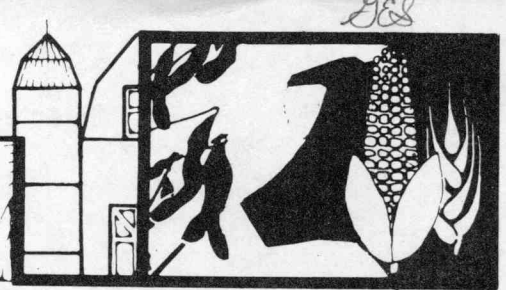


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# LETTER

**CROP PRICE PROSPECTS** received further clarification in the form of three recent USDA reports. The *Grain Stocks* report provided an estimate of the June 1 corn stocks that was lower than expected, although at a record high for that date. The implication is that domestic utilization of corn for livestock feeding this spring was well above the rate earlier projected. Evidence of faster domestic utilization was also suggested by the recent *Hogs and Pigs* report which indicated that U.S. farmers have expanded hog production to a greater degree than previously thought. The *Crop Production* report provided initial estimates of planted and harvested acreage of some 19 major crops. In essence, the report showed more of a cutback in soybean acreage and a slightly smaller cutback in 1983 corn acreage than had been indicated in an April survey of farmers' planting intentions.

The *Grain Stocks* report is particularly useful in providing quarterly benchmarks of domestic utilization of corn and other grains. For corn, the latest report suggested that domestic utilization in the first eight months of the 1982/83 marketing year was up 10 percent from the year-earlier pace. The increase was particularly encouraging since exports have been down 8 percent so far this year.

Indications of faster domestic utilization square with other evidence that the upturn in hog production came sooner, and with more intensity, than expected. After lagging year-earlier levels since late 1980, hog slaughter in the second quarter rose 4 percent above the year-earlier level. Moreover, the latest *Hogs and Pigs* report foreshadows a roughly 12 percent rise in second-half slaughter, with continued large gains in the first half of next year. These measures contributed to upward revisions in the estimates of domestic utilization for corn for both the 1982/83 and the 1983/84 corn marketing years.

**1983 crop acreage estimates** were further refined in the June 29 issue of *Crop Production*. For corn, the report indicated that farmers would plant 60.1 million acres this year. That is up from the 58.8 million acres that had been indicated in an April survey of farmers planting

intentions but down 27 percent from last year and the lowest since records on corn acreage began a century ago. Some 52.5 million of the corn acres are expected to be harvested for grain, down 28 percent from last year. The estimate of soybean plantings was lowered to 63.3 million acres, down 4 percent from the figure reported as farmers' planting intentions in April, and down 12 percent from last year. Some 98 percent of the soybean acreage will likely be harvested as beans, the same proportion as in recent years.

Revised indications of planted corn and soybean acreage in District states were similar to the overall trend. Corn acreage in the five District states is now expected to be down 30 percent from last year, paced by a 34 percent decline in Iowa. Soybean plantings are expected to be off 8 percent in District states this year, with declines of 13 to 15 percent in Indiana, Michigan, and Wisconsin.

In a broader perspective, the report indicated that the harvested acreage of 19 principal crops this year would fall to 294.5 million acres. That would be nearly 60 million acres—or 17 percent—fewer than harvested last year. The decline is one measure of the success of PIK and other programs for removing acreage from production this year.

**Corn and soybean prices** edged higher following these reports. The soybean acreage estimate implies reasonably good prospects that the burdensome carryover stocks of soybeans can be trimmed considerably by the end of the 1983/84 marketing year. For corn, indications of faster domestic utilization at least partially offset the negative implications of a smaller cut in this year's acreage. More importantly, the evidence of faster domestic utilization rekindled concerns about the tight availability of "free market" supplies. (Although abundant, a substantial portion of the existing corn stocks are isolated from free market supplies through the grain reserve, CCC ownership, or PIK assignments.) As a result, prices of old crop corn have risen strongly, greatly increasing the likelihood that the reserve release price of \$3.15 a bushel will be reached.

Gary L. Benjamin

## Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
<b>Index of prices received by farmers</b>	1977=100	June	134	- 2.2	- 3
Crops	1977=100	June	126	- 2.3	+ 1
Livestock	1977=100	June	142	- 1.4	- 5
<b>Index of prices paid by farmers</b>	1977=100	June	160	0	+ 3
Production items	1977=100	June	154	0	+ 2
<b>Producer price index* (finished goods)</b>	1967=100	May	284	+ 0.5	+ 2
Foods	1967=100	May	263	- 0.1	0
Processed foods and feeds	1967=100	May	256	0	+ 1
Agricultural chemicals	1967=100	May	283	- 0.3	- 4
Agricultural machinery and equipment	1967=100	May	326	+ 0.4	+ 6
<b>Consumer price index** (all items)</b>	1967=100	May	297	+ 0.5	+ 4
Food at home	1967=100	May	284	+ 0.1	+ 1
<b>Cash prices received by farmers</b>					
Corn	dol. per bu.	June	3.08	+ 1.7	+20
Soybeans	dol. per bu.	June	5.83	- 3.6	- 5
Wheat	dol. per bu.	June	3.48	- 7.7	+ 3
Sorghum	dol. per cwt.	June	5.04	- 0.2	+21
Oats	dol. per bu.	June	1.48	- 3.9	-21
Steers and heifers	dol. per cwt.	June	62.60	- 1.4	- 5
Hogs	dol. per cwt.	June	44.50	- 3.1	-23
Milk, all sold to plants	dol. per cwt.	June	13.20	- 0.8	0
Broilers	cents per lb.	June	28.3	+ 8.4	- 2
Eggs	cents per doz.	June	66.1	- 2.8	+15
<b>Income (seasonally adjusted annual rate)</b>					
Cash receipts from farm marketings	bil. dol.	1st Quarter	140	- 2.7	- 3
Net farm income	bil. dol.	1st Quarter	19	-23.2	- 7
Nonagricultural personal income	bil. dol.	May	2,658	+ 1.2	+ 6

\*Formerly called wholesale price index.

\*\*For all urban consumers.

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