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Federal Reserve Bank of Chicago - -

October 18, 1968

THE 1968 CROP PRODUCTION forecast has been trimmed back by the USDA's Crop Reporting Board. The downward revision, reported October 10, was prompted in part by dry weather in most Atlantic states, which lowered prospective yields for late seeded fields. Although the "all crops" production index fell 1 point in September, the index is still at a record high—3 percent above the record set last year.

Although prospects declined for corn and soybeans, the two principal field crops in the Seventh Federal Reserve District, bumper harvests are still expected. At 4.6 billion bushels; the October forecast for corn was 1 percent less than in September and 3 percent less than the final tally last year. Illinois, however, was the only state in the district with a reduced yield estimate. Although the estimate for Illinois, at 100 bushels per acre, was down 3 bushels per acre, the state still holds the record yield for corn. According to the forecast, Illinois alone will account for a fifth of the corn produced in the United States. The five states of the district will produce nearly three-fifths of the U. S. crop.

Soybeans, the second largest cash crop in the district, are also in abundant supply. Estimated soybean production was reduced 1 percent from last month's prediction—primarily because of unfavorable weather in the Atlantic states. But at 1,066 million bushels, the October 1 forecast is still 10 percent greater than the record outpouring a year ago. Prospects for district states continued good, rainfall being favorable and with the first frost having come October 4. On October 1, the harvest was about a fourth complete in Illinois, the nation's leading producer, and a tenth complete in Indiana and Iowa.

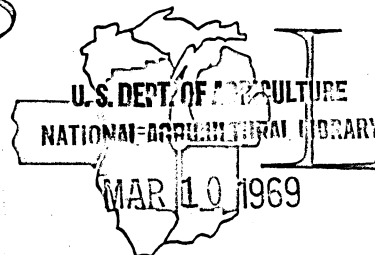
Prices of both corn and soybeans have, of course, been depressed not only by prospects for bumper crops but also by the huge carryover from last year. The carryover of corn is estimated at 1.2 billion bushels—nearly 45 percent more than a year ago. At a record 167 million bushels, the carryover of soybeans is 80 percent more than last year.

The rapidly approaching harvest finds many farmers still holding large amounts of corn from previous years. Stocks of old crop corn on farms is estimated at 765 million bushels—a third more than a year ago. Almost half this stock is on farms in states of the Seventh District. Iowa farmers alone hold a third of the stock—260 million bushels.

Soybean stocks on farms are also up sharply. An estimated 61 million bushels of soybeans were held in farm storage on September 1—46 percent more than in September a year ago. Again, Iowa producers accounted for the largest share—more than two-fifths of the national total.

Because of sharply lower market prices resulting from bumper crops last year, corn and soybean producers relied

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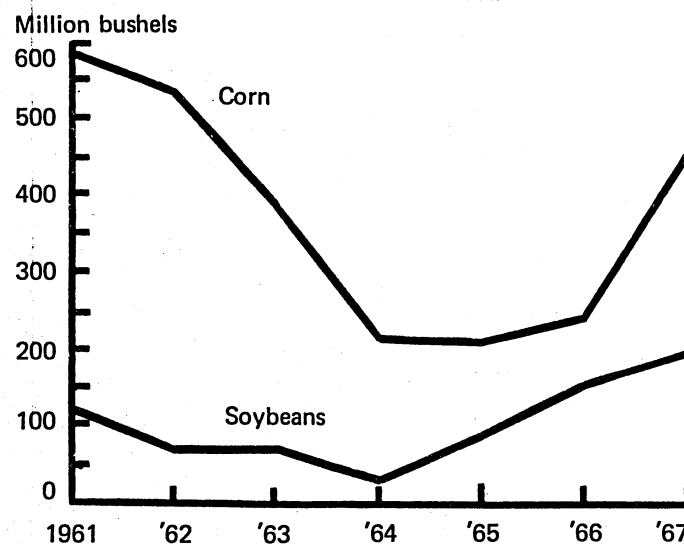


CURRENT CROP RECORDS

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heavily on the government loan program. With another year of record supplies in the offing and market prices expected to drop even further below loan rates, producers will probably place even greater proportions of the current crop under loan.

Greater Amounts of Corn and Soybeans Under Government Loan



The USDA's Feed Grains Advisory Committee recommended that the 1969 feed-grain program be made more attractive to induce farmers to divert more acres out of crop production, that resale privileges be extended into 1969, and that the \$2.50 support price for soybeans be retained in 1969, despite the mounting evidence that the "wonder crop" is in surplus trouble. The committee suggested, however, that the USDA find some way to slow down production of soybeans, possibly by limiting loans to farmers cooperating in allotment or base-acreage farm programs. The Secretary of Agriculture usually announces provisions of the feed-grain program in November or December.

Prices on the commodities futures market rallied slightly after release of the committee's recommendations and the reduction in the forecast for crop production. Over the past week, December corn and November soybeans advanced 2-3 cents a bushel and are currently quoted at about \$1.07 and \$2.52, respectively.

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