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CROP CONDITIONS changed very little during July, and on August 1 output was indicated to be "considerably below last year's outstanding harvest," according to the U. S. Crop Reporting Board.

The corn crop, however, lost ground in Iowa, Nebraska and many south central states and is now estimated at 3,144 million bushels, 3 per cent below last year's harvest. The decline was due to unfavorable weather and, partly, to participation in the soil bank. In Iowa production prospects declined 14 per cent in July, but in other District states they improved. Illinois apparently will surpass Iowa in corn production for the second year in a row.

As a result of the July decline in corn prospects, the indicated production of all feed grain crops is below year-ago levels. This has important implications for feed prices and in turn on livestock operations in the months ahead.

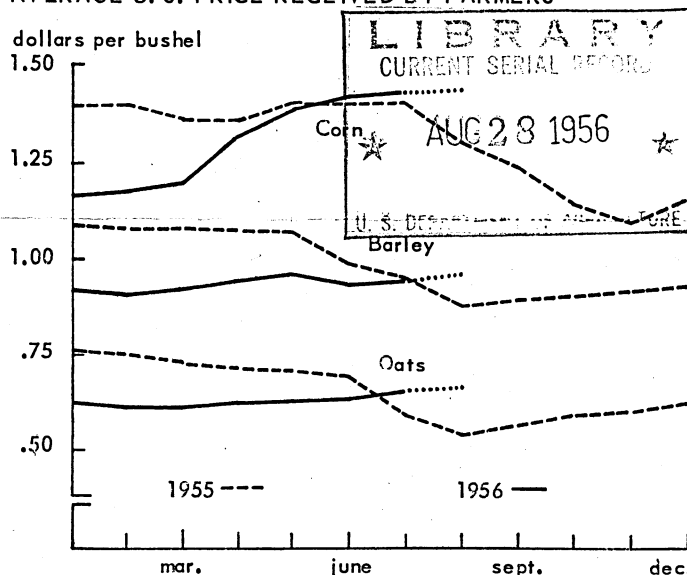
Feed grain output is now reckoned at about 120 million tons, 8 per cent below last year. Part of this decline, however, will be offset by larger stocks carried over from previous years. Although the total feed supply--production plus carry-over--on October 1, the beginning of the feeding year, is likely to be 3 per cent below last year's 170 million tons, it will be fully ample. In recent years 5-7 million tons have been added annually to stocks. While this year's cut in production is nearly twice as large, feed grain requirements will be smaller as fewer hogs are expected to be raised.

FEED GRAIN PRICES have risen substantially since last summer and fall despite heavy supplies. Corn prices have risen over 30 per cent since November and currently are about 15 cents below the support price. The advance reflects the large amount of corn placed under CCC support loan. Higher supports for oats and barley and smaller 1956 production have led to a contra-seasonal rise in the prices of these grains since June.

In mid-July the index of prices received by farmers for feed grains stood 2 per cent above the year-earlier level. It appears that feed prices will continue to average higher than a year ago during the second half of the year. Higher support prices for oats, barley and sorghums and smaller feed grain harvests will strengthen prices.

After reaching a harvest low, possibly somewhat below the \$1.25 support available to farmers who overplanted allotments, corn prices will probably rise to \$1.25 or higher. At that price, hogs would have to range upward from \$16 if the current downtrend in hog production were to be reversed. If corn prices average substantially above the support level--as some traders expect--a correspondingly higher hog market would be needed to cause expansion. On the commodity exchanges,

AVERAGE U. S. PRICE RECEIVED BY FARMERS



the December future has recently been selling at a level consistent with on-the-farm corn prices of near \$1.35.

SOYBEAN PRODUCTION in early August was estimated at 443 million bushels--nearly 20 per cent more than last year's record outturn. Year-to-year increases of about 25 per cent are expected to occur in Illinois, Michigan and Wisconsin while gains of 11 and 15 per cent are indicated in Indiana and Iowa, respectively.

Soybean prices have dropped from their lofty spring levels but are still nearly 25 cents above year ago. With the record large production indicated for this year, some market analysts are thinking in terms of harvest prices around the average support level of \$2.15. Reinforcing this view is the expectation that fewer animal units will be raised in the coming year thus reducing the demand for soybean meal.

Other observers, however, hold forth hope of a further rise in foreign demand for oil and take note of possible reduced competition from cottonseed. The cotton crop is estimated to be 8 per cent smaller than in 1955. The current market for November soybean futures is more nearly in line with this latter view. Recent futures quotations are consistent with a price in late fall of about \$2.25-\$2.30 at country elevators, somewhat above the support level.

Research Department