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Federal Reserve Bank of Chicago ---

July 30, 1954

Agricultural Letter



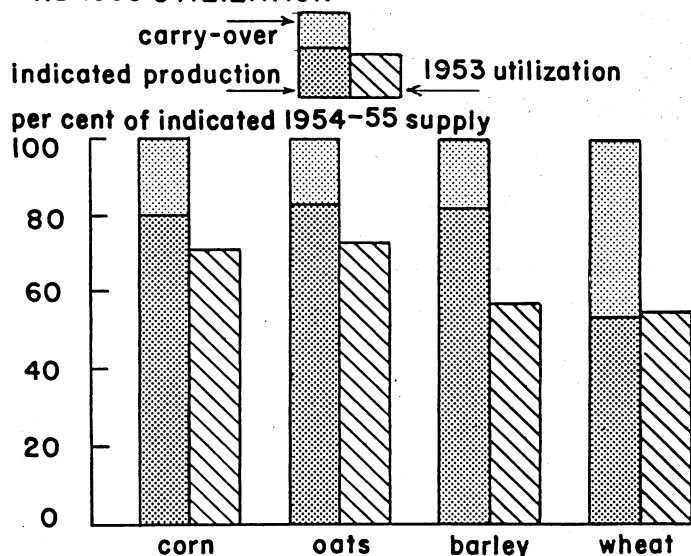
Number 259

RAIN in southern areas of the Corn Belt has given relief to some drouth stricken communities. While conditions continue serious in some areas, with crops still deteriorating, total grain supplies will still be ample for all foreseeable needs in the year ahead.

The abundant 1953 harvest made further additions to grain stocks accumulated from previous crops and will result in about a 32 million ton carry-over this fall. This will be nearly 20 per cent above the year earlier stocks and the largest on record.

The number of grain-consuming animals on farms is estimated to be 4 per cent over 1953, due largely to the increase in number of hogs. At the same time the combined supply of all feed grains and concentrates (by products from the milling, brewing, meat packing, fisheries, and vegetable oil industries) is 11 per cent larger than last year. Hence, 1954 production of feed grains could be reduced materially from the high levels indicated by conditions on July 1 when the USDA made its last comprehensive survey without resulting in shortage of total supply.

RELATION OF INDICATED 1954-55 SUPPLY OF FOUR MAJOR GRAINS TO PRODUCTION, CARRY-OVER AND 1953 UTILIZATION



Crops, of course, have deteriorated since July 1, severely in some areas, and further changes will occur before harvests are completed. The effect on small grains probably has been less than for corn, since their production was already largely determined by midyear, except in most northern areas.

Since the changes in crop production prospects vary greatly from area to area and even between individual fields in an area, it is difficult to estimate the net over-all effect. Only a comprehensive survey is equal to the task. Hence, the keen interest with which farmers and processors alike are awaiting the

results of the Government's survey of conditions on August 1, to be released August 10.

THE ELBOW ROOM present in the grain situation is illustrated by corn. Total requirements for feed, seed and manufacture in the 1954-55 feeding year, including working stocks of 250 million bushels, amount to about 3.5 billion bushels. Production equal to that indicated by crop conditions on July 1 plus the carry-over from previous crops would result in a supply nearly 700 million bushels in excess of requirements. Thus, it would take at least a 20 per cent reduction from the July 1 estimate of corn production to bring us to the verge of an overall shortage.

Similar calculations for the other feed grains indicate that they could be reduced from their July 1 indicated harvests by like amounts before resulting in feed shortages.

The wheat crop could be cut by about 70 per cent before resulting in a shortage of that grain.

PRICES nevertheless have responded to the combined effects of drouth and war scares. An important factor in the grain price picture, considering the adequacy of stocks, is the Commodity Credit Corporation. It is estimated that about 70 per cent of the total feed grain and concentrate carry-over will be under loan or owned by CCC. Almost 55 per cent of the July 1 stock of corn was held in this manner and the percentage is expected to rise to 80 as the harvest of the new crop is approached and farm and industrial stocks are consumed.

At the beginning of the new crop year for wheat (July 1), nearly 90 per cent of the carry-over from previous crops was owned or under contract to be purchased by the CCC. Stocks of oats and barley, on the other hand, are largely in private hands.

Since market prices have been below support levels and the "free" supply of several of the grains has been quite small, prices have been very sensitive to changes in both supply and demand. This sensitivity can be expected to be replaced by a persistent numbness, however, once prices reach levels at which CCC stocks may be sold--in general, the current support price plus 5 per cent plus a charge for storage.

Research Department