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# Agricultural Letter

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**SOYBEAN PRICES** are at the highest levels in five years. During September, farm prices for soybeans averaged \$2.66 per bushel compared to \$2.28 per bushel a year ago. The higher prices reflect an unprecedented increase in demand. Over 1.2 billion bushels of soybeans were utilized during the marketing year ended August 31, 1970. This was an increase of 30 percent over last year—the largest annual increase on record.

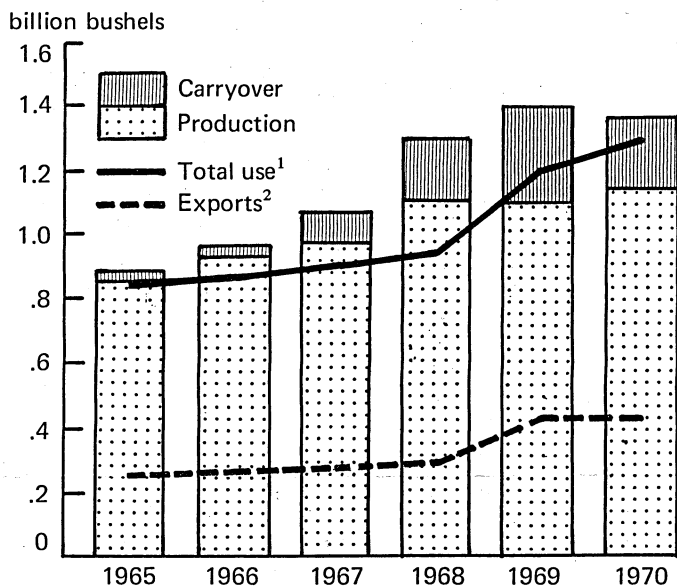
Expanding U. S. soybean production, coupled with increased foreign competition in the world market for fats and oils, resulted in carryover stocks of 324 million bushels as of September 1969. These stocks were the largest ever and more than double the previous year's level. In addition, there was another record large soybean crop in 1969. Combined increases in export and domestic demand in the ensuing marketing year, however, reversed the two-year old trend toward mounting surpluses and reduced carryover stocks to 229 million bushels at the beginning of the current marketing year.

## CURRENT SERIAL RECORDS

There was also a substantial increase in domestic demand—up more than a fifth from the previous season. Greater livestock feeding, smaller production of cottonseed and peanut oil, and the rising popularity of low-priced eating places specializing in fried foods boosted demand for soybean products.

**THE 1970 SOYBEAN CROP** is estimated at more than 1.13 billion bushels—2 percent larger than the 1969 crop. If usage in the 1970-71 marketing year continues at the same rate as last season, production again will fall short of needs, and carryover stocks could be reduced to the lowest level since September 1966. This tight demand-supply situation suggests soybean prices in the coming year will remain well above the \$2.25 per bushel loan rate. Futures contracts for soybeans are currently trading at over \$3.00 per bushel for 1971 delivery.

Increased Use Cuts Soybean Carryover



<sup>1</sup> 1970 estimated.  
<sup>2</sup> 1970 USDA forecast.

Several factors combined to boost soybean use in 1970. The government support rate was reduced from \$2.50 per bushel for number 2 grade beans to \$2.25 per bushel for number 1 grade beans. This made U. S. soybeans more competitive in world markets as prices averaged below year-ago levels during the first three quarters of the marketing year. Competitive pricing of U. S. soybeans coincided with a reduction in the availability of other oil and meal products—primarily sunflower seed oil and fishmeal.

Expanded livestock production in Japan and the European Common Market—the two most important foreign markets for U. S. soybeans—gave added impetus to export demand. As a result, exports increased 50 percent—from 287 to 429 million bushels, the highest level ever.

Higher prices for corn and soybean meal to be used as feed will likely temper domestic demand for soybeans in 1970-71. Livestock producers will probably economize on feed by marketing animals at lighter weights. Poultry producers—major users of soybean meal—have already curtailed operations in response to lower broiler prices and higher feed costs. Hog feeding, which increased sharply around mid-1970, will probably expand at a slower rate during the first half of 1971 and then drop below year-ago levels.

Foreign demand for U. S. soybeans in 1970-71 appears strong even though a partial recovery in world production of competitive oilseeds and fishmeal seems likely. The possibility of new trade barriers between the United States and the major importers of soybeans, however, clouds the outlook for exports. Legislation now in Congress is aimed at curbing the flow of foreign textiles, shoes, apparel, and numerous other goods into the United States. The largest suppliers of these items are Japan and the European Common Market countries—the same countries which account for 60 percent of U. S. soybean exports. These countries have already erected trade barriers to many U. S. exports, but soybeans have been allowed free or near duty-free entry. If the U. S. trade curbs are enacted, these countries may retaliate with new restrictions of their own. U. S. soybeans loom as a likely target.

The current bill pending in the U. S. Congress is an indication of the "protectionist" attitudes that have come to the fore in recent years in many economically advanced countries. U. S. farmers, because of their production efficiency, are among the groups benefiting most from free trade and consequently would be among those to suffer most from a new round of trade restrictions.

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Agricultural Economist

## FARM BUSINESS CONDITIONS

I T E M S	1970		1969
	August	July	August
<b>PRICES</b>			
Received by farmers, U. S. (1957-59=100) . . . . .	114	118	115
Paid by farmers, U. S. (1957-59=100) . . . . .	133	133	127
Parity price ratio (1910-14=100) . . . . .	71	74	75
Wholesale, all commodities (1957-59=100) . . . . .	117.2	117.7	113.4
Paid by consumers (1957-59=100) . . . . .	136.0	135.7	128.7
Wheat, No. 2 red winter, Chicago (dol. per bu.) . . . . .	1.52	1.45	1.27
Corn, No. 2 yellow, Chicago (dol. per bu.) . . . . .	1.46	1.38	1.30
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.74	.69	.63
Grain Sorghum, No. 2 yellow, Kansas City (dol. per cwt.) . . . . .	2.18	2.09	2.09
Soybeans, No. 1 yellow, Chicago (dol. per bu.) . . . . .	2.79	2.90	2.61
Hogs, barrows and gilts, Omaha (dol. per cwt.) . . . . .	22.75	25.02	26.84
Beef steers, choice grade, Chicago (dol. per cwt.) . . . . .	30.81	31.33	30.94
Milk, wholesale, U. S. (dol. per cwt.) . . . . .	5.59	5.45	5.34
Butterfat, U. S. (dol. per lb.) . . . . .	.71	.71	.69
Broilers, live, U. S. (dol. per lb.) . . . . .	.13	.14	.16
Eggs, U. S. (dol. per doz.) . . . . .	.33	.37	.36
Milk cows, U. S. (dol. per head) . . . . .	337	334	306
Farm labor, U. S. (dol. per week without board) . . . . .	--	81.75	--
Factory labor, U. S. (dol. earned per week) . . . . .	134.06 <sup>P</sup>	134.46 <sup>P</sup>	129.92
<b>PRODUCTION</b>			
Industrial, physical volume (1957-59=100) . . . . .	169.0 <sup>P</sup>	169.2	174.3
Farm marketings, physical volume (1957-59=100) . . . . .	123	122	122
<b>INCOME PAYMENTS</b>			
Total personal income, U. S. (annual rate, bil. dol.) . . . . .	807.4 <sup>P</sup>	803.3	758.5
Cash farm income, U. S. <sup>1</sup> (annual rate, bil. dol.) . . . . .	45.3	49.8	45.6
<b>EMPLOYMENT</b>			
Agricultural (millions) . . . . .	3.8	4.1	4.0
Nonagricultural (millions) . . . . .	76.1	76.2	75.7
<b>FINANCIAL (district member banks)</b>			
Demand deposits:			
Agricultural banks (1957-59=100) . . . . .	139.9	139.8	130.8
Nonagricultural banks (1957-59=100) . . . . .	129.4	130.0	125.0
Time deposits:			
Agricultural banks (1957-59=100) . . . . .	386.6	365.1	336.0
Nonagricultural banks (1957-59=100) . . . . .	335.7	330.2	309.5

<sup>1</sup> Based on estimated monthly income.

<sup>P</sup> Preliminary.

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