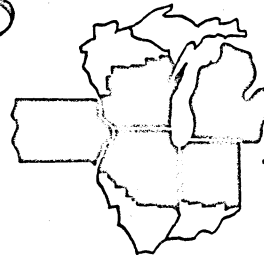


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Agricultural Letter



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AUGUST HEAT AND DROUTH DAMAGE to crops has now been appraised by the USDA. Last week the Crop Reporting Board released production estimates for the major crops as of September 1.

The total crop output, which earlier in the summer had been shaping up as a record, is now indicated to be just below the 1948 peak output but 3-4 per cent above last year. Corn, sorghums and soybean prospects dwindled most during the month.

The corn crop is now placed at 3.11 billion bushels—about 10 per cent less than the month-earlier indication but 5 per cent above the 1954 output. Corn suffered most in the western Corn Belt states and least in the eastern and northern portions.

Per cent change in the prospective corn crop during August in selected states

<u>Western Corn Belt</u>		<u>Eastern and northern Corn Belt</u>	
Iowa	-23	Illinois	-7
Kansas	-31	Indiana	0
Nebraska	-45	Minnesota	-8
South Dakota	-28	Ohio	+5

Indicated output of grain sorghums, while still 11 per cent above a year earlier, declined 15 per cent during the month. Estimated production of the other main feed grains—oats and barley—is respectively 9 and 4 per cent above the year-ago figure and virtually the same as a month earlier.

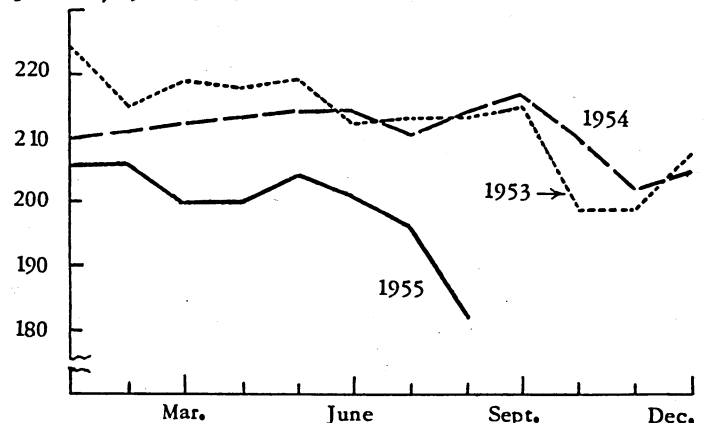
As a result of these changes, feed grain production is now reckoned at about 128 million tons, 6 per cent above last year's output but down 8 per cent from the early summer prospects. With record stocks of the four feed grains, total supplies are indicated to be at a peak level and fully ample for the record number of livestock on farms.

The hay crop, placed at 108 million tons and 4 per cent above last year's output, provides additional fuel for the large livestock population. Dry weather during August cut production 12 per cent below earlier expectations in South Dakota, Nebraska and Kansas as a group. Despite some deterioration through the District, the indicated production still surpasses last year's output in all states but Michigan.

Soybean production is estimated at 388 million bushels. Despite heat damage, the crop is expected to surpass last year's record harvest by 13 per cent. Larger crops than a year earlier are expected in Illinois, Indiana and Michigan, but heat is expected to reduce the crop by nearly a fourth in Iowa.

THE DAMAGE to corn and, to a lesser extent, to sorghums during August has several important implications. Some market analysts believe that the recent cut in feed grain output stems the possibility of any further substantial decline in feed prices. Between late spring and mid-August, prices received by farmers for the major feed grains dropped about 10 per cent. And in recent weeks feed grain prices at important markets have shown some semblance of stabilizing near these lower levels. The usual price pattern, however, is for feed prices to decline from their August and September levels as the fall harvests get under way. In only three of the past ten seasons have October and November indexes of feed prices been the same or higher than the preharvest levels.

Prices received by farmers for feed grains per cent, 1910-14=100



Some observers believe that another result of the crop deterioration during August is the greater interest in feeder cattle in eastern Corn Belt areas than in western areas. With the corn crop estimated to average one-fourth below last year's output in four western Corn Belt states, shipments of feeder cattle into these states from important markets have dropped sharply below levels of a year ago in recent weeks. On the other hand, shipments into some eastern Corn Belt states, where the crop escaped serious damage, have been significantly above the year-earlier level. This shift, if continued, will likely impart a similar pattern in the demand for credit to finance the purchase of feeder cattle.