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Federal Reserve Bank of Chicago - -

June 14, 1963

CORN PRICES have increased substantially from their 1962 harvest time lows. Prices received by farmers for corn rose about 17 per cent from November to May compared with the normal seasonal increase of about 10 per cent. Sorghum grain and oats recorded sizable, but more modest, advances while barley prices showed practically no seasonal gain. Prices received by farmers for all feed grains in May averaged about 11 per cent higher than those received last fall and 3 per cent above May 1962.

Corn Prices Show Sharp Seasonal Rise

	May 1962*	Increase from 1961 Harvest Low (per cent)	May 1963*	Increase from 1962 Harvest Low (per cent)
Corn, bu.	\$1.03	+10	\$1.10	+17
Oats, bu.67	+11	.64	+12
Barley, bu.	1.02	+7	.92	+2
Grain sorghum, cwt. .	1.71	+6	1.72	+7

*Prices received by farmers.

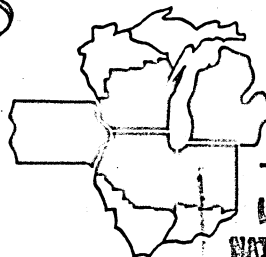
The larger-than-normal seasonal rise in corn has stemmed primarily from a reduction in "free" market supplies--those not owned by the Commodity Credit Corporation or pledged as collateral on price support loans. The reduced supply reflects the more extensive use of feed grains than a year earlier and reduced sales by the CCC. Utilization has been stepped up because of high rates of feeding and a larger livestock population. Domestic sales of corn by the CCC between October and May of the current marketing year totaled 579 million bushels compared with 742 million bushels in the same period of the past marketing year.

The small seasonal rise in barley prices can be traced principally to the much larger crop harvested in 1962 than in 1961 as well as to the sharp rise in price relative to other feed grains last year due to the small 1961 crop. The average price received by farmers in May was 92 cents--about the same as that received last fall and about 10 cents a bushel lower than in May 1962.

The prices of oats and barley are currently near the 1962 support level. Because of this, prices for these grains may not show much seasonal decline as harvest time approaches. The USDA expects corn prices to hold well above the year-earlier level through the summer months due to the tightening supply and the generally strong demand for feeding.

Market prices of feed grains in the coming marketing year will again be influenced to a considerable extent by Government programs as well as by size of the 1963 crops. The Government's price support loans for 1963 feed grains will be somewhat below those in 1962 because part of the price support will be provided in compensatory payments. For corn, the loan to eligible farmers will be \$1.07 per bushel and the remainder of the

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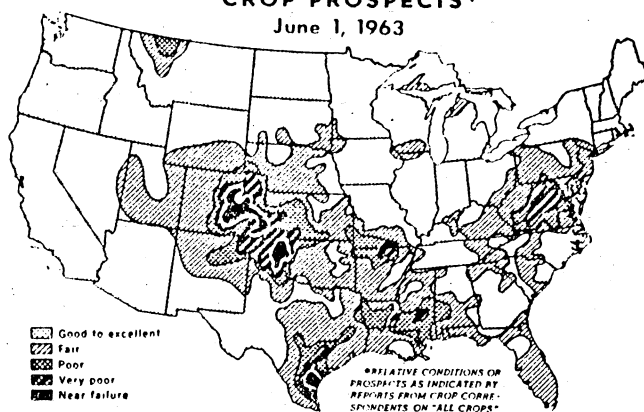
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CURRENT SERIAL RECORDS

\$1.25 support will be provided by a payment of 18 cents per bushel on the normal production on acreage planted for harvest.

Corn prices in the coming marketing year will also be influenced by Government sales but probably less than in the last two years. Currently, CCC can sell "certificate" corn at prevailing market prices. But in the coming marketing year, the sale price cannot be below the *loan rate* with allowance for the usual seasonal and locational differences. As a result of this and smaller expected acquisitions, CCC sales of corn probably will be substantially smaller in 1963-64 than in the two preceding marketing years. This could result in corn prices on farms averaging near or above the average 1962-63 level during the coming marketing year even though the *loan rate* is substantially lower.

CROP PROSPECTS*
June 1, 1963



U. S. DEPARTMENT OF AGRICULTURE NEG. 585 86-87 (63) STATISTICAL REPORTING SERVICE

Crop prospects throughout the heart of the Midwest appear very favorable while the outlook over most of the Southern Plains states and parts of the eastern seaboard is described as poor or near failure. Much can happen, of course, to change the picture between now and harvest. The corn and soybean crops will be especially dependent on weather conditions during the remainder of the growing season. In recent years, favorable weather for crop development during the season has brought steady increase in production prospects.

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