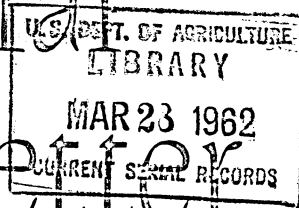
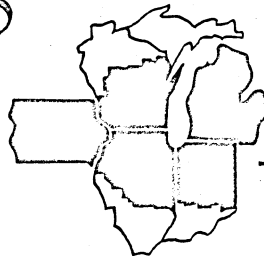


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Federal Reserve Bank of Chicago - -

March 16, 1962

# Agricultural



# Letter

Number 647

SIGN-UP IN THE FEED GRAIN PROGRAM for 1962 will end on March 30. The program is similar to the one last year. Support prices for feed grains will be identical with those for 1961 crops while the soybean support price will be \$2.25 per bushel, 5 cents below last year, and the flaxseed support will be \$2.90 per bushel, 10 cents above last year.

### Support Prices

	1960	1961	1962
Corn, bu. ....	\$1.06	\$1.20	\$1.20
Grain sorghum, cwt. ...	1.52	1.93	1.93
Barley, bu. ....	.77	.93	.93
Oats, bu. ....	.50	.62	.62
Rye, bu. ....	.90	1.02	1.02
Soybeans, bu. ....	1.85	2.30	2.25
Flaxseed, bu. ....	2.38	2.80	2.90

Government payments for the diverted acreage will be made on the same basis as last year. The payments are 50 per cent of the base yield (1959-60 average) on the first 20 per cent reduction in feed grains from the base acreage (1959-60 average) and 60 per cent on the second 20 per cent. (For farms with base acreage of 100 acres or less, additional acres may be retired up to a total of 20 acres, plus 20 per cent of the base, with payments for the additional acres at the 50 per cent level.) To receive support prices and payments for diverted acreage farmers must maintain the 1959-60 acreage of "soil-conserving" practices in addition to the diverted acreage.

One new requirement in the 1962 program is the addition of barley to corn and grain sorghum as crops whose acreage must be reduced a minimum of 20 per cent from the 1959-60 base acreage in order to be eligible for price supports and payments on diverted acreage. (Some special exceptions are made for malting barley.) Corn and grain sorghum producers who participate in the feed grain program must not plant a larger acreage of barley than the base acreage; and barley producers who participate must not plant a larger acreage of corn and grain sorghum than their base acreage. The base acreage of barley is entirely separate from that of corn and grain sorghum.

Payments for diverted acreage will be made in advance again this year. The advance will be for approximately half the estimated total diversion payment. One new provision has been made permitting the farmer to refund the advance payment, plus 6 per cent interest, in the event he does not meet the minimum requirements for participation.

The payments will be in the form of "in-kind" certificates again in 1962. The farmer will have the option of receiving either grain or cash for his certificate. This

year a farmer may take grain stored on his own farm. The certificates will be negotiable this year—a change from last year's regulations.

In the first month of sign-up, farmers had agreed to divert 9,030,700 acres from corn and grain sorghum. Of course, it is much too early to estimate final acreage as bad weather slowed activity in many areas. Last year more than 26 million acres were diverted under a similar program.

Com prices have been lower this winter than anticipated. From mid-November to mid-February the average price received by farmers rose only from 94 cents to 96 cents whereas last winter the price increased from 87 cents to \$1.00. Many people expected higher corn prices since the Government support was raised 14 cents a bushel for compliers in the 1961 feed grain program and corn production was 7 per cent below the 1960 crop. The difference has been largely due to the substantial sales of "certificate" corn by the Government during the winter. Since the feed grain program went into effect in 1961, through March 2, 1962, the CCC sold 461 million bushels of "certificate" corn and 67 million cwt. of grain sorghum. These sales accounted for about three fourths of the "certificate" grain authorized for sale under this program.

Those Corn Belt farmers who did not participate in the 1961 feed grain program in the expectation of higher corn prices have been disappointed. In some areas farmers participating in the program also have been disappointed because the high moisture content of their corn has kept them from sealing it and obtaining the support price. As a result, the Government has announced some relaxation of provisions as to moisture content. Ear corn will now be eligible for price-support loans if it tests 21 per cent moisture or less during March and 19 per cent or less during April. Previously the requirements had been 19.5 per cent and 18 per cent, respectively.

As corn prices failed to show much change after harvest time, prices of corn futures have declined substantially. The Chicago March corn future price dropped from \$1.13 on the first of November to \$1.05 at the end of February, though it has since risen above \$1.08. Even with the possibility of a large portion of the 1.5 billion bushels of corn eligible for supports being placed under CCC loan, "free" supplies are likely to remain large.

Research Department