THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

November 24, 1950

Cash receipts from farm marketings through November of this year will total about 25.2 billion dollars, or two per cent less than in the same period in 1949. Receipts from livestock and livestock products will be up two per cent because of larger marketings. Crop receipts will be seven per cent less as compared with the year-ago period, due primarily to reduced marketings. Receipts in November are estimated at 3.1 billion dollars, 14 per cent less than in October but eight per cent above a year ago. The probable decline from October reflects seasonally smaller marketings, as prices will likely show little change.

The USDA will terminate its "much discussed" and "cussed" dried egg purchase program on December 31, but no commitment of any kind has been made for supporting egg prices beyond that date. Tentative plans indicate that price support operations may be confined to purchase of shell egg surpluses on individual markets threatened with price collapse. Such purchases probably would be disposed of through the school lunch program and similar activities.

Cattle prices reached $35 in Chicago last week. Some market analysts believe that $40 cattle are a good possibility in the next few months when the better grades of beef may be in short supply. A high volume of cattle feeding is prevalent, and feed supplies are abundant. Feeder cattle movement into the Corn Belt since July is below that of 1949 but above most previous years.

Continued seasonal decline in hog prices has encouraged some discussion of probable price supports, but observers close to the situation doubt such action. Present prices are averaging about $2.50 per hundredweight above last year's level.

Some farm experts are concerned about a tight feed-grain situation during the coming year, despite the record October 1 corn carry-over of 859 million bushels. The strong demand for meat is encouraging heavy feeding, and feed supplies may be reduced below a necessary emergency reserve. The 1949-50 record corn utilization of 3.3 billion bushels, larger than the 1950 corn crop, is expected to be exceeded in the 1950-51 feeding year. The amount of increase in 1951 corn allotment acreage over that of this year will be awaited with great interest. If the supply of corn and other feed grains does become tight, one solution would be the use of probable surplus wheat as livestock feed.

Effective January 1, 1951, regularly employed workers on farms and in farm households are to be covered under the Social Security Act. Coverage does not include farm owners, farm operators, a husband paid wages by a wife, a wife paid wages by a husband, parents paid wages by sons and daughters, or a farm operator's children under 21 paid wages by a parent. Farmers should urge their eligible workers to apply to the nearest Social Security office for Social Security account number cards. The numbers will be needed by each employer to complete necessary forms that must be sent to the nearest office of the Collector of Internal Revenue at the end of each calendar quarter. The employer will deduct $1\frac{1}{2}$ per cent from the cash wages he pays covered workers and will add $1\frac{1}{2}$ per cent as his own contribution. This rate will apply through 1953, after which under present law it will be higher. Farmers may obtain instructions for filing required reports from their local Collector of Internal Revenue. The tax is compulsory, and farm operators will be held liable for its payment. Among other things this new responsibility provides for many farmers another reason for maintaining accurate and well-kept records of the farm business.

Norman R. Urquhart, Economist
Research Department

No. 68