demand. But sales to most other regions are increasing, and the People's Republic of China (PRC) is buying a lot of our corn.

Wheat exports may also be down marginally, with reductions expected in shipments to Latin America, the U.S.S.R., Eastern Europe, and the EC.

Our rice exports are expected to be up about 4 percent in volume, but the unit value will probably be lower. Larger sales are forecast to West Asia, Africa, and Western Europe.

Cotton sales continue strong. Despite the short crop, export supplies are plentiful, and our prices are competitive on world markets. Experts expect our cotton exports to remain strong, though they may total slightly below 1977/78's 6.1 million (480-pound) bales.

World import demand continues strong, and production in several exporting countries has been disrupted by bad weather. Larger U.S. sales are likely to East and Southeast Asia, including Japan, while cuts are forecast to Western Europe and the PRC.

Farm trade surplus widening. Trade in U.S. farm products is expected to produce a healthy surplus of about $15 billion for our economy in fiscal 1979. Our agricultural import bill is projected at about $14.1 billion this year, versus $13.9 billion in 1978.
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What lies ahead in 1979? That was the big question at the Food and Agricultural Outlook Conference last month. The answer was generally upbeat.

Energy Spawns a Partnership
The need for coal is the catalyst for a partnership between energy and agriculture in the West.

Bucking the Trend
The overall U.S. farm population may be falling, but the biggest operations are bucking the trend.

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Hopeful Signs for '79

What's ahead in 1979 for farmers and consumers?

In a nutshell, that's the number one topic discussed at the Food and Agricultural Outlook Conference last month in Washington, D.C.

While no one claimed to have all the answers this soon, USDA experts from many fields gave their best estimates, based on data available in early November. Here are some major possibilities:

General outlook. Food price increases will continue to advance next year—but at a slower rate than in 1978.

Grocery store food prices will increase slightly less (7 percent) than those at away-from-home eating establishments (8 percent) in 1979 over 1978 levels.

Effect of variables. Experts quickly caution that the outlook is subject to variables. If anti-inflation measures contain wages and other marketing costs, and if the food supplies are larger than now expected, food price rises could average as low as 6 percent.

However, bad weather and larger cost increases could push up food prices by as much as 10 percent over 1978 average prices.

The supply picture for 1979 is for ample grain and reasonable feed costs which should boost livestock feeding and pork and broiler output.

However, with less nonfed cattle slaughter, the 1979 total beef supply is expected to drop 5 percent, keeping total red meat production at about the 1978 level. Rising consumer income would boost demand—and prices. But next year's increases won't be as sharp as those in 1978.

Farm financial condition. The trend of improving financial conditions for most farmers during 1978 is expected to continue next year.

Both farm and nonfarm incomes of farm people increased in 1978, along with asset values. Repayment and financing problems have been at a low level, and the continually rising debt remains well-secured.

Although interest rates are climbing, enough loan funds are available. In
general, farmers and lenders are much more optimistic in late 1978 than a year ago when income levels were lower.

Net farm income in 1978 is forecast to be at least a fourth above the $20 billion of last year. Much higher prices for meat animals and a general price improvement for many other products boosted cash receipts from farm marketings.

**Production costs.** This higher income will be eroded in part at least by rising production expenses—expected to be $8 billion more during 1978. Off-farm income should be up 5 percent over last year’s $31.5 billion. Both production costs and off-farm income are expected to rise a bit higher in 1979.

The credit picture improved greatly in 1978, with banks and production credit associations reporting that only 2 to 3 percent of their customers couldn’t qualify for financing—about half the 1977 rate.

Total farm asset values rose considerably more in 1978 than in 1977—a gain of $66 billion compared with $53 billion. However, this 9-percent gain is well below the average 12-percent increase over the past 5 years.

Farm proprietors’ equities are expected to rise $49 billion in 1978—$12 billion more than last year’s gain.

**Consumer aspects.** From the consumer’s viewpoint, 1978 was an expensive year, with both food and marketing costs increasing.

Consumers are expected to spend $207 billion for domestic farm foods (not including imported items such as coffee) in 1978—up 11 percent over 1977 expenditures.

The farm value of this food is estimated at $67 billion—17 percent above last year’s $57 billion.

This is the first significant increase in the farm value of food since 1973—and about three-fourths of this increase is due to higher prices for livestock products.

The 1978 marketing bill—an estimate of the costs and profits involved in processing, transporting, and distributing U.S. farm foods from the farm to the consumer—will be up 9 percent from 1977’s $125 billion. This means the total 1978 marketing bill should reach about $140 billion.

Labor costs, the largest component of the marketing bill (46 percent of the total last year), should rise 10 percent in 1978.

**Commodities.** From the producer’s viewpoint, the outlook for 1979 is bright, with a strong demand expected.

Although U.S. crop supplies for the current marketing year are known, there is still a wide range of 1979 production prospects for livestock and poultry as well as crop production on the Southern Hemisphere.

Prices for most commodities are expected to be boosted next year by increased demand for food and fiber, and by the reserve program. This should occur despite record large crop supplies and a total meat supply that will be about the same as during the past several years.

Farm prices of crops probably will average about the same or a little higher in 1979, while livestock and poultry prices rise further, but less than in 1978.

**The 1979 prospects.** Let’s take a look at the 1979 prospects for some selected commodities:

- **Feed grains.** Production of the four feed grains (corn, sorghum, oats, and barley) in 1978 is forecast at 209 million metric tons—4 percent above the 1977 record. Adding large carryover stocks, it means a total feed grain supply of 250 million metric tons, up 7 percent above last marketing year.

Feed grain prices in 1978/79 probably will average about the same as year-earlier levels. Large exports and expanding domestic demand should keep prices up, despite the huge supply.

With good livestock-feed price relationships, livestock and poultry feeding will continue expanding. Feed use will probably reach 125 million metric tons—up 7 percent over 1977/78.

Corn prices at the farm are projected to range from $1.95 to $2.15 per bushel in 1978/79, compared with $2.03 in 1977/78; sorghum $1.85 to $2.05, compared with $1.73; barley $1.80 to $1.90, compared with $1.80; and oats $1.05 to $1.15, compared with $1.14.

- **Wheat.** The wheat supplies are down from last year’s record level. With the 1978 crop off 12 percent from last year’s 2 billion bushels, the 1978/79 supply is below the 1977 record of 3.1 billion bushels. However, the supply is still considered large.

In addition to large supplies on the market, 450 million bushels are now in farmer-owned reserve or under CCC loan.

Americans’ appetite for wheat should consume 565 million bushels, matching last year’s record.

Disappearance of wheat stocks through livestock feeding faded as feed grain prices fell. Next year’s feeding use will be less than the nearly 200 million bushels fed last year.

Total 1978/79 wheat use—both domestic and exports—is projected to
keep pace with last season’s record, exceeding the 1978 crop by about 150 million bushels. This means that carryover stocks at the end of this marketing year are likely to be reduced for the first time since 1974.

Responding to these factors, the new crop wheat prices are up about $1 per bushel over 1977 levels. But heavier competition early next year from large Southern Hemisphere crops may cut into the 1978/79 farm price, which is expected to average $2.80 to $3 per bushel, up from $2.31 last year.

Rice. U.S. rice producers respond to strong prices last spring by boosting 1978 plantings 35 percent. The record 1978 crop of about 128 million cwt. is 39 percent larger than last year’s.

Despite a 32-percent drop in carryover stocks from last year, the total rice supply for 1978/79 may reach a new high of 160 to 170 million cwt.

Even with a modest increase in domestic use this season, a larger world crop should cut into disappearance. Year-ending stocks may be nearly double the 27-million-cwt. carryin stocks of last August.

Faced with record supplies and little prospect for increased demand, rice producers’ season average farm price for 1978/79 will range from $6.50 to $7.50 per cwt.—down from $9.43 in 1977/78.

Soybeans. This season’s soybean supply is a record 1.95 billion bushels—5 percent above 1977. Nearly 6 million more acres were planted, but soybean yields averaged 2 bushels per acre harvested less than a year earlier.

Despite the great soybean output, expanding use will keep pace, at least until next spring. Both domestic crush and exports are expected to increase, thus limiting carryover stocks to only a moderate rise by September—perhaps around 170 million bushels, compared with 159 million this year.

Prices during harvest this fall are strong, and a post-harvest rise may occur. Much depends on whether U.S. farmers maintain an orderly market flow of soybeans. Prices to farmers are expected to average well above the $5.80 per bushel estimated for 1977 crop.

Red meat. Red meat supplies are down from a year earlier, and further declines are likely into 1979.

Fed beef and pork supplies are likely to rise next year, but nonfed beef and veal supplies will drop sharply, while lamb and mutton supplies remain about the same.

The total beef supply for 1978 fell 1 billion pounds below the 1977 level—a drop of 4 percent. Next year, production will drop another billion pounds or more, a decline of about 5 percent.

These prospective red meat supplies suggest higher prices for livestock in 1979. Cattle prices may advance, but less sharply than this year.

Poultry. Stimulated by higher red meat prices and consumer incomes, and lower production costs, broiler output is up about 7 percent this year over 1977’s record—and a similar gain is expected in 1979.

Although production costs may rise slightly, high red meat prices and consumer income gains should push broiler expansion.

Wholesale broiler prices for 1978 in nine major city markets will average 3 to 4 cents above the 41-cent 1977 average. The 1979 prices should remain high.

Eggs. With egg prices falling short of expectations, producers aren’t very optimistic about 1979.

A solid increase in the broiler supply flock may increase production slightly in the first half of 1979. But table egg production will stay about the same as a year earlier.

After dropping sharply in early 1978, egg prices moved above the 1977 level by midyear, and they are continuing well above year-earlier levels this fall.

Dairy. The decline in milk output probably will continue until early next year, boosting wholesale prices. Commercial stocks of butter and American Cheese are expected to be small at the start of 1979.

Production for 1979 is expected to be the same or slightly more than the 122 billion pounds for 1978.

Farm prices for all milk probably will average 6 to 10 percent above 1978 levels.

Cotton. Cotton production for 1978/79 will be at least one-fourth less than the 1977 crop of 14.4 million bales. As of November 1, production was estimated to range between 10.6 and 11.4 million bales.

This year’s mill use and exports are expected to total slightly more than last year’s 12 million bales. Carryover stocks next August 1 should be down nearly a million bales from last summer’s 5.3 million.

Cotton prices increased throughout 1978, with average farm prices of 56 to 58 cents a pound—up 10 cents from December 1977.

Tobacco. A large, good quality U.S. crop slightly exceeds expected 1978/79 demand, despite a small rise in cigarette production and leaf exports over year-earlier levels.

The record prices from the 1978 crop now being marketed will exceed $2.6 billion—boosting farmers’ net returns above the 1977 levels.

[Based on special material provided by the World Food and Agriculture Outlook and Situation Board.]
The Land, the Price, and the Marketplace

Land ... the very word conjures up images of food production, home, trees, the good life, and something else: real estate prices.

Contemplation of farm real estate values may not be as warming to the soul as "home and hearth," but it may be just as important.

Farmland values may shoot up 8-10 percent for the year ending February 1, 1979, with buying and selling more active than the year earlier.

Last year farmland values rose 9 percent, but only 41.7 tracts of land per 1,000 farms changed hands—the smallest trading since 1970. Moreover, the increase in farmland values in 1977 was a far cry from 1974, when land prices shot up 25 percent over the previous year.

Low commodity prices and the malaise of the world economy had considerably dampened activity in land markets.

Down a little, up a lot. However, there was a wide range of value increases in the U.S. during the year ending February 1, 1978, from -4 percent in Nebraska (the only State showing a price decline), to an 18-percent rise in Wisconsin. Per-acre values ranged from $93 in New Mexico to $2,057 in New Jersey, with the average for the 48 States at $490.

Current signs of more activity in farmland markets stem from the improved farm income picture. Net farm income after inventory adjustment may reach $25 billion in 1978—up 21 percent from last year's $20.6 billion. Stronger livestock prices, favorable export markets, and Government farm programs are credited for the improvement.

But unlike the marked regional variations during 1972-77 when farmland values averaged a 17-percent annual increase, no one region is setting the pace now nationally, and no particular region is expected to set the lead in land price advances as did the North Central States during 1972-77.

Anticipation. Some economists anticipated a large jump in pasture and range country prices because of the cattle price rises this year. Grazing and pasture land, it was thought, would be at a premium. But these lands are showing only moderate price increases, probably because 1 good year for livestock hasn't been enough to make up for the previous 4 years of losses. An additional consideration is that reduced cattle numbers are causing less incentive for expansion of range capacity.

Irrigated cropland isn't increasing in value much, either. That's largely because energy costs continue to mount, and irrigators have to spend more money every year to power their pumps.

Expansion. While rising land prices have made expansion of farming operations difficult for some, gains in land assets have enabled many to enlarge their acreage or to handle short-term debts.

Last year, total real estate debt jumped 15 percent. Some of the increase, however, grew out of long-term mortgages being used as security for short-term loans, and conversion of short-term notes to long-term mortgages.

Conversions. Converting short-term into long-term debt accounted for 15.4 percent of life insurance companies' long-term loans in 1977, compared with 13.9 percent in 1976. And for Federal land banks (FLB's), such refinancing accounted for 12.8 percent of their long-term loans last year, up from 10.5 percent in 1976.

In the commercial banking sector, this type of refinancing was up, too. Responding to an American Bankers Association survey, bankers said they had more refinancing than in other years.

But growth in the size of farm real estate loans has added the most to outstanding debt. For example, the average size of insurance company loans made in 1977 was nearly $296,500—up more than 6 percent from 1976. The average size of an FLB loan last year was nearly $91,000, up 14 percent.

Striking. The average loan sizes are striking examples of what has happened in agricultural land markets in the past two decades: in 1960, the average farm real estate loan made by a life insurance company was less than $21,000.

Despite continued extensions of credit in face of the cost-price squeeze farmers were in last year, real estate lenders came through practically unscathed—few farm borrowers failed to repay loans. Since March, improved income prospects have helped make loan repayments as good or better than a year ago. Demand for new loans is strong, too.

[Based on the paper, "Developments in the Farm Real Estate and Finance Markets," by Larry Walker, National Economic Analysis Division.]
Energy Spawns a Partnership

Strippable coal reserves in eight Western States

Montana 42,562 Million Tons
N. Dakota 15,995 Million Tons
S. Dakota 427 Million Tons
Wyoming 23,843 Million Tons
Colorado 584 Million Tons
Utah 262 Million Tons
Arizona 350 Million Tons
New Mexico 2,258 Million Tons
A strange partnership is forming in the Western States: Energy and agricultural interests are joining forces to help close the gap between what the Nation has, and what the Nation needs.

There’s an inherent conflict when the question of energy production comes up. Most of this new-found energy is in the form of rich, low-sulfur coal that lies just below the surface in parts of most States in the Rocky Mountains and the North Central U.S.—land that is devoted mostly to agriculture.

That kind of coal means strip mining, which disrupts large tracts of land, at least temporarily. And farmers and livestock producers are firmly attached to that surface which must be removed.

Mine forms. Surface mines take several forms, but basically miners all do the same thing: They peel back soil and rock to expose the coal. Obviously, that takes the land out of service for crops or grazing until rock and soil are replaced.

The mining operation may sound simple, but it often involves moving the plains—literally. Streams may have to be shifted and rangeland torn up. These changes, however, aren’t permanent.

Temporary loss. But that temporary loss in land is what concerns many farmers. This land and surface mines will disrupt could be useless to agriculture for many years, and some people have worried that this could cripple western agriculture, and crimp the Nation’s food and feed supplies.

But the likelihood is small that such permanent damage could happen. Laws governing strip mining are quite specific, and many State laws are very restrictive. In fact, western ranchers and farmers may end up with better farmland than before the miners came. More about that later.

Only eight States are involved directly: Montana, North and South Dakota, Wyoming, Utah, Colorado, Arizona, and New Mexico. By far, the greatest likelihood of disrupting large areas of land is found in Wyoming.

Coal-rich Wyoming. According to the U.S. Bureau of Mines, Wyoming’s strippable coal reserves lie under about 58,000 acres. In all eight States, about 190,000 acres could be used for energy production—but the acreage to be used is radically different from one State to another.

For example, while Wyoming may have 58,000 acres disturbed, South Dakota won’t have any because seams of coal there are thin and reserves are small. The Bureau estimates strip mining for coal will not increase in South Dakota.

Altogether in the eight States, strip mining increases will be massive by the year 2,000. The U.S. Department of Energy (DOE) estimates coal production will climb sevenfold over 1975 mining. DOE calculates there’s 96 billion tons of strippable coal in Montana and Wyoming alone, amounting to 63 percent of all the strippable reserves in the U.S.—a bounty of energy that’s been largely untouched up to now.

Thick and thin. But that still doesn’t mean a large share of the agricultural land will be disrupted. In Wyoming, with the thickest coal seams, only 24 acres of land are needed to produce a million tons of coal. In Arizona and New Mexico, however, more than 70 acres may be needed for a million tons.

One way of calculating the loss in land is in the value of production lost. Again, though, the range is wide, from $830,000 in North Dakota, to only $15,000 in Arizona.

The 1974 total farm sales for the coal areas give a slightly different perspective on the problem. The highest loss would be about 0.59 percent in farm sales in Utah and 0.41 percent in Wyoming. In North Dakota, on the other hand—the State which will have the highest total loss—the relative loss would be a mere 0.15 percent of farm sales in the coal counties.

Reclamation isn’t cheap. Assuming that Federal and State reclamation laws are followed, the cost of those operations is another limiting factor on the amount of mining that may take place. Energy producers will be wary of starting a mine if the costs of restoring the land are too high.

No doubt about it, reclamation costs can mount up. One recent study showed the cost of reclaiming western land ranged from $2,000 to $9,200 an acre in 1976. The differences come with the shape of the land and the amount of soil and rock which has to be moved. The more rugged the terrain, and the greater the volume, the more expensive the reclamation. Other cost determinants are climate, difficulty of revegetation, and the kind of post-mining land use being planned.

But farmers and ranchers should consider that restored land might be more valuable to them than it was before the mining.

While direct agricultural benefits—the increased value of agricultural production after reclamation—are small in Arizona (only $1.63 an acre), they could reach more than $28 in North Dakota.


December 1978
America's large farms bucked the trend of the 1970's by gaining 900,000 residents at a time when the total farm population fell 1.3 million.

While economists quickly acknowledge that general price inflation surely boosted the dollar value of sales or many farms to push them into the Class I group, the population change is so large that at least a part of it reflects real increase.

In 1975, these large farms—those with annual sales of more than $40,000—accounted for about 80 percent of the total U.S. farm receipts, and hosted 24 percent of the U.S. farm population, up from only 12 percent in 1970.

These large farms are often better able to withstand financial pressures of lean years and to adopt new technology and expensive equipment to operate efficiently.

ESCS study findings. This and other trends were among several findings in a recent ESCS study which compared farm population and farm characteristics. The study, which is a followup of an earlier effort that covered 1966 to 1970, examined statistics gathered in June 1970, June 1973, and in June 1975.

Despite the overall trend of declining farm population from 1970 to 1975—a 13-percent drop—wide variations occurred among farm classes.

The number of people on farms at the low end of the sales classes decreased about 800,000 in that period. However, these Class VI farms, with sales under $2,500, still contain nearly a third of the total U.S. farm population—by far the largest share among the sales classes.

Residents of these small farms earn most of their income off the farm.

A broad decline. The general farm population decline occurred without
regard to race, operator status, or region, although variations in severity of loss did occur.

Losses were heavier in the non-operator population (hired farmworkers and others not among the farm operator's immediate family), among blacks, and among those living on southern farms.

Among the types of farm operation, a significant change in the population mix seems to be occurring.

While livestock farms still have the largest share of the farm population with 39 percent of all farm residents, the cash-grain farm population grew by a third between 1973 and 1975.

Cash-grain farms accommodated 27 percent of the farm residents in 1975—up from 20 percent in 1973.

**Tenure status.** Changes within tenure status groupings are of particular interest since they shed light on both social and agricultural production factors.

Farm residents who were members of a household that actively operated a farm—the "operator population"—were much less likely to leave farm life than the nonoperator population (largely hired farmworkers).

The nonoperator household population fell 19 percent from 1970 to 1975, compared with a 12-percent drop among operator household residents. The black nonoperator population fell almost half—46 percent—in the study period. Nonoperator residents account for about a tenth of the total U.S. farm population.

**Part-owner operations.** In a related finding, researchers noted that part-owner tenure status—in which the farm operator owns part of the land farmed and rents additional acreage—is becoming more and more popular.

By 1974, more than half of the land in farms was held by part-owners, reflecting the modern era of expensive land. When farmers can't or won't pay steep prices for the land, many seek the efficiencies of a larger operation by renting or leasing additional acreage.

The desirability of operating at a larger scale to realize production advantages may be underlined by the growth of the Class I farm population—the only sales class to show a population gain during the study period.

A closer look at Class I farming counters the widespread notion that big corporations are taking over American farming.

**Corporate minority.** While 90 percent of all 29,000 corporately owned farms were Class I operations, they comprised only a small minority within that class, which had 425,000 farms in 1975. And many corporations are large family-owned farms that have been legally incorporated for business reasons.

It appears that the trend of increase in Class I operations is far more than an inflationary mirage, or a creation of corporate investments. The growing number of large farms seems to reflect a general change in agricultural production methods, in land use, and in agriculture's capacity to produce, and in the actual lifestyle of Americans who dwell on farms.

Changes in market demands and in the value of specific farm products also result in farm population shifts by type of farm.

**Cash-grain growth.** Between 1973 and 1975, the population on cash-grain farms grew by about a third, while the populations on vegetable, and fruit and nut—the two other gaining farm types—each increased by an eighth.

The jump in the population on cash-grain farms occurred regardless of racial or regional factors, and among both operator and nonoperator households.

Regional variations in farm population according to the nature of the farm are noticeable. In the North and West, livestock and cash-grain farms each contained about a third of the regional total. In the South, livestock farms were more dominant, with nearly half the farm population. Cash-grain and tobacco operations each held about a fifth of all southern farm people.

Racially, a significant difference is that whites not living on livestock and cash-grain farms were more likely to be on dairy farms, while blacks were more likely to be on tobacco farms.

**Overall implications.** According to ESCS researchers, the overall implications of these data are:

- The continued decline in the general farm population had little adverse effect on total production, since major producers who account for 80 percent of the total farm output were the least affected by the decline. In fact, Class I farms actually gained during that period.

- While small farms with less than $20,000 in annual sales suffered the bulk of the overall decline, they still account for about 60 percent of the total farm population. As a group they controlled 30 percent of all farm assets, but produced only about a tenth of the Nation's output.

- For Americans living on farms with less than $2,500 in annual sales—about a third of all farm residents—nonfarm income is crucial.

Federal taxes will take a smaller nibble from incomes next year, thanks to the Revenue Act of 1978.

The new tax law was passed at the end of the 95th Congress and signed by the President November 7th.

The omnibus law tackles some of the most complex facets of Federal taxes, and leaves many of them changed.

Top of the list. First and foremost, the new act eases the bite for most taxpayers. The personal exemption was raised to $1,000, where it had been $750. The effect, then, is to slash the 1979 taxable income of a taxpayer with three dependents by $4,000. That's $1,000 less taxable income than under the old law—which will result in substantial tax reductions for individuals.

Another change is in the standard deduction, now called the “zero bracket amount.” Married couples filing joint returns may deduct $3,400 from their taxable income—the amount had been $3,200—and a single taxpayer may subtract $2,300, up from last year's $2,200. So, the new, larger exemptions mean decreased taxes for taxpayers who don't itemize deductions.

They aren't all reductions. But there's a small tax increase in this section, too. Removed was the personal tax credit, which had been $35 per exemption, or 2 percent of the first $9,000 of taxable income, whichever was larger.

Probably the most important of the personal income tax changes are found in the tables that list the taxes owed on different levels of income. The changes generally show a reduced tax rate on 1979 income.

The most generous reductions go to those people earning above $25,000 a year, but nearly everyone will find at least a sliver taken from their tax bills. The new tables generally shift the tax brackets up, so that income is taxed at a lower rate than before. Couples who paid 14-70 percent on incomes ranging from $3,200 to $203,200 now must pay 14-70 percent on a range of $3,400 to $215,000.

Shifting brackets. Individuals will find their tax brackets, too, have been enlarged a little. The new range is $2,300.
to $108,300. It had been $2,200-$102,200.
Above these highest income levels, the 70-percent tax rate applies. In recent years, some farmers have formed closely held corporations, and corporate tax laws are vastly different in the new tax act.

Under the old law, most corporations were taxed 48 percent of their income, although that rate didn't take effect until corporate income exceeded $50,000, and then the tax rate was applied only to the amount above $50,000. Income under $50,000 was taxed at the rate of 20 percent for the first $25,000, and 22 percent for the second $25,000.

The idea, according to lawmakers, was to make small corporations better able to compete with their larger cousins.

**Competition.** Small corporations will be even more competitive under the new law. The tax rate on the first $25,000 will drop to 17 percent, the second $25,000 will have a 20-percent rate, and two new brackets are added.

The third $25,000 will be taxed at 30 percent, and the next $25,000 will be at 40 percent. After $100,000, corporate income will be taxed at 46 percent.

Investors and others also will find some relief in the capital gains taxes—probably the most complex section of the Revenue Act.

Under the old law—in effect until January 1, 1979—capital assets that qualified and were held longer than 1 year (only 6 months for commodity futures contracts) were taxed at a special rate when they were sold: Half the capital gain was not taxed, while the other half was taxed at the regular personal income rates.

**Inflation compensation.** The effect was to tax qualifying long-term capital gains at about half the rate for ordinary income. One reason for this special tax rate was to compensate taxpayers for the inflationary part of the increased value of their assets.

Since the maximum tax rate is 70 percent on personal income, the old law would seem to cut the maximum tax rate on capital gains to 35 percent, but a special provision in the act increased the rate to 49.125 percent in some cases. This higher rate was an indirect result of the minimum tax provisions passed in 1969 to ensure that everyone would pay
some tax, regardless of other exemptions.

The new law governing capital gains taxes is softer than the old. Instead of splitting capital gains in half, the ratio is 60-40. Sixty percent of the capital gains are not taxed, the rest are. And, the old special minimum tax provisions don't apply anymore.

More changes. And these aren't the only changes in capital gains taxes. Besides boosting the exclusion to 60 percent, significantly reducing taxes, and removing those monies from the list of income subject to the minimum tax, lawmakers added a new tax.

The new tax covers that excluded 60 percent, when it's coupled with excess itemized deductions. This new tax is an alternative minimum tax, and it's due only if it's greater than the old minimum tax and regular taxes added together.

The tax rates in the new minimum tax, after a $20,000 exemption, are 10 percent on the first $40,000 of capital gains, 20 percent on the next $40,000, and 25 percent on the amount exceeding $80,000.

The corporate bite. Long-term capital gains taxes for corporations are chopped a little, too. Those corporations that were subject to the old 48-percent rate were taxed 39 percent on capital gains. That rate is reduced to 28 percent, so that the maximum effective tax on corporate capital gains (for the corporations with 46-percent tax rate is reduced from about 31 percent to 29.7 percent.

The intent of these changes is to ease the burden on those paying capital gains taxes and to encourage investment.

Such encouragement is also the point of changes in the investment tax credit. Under the old law, taxpayers were allowed to deduct 10 percent of the cost of machinery and equipment from their tax liabilities, but structures and buildings were not included.

The amount of taxes that could be offset by the investment tax credit was limited to the first $25,000, and half of any taxes due above $25,000.

Some parts unchanged. Some points in the new law are simple extensions of previous legislation: The 10-percent level remains, as does the limit of $100,000 spent on used equipment. (There's no limit on expenditures for new equipment.) Both of these limits—the 10 percent and the $100,000 for used equipment—were due to be reduced under the old law.

Other provisions are more of a departure. The tax liabilities in excess of $25,000 that may be offset by the investment tax credit have been increased to 90 percent, instead of 50 percent. And, perhaps most important, the investment tax credit may now be applied to buildings.

Since November 1, 1978, the cost of rehabilitating any commercial or industrial building that's been in use more than 20 years—including farm buildings and structures—has been eligible for the investment tax credit. And, ending a long-running debate between farmers and the Internal Revenue Service (IRS), specifically included in these provisions are many types of new farm buildings: greenhouses, pigpens, milking parlors, chicken coops, and similar structures. The provisions for new buildings are retroactive to August 15, 1971.

Farmers as employers. Farmers with hired help also will be pleased with another new tax credit. This one allows employers who pay certain hard-to-hire workers a tax credit up to $3,000 for the employees' first-year wages, and $1,500 for the second year. Vietnam veterans, handicapped persons, and young people are included.

The new tax credit applies to those people hired after September 26, 1978, and it's effective for 1979-81.

Employers who hire welfare recipients also get a break, in the form of a tax credit. The Federal WIN—or Work Incentive—program allows people currently receiving welfare payments to work for wages, as an encouragement to get off welfare when possible.

Raising the limits. Employers of those people were allowed a tax credit of 20 percent of the first 7 years' wages. The new act raises the credit limit to $3,000 for the first year of employment, and $1,500 the second year, for employers of eligible workers. "Employers" are people engaged in any trade or business, including farmers. The tax credit for other employees, such as maids, is limited to $2,100 for the first year.

The Revenue Act also contains several other provisions important to people in agriculture:

- Some farmers who use accrual accounting, rather than straight cash accounting, need no longer inventory growing crops as part of their assets. These special provisions apply to so-called "intensified" farms, nurseries, and florists.

- Subchapters S corporations—the kind some farmers have—may have more stockholders than before. The Tax Reform Act of 1976 raised the maximum number of members of the corporation to 15, but only after the corporation had been operating for 5 years. The new act allows 15 members immediately.

- Another change that, in effect, expands the size of these farm corporations...
allows the husband and wife to be counted as one member. So, a Subchapter S corporation may have as many as 30 persons.

- Estate taxes are altered again in the Revenue Act. They’d been changed drastically in the Tax Reform Act (see Farm Index, February 1977, page 15).

Less drastic changes. The new estate tax changes aren’t as sweeping as in the 1976 act, but they may be important to some farmers. For one thing, the Tax Reform Act allowed IRS to install a lien on property that was used to take advantage of the special use evaluation. The idea was to allow the Government to recapture the full estate tax liability, if the property owner didn’t meet all the conditions for the tax reduction in that act.

Farmers appreciated this attempt to preserve family farms, but they were concerned that the tax lien could make it hard for them to obtain bank loans using the property in question as collateral. (Most lenders will not make loans on property with a lien.)

The Revenue Act removes the problem by making Treasury (IRS) liens subordinate to bank liens, if the Treasury Department determines the Government’s interests are protected. The new provision is retroactive to December 31, 1976.

Inherit the farm. The inheritance tax laws also are modified a little to allow spouses to “earn” an estate tax exemption of 2 percent of the estate per year up to $500,000, or 50 percent of the estate, whichever is less, providing the surviving spouse can prove participation in the business.

- The Revenue Act allows a tax exemption for most gains made from an involuntary conversion of property to cash, if the money is reinvested in the same kind of assets that were lost.

For example, if a farmer receives an insurance payment to replace a building that burned down, and uses the money to build a new one, no taxes are due on the cash.

A special case. Farmers in Michigan who received insurance money because their cattle were accidentally poisoned by the chemical PBB, are given a special provision retroactive to January 1, 1975: They do not have to reinvest the money in cattle to qualify for the tax break.

- The tax credit for childcare payments has been extended to include payments to grandparents who watch the kids.

- State and local gasoline road-use taxes are no longer deductible.

- Unemployment compensation is now taxable as income under certain conditions. Before, it was always tax-free.

- Business partnerships, including farm partnerships, will be penalized if they don’t comply with IRS tax filing schedules. Each partner is liable for a fine up to $250.

Details on these and other changes in the tax laws are available from your local IRS office.

[Based on “Provisions of Importance to Agriculture in the Revenue Act of 1978,” by Charles A. Sisson, National Economic Analysis Division.]

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### Tax Reductions in the Revenue Act of 1978

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1 Assumes deductions equal to 23 percent of income. Capital gains not included.

Source: Joint Committee on Taxation, U.S. Congress.
Manna in the Desert

Saudi Arabia—land of oil wells, camels, and drifting sands—is quickly becoming one of the world's hottest outlets for farm products.

The oil-rich country, which occupies most of the Arabian Peninsula, is likely to be the leading Arab food importer in 1978. However, Egypt's imports of tobacco and other nonfood agricultural items will keep it as the largest Arab importer of all farm products combined.

The Saudis are expected to import a record $2 billion worth of food and beverages this year—54 percent more than they spent last year. Another 50-percent gain is predicted for 1979.

Valuable commodities. Although a number of commodities are in demand, some are really experiencing phenomenal growth. Rice is expected to be the most costly agricultural import this year, tipping the scales at about $190 million. Other imports in the vicinity of $100 million are frozen poultry, fruit...
Juices, wheat flour, milk, and soft drinks. U.S. food shipments to Saudi Arabia are likely to be worth twice as much this year as in 1977. Spectacular gains in American exports of rice, wheat, apples, and many processed foods are expected to push the total value of farm products to that country to about $340 million in 1978, including more than $56 million for processed foods. Shipments of rice alone are likely to account for about half the increase in value.

U.S. exports. Our share of Saudi food imports might rise from 13 percent in 1977 to more than 17 percent this year—down from a high of 19.4 percent in 1974. If the U.S. share rises to 20 percent during 1979, Saudi Arabia could become a $600 million market for American farm products.

The Middle Eastern country is already a major market for many U.S. agricultural commodities, including corn oil, beverage ingredients, poultry feed, peanut butter, and a long list of processed foods.

Selected farm commodities. A look at several selected farm commodities indicates that our role as an important supplier could increase. The opening of new supermarkets, rapid urban growth, and the need to feed the country’s 2 million immigrants will contribute to the rapid growth in Saudi Arabia’s food imports.

Rice. Over 99 percent of the Saudi supply of this important commodity is imported. Total rice imports during 1978 are likely to be around 350,000 tons—up from 255,000 tons in 1977. The U.S. is expected to supply more than 60 percent of the 1978 total, or about 220,000 tons. American rice exports to Saudi Arabia were only 90,500 tons last year.

Several factors contributed to the huge increase in U.S. rice shipments. First of all, shortages of rice from Thailand and Pakistan—the two major suppliers after the U.S.—caused the Saudis to import more American rice.

In addition, the rising demand for parboiled rice in Saudi cities and new distribution facilities, especially along the Red Sea, contributed to larger sales by U.S. suppliers. And the fact that most of the country’s immigrant workers are heavy rice consumers also played a role.

High prices probably will raise the value of U.S. rice exports to Saudi Arabia to a record $112 million in 1978—up $70 million from the year before. Much of this rice was purchased before the decline in prices in late 1978.

Wheat and wheat flour. Combined imports of wheat and wheat flour by Saudi Arabia will be about 750,000 tons (wheat equivalent) this year. This will include around 175,000 tons of wheat and 415,000 tons of wheat flour.

The U.S. is expected to replace Australia as the leading supplier of Saudi wheat imports in 1978 with around 100,000 tons, compared with 26,500 tons in 1977.

The opening of three new flour mills under the management of a U.S. firm has contributed to the rise in American wheat sales to Saudi Arabia. The mills at Damman and Jidda rely almost entirely upon imported wheat, while the mill near Riyadh uses both domestic and foreign wheat.

As for wheat flour, the U.S. is by far the leading supplier. This year we are expected to provide nearly 60 percent (230,000 tons) of the Saudis’ total imports.

In 1979, Saudi imports of wheat may exceed 200,000 tons, while wheat flour imports may rise above 500,000 tons.

Coarse grains and animal feeds. Saudi Arabia is likely to import around 300,000 tons of coarse grain in 1978, up slightly from last year’s level.

While domestic production is expected to be down because of locust damage, demand is rising rapidly. Not only do the country’s poultry and sheep industries require coarse grains, but new dairies are adding to the demand.

Although Thailand has been the top Saudi supplier of corn in recent years—the U.S. has been a relatively minor source—American exports should be facilitated by the opening of new Red Sea ports. In 1978, U.S. corn exports are not expected to surpass the 6,000 tons delivered in 1977.

Barley, sorghum, and millet are the other major coarse grains in Saudi Arabia. U.S. exports of barley in 1978 are expected to be down from the previous year, while exports of sorghum and millet are predicted to increase somewhat.

Saudi imports of animal feed, including soybean meal, might reach 100,000 tons in 1978—up from 58,000 tons last year. The Saudi Government is interested in improving the diets of its livestock, so much so that subsidies now pay for half the cost of all animal feed purchased by Saudi farmers.

U.S. exports of soybean meal to Saudi Arabia might reach 17,000 tons this year, double the deliveries of last year. Difficulty in obtaining soybean meal from Brazil or peanut meal from India contributed to the increased American purchases.

Livestock, meat and products. Saudi Arabia imports slightly more live

December 1978
animals than it produces, although the volume of imports has declined from the levels of the early 1970's.

One of the reasons for the decline has been the difficulties experienced by the Saudis in obtaining live animals from Ethiopia and Somalia—two major suppliers.

Sheep and goat imports declined from nearly 1.5 million head in 1972 to about 1 million in 1977 and 1978. The decline might have been even greater had it not been for larger sheep imports from Australia.

Imports of poultry meat have shown a phenomenal growth—from a little over 10,000 tons in 1972 to a whopping 100,000 this year. The European Economic Community (EC), Hungary, and Brazil supply most of Saudi Arabia's imports of frozen poultry, although imports from the U.S. are on the rise.

In fact, American exports of frozen poultry to the Saudis are expected to more than triple in 1978—to 4,000 tons, compared with about 1,290 in 1977.

This year, for the first time, the value of Saudi imports of this commodity will exceed the $100 million mark, with less than 8 percent of the value coming from U.S. suppliers.

In addition to frozen poultry, imports of beef, mutton, and corned beef are on the upswing. Australia and the U.S. provide most of the beef (American beef is served in many of the international hotels, and U.S. sales to Saudi Arabia are likely to be valued at about $8 million this year); Australia, the mutton; and Argentina and Brazil, the corned beef.

Eggs have become an important import item, climbing from about 4,000 tons in 1975 to approximately 8,500 tons last year. This year, 22,000 tons are expected. Of this total, the U.S. is likely to supply about 4,000 tons.

By the same token, milk has become a popular Saudi Arabia import. Greater access to refrigeration, school lunch programs, and attractive prices offered by the EC and Australia helped push milk imports to 48,000 tons in 1977, valued at $65 million. This year, imports are predicted to rise to 55,000 tons, for a value of $95 million.

Saudi Arabia has been a leading U.S. market for fresh milk and cream shipped in cans during the past few years. Exports have been worth about $1 million annually.

Fruit and fruit products. Imports of fruit and fruit products have increased markedly during the 1970's. This year, they may reach 325,000 tons, up from 289,900 tons the year before.

Apples are supplied primarily by Lebanon, France, and, more recently, the U.S. Imports will likely be up to 50,000 tons this year from 44,000 tons in 1977.

The U.S. entered the Saudi apple market in late 1977, when crops were down in Lebanon and France. Since then, we have become one of their major sources for this commodity. Saudi Arabia was the leading market for U.S. apples, based on value, during December 1977. The outlook for this season looks promising.

Saudi customers like the quality, taste, and price of American apples, and the trade is likely to continue even when supplies of European and Lebanese apples become more abundant.

In addition to apples, the U.S. has recently begun exporting pears, plums, peaches, and grapes to Saudi Arabia. The value of these shipments will probably be about $2 million this year.

Saudi imports of fruit juices have increased from about 10,000 tons in 1971, valued at about $3.5 million, to an estimated 110,000 tons in 1978. This year's imports are likely to be worth about $105 million.

Oilseeds and products. Over 30,000 tons of sesame are imported annually by the Saudis for crushing and for use in preparing tehina—a spread and dip item. About 3,000 tons of peanuts, mostly from Sudan and Thailand, are imported annually. Saudi Arabia is now the second leading market for U.S. peanut butter, after Canada.

Imports of vegetable oils are rising rapidly and may soon surpass 35,000 tons. The U.S., EC, Malaysia, and Singapore are the major suppliers.

Vegetables and products. Imports of canned and frozen vegetables are on the rise. To satisfy the appetites of immigrant workers, shipments of these items may almost double in 1978—to 65,000 tons, compared with 35,000 in 1977. Greece, the U.S., Brazil, the People's Republic of China, and the EC are the major Saudi exporters.

Snack foods. Saudi Arabia is now among the world's top five importers of a number of processed items, including many snack foods. The country depends upon the U.S. for many of these products, and in 1978, Saudi Arabia will be among our top three export markets for peanut butter, honey, and potato and corn chips.

This year, U.S. exports of honey, sirup, instant coffee, pancake mix, and tomato products to Saudi Arabia are likely to quadruple their 1976 value.

[Based on the manuscript, "Saudi Arabia—The World's Fastest Growing Food Importer," by John P. Barker, Foreign Demand and Competition Division.]
A shorter and simpler 1978 Census of Agriculture is on its way to the Nation's farmers and ranchers. Survey forms are to be sent out in January.

Agricultural censuses have been used for more than 130 years to monitor America's farm needs. The experience of the U.S. Bureau of the Census is that most farmers are cooperative in filling out the forms, and their advice on the kinds of questions that should be asked has been incorporated in the new surveys.

Cross section. The committee has members representing many farm groups. Among them are the National Grange, American Farm Bureau Federation, several trade organizations, food processors, and consumer groups. These people and others recommended that the census surveys be modernized. The resulting shorter forms will have easier questions to answer, with estimates requested when exact data isn't known.

One problem is in determining who is required to complete the forms. For the purposes of the census, anyone who produced and sold $50 or more in agricultural products in 1978 should answer the survey.

Two phases. The 1978 Census will be conducted in two phases. First, the Bureau will continue its head count of people in agriculture, and collect some basic data from all farm operators—information such as how much land is in farming, production and sales or crops, livestock, and poultry, inventory, and operator and farm management characteristics. These questions will pertain to 1978.

At the same time, 20 percent of the farms—the ones receiving five-page surveys—will be asked for additional information, such as value of land and buildings, production expenses, types of equipment owned, and the amount of hired farm labor.

Number 2. The second phase will involve a different sample of farmers. These questionnaires will be sent out in 1980 to cover 1979. Between 10,000 and 50,000 farms will be in the sample, with questions on farm energy, corporate structure, horticulture, farm labor, and farm finance.

The Bureau will use this information to determine averages for all farm operations. As in earlier censuses, the all-farm and 20-percent sample information will be published to cover each of more than 3,000 counties with agricultural operations.

But only totals will be published; individual surveys are off limits to everyone except Census employees. All responses are held in strictest confidence. Indeed, census information is among the best kept Washington secrets.

In fact, during World War II, the War Department demanded that the Bureau give it the names and addresses of Japanese-Americans living on the west coast. These people were to be relocated to internment camps. A secret is a secret. But the Bureau refused to let the information out, the War Department appealed to the White House, and the Bureau was upheld.

To keep census cost to a minimum, the Bureau urges people receiving questionnaires to respond quickly. If they aren't filled out and returned within a reasonable time, census officials will follow up with letters, phone calls, and personal visits—all of which add to the cost of the census.

In a few cases, farmers or ranchers will not receive forms in the mail—usually because they weren't in agriculture during the last census, in 1974, and don't appear on Bureau mailing lists—but these people are still required by law to complete the forms.

Those folks who don't receive a form in the mail in January may write for one from the Bureau of the Census, Agricultural Division, 1201 East Tenth St., Jeffersonville, Indiana 47132. Regional census offices stand ready to help in case of difficulty in completing the forms.
Recent Publications

Single copies of the publications listed here are available free from Farm Index, Economics, Statistics, and Cooperatives Service, Rm. 300 GHI, 500 12th St. S.W., U.S. Dept. of Agriculture, Washington, D.C. 20250. However, publications indicated by (*) may be obtained only by writing to the experiment station or university indicated. For addresses, see July and December issues of Farm Index. Publications marked with (#) may be purchased from NTIS, U.S. Dept. of Commerce, 5285 Port Royal Rd., Springfield, Va. 22161, at the price listed.

Selected Cotton Marketing Topics. Fibers and Oils Program Area, Commodity Economics Division.

Assembled and edited by Mildred V. Jones, CED, this booklet contains numerous articles, charts, and tables that have appeared in earlier issues of the Cotton and Wool Situation. Included are detailed discussions about exports, marketing, planting and harvesting intentions, and mill use. Copies are available free from Fibers and Oils Program Area, CED, ESCS, 500-12th St. SW., Washington, D.C. 20250.


Rural public schools lag urban schools in almost all areas of the Nation, says the author. Rural students attend schools that have less money, smaller staff, and fewer services. And, these students often enter school later in life, progress through school more slowly, and are less likely to score well on entrance tests for higher education. The report examines public schools in rural areas, and how they relate to the rural labor force.

Studies by the National Commission on Food Marketing—covering changes in the food marketing industry in 1955-56—have been compiled and are available in one place: the NTIS system. Using the order numbers listed below, and the address above, you can buy copies of these studies:

- Food from Farmer to Consumer. PB 276 764. ($9).
- The Structure of Food Manufacturing: Tech. Study 8. PB 277 216. ($11).
- Economics of Scale in Cattle Slaughtering Plants: Supplement 2 to Tech. Study 1. PB 277 202. ($4.50).

Recent Publications

Red estate: and farmland values, 5/4, 9/2, 12/7; and landowners, 8/12; foreign ownership of U.S. land, 8/16; and capital gains, 8/21.

Retail food stores: and size, 9/20.

Rice: production costs, 4/5; world production and consumption, 11/12.

Rural land use: trends, 6/7; small farms, 8/18.

Saudi Arabia: and imports to, 12/16.

Sheep: production of, 1/15.

Soil erosion: in the Corn Belt, 4/12.

Sorghum: production costs, 4/5.

Soybeans: production and uses, 5/6.

Strike: of farmers, 1/12.

Sunflower seeds: production and uses, 5/6.

Tomatoes: production and consumption of, 1/15.

Trade: U.S. balances of, 9/7.

Transportation: costs of, 1/4.


Weather: climate trends, 1/8; citrus frost, 1/18; home insulation, 6/18.

Wheat: production costs, 4/5; in the Northern Plains, 6/15; production of, 8/2; world production and consumption of, 11/12; set-aside program, 11/15.

Wine: production and consumption of, 11/10.

Women: in the labor force, 3/8; education of, 2/12; as hired farmworkers, 6/17.


World: production of food, 1/5; 2/4; economy, 1/5; economic growth, 2/5; demand of oilseeds, 5/7; production of rice, 11/12.
Supplemental Appendix to Tech. Study 1 and Tech. Study 2. PB 277 205. ($7.25).

Cheese Production in the U.S.: Supplement 1 to Tech. Study 3. PB 277 207. ($6).


Federal and State Enabling Legislation for Fruit and Vegetable Marketing Orders—Evolution and Current Status. PB 277 211. ($7.25).


Addresses of State experiment stations:

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### Economic Trends

**Prices:**

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<tr>
<td>Prices received by farmers</td>
<td>1967 = 100</td>
<td>—</td>
<td>183</td>
<td>174</td>
<td>215</td>
<td>210</td>
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<td>Crops</td>
<td>1967 = 100</td>
<td>—</td>
<td>192</td>
<td>170</td>
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<td>Livestock and products</td>
<td>1967 = 100</td>
<td>—</td>
<td>175</td>
<td>177</td>
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<td>217</td>
<td>225</td>
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<td>Prices paid, interest, taxes, and wage rates</td>
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<td>—</td>
<td>202</td>
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<td>Prices paid (living and production)</td>
<td>1967 = 100</td>
<td>—</td>
<td>196</td>
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<td>214</td>
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<td>Production items</td>
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<td>—</td>
<td>200</td>
<td>197</td>
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<td>217</td>
<td>220</td>
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<td>Ratio 1</td>
<td>1967 = 100</td>
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<td>90</td>
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<td>Producer prices, all commodities</td>
<td>1967 = 100</td>
<td>—</td>
<td>194.2</td>
<td>195.3</td>
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<td>Industrial commodities</td>
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<td>197.8</td>
<td>209.9</td>
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<td>Farm products</td>
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<td>192.5</td>
<td>182.0</td>
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<td>215.3</td>
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<td>Processed foods and feeds</td>
<td>1967 = 100</td>
<td>—</td>
<td>186.1</td>
<td>184.4</td>
<td>204.5</td>
<td>201.8</td>
<td>205.5</td>
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<tr>
<td>Consumer price index, all items</td>
<td>1967 = 100</td>
<td>—</td>
<td>181.5</td>
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<td>196.7</td>
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<tr>
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<td>1967 = 100</td>
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<td>194.5</td>
<td>215.0</td>
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<td>215.6</td>
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</table>

### Farm Food Market Basket:

- **Retail cost**
  - 1967 = 100, 179.2, 179.7, 204.5, 204.3, 203.9
- **Farm value**
  - 1967 = 100, 178.1, 177.8, 215.5, 212.0, 215.4
- **Farm-rental spread**
  - 1967 = 100, 180.0, 180.9, 197.8, 199.6, 196.8
- **Farmers’ share of retail cost**
  - Percent, 37, 37, 40, 39, 40

### Farm Income:

- **Volume of farm marketings**
  - 1967 = 100, 125, 130, 101, 120, 129
- **Cash receipts from farm marketings**
  - Million dollars, 42,817, 96,084, 8,284, 7,342, 9,041, 8,700
- **Livestock and products**
  - Million dollars, 18,434, 48,519, 4,185, 3,680, 4,299, 4,500
- **Gross income**
  - Billion dollars, 49,863, 108,100, 102.7, —, —, 121.0
- **Farm production expenses**
  - Billion dollars, 38,181, 87,969, 86.0, —, —, 96.0
- **Net income before inventory adjustment**
  - Billion dollars, 11,682, 20,131, 16.7, —, —, 25.0

### Agricultural Trade:

- **Agricultural exports**
  - Million dollars, 6,380, 23,671, 1,734, 2,134, 2,392, 2,267
- **Agricultural imports**
  - Million dollars, 4,452, 13,459, 1,016, 1,187, 1,033, 1,116

### Land Values:

- **Average value per acre**
  - Dollars, $168, $470, —, $490, —, —
- **Total value of farm real estate**
  - Billion dollars, $189, $482, —, $524, —, —

### Gross National Product:

- **Consumption**
  - Billion dollars, 490.4, 1,206.5, 1,214.1, —, —, 1,354.5
- **Investment**
  - Billion dollars, 120.8, 297.8, 309.7, —, —, 351.7
- **Government expenditures**
  - Billion dollars, 180.2, 394.0, 399.5, —, —, 441.3
- **Net exports**
  - Billion dollars, 4.9, -11.1, -7.0, —, —, -6.5

### Income and Spending:

- **Personal income, annual rate**
  - Billion dollars, 626.6, 1,529.0, 1,556.9, 1,718.8, 1,727.3, 1,735.6
- **Total retail sales, monthly rate**
  - Billion dollars, 24.4, 59.0, 59.4, 64.3, 66.5, 66.5
- **Retail sales of food group, monthly rate**
  - Billion dollars, 5.8, 13.0, 13.1, 14.4, 14.4, 14.6

### Employment and Wages:

- **Total civilian employment**
  - Millions, 74.4, 90.5, 91.1, 94.4, 94.6, 94.9
- **Agricultural**
  - Millions, 3.8, 3.2, 3.2, 3.4, 3.4, 3.4
- **Rate of unemployment**
  - Percent, 3.8, 7.0, 6.8, 6.2, 5.9, 6.0
- **Workweek in manufacturing**
  - Hours, 40.6, 40.3, 40.3, 40.5, 40.4, 40.4
- **Hourly earnings in manufacturing, unadjusted**
  - Dollars, 2.83, 5.63, 5.75, 6.17, 6.16, 6.28

### Industrial Production:

- **1967 = 100, —, 137.1, 138.5, 145.9, 146.7, 147.5**

### Manufacturers' Shipments and Inventories:

- **Total shipments, monthly rate**
- **Total inventories, book value end of month**
  - Million dollars, 84,527, 179,714, 179,011, 191,167, 192,851, —
- **Total new orders, monthly rate**
  - Million dollars, 47,062, 112,842, 113,680, 123,279, 130,056, —

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1. Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. 1 Revised to adapt to weighting structure and retail price indices for domestically produced farm foods from the new Consumer Price Index for all urban consumers (CPI-U) published by the Bureau of Labor Statistics. 2 Annual and quarterly data are on a 50-State basis. 3 Annual rates seasonally adjusted third quarter. 4 Seasonally adjusted. 5 As of March 1, 1967. 6 As of February 1. 7 Beginning January 1978 for all urban consumers. Source: USDA (Agricultural Prices, Foreign Agricultural Trade, and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report, and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force, Wholesale Price Index, and Consumer Price Index).
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