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Federal Reserve Bank of Chicago ---

April 23, 1954

Agricultural Letter

WELCOME RAINS drenched important agricultural regions of the nation during the past week. Crop prospects improved, especially in the eastern Corn Belt. Spring work continues to be well advanced for the season. Plowing for corn is about three-fourths done in Iowa and Illinois, compared with a normal of 40 to 50 per cent for this time of year.

OUTSTANDING market development has been the upsurge in soybean prices which topped \$4.00 for the May contract at Chicago this week for the first time since 1948. The all-time high was \$4.43 a bushel in January of that year.

Prices of soybean meal, as well as other protein supplements, have strengthened. This has provided a favorable setting for the USDA to launch a program to dispose of surplus stocks of dry skim milk as livestock feed. The plan is to sell the dry milk to feed mixers for use as replacement of other protein supplements. The CCC has about 90 million dollars invested in the approximately 300,000 tons it owns. As livestock feed it has a value of about 21 million dollars.

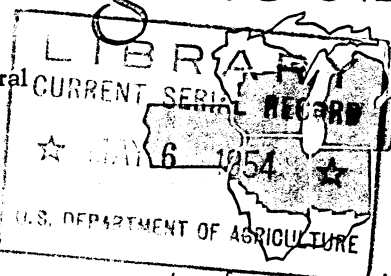
GOVERNMENT PURCHASES to support prices of dairy products continue in substantial volume. Hence there continues to be a strong interest in disposal programs. Major difficulty, of course, is devising programs which will increase consumption without seriously disrupting the market distribution of current production.

A butter disposal program now reported to be scheduled for trial would make CCC butter available to distributors at a nominal price, possibly 10 cents a pound, in a ratio to their sales of butter from commercial stocks, possibly one pound of CCC butter to three pounds of commercial butter. Distributors could then sell at an average price below the support level.

In effect, such programs subsidize the production and consumption of the supported commodity. The major uncertainty is: how far must butter prices be reduced to move current production into consumption and make some inroad on stocks already accumulated. Also of concern to producer groups is what will be consumer reaction once the "bargain stocks" are used up and the subsidy ends.

The disposal program would have the beneficial effect of bringing domestic butter prices more nearly into line with world prices. This would reduce the possibility of complaints from domestic consumers that the Government was selling butter at lower prices to consumers in other countries. Thus, the road may be opened for sales of surpluses to nations behind the Iron Curtain.

Congressional committees continue intensive study of controversial farm policy issues as pro-



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ponents of various points of view jockey for position. Final legislative action is not expected before June, and the outcome, of course, will remain uncertain until that time and, in fact, until the President acts on the bill or bills.

FEEDER CATTLE continue to be purchased by Midwest farmers in substantial volume. Total in-shippments into nine states in March amounted to 220 thousand head, compared with 124 thousand in March of last year. The January-to-March total is 610 thousand this year compared with 403 thousand in the previous year. The number of cattle on feed April 1 was only slightly below the year-ago number although the January 1 numbers showed a drop of 9 per cent.

Most market analysts continue to expect stable to moderately rising prices for top grades of fed cattle until midyear with relatively stable prices thereafter. The lower grades of cattle, however, are expected to experience tough competition from heavy marketings from ranges and pastures in the summer and fall. Total slaughter of cattle and calves in the first quarter of this year was nearly a fifth above the first quarter of last year and is expected to remain above the year-ago volume.

Average prices of beef steers at Chicago in the week ended April 15 was \$23.96, compared with \$21.18 in the year-ago period. Choice steers averaged \$25.04, compared with \$21.70. Feeder steer prices showed a smaller gain over a year ago—\$21.15 compared with \$20.70. Nevertheless, the outlook for feeder cattle purchased to be grazed during the summer and sold in the fall remains rather dim.

FERTILIZER use continues to expand. The total for last year is estimated at 23 million tons, about 3 per cent above the previous year's figure. A recent survey made through Seventh District member banks indicates that dealers had orders for spring delivery of 6 per cent more fertilizer this year than in 1953.

AGRICULTURAL CREDIT SCHOOL of the Iowa Bankers Association is scheduled for June 14-25 at Ames. Enrolment is limited and registrations are reported to be coming in fast. Interested banks should contact H. B. Howell at the college.

Ernest T. Baughman -- Assistant Vice President