

■ Net Cash Income and Net Farm Income

In 1995, both net cash income and net farm income reached low levels not seen since 1986. Although crop cash receipts reached a record high in 1995, net cash income from farming fell to \$48.8 billion in 1995. Gross cash income was up \$6.1 billion, but it was offset by a \$7.7 billion rise in cash expenses. Net farm income fell sharply in 1995 as gross farm income declined by \$5.4 billion and total production expenses rose by \$8.1 billion. Increases in feed, cotton, and vegetable cash receipts boosted gross cash income while gross farm income declined due to the change in the value of inventory adjustment. Increases in purchased feed and other miscellaneous expenses boosted expenses.

Crop receipts rose \$6.3 billion to reach \$98.9 billion in 1995 while livestock receipts declined by \$1.3 billion to \$86.8 billion. Corn receipts rose \$2.8 billion, cotton increased by \$0.8 billion, and vegetables were up \$1.0 billion. The increase in corn receipts resulted from higher corn prices in 1995 as corn production declined due to the 7.5 percent acreage reduction requirement and lower average yields. Cotton prices in 1995 averaged higher than in 1994 as production declined. The increase in vegetable cash receipts was led by lettuce sales as prices climbed due to the flooding in California's prime lettuce production areas. Cattle and calves cash receipts fell \$2.4 billion in 1995 as ample supplies kept prices low.

The value of inventory adjustment was a negative \$3.4 billion in 1995 as producers reduced their holdings of commodities due to lower grain production and tight grain supplies that kept grain prices high. In 1994, the value of inventory adjustment was \$8.2 billion as producers held on to more crops due to the record crop production

in 1994. The change in the value of inventory adjustment, a negative \$11.6 billion, caused gross farm income to decline while gross cash income rose in 1995. It is also the primary reason why net farm income declined by \$13.6 billion while net cash income declined by \$1.7 billion.

Cash expenses rose to \$155.1 billion in 1995. Purchased feed expenses rose by \$1.9 billion primarily due to increased corn prices. Other expenses rose \$3.3 billion due to increases in general production and management expenses and a boost in the custom feeding expenses. Interest expenses rose \$1.0 billion as the prices paid for interest index rose 12 percent in 1995.

Net cash income measures the farm sector's cash income generated from farming businesses during a calendar year. Farm businesses use the net cash income generated from farming to purchase farm assets, reduce farm debt, and meet living expenses. Net cash income is the sum of farm marketings, Government payments, and farm-related income minus cash expenses. Cash expenses include purchased feed, seed, livestock, fertilizer, lime, pesticides, fuel, oil, repair and maintenance, and other miscellaneous expenses. Cash expenses for interest, property taxes, labor, and net rent to nonoperator landlords are also included.

Net farm income measures the net value of agricultural commodities and services produced by the farm sector during a calendar year. It includes the income and expenses associated with the farmers' onfarm dwellings. The farm sector consists of sole proprietorships, multifamily farms, partnerships, contractors, and vertically integrated corporations involved in farming. Gross farm income is computed by summing the gross cash income from farming, noncash income, and the value of inventory adjustment. Total production expenses are the sums of intermediate production expenses, interest, labor, net rent to nonoperator landlords, capital consumption, and property taxes. Net farm income is the residual.