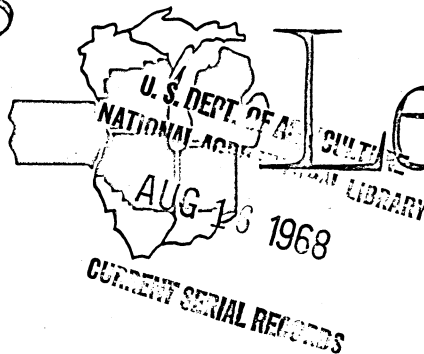


281-9
F313

Federal Reserve Bank of Chicago - -

July 12, 1968

Agricultural Letter



Number 969

WINTER WHEAT harvest is nearing completion in most of the heavy producing areas of the country. The latest Department of Agriculture crop report indicates a harvest of 1.3 billion bushels—about 4 percent more than last year. The crop report also points to a spring wheat harvest in the northern states in the next few months that will push the total wheat output for 1968 to nearly 1.6 billion bushels, compared with the 1.5 billion bushels harvested last year. If achieved, this will be the largest crop ever—and on fewer acres than last year. Last year, with wheat supplies increasing here and abroad, the government changed the wheat program, inducing farmers to plant less acreage. Winter wheat acreage dropped from 45.6 million acres the previous year to 42.7 million, and spring wheat acreage is down nearly a million acres. But favorable weather in most wheat producing regions of the country combined with the application of larger amounts of fertilizer and improved cultural practices resulted in sharply higher yields, more than offsetting the reduced acreage.

Conditions on July 1 pointed to even higher yields this year. For winter wheat, an average yield of 28.3 bushels per acre is expected. That is 3 bushels more than last year and 1 more than the record set in 1958.

The carryover from last year is also larger—100 million bushels more than a year ago—reflecting both the bumper crop last year and slightly lower domestic consumption. As a result, U. S. supplies at the start of the marketing year beginning July 1 were around 2.1 billion bushels, the largest since 1965-66 and far more than needed to meet expected demand.

which is about the same as last year. That target will be hard to reach, however, because of the large world supply. While it is still too early to be sure, many observers foresee another year of record world wheat production. And even if these prospects do not materialize, most of the major exporting countries have larger stocks on hand than a year ago.

Also, world import requirements will probably be smaller. India, after a series of poor crops, is expecting a record food grain crop. Pakistan is also expecting a large wheat crop. Production in those countries is expected to be up a third or more. In recent years, they have taken about a seventh of our output and around three-fourths of our Public Law 480 exports.

Domestic demand for wheat is not expected to be much better. As usual, any change in the level of domestic disappearance will depend primarily on the amount of wheat fed to livestock. With the ample feed grain supplies that appear in prospect, feed use of wheat will probably not be much higher than last year.

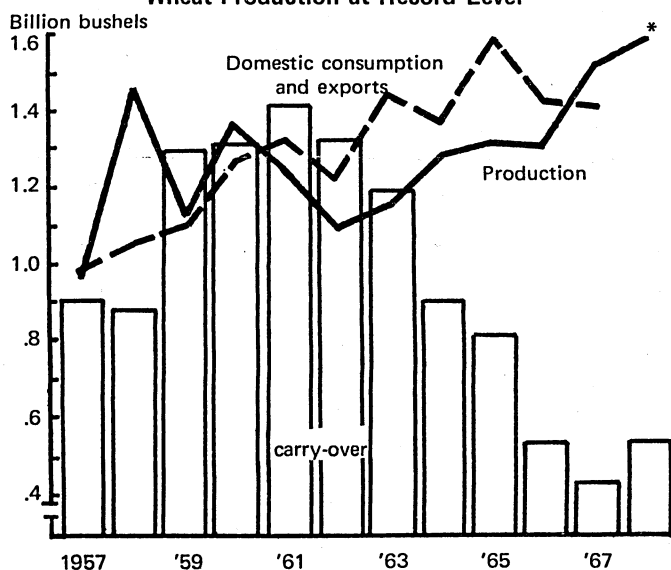
Prices have been responding to these conditions. Cash wheat prices at Chicago, for example, have declined around 21 cents a bushel since the beginning of the year and are now about 25 cents less than at this time last year. Similarly, wheat futures contracts are at their lows thus far this year.

In light of the increasing wheat supplies—domestic and foreign—and the expected easing in demand—primarily for government financial exports—the Secretary of Agriculture recently announced that, for 1969, the national wheat allotment will be cut 13 percent, to about the 1966 level.

Farmers participating in the government's wheat program will be eligible for price-support loans and marketing certificates. If a farmer chooses, he can idle up to half his acreage allotment in 1969 and receive 50 percent of the loan rate (1.25 national average) times the projected yield as payment for it.

Roby L. Sloan
Agricultural Economist

Wheat Production at Record Level



*Based on July 1 estimate.

The export market for wheat, now taking well over half of the wheat produced in this country, may be smaller than last year. The Department of Agriculture has set an export target of 750 million bushels for the 1968-69 marketing year,

FARM BUSINESS CONDITIONS

March 1968 with Comparisons

I T E M S	1968		1967
	March	February	March
PRICES:			
Received by farmers (1957-59=100)	107	107	103
Paid by farmers (1957-59=100)	120	119	116
Parity price ratio (1910-14=100)	74	74	74
Wholesale, all commodities (1957-59=100)	108	108	106
Paid by consumers (1957-59=100)	120	119	115
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.50	1.51	1.80
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.17	1.15	1.41
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.80	.83	.78
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.71	2.73	2.91
Hogs, barrows and gilts, Chicago (dol. per cwt.)	19.37	19.83	18.66
Beef steers, choice grade, Chicago (dol. per cwt.)	27.75	27.34	24.67
Milk, wholesale, U. S. (dol. per cwt.)	5.08	5.20	4.95
Butterfat, local markets, U. S. (dol. per lb.) . . . . .	.66	.66	.66
Chickens, local markets, U. S. (dol. per lb.) . . . . .	.14	.14	.14
Eggs, local markets, U. S. (dol. per doz.) . . . . .	.30	.30	.35
Milk cows, U. S. (dol. per head)	269	265	256
Farm labor, U. S. (dol. per week without board)	--	--	--
Factory labor, U. S. (dol. earned per week)	120.18	119.48	112.44
PRODUCTION:			
Industrial, physical volume (1957-59=100)	163	161	156
Farm marketings, physical volume (1957-59=100)	98	105	109
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	666.5	659.3	615.6
Cash farm income, U. S. ¹ (annual rate, bil. of dol.) . .	46.0	46.3	47.4
EMPLOYMENT:			
Farm (millions)	3.5	3.5	3.4
Nonagricultural (millions)	71.0	70.7	69.1
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1957-59=100)	124.1	122.7	119.6
Nonagricultural banks (1957-59=100)	119.7	126.2	114.5
Time deposits:			
Agricultural banks (1957-59=100)	284.1	279.9	249.3
Nonagricultural banks (1957-59=100)	305.2	303.1	272.3
¹ Based on estimated monthly income.			

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