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Agricultural Letter

While the business news is seeded heavily with evidences of a hesitation in the vigorous growth trend which the American economy has been charting since 1940, the farm news has been providing further documentation of a problem of long standing.

December estimates indicate this year's crop production matched all previous records even though the harvested acreage was the smallest since 1919. The corn crop is estimated at 3.4 billion bushels, only slightly below the record 1948 crop. Total feed grain production exceeds last year's output by 9 per cent even though harvesting problems have been encountered in some areas.

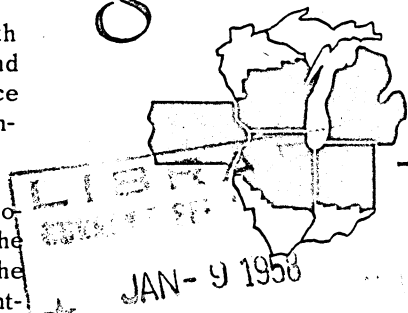
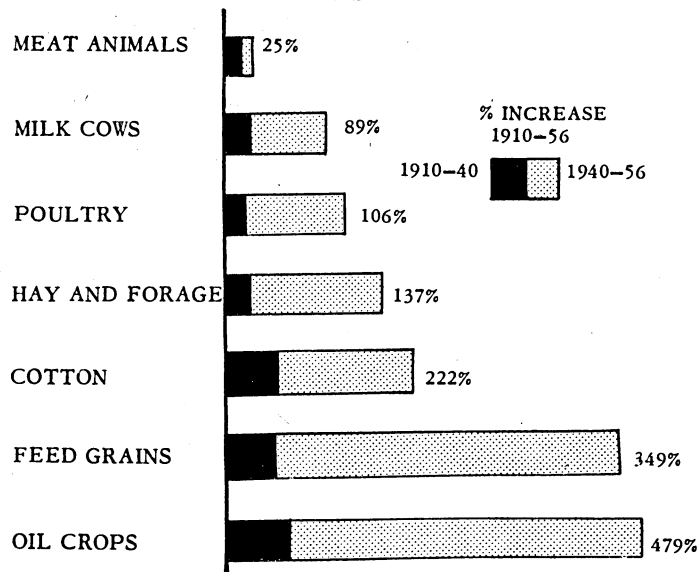
Population continues its rapid growth of recent years and, as of October 1, totaled 172 million, a gain of 3 million in the past year. The increase in number of consumers as well as the high levels of employment and income provide an expanding domestic market for farm products, but output continues to outpace demand at "acceptable" prices.

IT IS IN THIS SETTING that farm policy for commercial agriculture is being reviewed by a committee of Congress. Economists and others have been invited to present analyses and suggestions.

There is general agreement that the "so-called" farm problem is in large part a matter of too many trying to earn their incomes in agriculture.

Professor Boulding, of the University of Michigan, notes that even though the farm labor force has declined sharply over many years, the movement out of agriculture is not fast enough. Professor Schultz, of the University of Chicago, states that "the large surplus of human effort committed to farming" hasn't been taken into account

OUTPUT PER MAN-HOUR UP
LEAST FOR MEAT ANIMALS



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Number 435

This surplus, he believes, "is holding earnings of human effort in farming far below the earnings of comparable human effort in the rest of the economy."

The trend to larger farms, the counterpart of the decreasing numbers, must also be accelerated. Professor Heady, of Iowa State College, reported that his studies show average costs per acre of producing crops "decline quite sharply up to about 240 crop acres for a corn-hog-beef farm in the Corn Belt." Furthermore, farms can be expanded readily to this size "because the labor supply and machine capacity on the average 160 acre farm are large enough to allow an increase of 50 per cent in acres per farm."

The basic imbalance in agriculture apparently can be summarized under two headings:

1. On the whole, too many resources are tied up in agriculture (principally labor).
2. Individual farms, for the most part, have too few resources (land and capital) for most efficient operation.

The by-words for continued success in agriculture, as in most other lines, apparently will be mechanization, volume, efficiency. Progress in mechanization has been great for most general field crops but much less for most livestock. Hence, additional attention is being focused on the farmyard.

Quality standards for corn going under price support were relaxed by the USDA. The CCC will grant loans at a discount on corn grading No. 4 and No. 5 while formerly, loans were granted only on corn grading No. 3 or better. However, standards regarding moisture requirements were not changed.

Price supports for dairy products will be reduced somewhat as of April 1, 1958, according to a recent announcement by the Secretary of Agriculture. Milk production has been increasing in recent years, with price support purchases amounting to about 5 per cent of output. Support of dairy prices cost the Government about 379 million dollars in the year ended June 30.