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Federal Reserve Bank of Chicago - -

October 5, 1962

NEW FARM LEGISLATION has been enacted after retracing its steps twice through the House and Senate. Modified substantially from the original proposals, it nevertheless contains the essential elements of "supply-management" for wheat along with broad authority for developing land for recreational, forestry and other uses; dollar credits for trade development; a world-wide school lunch program; and revival of the Soil Bank.

FEED GRAINS have a temporary program next year similar to the one this year. But, there are three important differences. First, participating farmers will receive payments for retiring 20 to 50 per cent of their base acreage of corn, barley and grain sorghum in 1963. This year the maximum was 40 per cent of the acreage. Second, payments next year will be identical for all acreage retired (at 50 per cent of the base yield) whereas this year a premium was paid for acreage retired over the minimum of 20 per cent.

Third, price supports in 1963 will be provided in part through a compensatory payment of 18 cents a bushel and in part through price support loans. This year supports were entirely through price support loans. (For corn, the loan will be \$1.02 making the total support \$1.20—the same as in 1961 and 1962.) This introduction of a "Brannan plan" payment for grain, whether sold or fed to livestock or sealed for price support loan, will attract more farmers into the 1963 program.

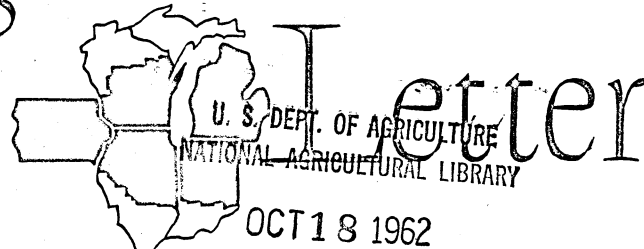
Incomes of feed grain producers will be higher in 1963 since all of the "normal" production of corn, grain sorghum and barley will be eligible for the 18 cent a bushel payment. Even though market prices were well below the support level the past year, only 650 million bushels of corn went under Government loan at \$1.20 a bushel out of the 1.5 billion eligible.

While more farmers are expected to participate in the program next year, the acreage idled on each farm likely will be smaller since the "premium" for retiring acreage beyond the required minimum of 20 per cent is eliminated. This will tend to reduce the total acreage retired. Thus, with favorable weather, production of feed grains may be higher in 1963.

Livestock production will tend to increase under the 1963 program reflecting both larger feed grain supplies and lower price support loans.

In 1964 all production controls on feed grains will end. The support price on corn will range from 50 to 90 per cent of parity with the Secretary of Agriculture directed to set the support price at such level as "will not result in increasing Commodity Credit Corporation stocks of corn." The minimum permissible support is about 80 cents a bushel. Support levels on other feed grains would be comparable to the corn support. Obviously, incomes of cash grain farmers would decline with

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## CURRENT SERIAL RECORDS

the lower prices. Livestock production would be stimulated as farmers seek to utilize the "cheap" grain.

THE WHEAT PROGRAM for 1963 was made voluntary because legislation was delayed beyond winter wheat planting time. The provisions are similar to those for feed grains: participating farmers may retire 20 to 50 per cent of their acreage allotment and receive a supplementary payment-in-kind of 18 cents per bushel on "normal" production plus payments for the diverted acres at 50 per cent of "normal" production. The price support loan of \$1.82 will be available to all wheat farmers staying within their acreage allotments.

For 1964 permanent wheat legislation replaces the national acreage allotment of 55 million acres with marketing quotas—the key "supply-management" feature. The quota will be set by the Secretary of Agriculture equal to the domestic and export needs for wheat less the amount to be taken from the surplus stocks of the Commodity Credit Corporation, but with a minimum quota of 1 billion bushels. Acreage allotments will be scaled to the marketing quota. Any reduction in allotments below the present 55 million acre base must be idled. Government payments for retired acres are authorized to be made in 1964 and 1965 only.

Farmers will receive two different payments for their wheat—a price support loan for all wheat and a "marketing certificate" for part of the wheat. The price support loan will be lowered to the feed grain level (about 92 cents a bushel if corn is supported at 80 cents a bushel). The support level for certificate wheat will be set by the Secretary between 65 and 90 per cent of parity (a reduction from the previous range of 75 to 90 per cent for all wheat). The face value of the marketing certificate will equal the difference between the loan price for all wheat and the support price for certificate wheat. Processors will be required to purchase certificates for wheat used, passing the cost on to consumers.

Marketing certificates will be issued to farmers for part of the marketing quota and will equal the amount of wheat needed for domestic food use plus that portion of exports designated by the Secretary. Thus incomes of wheat producers will depend heavily on the Secretary's decisions concerning both the number of wheat certificates and the support level for certificate wheat.

Research Department

## FARM BUSINESS CONDITIONS

August 1962 with comparisons

I T E M S	1962		1961
	August	July	August
<b>PRICES:</b>			
Received by farmers (1947 - 49 = 100) . . . . .	90	90	89
Paid by farmers (1947 - 49 = 100) . . . . .	122	122	120
Parity price ratio (1910 - 14 = 100) . . . . .	80	79	80
Wholesale, all commodities (1947 - 49 = 100) . . . . .	120	119	119
Paid by consumers (1947 - 49 = 100) . . . . .	129	129	128
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	2.11	2.15	1.90
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.11	1.14	1.14
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.66	.68	.69
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.55	2.54	2.62
Hogs, barrows and gilts, Chicago (dol. per cwt.) . . . . .	18.64	18.34	18.19
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	28.19	26.50	24.13
Milk, wholesale, U.S. (dol. per cwt.) . . . . .	4.03	3.86	4.17
Butterfat, local markets, U.S. (dol. per lb.) . . . . .	.58	.58	.61
Chickens, local markets, U.S. (dol. per lb.) . . . . .	.15	.14	.13
Eggs, local markets, U.S. (dol. per doz.) . . . . .	.33	.30	.35
Milk cows, U.S. (dol. per head) . . . . .	218	217	225
Farm labor, U.S. (dol. per week without board) . . . . .	--	50.00	--
Factory labor, U.S. (dol. earned per week) . . . . .	95.75	96.56	92.86
<b>PRODUCTION:</b>			
Industrial, physical volume (1947 - 49 = 100) . . . . .	180	180	172
Farm marketings, physical volume (1947 - 49 = 100) . . . . .	138	126	141
<b>INCOME PAYMENTS:</b>			
Total personal income, U.S. (annual rate, bil. of dol.) . . . . .	443	442	419
Cash farm income, U.S. <sup>1</sup> (annual rate, bil. of dol.) . . . . .	--	37	37
<b>EMPLOYMENT:</b>			
Farm (millions) . . . . .	5.8	6.1	6.3
Nonagricultural (millions) . . . . .	64.0	63.5	62.2
<b>FINANCIAL (District member banks):</b>			
<b>Demand deposits:</b>			
Agricultural banks (1955 monthly average = 100) . . . . .	104	103	100
Nonagricultural banks (1955 monthly average = 100) . . . . .	103	103	101
<b>Time deposits:</b>			
Agricultural banks (1955 monthly average = 100) . . . . .	167	165	145
Nonagricultural banks (1955 monthly average = 100) . . . . .	175	173	148
<sup>1</sup> Based on estimated monthly income.			

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