

281.9
F313

Federal Reserve Bank of Chicago - -

March 2, 1962

Agricultural Letter

LOWER TARIFFS may be the picture. The President has requested authority to enable him to enter into negotiations with other countries for reciprocal reductions in tariffs and other restrictions on trade. The major target is the European Economic Community. It is important that the United States maintain this market for its exports.¹

Under the proposed trade bill, the President would have authority to reduce tariffs up to 50 per cent on almost all products and to eliminate tariffs on "dominant supplier" goods—those commodities for which the United States and the European Economic Community control 80 per cent or more of world trade. Among commodities included in the latter group would be aircraft, automobiles, photographic supplies, coal, chemicals and many types of heavy machinery.

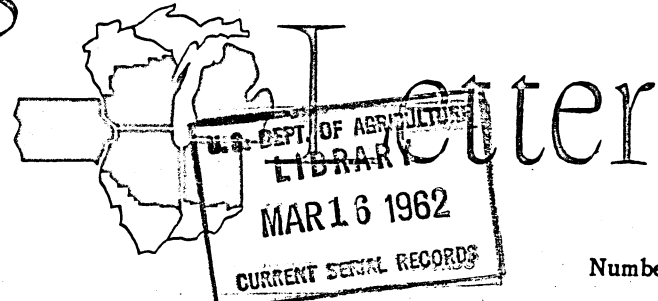
These reductions would take place gradually over a minimum period of five years. There would be a "reserve list" of products exempted from future cuts to protect domestic industries. To help ease the adjustment for individual producers affected by increased imports, the President has proposed a new "trade adjustment assistance" program. This would include tax relief, loans and technical help.

Agricultural exports in recent years have averaged about 13 per cent of cash receipts from farm marketings, while 8 per cent of the workers in manufacturing directly or indirectly produced goods for export. Part of the production of many farm commodities goes abroad and it has been estimated that the products of one acre out of every six harvested go into export markets. Agricultural products now account for about one-fourth of this country's exports.

While wheat and cotton are not important crops in the Midwest, about half of their production is exported and they constitute over 40 per cent of total agricultural exports. Livestock and meat products, dairy products, feed grains and oilseeds which are major products of the Seventh District states make up another third of agricultural exports. Over 40 per cent of the tallow (a by-product of cattle slaughter) goes into exports as does 29 per cent of the barley, 25 per cent of the soybeans, 20 per cent of the lard and 15 per cent of the corn.

In total, the five District states account for about 16 per cent of U. S. agricultural exports. Assuming that products are exported in about the same proportion as production is of U. S. total, the District states would provide nearly half the United States exports of soybeans, about two-fifths of the feed grains and one-third of the livestock and meat products.

¹For a discussion of the possible impact of the European Common Market on agricultural exports see Agricultural Letter, No. 642, February 9, 1962.



Number 645

Illinois Leads District States in Agricultural Exports (Fiscal year ended June 30, 1961)

| | Ill. | Ind. | Iowa | Mich. | Wis. | District total | Per cent of U. S. |
|-------------------------------|-------------------|------------|------------|-----------------|-----------|----------------|-------------------|
| | (million dollars) | | | | | | |
| Feed grains..... | 83 | 35 | 73 | 11 | 6 | 208 | 39 |
| Soybeans | 100 | 51 | 53 | 4 | 1 | 209 | 47 |
| Wheat | 40 | 33 | 2 | 29 | 1 | 105 | 9 |
| Livestock and meat products.. | 31 | 15 | 57 | 5 | 10 | 118 | 30 |
| Milk and dairy products..... | 4 | 3 | 5 | 5 | 17 | 34 | 26 |
| Other | 28 | 22 | 17 | 38 ^a | 21 | 126 | 6 |
| Total..... | 286 | 159 | 207 | 92 | 56 | 800 | 16 |
| Per cent of U. S. .. | 6 | 3 | 4 | 2 | 1 | 16 | |

| | | | | | | |
|-----------------------------|-------|-------|-------|-----|-------|-------|
| Farm cash receipts | 1,967 | 1,130 | 2,481 | 729 | 1,109 | 7,446 |
| Exports as a per cent | 15 | 14 | 8 | 13 | 5 | 11 |

^aMainly fruits and dry beans and peas.

NOTE: Calculated from U. S. Department of Agriculture data on exports and farm cash receipts.

The importance of exports to farm income in the District is emphasized by the fact that 11 per cent of farm cash receipts come from exports. The three Corn Belt states receive 13 to 15 per cent of farm income from sales abroad while the two Dairy states receive 5 to 8 per cent of their income from this source.

CONFERENCES ON AGRICULTURAL CREDIT, sponsored by state universities and banking associations have been announced for four states in the Seventh Federal Reserve District. These two-day sessions cover topics in the areas of agricultural outlook and agricultural finance. The dates are as follows:

- Agricultural Credit Conference—Urbana, Ill. April 25-26
- Agricultural Clinic—Lafayette, Ind. March 14-15
- Agricultural Conference—Ames, Iowa March 20-21
- Agricultural Finance Conference—E. Lansing, Mich. April 17.

In addition Iowa will hold its annual Agricultural Credit School at Ames, June 11-22. Further information may be obtained from the respective universities or state banking associations.

Research Department

FARM BUSINESS CONDITIONS

| ITEMS | 1962 | 1961 | |
|---|---------|----------|---------|
| | January | December | January |
| PRICES: | | | |
| Received by farmers (1947 - 49 = 100) | 89 | 89 | 89 |
| Paid by farmers (1947 - 49 = 100) | 122 | 121 | 120 |
| Parity price ratio (1910 - 14 = 100) | 80 | 79 | 80 |
| Wholesale, all commodities (1947 - 49 = 100) | 120 | 119 | 120 |
| Paid by consumers (1947 - 49 = 100) | 128 | 128 | 127 |
| Wheat, No. 2 red winter, Chicago (dol. per bu.) | 2.06 | 2.09 | 2.14 |
| Corn, No. 2 yellow, Chicago (dol. per bu.) | 1.09 | 1.11 | 1.12 |
| Oats, No. 2 white, Chicago (dol. per bu.) | .73 | .73 | .69 |
| Soybeans, No. 1 yellow, Chicago (dol. per bu.) | 2.48 | 2.48 | 2.49 |
| Hogs, barrows and gilts, Chicago (dol. per cwt.) | 17.24 | 16.95 | 17.43 |
| Beef steers, choice grade, Chicago (dol. per cwt.) | 26.39 | 26.13 | 27.42 |
| Milk, wholesale, U.S. (dol. per cwt.) | 4.36 | 4.46 | 4.45 |
| Butterfat, local markets, U.S. (dol. per lb.) | .61 | .61 | .60 |
| Chickens, local markets, U.S. (dol. per lb.) | .15 | .14 | .16 |
| Eggs, local markets, U.S. (dol. per doz.) | .35 | .35 | .39 |
| Milk cows, U.S. (dol. per head) | 224 | 224 | 219 |
| Farm labor, U.S. (dol. per week without board) | 47.75 | -- | 46.75 |
| Factory labor, U.S. (dol. earned per week) | 94.96 | 96.63 | 89.08 |
| PRODUCTION: | | | |
| Industrial, physical volume (1947 - 49 = 100) | 173 | 175 | 155 |
| Farm marketings, physical volume (1947 - 49 = 100) | -- | 145 | 144 |
| INCOME PAYMENTS: | | | |
| Total personal income, U.S. (annual rate, bil. of dol.) ... | 430 | 432 | 404 |
| Cash farm income, U.S. ¹ (annual rate, bil. of dol.) | -- | 36 | 37 |
| EMPLOYMENT: | | | |
| Farm (millions) | 4.4 | 4.4 | 4.7 |
| Nonagricultural (millions) | 60.6 | 62.0 | 59.8 |
| FINANCIAL (District member banks): | | | |
| Demand deposits: | | | |
| Agricultural banks (1955 monthly average = 100) | 106.4 | 107.5 | 103.5 |
| Nonagricultural banks (1955 monthly average = 100) | 105.8 | 111.3 | 102.4 |
| Time deposits: | | | |
| Agricultural banks (1955 monthly average = 100) | 151.3 | 148.4 | 137.9 |
| Nonagricultural banks (1955 monthly average = 100) | 156.3 | 151.4 | 136.3 |
| ¹ Based on estimated monthly income. | | | |

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago