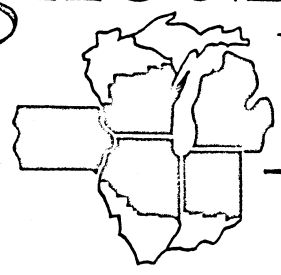
Federal Reserve Bank of Chicago - -

# Agricultural Letter



May 11, 1973

Number 1221

**THE SPRING PLANTING SEASON** is proving difficult for many Seventh District farmers. Inclement weather and short supplies of some major production items may limit the anticipated increase in planted acreage. The U. S. Department of Agriculture had attempted to induce farmers to expand soybean acreage 14 percent and corn acreage 11 percent through commodity program revisions. While at present it would appear difficult to achieve such an expansion, Midwest farmers can be unusually resourceful in overcoming obstacles.

Field work lags behind last year's pace throughout much of the district. In Illinois, approximately 45 percent of the corn and soybean ground has been plowed, compared with about 80 percent at this time in 1972. Only 30 percent of the Indiana ground has been plowed, compared to the normal 70 percent. Field work in Iowa is progressing more rapidly, with 55 percent of the corn and soybean ground plowed. However, in the past five years, Iowa farmers typically have plowed 89 percent of their ground by the same date. Michigan and Wisconsin farmers are also behind last year's pace in most areas.

Corn should be planted by May 10 to achieve optimum yields in a typical year. Normally, there will be a slight reduction in the yield of corn planted between May 11 and May 20. Further and more significant yield reductions occur after May 20. However, these general rules are based upon historical averages, whereas final yields in any given year depend on growing conditions throughout the season. For instance, last year the bulk of corn acreage in Illinois was planted in the latter half of May and record yields were registered.

**Some farm input shortages** also may limit crop acreage and prospective yields. According to rural Seventh District bankers who responded to a recent survey, the availability of new tractors is limited in a number of areas. Over 70 percent of the bankers reported that dealer inventories are short. Over one-half of these bankers characterized the shortages as substantial. Shortages seem most acute in Iowa and Illinois.

Fuel supplies, perhaps the most critical farm supply input at this time, have been generally adequate up to this point. Fuel producers, wholesalers, and retailers are attempting to keep fuel inventories at maximum capacity in the farm distribution system. Some shortages may occur as the season progresses, but this is not likely to be a major deterrent to getting crops planted in the district.

The longer-term outlook for fuel availability to agriculture during the summer and fall is less reassuring. Most major petroleum companies are on an allocation basis at the present time. The current allocation limits of 16 major oil companies range from 70 to 106 percent of last year's sales during the same period. Only one of the 16 companies is allocating more than was sold last year. The projected increase in plantings, even if only partly achieved, will require additional fuel supplies throughout the growing and harvesting season.

In view of the apparent overall shortage of fuel, the government is reportedly developing contingency plans to allocate fuel supplies if critical shortages develop. It is likely that the agricultural sector will be given high priority should allocation plans be implemented. However, the government will not step in until actual widespread shortages occur.

The supply of fertilizer is adequate in most areas throughout the Seventh District. Spot shortages are occurring, but these problems appear to be due more to transportation bottlenecks than an overall supply problem. Preplant fertilizer application is down in some areas due to wet field conditions, and this may have alleviated potential shortages. Farmers in a hurry to plant crops sometimes skip preplant applications with plans to sidedress at a later date. This may reduce yields since both corn and soybean plants need an adequate supply of phosphate and potash nutrients early in their growth cycle. The greatest need for nitrogen, the nutrient most used by corn, comes later and can be satisfied by sidedressing.

Chemical and seed supplies appear to be adequate for the spring planting season. There may be a limited shortage of a few chemical products, such as Furadan, but alternative products will be available in most cases. Virtually all certified soybean seed has been committed at this time. If farmers decide to switch corn acreage to soybeans, shortages could occur. Low germination rates of some soybean seed, due to last fall's extended wet harvest, will require increased planting rates and will accentuate any shortages that may occur.

The possibilities for a successful spring planting season in the Seventh District are mixed, if not severaly limited, at this time. Only a general clearing of skies in present moisture-soaked areas, and several consecutive days of sunshine, will allow farmers to plant the number of acres of corn they intended. Even then, corn yields would be subject to declines from last year's record levels mainly due to lateness of planting and the excessive moisture condition of the soil. Soybean acreage will likely be expanded beyond previous intentions if corn cannot be planted. Available supplies of soybean seed will be the limiting factor.

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