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Agricultural Letter



Number 553

WET CORN provides a real dilemma to many Corn Belt farmers. While less of a problem than thought earlier, cloudy and extremely damp weather has kept much corn from drying normally during the winter months. For farmers who plan to take the Government loan on their corn, the moisture content is especially important. On April 1, the maximum moisture content acceptable to the Commodity Credit Corporation for ear corn stored on the farm was reduced from 19.5 per cent to 18 per cent and on May 1 will be reduced to 16 per cent. The deadline for obtaining CCC loans on 1959 crop corn is May 31.

Though farmers are affected in many areas of the Corn Belt, the problem is probably most serious in Iowa, Minnesota and Nebraska.

Prices of corn and, to a limited extent, other feed grains have been influenced by the large volume of wet corn in the Midwest. The average prices received by farmers on March 15 in Minnesota and Iowa were 13 and 16 cents per bushel below a year ago, respectively; whereas in Indiana and Illinois prices were down only 4 cents.

Average prices received for corn by farmers on March 15

	1960	1959	Change
Illinois	\$1.04	\$1.08	-.04
Indiana	1.04	1.08	-.04
Iowa . . . . .	.84	1.00	-.16
Michigan	1.04	1.09	-.05
Minnesota . . . . .	.77	.90	-.13
Wisconsin . . . . .	.95	1.10	-.15
U. S.	1.00	1.06	-.06

The advent of warmer temperatures means that high-moisture corn must be dried or fed to livestock if the risk of spoilage is to be avoided. The simplest solution is to sell on the open market with a discount for excess moisture. The typical discount is 2 cents for each 1 per cent moisture above 15.5 per cent (the maximum for No. 2 yellow corn) and 3 cents for each 1 per cent above 20. However, in terms of dry matter content the discount is smaller because payment is made on total weight which includes the excess moisture in the grain.

Drying can be quite costly. Custom rates for drying vary, the usual rate being 1 cent for each per cent of moisture removed. In some areas there is a minimum charge of 5 cents per bushel. Drying corn with a low moisture content is often unprofitable because the relatively small price discount is not large enough to pay for the cost of drying.

However, if the moisture content is high, drying and storage under Government loan may offer a higher return than current sale at discounted prices. For example, assuming a Government price support of \$1.06 per

bushel, and allowing for the cost of drying at 1 cent for each per cent of moisture, 1,000 bushels of corn having 25 per cent moisture would be worth \$810 "sealed" (dried to 13 per cent, considered safe for storage of shelled corn). This same corn sold on the open market would bring \$760, assuming the market price for corn to be \$1.00 per bushel for No. 2 corn minus 24 cents for excess moisture. This would be a return of \$50 for drying and putting under Government loan. The net return, however, would be somewhat smaller since the costs of transportation, handling and storage necessary to qualify for the CCC loan must be deducted. If the market price were higher, or discounts smaller, the return to drying would be reduced.

Alternative Methods of Marketing
1,000 Bushels of High-moisture Corn

Present moisture (per cent)	Equivalent bushels of dry corn 1/	Value if dried and "sealed" 2/	Market price for corn 3/	Value of "wet" corn	Return above open market sale if dried and "sealed"
20	920	\$911	\$0.91	\$910	\$ 1
21	908	890	.88	880	10
22	897	870	.85	850	20
23	885	850	.82	820	30
24	874	830	.79	790	40
25	862	810	.76	760	50

1/ Dried to 13 per cent.

2/ If sealed under Government loan of \$1.06 per bushel less assumed drying cost of 1 cent for each per cent of moisture above 13.

3/ Assuming price for No. 2 yellow corn is \$1.00 per bushel, less discount of 2 cents for each 1 per cent above 15.5 per cent moisture and 3 cents for each 1 per cent above 20.

What the weather does in the next few weeks will likely determine what farmers will do with their corn. Cool, dry weather may be a temptation to wait and hope the corn dries naturally before the May 31 loan deadline. A warm, damp April could force a rapid decision before spoilage takes place.

Research Department

NOTE: In Agricultural Letter No. 549 on March 11, cash receipts from marketings in 1959 should have been \$1,983 million for Illinois, \$1,028 million for Indiana and \$1,059 million for Wisconsin. Realized net income per farm for the U. S. in 1959 should have been \$2,364.

FARM BUSINESS CONDITIONS

February 1960, with comparisons

I T E M S	1960		1959
	February	January	February
PRICES:			
Received by farmers (1947 - 49 = 100)	86	85	90
Paid by farmers (1947 - 49 = 100)	120	120	119
Parity price ratio (1910 - 14 = 100)	78	77	82
Wholesale, all commodities (1947 - 49 = 100)	119	119	120
Paid by consumers (1947 - 49 = 100)	126	125	124
Wheat, No. 2 red winter, Chicago (dol. per bu.)	-	2.04	2.02
Corn, No. 2 yellow, Chicago (dol. per bu.)	-	1.17	1.19
Oats, No. 2 white, Chicago (dol. per bu.)	-	.80	.69
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	-	2.18	2.23
Hogs, barrows and gilts, Chicago (dol. per cwt.)	13.53	12.52	15.62
Beef steers, choice grade, Chicago (dol. per cwt.)	26.69	26.42	27.85
Milk, wholesale, U.S. (dol. per cwt.)	4.27	4.36	4.22
Butterfat, local markets, U.S. (dol. per lb.) . . . . .	.59	.60	.58
Chickens, local markets, U.S. (dol. per lb.) . . . . .	.17	.16	.17
Eggs, local markets, U.S. (dol. per doz.) . . . . .	.29	.30	.36
Milk cows, U.S. (dol. per head)	223	219	232
Farm labor, U.S. (dol. per week without board)	-	46.25	45.00 ^a
Factory labor, U.S. (dol. earned per week)	90.97	92.29	88.00
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	167	169	154
Farm marketings, physical volume (1947 - 49 = 100)	100	131	103
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.)	393	393	371
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	-	33	35
EMPLOYMENT:			
Farm (millions)	4.6	4.6	4.7
Nonagricultural (millions)	59.9	59.4	58.0
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	100.9	102.2	108.8
Nonagricultural banks (1955 monthly average = 100)	101.6	104.4	104.5
Time deposits:			
Agricultural banks (1955 monthly average = 100)	129.6	130.0	125.4
Nonagricultural banks (1955 monthly average = 100)	126.2	125.7	122.9
¹ Based on estimated monthly income.			
^a January			

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