Federal Reserve Bank of Chicago - -

Agricultural Letter

July 30, 1965

Number 815

THE OMNIBUS FARM BILL is moving slowly through the legislative mill. It was recently reported as being out of the House Agriculture Committee and is expected to come to a House vote in early August. The bill in its present form provides for the extension of current agricultural programs with, for the most part, only modest changes. However, some changes would be made if the bill is passed in its present form.

The current acreage and allotment programs would be supplemented with an additional program that would remove an estimated 40 million acres of cropland from production by 1970. Contracts to reduce acreage would run from 5-10 years and could be entered until 1969. Payment would be determined by the Secretary of Agriculture and could be made in a lump-sum covering the entire life of the contract. Additional payments could be made to those farmers providing public access to the land for recreational purposes (hunting, fishing, etc.). Whole farms would be eligible for retirement from production but this would be limited in any given area to minimize adverse effects on the local economy. To participate, the entire acreage of at least one surplus crop would have to be idled and a farmer must have owned his farm for at least five years—unless the farm was acquired by inheritance or purchased from a farmer already in the program.

For dairy, a base plan is proposed for dairy farmers in the 75 Federal milk order markets. Subject to referendum, farmers who want to reduce their milk production could do so without reducing their Class I base. Each producer in a milk order area would be assigned a fluid milk base which would enable him to receive a higher price for milk in fluid form on a specified quantity of production in lieu of a blended price on total production.

For feed grains, much the same program as is presently available to farmers would be continued through 1969, except that the Secretary of Agriculture could authorize planting of soybeans on feed grain base acreage (not idled acreage). The price-support level would be maintained at 65-90 per cent of parity for corn (with comparable levels for grain sorghum, barley, oats and rye), providing a basis for support prices near the levels of recent years. Program participants would continue to receive payments. As in the past few years, payments would be based on a percentage of price-support rates, on per acre yields and on acreage diverted.

If new legislation for feed grains is not enacted, there will be no restrictions on feed grain production in 1966. Government price supports would continue to be provided but these could be as low as 50 per cent of parity (about $.80 per bushel on corn compared with the loan rate of $1.05 plus the compensatory payment of $.20 this year). The payments farmers receive for acreage diverted from feed grain production under the present program would also be discontinued unless extended by new legislation.

For wheat, a program similar to that presently in effect is proposed for the next four years. The major change from the current program is the provision for the price support of wheat for domestic use at or near 100 per cent of parity or about $2.50 per bushel. This increase would be accomplished by upping the value of domestic marketing certificates (from $.75 per bushel this year to about $1.25) which are issued to participating farmers for production alloted for domestic use. Export marketing certificates, presently valued at $.30 per bushel, would be eliminated.

In the absence of any new wheat legislation, a referendum on a program—similar to that proposed for the 1964 crop in early 1963—would be held following the adjournment of Congress. That program provided a choice between (1) mandatory reduction in wheat acreage and a limit on the number of bushels of wheat that could be sold at the Government support price and (2) essentially the "free" market. At least two-thirds of those voting in a referendum would need to approve alternative (1) if it were to be put into effect for the 1966 crop. In the absence of such approval, an essentially free market would prevail. In the 1963 referendum, the proposal was not approved but subsequent legislation was adopted.

The bill also includes provisions affecting cotton, wool, tobacco and peanuts. Cotton would come under a program similar to the acreage diversion programs for feed grains and wheat. The National Wool Act would be continued through 1969 with a minimum price support at 77 per cent of parity.

Land values in the Seventh Federal Reserve District continued to make gains from a year earlier although there were signs of weakness in some areas of the Lake States during the second quarter. The average value per acre of "good" farmland in the District rose about 1 per cent during the April through June period and as of midyear was 5 per cent higher than a year ago, according to a recent survey of country bankers (see back of Letter).

The consensus of country bankers continued to point to an upward trend in land values or at least a maintenance of recent advances in the months ahead. Over half of the responding bankers projected a continued rise in farm real estate prices in the coming months while nearly all of the remaining foresaw stable prices.

Roby L. Sloan
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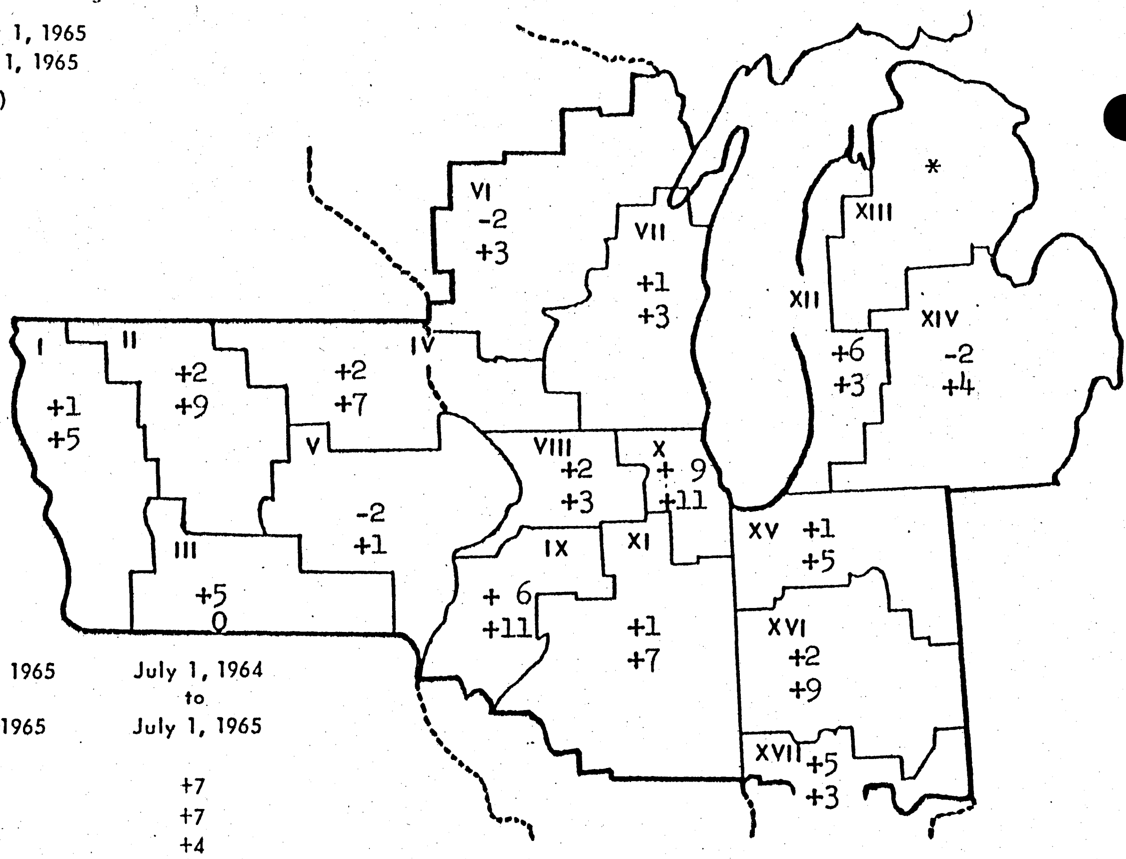
Per cent change in dollar value per acre of "good" farms

TOP: April 1, 1965 to July 1, 1965
BOTTOM: July 1, 1964 to July 1, 1965

(based on reports of identical banks)



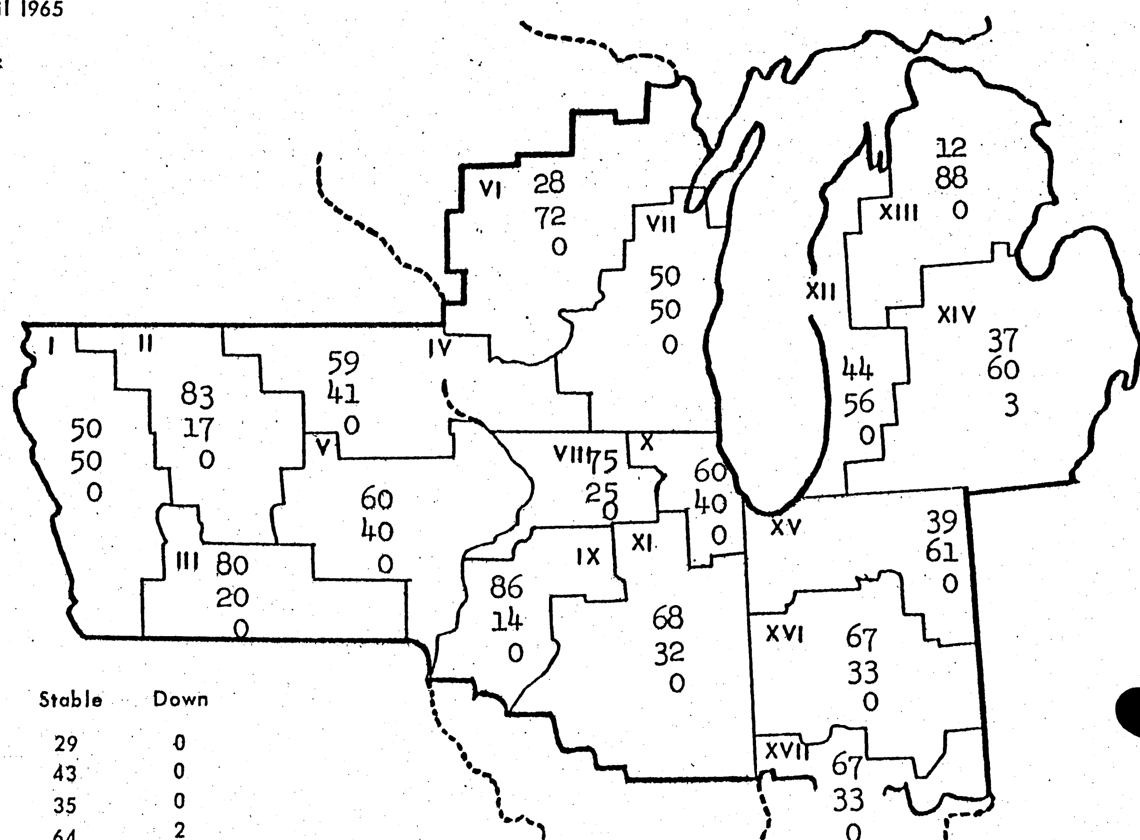
	April 1, 1965 to July 1, 1965	July 1, 1964 to July 1, 1965
Illinois	+3	+7
Indiana	+2	+7
Iowa	+1	+4
Michigan	−1	+2
Wisconsin	0	+3
SEVENTH DISTRICT	+1	+5

*Insufficient number of banks reporting.

Current trend in farm land values based on opinions of country banks as reported in April 1965

Per cent of banks reporting trend is:

TOP: Up
CENTER: Stable
BOTTOM: Down



	Up	Stable	Down
Illinois	71	29	0
Indiana	57	43	0
Iowa	65	35	0
Michigan	34	64	2
Wisconsin	40	60	0
SEVENTH DISTRICT	58	42	0