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Federal Reserve Bank of Chicago - -

Agricultural Letter

June 16, 1961

FINAL SIGN UP IN THE 1961 FEED GRAIN PROGRAM includes farms with 58 per cent of the corn acreage and 85 per cent of the grain sorghum acreage. Farmers have agreed to retire 20.1 million acres of corn from production which represents 24 per cent of the 1959-60 average of 83.7 million acres. An even higher percentage of land devoted to grain sorghum production will be retired under the program—35 per cent of the 18.7 million acres planted the past two years.

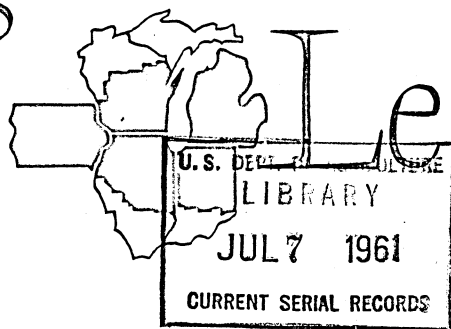
Farms with 85 per cent of the corn acreage in Missouri are participating in the program, 81 per cent in Nebraska, 75 per cent in Kansas, 69 per cent in Iowa, 64 per cent in Illinois and 57 per cent in Indiana. In Missouri 43 per cent of the corn acreage is to be retired and in Kansas nearly a third. On the other hand, South Dakota farmers plan to retire only 20 per cent of their corn acreage under the 1961 feed grain program. The high proportion of retired acreage in Missouri and Kansas reflects in part the very favorable yields in 1959-60 used in determining the payments per acre for land retired, as well as the bad weather at planting time this spring. The low sign up in South Dakota, on the other hand, reflects the relatively low base yields, resulting from very serious drought in 1959.

Participation of Corn Producers in Feed Grain Program

	1959-60 average acreage (millions)	Participating Farms			
		Base acreage (millions)	Per cent of total	Diverted acres (millions)	Per cent of total
Illinois	10.2	6.3	62	2.3	22
Indiana	5.3	3.0	57	1.4	26
Iowa	12.5	8.6	69	2.9	23
Kansas	2.0	1.5	75	.7	32
Michigan	2.2	1.0	44	.6	25
Minnesota	6.8	4.4	64	1.6	23
Missouri	4.3	3.6	85	1.8	43
Nebraska	6.9	5.6	81	1.7	25
Ohio	3.9	2.0	51	1.0	26
South Dakota	4.3	2.5	59	.8	20
Wisconsin	2.9	1.2	43	.6	21

The exceptionally high sign up of the grain sorghum acreage reflects the very favorable production and yields in 1959 and 1960. In the latter year good weather brought yields almost double the long-term average in the major producing states of the Great Plains. High sign up in parts of Texas was undoubtedly influenced by drought conditions this spring.

While the large sign ups indicate a substantial reduction in acreage it must be borne in mind that there will be leakages in the program. Some acreage which farmers indicated would be placed in the program will not in fact be retired, and additional acreage may be



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planted to feed grains by farmers remaining outside the program. The higher support price on corn and other feed grains also will provide an incentive for intensifying efforts to increase yields. Furthermore, those farmers in the program will retire their least productive acres and will be able to devote more machine and labor time to increasing output on the land remaining in production. However, once man and machine have completed their rounds, the unpredictable and uncontrollable forces of nature take over. What pours forth from the harvesting machines this fall will depend upon the elements of nature as well as the ingenuity of man.

PASTURE CONDITIONS IN THE WEST improved during May. However, on June 1 forecasts of range feed conditions during the summer were quite pessimistic. Large areas of the West with the exception of the Central Plains and Pacific Northwest were short of subsoil moisture. If adequate rain is not received during the summer, the short supplies of grass will cause some liquidation of breeding herds.

Range conditions have not been reflected to date in slaughter of cows and calves. In April, cow slaughter fell to the lowest level since 1952 and calf slaughter was a record low for the month. Stock water shortages, however, are reported to have brought movements of yearlings already from some areas in the West. If drought conditions should bring serious deterioration of grazing, increased marketing from the ranching areas could weaken the price structure for all grades of cattle. While the present drought areas are confined to a strip running from southern Texas, west to southern California and to the western Dakotas-eastern Montana-Wyoming area, the current hot, dry weather over most of the West is not an encouraging sign for this season of the year.

FARM LOANS outstanding at member banks in the Seventh Federal Reserve District showed only small changes during the first quarter of 1961 and in April were moderately above the year-earlier level (see back of Letter). The largest increase in non-real estate farm loans during the past year has been in Michigan—12 per cent. Farm real estate loans outstanding at District member banks increased 2 per cent during the first quarter and were 5 per cent above year earlier.

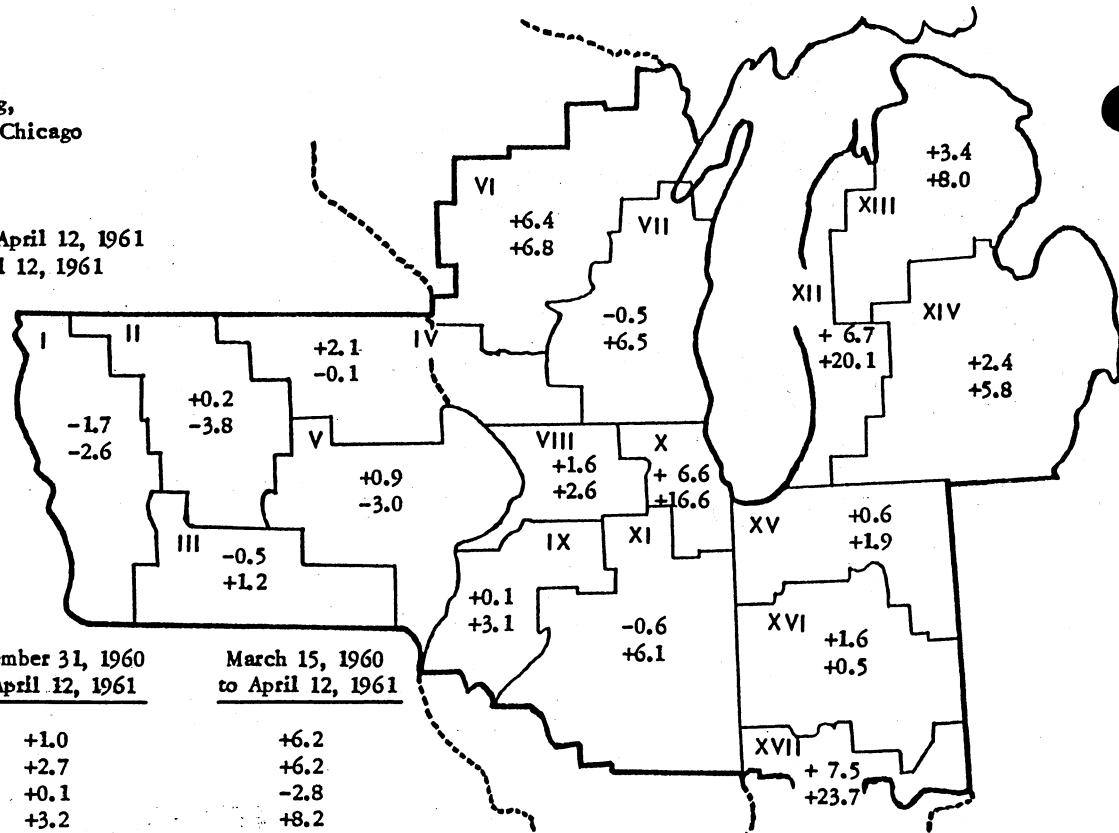
Research Department

Farm real estate loans outstanding,
District member banks outside Chicago

Per cent change:

TOP: December 31, 1960 to April 12, 1961

BOTTOM: March 15, 1960 to April 12, 1961



	December 31, 1960 to April 12, 1961	March 15, 1960 to April 12, 1961
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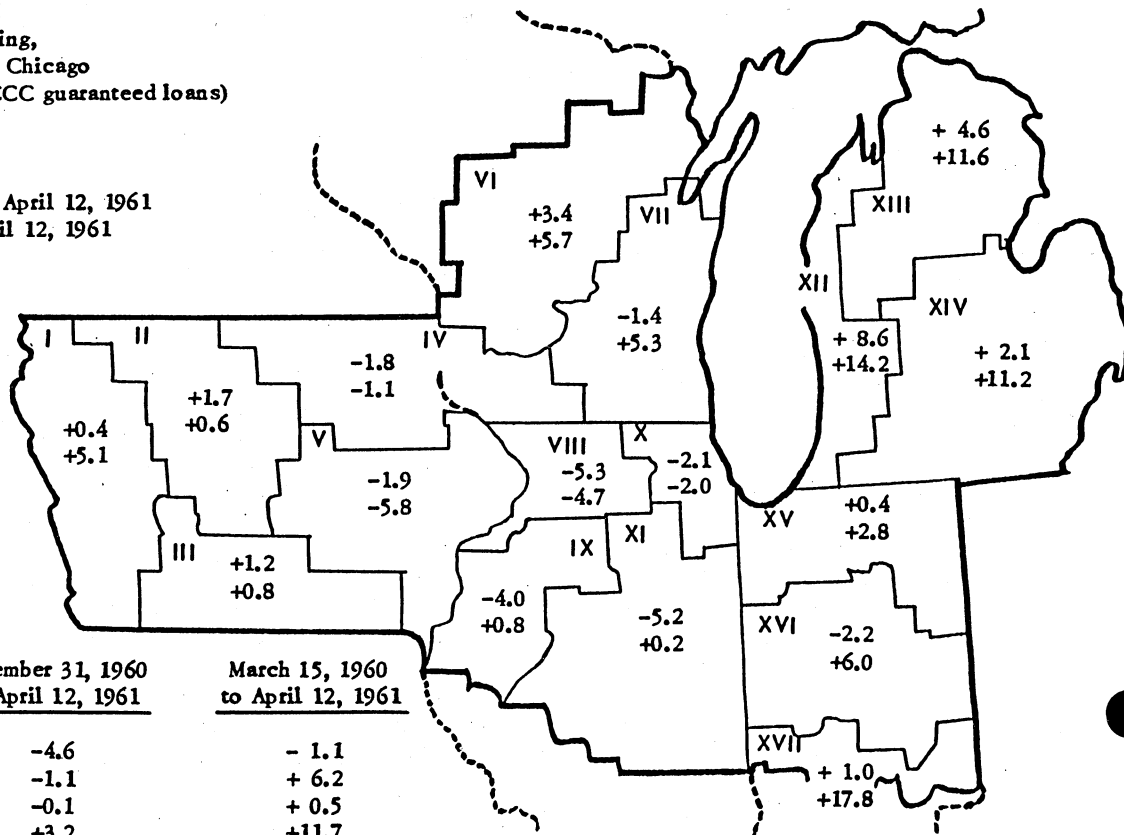
Illinois	+1.0	+6.2
Indiana	+2.7	+6.2
Iowa	+0.1	-2.8
Michigan	+3.2	+8.2
Wisconsin	+2.1	+7.1
SEVENTH DISTRICT ..	+1.9	+5.3

"Short-term" farm loans outstanding,
District member banks outside Chicago
(excludes real estate and CCC guaranteed loans)

Per cent change:

TOP: December 31, 1960 to April 12, 1961

BOTTOM: March 15, 1960 to April 12, 1961



	December 31, 1960 to April 12, 1961	March 15, 1960 to April 12, 1961
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Illinois	-4.6	- 1.1
Indiana	-1.1	+ 6.2
Iowa	-0.1	+ 0.5
Michigan	+3.2	+11.7
Wisconsin	+0.4	+ 5.7
SEVENTH DISTRICT ..	-1.4	+ 2.2