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Federal Reserve Bank of Chicago - -

March 31, 1967

CROP ACREAGE in the nation this year will show a rather sizable increase from last year's level if farmers carry out their March 1 planting intentions, as reported to the U. S. Department of Agriculture. Present indications point to an 18 million acre increase from the 298 million planted last year and would be the largest acreage planted since 1960. Although the indicated increase in acreage is sizable, many observers had expected an even larger expansion in response to changes in the Government's feed grain and wheat programs. Farmer's current plans, of course, are tentative and may be revised in response to weather, prices and the host of other things that affect last minute planting decisions.

Acreage of Selected Crops

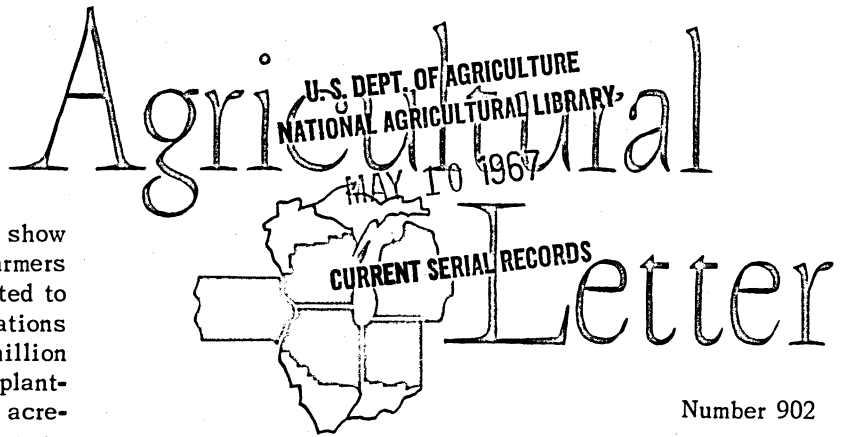
	Actual 1966 (million acres)	Indicated 1967*	Change (percent)
Corn	66.3	70.6	7
Soybeans	37.4	40.6	9
Oats	23.2	21.2	- 9
Barley	11.2	10.2	- 9
Sorghums	16.3	18.3	12
Hay	65.2	63.9	- 2
Spring wheat	11.6	13.8	19
Cotton	10.4	9.9	- 4
<u>Total acreage</u>	<u>298</u>	<u>316</u>	<u>6</u>

*Planting intentions as of March 1.

Feed grains are expected to total about 120 million acres—more than 3 million above last year's level but well below that desired by the USDA to permit some rebuilding of grain stocks. A number of changes in the Government's 1967 feed grain program have been made to promote expanded output in 1967; the proportion of land that could be diverted from production has been reduced and payments on retired acreage are eliminated for the larger farms. These actions were expected to increase the plantings of corn and grain sorghum by some 12 to 15 million acres. However, it now appears that the increases will not be this large.

Planting intentions point to declines of 9 percent for both oats and barley but expanded plantings of corn and sorghums are expected to more than offset these declines.

Corn acreage is expected to be increased about 7 percent to 70.6 million acres—the largest acreage planted to corn since 1960, the year preceding the start of the current feed grain program. Projected production on this acreage, assuming normal weather conditions, would total about 4.6 billion bushels. Although this output, if achieved, would be 13 percent larger than the record 1966 crop, it would be only slightly larger than the total utilization of about 4.5 billion bushels expected during the current year and would be well under the 5 billion bushel target the USDA had set for 1967 production.



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Relatively favorable prices between now and planting could encourage larger acreages. Corn prices are currently averaging about 10 cents per bushel above the year-ago level. Also, further changes in the Government's feed grain program could be made to encourage a larger acreage if it were deemed necessary.

Soybean acreage is expected to increase to a record 40.6 million acres—up 9 percent from the 37.4 planted in 1966. This would be the seventh consecutive year that a record acreage was seeded. Increases in acreage are expected for nearly all of the major producing areas. The largest anticipated increases in soybean acreage continue to be centered in the South. In the Midwest—where more than two-thirds of the nation's crop is produced—all states, except Illinois (the leading state), are expected to show increases.

Expansion in Corn and Soybean Acreage Planned by Farmers as of Early March

	Change, 1966 to 1967 (percent)			
	Corn	Soybeans	Oats	Hay
Illinois	4	-	-18	- 4
Indiana	7	4	-21	-10
Iowa	12	10	- 9	- 9
Michigan	3	10	-19	- 3
Wisconsin	6	12	- 2	1

About 39.7 million acres of soybean would be harvested if farmers follow through on present plans, according to the USDA estimates. This could result in the first billion-bushel soybean crop—up from 931 million bushels last year.

The continuing challenge to farmers, and to public officials who formulate and administer farm programs, is to adjust the amount of resources used in agricultural production to the amounts which will provide the output required by consumers. Achieving a desirable balance is not easy. In past years the imbalance was clearly on the side of excess supplies of farm products while more recently increased demand and restricted production have sharply reduced available supplies of many farm commodities to relatively low levels. The outcome of the indicated expansion in acreage during 1967, of course, will remain uncertain until the growing season is well advanced.

Roby L. Sloan
Agricultural Economist

FARM BUSINESS CONDITIONS

ANNUAL SUMMARY

Items	Calendar Years					
	1940	1950	1955	1960	1965	1966
PRICES:						
Prices received by farmers (1957-59=100)	42	107	96	98	102	110
Paid by farmers (1957-59=100)	42	88	94	102	110	114
Parity price ratio (1910-14=100)	81	101	84	80	77	80
Wholesale, all commodities (1957-59=100)	43	87	93	101	103	106
Paid by consumers (1957-59=100)	49	84	93	103	110	113
Wheat, No. 2 red winter, Chicago ... (dol. per bu.)	0.95	2.22	2.12	1.99	1.55	1.76
Corn, No. 2 yellow, Chicago ... (dol. per bu.)	0.63	1.50	1.41	1.16	1.30	1.37
Oats, No. 2 white, Chicago ... (dol. per bu.)	0.39	0.85	0.73	0.73	0.74	0.77
Soybeans, No. 1 yellow, Chicago ... (dol. per bu.)	0.95	2.74	2.50	2.17	2.83	3.12
Hogs, barrows and gilts, Chicago ... (dol. per cwt.)	5.80	18.39	15.16	16.05	21.53	23.66
Beef steers, choice grade, Chicago ... (dol. per cwt.)	11.86	29.68	23.16	26.24	26.19	26.29
Milk, wholesale, U. S. ... (dol. per cwt.)	1.82	3.95	4.04	4.21	4.25	4.82
Butterfat, local market, U. S. ... (dol. per lb.)	0.28	0.62	0.58	0.60	0.60	0.66
Chickens, local markets, U. S. ... (dol. per lb.)	0.14	0.25	0.24	0.16	0.14	0.15
Eggs, local markets, U. S. ... (dol. per doz.)	0.18	0.37	0.40	0.36	0.33	0.39
Milk cows, U. S. ... (dol. per head)	61	198	146	223	211	245
Farm labor, U. S., without board ² ... (dol. per wk.)	27.50	31.00	38.00	45.75	51.50	55.75
Factory labor, U. S. ... (dol. earned per wk.) ...	24.96	58.32	75.70	89.72	107.27	112.17
PRODUCTION:						
Industrial (1957-59=100)	44	75	97	109	143	156
Farm marketings ³ (1957-59=100)	64	83	96	107	119	120
INCOME:						
Total personal (bil. of dol.)	79	229	310	401	531	580
Farm:						
Cash receipts from marketings ... (bil. of dol.)	8.4	28.5	29.9	34.0	39.2	42.9
Farm operators' net, total (bil. of dol.)	4.6	14.0	11.8	12.0	15.2	16.1
Farm operators' net, per farm ... (dol.)	720	2,479	2,529	3,044	4,493	4,955
Farmer's income, per capita, from all sources (dollars)	250	884	960	1,255	1,563	1,731
EMPLOYMENT:						
Farm (mil.)	9.5	7.5	6.7	5.7	4.4	4.0
Nonagricultural (mil.)	37.9	52.5	56.2	61.0	66.7	68.9
FINANCIAL (District Member Banks):						
Demand deposits:						
Agricultural banks (1957-59 mo. avg.=100)	---	---	96	97	116	122
Nonagricultural banks (1957-59 mo. avg.=100)	---	---	98	101	113	117
Time deposits:						
Agricultural banks (1957-59 mo. avg.=100)	---	---	84	112	202	230
Nonagricultural banks (1957-59 mo. avg.=100)	---	---	85	110	222	246

¹Preliminary estimates.

²Estimates based on monthly wage rates for years prior to 1948.

³Revised series.

⁴Revised series.