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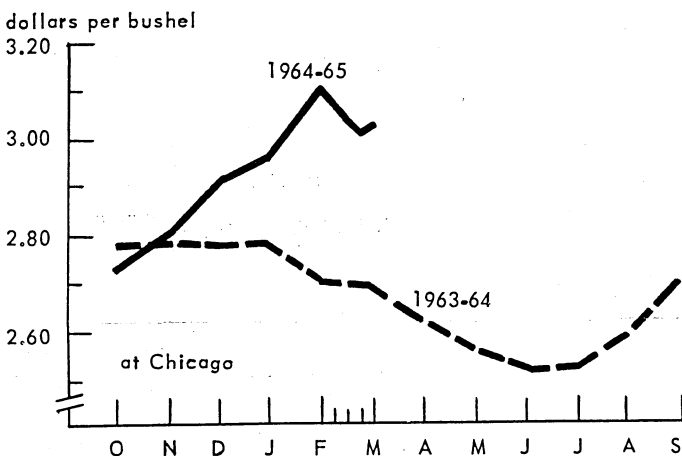
March 5, 1965

Soybean prices at Chicago have averaged above \$3.00 per bushel since early February. A year ago the price was around \$2.70 per bushel. Trading in futures contracts has been active—the price swing on some days has been as much as 10 cents a bushel, the maximum permitted on the Board of Trade.

The 1964 production of about 700 million bushels plus the 32 billion bushel carryover from the previous year's crop was estimated at harvest time to approximate the probable domestic consumption and exports, thus indicating a favorable price situation. Subsequent developments have "stirred up" the market considerably. Among these have been export sales to the Soviet Union, the dock workers' strike and the military activity in Viet Nam.

The strong domestic and export demand for both soybean oil and meal and somewhat smaller supplies are expected to hold soybean prices well above the year-earlier level during the remainder of the 1964-65 marketing year. Last year, soybean prices declined contraseasonally to mid-year reflecting relatively low soybean oil prices and a decline in the demand for soybean meal. Lower soybean meal prices and the strong demand for soybean oil should increase domestic use and exports this year, however.

Soybean Prices Well Above Year-Earlier Level



During the October-December 1964 period, crushings of soybeans rose about 6 per cent from the year-earlier level. Preliminary estimates indicate that the crush for January was about one-fifth above a year ago. Soybean crushings for the entire marketing year are forecast at about 470 million bushels—7 per cent above the year-earlier amount.

Soybean exports are forecast at 205 million bushels compared to 191 million during the previous year. The dock workers' strike that began in mid-January temporarily affected exports but subsequent heavy exports of soybeans and soybean products are expected to largely offset the effects of the strike. During the third week of February, soybean exports were 24 per cent above the same week a year ago.

Agricultural Letter

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY
MAY 24 1965
MARKET SERIAL RECORDS

Number 794

The current price level of soybeans would appear to set the stage for further expansion in bean acreage this year. The planted acreage last year totaled 32 million acres—up about 2 million from that planted in 1963.

Production of soybeans only matched the record year-earlier crop as a result of unfavorable weather conditions over the major producing areas during the critical growing stages but the output was nearly double that of 10 years ago. The acreage planted to soybeans has increased about 90 per cent during the past 10 years.

Although price supports have been provided for soybeans for many years, no substantial surplus of beans has developed. Output and consumption have been fairly close in step. The support price in most years has been similar to or somewhat below market prices.

Farmers have expanded the production of soybeans as demand has increased. Both domestic and export demand has risen. Exports last year amounted to more than two-fifths of the value of the total soybean crop. Thus, soybeans are an export crop and prices have been geared closely with world supply and demand conditions.

The present support price of \$2.25 per bushel is considerably below the current market price. Assuming that inventories held by farmers, processors and distributors are reduced substantially before the 1965 crop is harvested, which appears likely, it would seem doubtful that there would be any large accumulation of surplus stocks by the Government for at least another year. The longer-term effects, of course, will depend upon many factors, including: the price of corn and other crops which can be grown in areas where production of soybeans is important; the relative rates of growth in output and demand for soybeans in both domestic and world markets, and Government programs affecting the use of cropland.

Authority to permit soybeans to be grown on idled feed grain acreage was recommended recently in the President's farm message to Congress. Present indications are that this request may be modified by permitting farmers to plant soybeans in lieu of feed grains—on farms that participate in the feed grain program—while continuing to receive program payments. Any new legislation of this type would undoubtedly result in expanded soybean acreage.

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FARM BUSINESS CONDITIONS
DECEMBER 1964 WITH COMPARISONS

| I T E M S | 1964 | | 1963 |
|----------------------------------------------------------------------------|----------|----------|----------|
| | December | November | December |
| PRICES: | | | |
| Received by farmers (1957-59=100) | 97 | 97 | 98 |
| Paid by farmers (1957-59=100) | 107 | 107 | 106 |
| Parity price ratio (1910-14=100) | 75 | 75 | 76 |
| Wholesale, all commodities (1957-59=100) | 101 | 101 | 100 |
| Paid by consumers (1957-59=100) | 109 | 109 | 108 |
| Wheat, No. 2 red winter, Chicago (dol. per bu.) | 1.52 | 1.55 | 2.20 |
| Corn, No. 2 yellow, Chicago (dol. per bu.) | 1.27 | 1.20 | 1.23 |
| Oats, No. 2 white, Chicago (dol. per bu.) | .76 | .73 | .73 |
| Soybeans, No. 1 yellow, Chicago (dol. per bu.) | 2.91 | 2.81 | 2.78 |
| Hogs, barrows and gilts, Chicago (dol. per cwt.) | 15.86 | 14.70 | 14.49 |
| Beef steers, choice grade, Chicago (dol. per cwt.) | 24.01 | 24.64 | 22.30 |
| Milk, wholesale, U. S. (dol. per cwt.) | 4.47 | 4.54 | 4.41 |
| Butterfat, local markets, U. S. (dol. per lb.) | .60 | .60 | .59 |
| Chickens, local markets, U. S. (dol. per lb.) | .13 | .14 | .13 |
| Eggs, local markets, U. S. (dol. per doz.) | .33 | .34 | .36 |
| Milk cows, U. S. (dol. per head) | 203 | 205 | 210 |
| | | | |
| Farm labor, U. S. (dol. per week without board) | -- | -- | -- |
| Factory labor, U. S. (dol. earned per week) | 106.55 | 104.70 | 102.41 |
| | | | |
| PRODUCTION: | | | |
| Industrial, physical volume (1957-59=100) | 137 | 135 | 127 |
| Farm marketings, physical volume (1957-59=100) | 137 | 157 | 131 |
| | | | |
| INCOME PAYMENTS: | | | |
| Total personal income, U. S. (annual rate, bil. of dol.) | 506 | 502 | 477 |
| Cash farm income, U. S. ¹ (annual rate, bil. of dol.) | 39.6 | 39.0 | 37.6 |
| | | | |
| EMPLOYMENT: | | | |
| Farm (millions) | 3.8 | 4.5 | 4.0 |
| Nonagricultural (millions) | 66.6 | 66.2 | 64.6 |
| | | | |
| FINANCIAL (District member banks): | | | |
| Demand deposits: | | | |
| Agricultural banks (1957-59=100) | 115 | 119 | 112 |
| Nonagricultural banks (1957-59=100) | 117 | 111 | 110 |
| Time deposits: | | | |
| Agricultural banks (1957-59=100) | 187 | 185 | 165 |
| Nonagricultural banks (1957-59=100) | 204 | 202 | 178 |
| | | | |
| ¹ Based on estimated monthly income. | | | |

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