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FEED GRAINS will be covered by a voluntary program in 1964 that is similar to the 1963 program with several important differences. The maximum acreage that may be idled this year is larger than last year; the rate of payment per acre idled has been increased; a limit has been placed on the size of payments per acre; the proportion of the total support price assigned to each of its components has been altered, and the base period used to calculate "normal" yields has been expanded.

Idling of at least 20 per cent of the corn, barley and grain sorghum base acreage is again required for eligibility for price support and diversion payments. The maximum acreage that can be idled, however, has been raised to 50 per cent of the 1959-60 base from 40 per cent in 1963.

Payment rates per acre idled in excess of 40 per cent of the base acreage will be substantially higher on the average. Payments for idled acreage will be based upon the normal yield for the farm as well as the support prices and percentage of the feed grain base that is diverted to conservation use. The first 20 per cent of the acreage idled will receive payments at the rate of one-fifth of the total support prices on the normal production of the diverted acres. Farmers who idle additional acreage ranging from 20 to 40 per cent of their base will receive payment on these additional acres at a rate one-half of the total support price times the farm's normal production per acre. Payment for this additional diversion will be added to the payment for the minimum 20 per cent idled.

Farmers who idle more than 40 per cent of their base acreage (up to the maximum 50 per cent, or 25 acres if this is more than half of the base acreage) will receive payments at a rate of one-half of the support price on the entire acreage diverted. Of course, compensatory payments will be reduced as additional acreage is idled, and payments will not be made on more acres than are included in the base.

A *limit* of 20 per cent of the value of the cropland idled has been placed on diversion payments by a new provision of the law. This restriction may reduce the payments to some farms, particularly those that idle the maximum 50 per cent of their base.

With the exception of the latter, these changes in the acreage diversion provisions were apparently effected to encourage producers to divert additional feed grain acreage.

Price supports for corn, barley and grain sorghum will be provided in two parts again this year: support loans and compensatory payments. The compensatory payment will be somewhat lower but a slightly larger proportion of the total support will be available in the form

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of loans. The total support price to farmers participating in the program will remain the same as in 1963. For example, the total support price for corn of \$1.25 will consist of a compensatory payment of 15 cents and a support loan of \$1.10. In 1963, the comparable figures were 18 cents and \$1.07, respectively.

Yields for 1961 and 1962 will be averaged with the 1959 and 1960 yields to determine "normal" production. A two-year average—1959 and 1960—was used in the previous feed grain program. The expanded base should result in a higher average normal yield—used in calculating the acreage diversion payment—for most Midwest farms. The average increase in the normal yield in Illinois should be about six bushels per acre, thus slightly higher payments on idled acreages are likely.

Comparative Returns in 1964 Feed Grain Program
("typical" Illinois corn farmer with 100 acre base)

Acres	Nonparticipation	Participation			
		20	30	40	50
Diverted	-	20	30	40	50
Harvested	100	80	70	60	50
<u>Yield (bu.)</u>					
Actual	85	87	88	89	90
"Normal"		75	75	75	75
<u>Gross Income</u>					
Crop (\$1.10)	\$9,350	\$7,656	\$6,776	\$5,874	\$4,950
Payments :					
Diversion		375	844	1,875	2,343
Compensatory		900	788	675	563
Total gross	\$9,350	\$8,931	\$8,408	\$8,424	\$7,856
Cost reduction (\$20 per acre)		400	600	800	1,000
Comparative return	\$9,350	\$9,331	\$9,008	\$9,224	\$8,856

This example of a "typical" Illinois corn farmer indicates that it's about a toss-up whether or not to participate in the program. Other factors, of course, must be considered such as the relative size of base acreage, actual versus "normal" yield per acre, overall fertility of the farm, available labor and machinery and the degree of weather risk for the individual farm.

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FARM BUSINESS CONDITIONS

NOVEMBER 1963, WITH COMPARISONS

I T E M S	1963		1962
	November	October	November
PRICES:			
Received by farmers (1957-59=100)	100	100	101
Paid by farmers (1957-59=100)	106	106	105
Parity price ratio (1910-14=100)	77	77	80
Wholesale, all commodities (1957-59=100)	101	101	101
Paid by consumers (1957-59=100)	107	107	106
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.17	2.15	2.10
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.17	1.24	1.10
Oats, No. 2 white, Chicago (dol. per bu.)	0.70	0.71	0.72
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.79	2.78	2.50
Hogs, barrows and gilts, Chicago (dol. per cwt.)	14.85	15.65	16.79
Beef steers, choice grade, Chicago (dol. per cwt.)	23.51	24.03	30.13
Milk, wholesale, U. S. (dol. per cwt.)	4.47	4.42	4.40
Butterfat, local markets, U. S. (dol. per lb.)	0.58	0.58	0.59
Chickens, local markets, U. S. (dol. per lb.)	0.14	0.13	0.14
Eggs, local markets, U. S. (dol. per doz.)	0.36	0.36	0.37
Milk cows, U. S. (dol. per head)	210	213	218
Farm labor, U. S. (dol. per week without board)	--	47.75	--
Factory labor, U. S. (dol. earned per week)	101.09	100.53	97.36
PRODUCTION:			
Industrial, physical volume (1957-59=100)	127	127	120
Farm marketings, physical volume (1947-49=100)	183	205	186
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	473	471	450
Cash farm income, U. S. ¹ (annual rate, bil. of dol.)	--	44	39
EMPLOYMENT:			
Farm (millions)	4.8	5.4	4.9
Nonagricultural (millions)	64.5	64.5	63.1
FINANCIAL (District member banks):*			
Demand deposits:			
Agricultural banks (1957-59=100)	114	114	111
Nonagricultural banks (1957-59=100)	106	103	104
Time deposits:			
Agricultural banks (1957-59=100)	164	163	145
Nonagricultural banks (1957-59=100)	177	176	153
¹ Based on estimated monthly income.			

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