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Federal Reserve Bank of Chicago - -

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Agricultural Letter



Number 1162

1972 CROP ACREAGE will decline from year-ago levels according to latest estimates by the U. S. Department of Agriculture. A March 1 survey indicates farmers will reduce plantings of the 16 major crops by nearly 10 million acres this spring. Even so, anticipated plantings will be substantially above levels prevailing in 1970 and throughout the decade of the Sixties.

Total feed grain acreage is forecast at 118 million acres in 1972—down from 128 million acres last year. Corn acreage is expected to fall to 68.5 million acres this year, down nearly 8 percent from last year's record plantings, but still well above the USDA's target of 63 million acres. Sorghum planting intentions are down 13 percent, barley down 6 percent, and oat seedings down 4 percent.

Soybean acreage probably will expand by a little over 5 percent this year, to 45.5 million acres. This would represent the twelfth consecutive year of record soybean seeding.

Soybean Acreage Up, Corn Down

	Corn		Soybeans	
	Intended acreage (million)	Change from 1971 (percent)	Intended acreage (million)	Change from 1971 (percent)
Illinois	9.9	-5.4	7.2	+ 0.8
Indiana	5.2	-8.0	3.7	+ 9.0
Iowa	11.3	-7.6	5.8	+ 7.0
Michigan	2.0	-9.9	0.6	+11.4
Wisconsin	3.0	-3.0	0.2	+20.0
District total	31.4	-6.7	17.6	+ 5.0
United States	68.5	-7.6	45.5	+ 5.4

In district states, corn acreage is expected to decline 7 percent, while soybean planting intentions point to a 5 percent increase in 1972. The five states within the district account for nearly half of total corn acreage and around two-fifths of total soybean acreage.

Although all planting intention estimates are preliminary and subject to changes in farmers' plans, estimates in past years have proven fairly reliable. For example, actual corn acreage has held within 2 percent of the March estimate in five of the past 11 years, while soybean acreage has recorded the same record in eight of the past 11 years.

Actual plantings this year, however, may deviate somewhat more than usual from expressed intentions. The recent improvement in soybean prices relative to corn prices, a surge in feed-grain program sign-ups at the end of the sign-up period, and possible government acceptance of the "additional" voluntary set-aside could result in even larger changes in corn and soybean acreage. Soybean prices have risen sharply since

February, while corn prices have held fairly steady. As a result, the ratio of soybean to corn prices currently stands at around 2.8, compared to 2.5 at the first of February. If this price relationship holds into the planting season, farmers may shift more to soybeans.

Feed grain program sign-up was especially heavy during the latter part of the sign-up period (February 2 through March 10). Nearly one-third of the 29.3 million acres of set-aside enrolled in the program as of March 9 resulted from sign-ups during the first eight days following the March 1 planting intentions survey. This could indicate that some farmers may have altered their original planting intentions. Moreover, as of the last sign-up report, farmers had offered an extra 2.5 million acres of "additional" voluntary set-aside. This additional set-aside offer is subject to government acceptance. However, since the March planting intentions report failed to meet the government's targeted decrease in corn acreage, it is likely that the USDA will accept at least a portion of the additional set-aside offered.

Although March 1 planting intentions reflect substantial changes from a year ago, further changes would be necessary to bring total corn and soybean supplies more in line with demand. Current corn planting intentions, assuming normal harvesting patterns and average yields adjusted for trend, suggest the 1972 corn crop will fall to 5.1 billion bushels—down 400 million bushels. This decrease will be more than offset, however, if the expected 1.3 billion bushel carryover materializes at the end of this marketing year—up from 0.7 billion bushels last year. If this happens, total corn supplies in the 1972-73 marketing year would exceed the record supply of this year, and corn prices would be closely tied to the loan support rate for another year.

The soybean picture is opposite that of corn. Preliminary estimates point toward a 75 million bushel increase over last year's 1.17 billion bushel soybean crop. Carryover stocks, however, are expected to fall to 70 million bushels at the end of the current marketing year, compared to last year's extremely low level of 99 million bushels. This suggests that total soybean supplies in the 1972-73 marketing year will be only moderately above this year's tight situation.

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AGRICULTURAL ECONOMIC DEVELOPMENTS

Subject	Unit	Latest period	Value	Percent change	
				Prior period	Year ago
INDEX OF PRICES					
Received by farmers	1967=100	February	122	+ 2	+ 9
Crops	1967=100	February	111	0	+ 6
Livestock	1967=100	February	131	+ 4	+12
Paid by farmers	1967=100	February	124	+ 1	+ 5
Production items	1967=100	February	118	0	+ 4
Family living items	1967=100	February	123	+ 2	+ 5
Ratio of prices received to prices paid	1967=100	February	98	0	+ 3
Consumer price index (<i>all items</i>)	1967=100	January	123.2	0	+ 3
Food at home	1967=100	January	120.3	0	+ 4
CASH FARM PRICES (<i>U. S. average</i>)					
Corn	dol. per bu.	February	1.09	0	-24
Soybeans	dol. per bu.	February	3.00	+ 3	+ 3
Wheat (<i>all</i>)	dol. per bu.	February	1.34	+ 1	- 5
Sorghum grain	dol. per cwt.	February	1.86	- 2	-14
Oats	dol. per bu.	February	.64	0	- 6
Beef steers and heifers	dol. per cwt.	February	35.30	+ 3	+14
Hogs	dol. per cwt.	February	25.70	+13	+34
Milk, all sold to plants	dol. per cwt.	February	6.06	- 1	+ 3
Milk cows	dol. per head	February	378	+ 1	+ 9
Chickens, broilers, live	cents per lb.	February	14.6	+ 9	+ 7
Eggs	cents per doz.	February	28.9	- 3	-11
INCOME (<i>seasonally adjusted annual rate</i>)					
Cash receipts from farm marketings	bil. dol.	4th Qtr.	53.8	+ 3	+11
Net farm income	bil. dol.	4th Qtr.	17.3	+ 6	+22
Nonagricultural personal income	bil. dol.	January	866.2	+ 1	+ 7
FARM FINANCE					
Total deposits at agricultural banks ¹	1967-69=100	February	138.80	0	+11
Time deposits	1967-69=100	February	165.86	+ 2	+18
Net demand deposits	1967-69=100	February	112.78	- 4	+ 5
Total loans at agricultural banks	1967-69=100	February	150.28	0	+15
Production Credit Associations					
loans outstanding:					
United States	mil. dol.	December	6,115.5	+ 2	+15
Seventh District states	mil. dol.	December	1,174.7	- 1	+16
new loans made:					
United States	mil. dol.	December	1,084.3	+24	+ 8
Seventh District states	mil. dol.	December	167.1	+27	+ 3
Federal Land Bank Associations					
loans outstanding:					
United States	mil. dol.	December	7,916.9	+ 1	+10
Seventh District states	mil. dol.	December	1,549.6	0	+ 8
new loans made:					
United States	mil. dol.	December	112.5	+11	+32
Seventh District states	mil. dol.	December	16.8	+ 6	+77
Interest rates					
week ending					
Three-month Treasury bills	percent	3/22	3.86	+ 3	+15
Federal funds rate	percent	3/22	3.91	+ 1	+ 6
Government bonds (<i>long-term</i>)	percent	3/18	5.67	+ 1	0
AGRICULTURAL TRADE					
Agricultural exports	mil. dol.	January	777.7	- 8	+14
Agricultural imports	mil. dol.	January	585.8	+ 6	+21
FARM MACHINERY SALES					
Farm tractors	units	December	10,531	+28	+46
Combines	units	December	2,651	+21	+36
Balers	units	December	738	+18	- 5

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