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Agricultural Letter

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FEED GRAIN PRODUCTION forecasts were raised significantly last week, while that for soybeans, at 1.25 billion bushels, was virtually unchanged from a month ago. The U.S. Department of Agriculture now forecasts the 1976 corn harvest will reach 6.06 billion bushels, based on conditions as of November 1. The latest corn forecast is 3 percent above the previous month and exceeds last year's record harvest by 5 percent. The rise in the corn estimate and a 2 percent upward revision in the sorghum forecast pushed the total prospective feed grain harvest up to 208 million tons, 2.6 percent above the year-earlier level and equal to the record established in 1971.

The marked upward revision in the prospective corn harvest, coupled with a recent estimate of old-crop carryover, suggests total corn supplies for the 1976/77 marketing year will equal 6.46 billion bushels. A supply of this magnitude would exceed that of the 1975/76 marketing year by more than 5 percent and be second only to the 1972/73 record of 6.70 billion bushels. Supplies of all feed grains are now expected to exceed the year-earlier level by nearly 3.5 percent.

In conjunction with the upward revision in prospective corn supplies, and the implications of lower-than-previously anticipated prices, the USDA has also boosted its 1976/77 projection of corn utilized for domestic feed by 50 million bushels to 3.8 billion bushels. The higher level reflects a 7 percent rise from the 1975/76 marketing year and a potential three-year high. The 1976/77 corn export projection remains unchanged at 1.6 billion bushels, down 6.5 percent from last year's record. These utilization rates imply that carryover stocks of corn a year from now might approximate 578 million bushels, up from last year's carryover of 399 million bushels and possibly the highest since the end of the 1972/73 marketing year.

Although 1976/77 soybean supply prospects remain virtually unchanged at 1.50 billion bushels—down 12 percent from last year—forecasted utilization rates have been raised. The USDA's export projections for the 1976/77 marketing year are now pegged at 540 million bushels (only 15 million bushels below last year's record) while domestic crush is forecast at 790 million bushels (76 million under the 1975/76 level). These projections suggest ending carryover stocks of soybeans might fall to 85 million bushels at the end of the current marketing year, sharply below the levels of recent years and closely approximating the 1972/73 low.

Although corn and feed grains represented the only significant revisions in the latest production forecasts, the pricing implications will spread to

1976 corn and soybean production forecasts

	Corn			Soybeans		
	Bushels per acre	Production Million bushels	Percent change	Bushels per acre	Production Million bushels	Percent change
Illinois	105	1,218	- 2.0	32	242	-17.1
Indiana	109	681	23.5	33	108	- 9.6
Iowa	89	1,135	3.9	31	203	-14.2
Michigan	69	138	- 9.7	21	12	-25.1
Wisconsin	66	152	-23.5	18	3	-42.7
United States	85.5	6,063	5.1	25.3	1,252	-17.7

wheat and also soybeans. Earlier expectations were that the low wheat prices that have resulted from this year's record supplies would find support when the corn/wheat price ratio encouraged livestock producers to feed wheat. The upward revision in corn production suggests that support will likely be at a lower level than previously anticipated. Similarly, the corn/soybean meal price relationship, all other things equal, will likely be lower than previously expected, suggesting livestock producers may be encouraged to substitute corn for soybean meal in their livestock rations. Part of this impact on soybean prices, however, may be negated if the current problems with the USSR's sunflower harvest trigger additional imports of soybeans and products.

Corn prices recently fell to a three-year low, largely because of the rapid completion of the record harvest and less-than-expected domestic utilization during the summer months. A post-harvest recovery of at least modest proportions appears likely this year. During the 1975/76 marketing year Chicago corn prices averaged \$2.59 per bushel in the November-December period and then rose to an average of only \$2.67 per bushel in the January-March period. In light of the continuing expansion in pork and poultry production, a larger post-harvest price recovery is expected this year. Subsequent price trends will hinge largely on worldwide weather conditions for the 1977 planting and growing season. But in light of the current supply/demand prospects, and barring widespread adverse weather conditions next year, it appears the 1976/77 season average price of corn at Chicago will fall short of last year's \$2.75 per bushel average.

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AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	October	178	- 4.8	- 9
Crops	1967=100	October	195	- 4.4	- 4
Livestock	1967=100	October	165	- 4.1	- 13
Paid by farmers	1967=100	October	190	- 0.5	+ 6
Production items	1967=100	October	195	- 1.0	+ 5
Wholesale price index (all commodities)	1967=100	October	185	+ 0.3	+ 4
Foods	1967=100	October	177	- 0.7	- 6
Processed foods and feeds	1967=100	October	175	- 1.2	- 6
Agricultural chemicals	1967=100	October	186	- 0.2	- 7
Agricultural machinery and equipment	1967=100	October	186	+ 0.3	+ 9
Consumer price index (all items)	1967=100	October	173	+ 0.4	+ 6
Food at home	1967=100	October	182	- 0.4	+ 2
CASH PRICES					
Corn	dol. per bu.	October	2.33	- 10.4	- 11
Soybeans	dol. per bu.	October	5.90	- 11.3	+ 20
Wheat	dol. per bu.	October	2.59	- 10.1	- 36
Sorghum	dol. per cwt.	October	3.68	- 12.4	- 17
Oats	dol. per bu.	October	1.46	- 2.0	+ 4
Steers and heifers	dol. per cwt.	October	34.50	- 1.7	- 9
Hogs	dol. per cwt.	October	32.90	- 17.1	- 44
Milk, all sold to plants	dol. per cwt.	October	10.00	+ 1.3	+ 3
Broilers	cents per lb.	October	20.9	+ 9.5	- 27
Eggs	cents per doz.	October	60.8	- 2.1	+ 15
INCOME (seasonally adjusted annual rate)					
Cash receipts from farm marketings	bil. dol.	2nd Quarter	102	+ 11.7	+ 11
Net realized farm income	bil. dol.	2nd Quarter	30	+ 44.0	+ 27
Nonagricultural personal income	bil. dol.	September	1,361	+ 1.5	+ 10
FARM FINANCE					
Total deposits at agricultural banks¹	1972-73=100	October	160	+ 2.1	+ 12
Time deposits	1972-73=100	October	186	+ 2.3	+ 19
Demand deposits	1972-73=100	October	128	+ 2.6	+ 3
Total loans at agricultural banks¹	1972-73=100	October	177	+ 2.0	+ 19
Production credit associations					
loans outstanding:					
United States	mil. dol.	September	12,321	0	+ 15
Seventh District states	mil. dol.	September	2,215	- 15.1	+ 19
loans made:					
United States	mil. dol.	September	1,169	- 0.8	+ 10
Seventh District states	mil. dol.	September	228	+ 5.3	+ 11
Federal land banks					
loans outstanding:					
United States	mil. dol.	September	17,982	+ 10.0	+ 16
Seventh District states	mil. dol.	September	3,411	+ 1.1	+ 20
new money loaned:					
United States	mil. dol.	September	255	- 0.3	+ 3
Seventh District states	mil. dol.	September	53	- 3.6	+ 9
Interest rates					
Feeder cattle loans ²	percent	3rd Quarter	8.78	+ 0.1	0
Farm real estate loans ²	percent	3rd Quarter	8.96	+ 0.1	0
Three-month Treasury bills	percent	10/28-11/3	4.87	- 0.4	- 12
Federal funds rate	percent	10/28-11/3	5.06	+ 1.4	- 2
Government bonds (long-term)	percent	11/1-11/5	7.71	- 0.5	- 6
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	August	1,760	- 2.2	+ 10
Agricultural imports	mil. dol.	August	932	- 2.7	+ 35
FARM MACHINERY SALES					
Farm tractors	units	September	8,776	+ 48.1	- 17
Combines	units	September	3,124	+ 68.1	- 14
Balers	units	September	1,964	- 43.2	- 23

¹ Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

² Average of rates reported by district agricultural banks.