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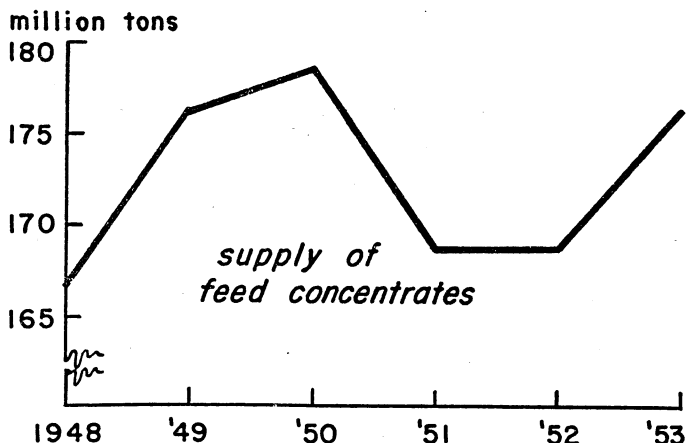
Agricultural Letter

CURRENT RECORD
PURE



Number 211

SUPPLY OF FEED CONCENTRATES for 1953-54 will be up 4 per cent from 1952-53 and only slightly under the record supply of 1950-51, according to current crop prospects. Growing conditions continued favorable for feed crops through early August in the important producing areas. Prospective supplies are especially large in the North Central states, but drouth has materially reduced production further south.



THE NUMBER OF LIVESTOCK to be fed in 1953-54 is expected to be a little smaller than for the current feeding season, largely as a result of fewer hogs. If the rate of feeding per animal is about average, 125 million tons of concentrates would be fed, considerably less than the prospective supply of 176 million. The carry-over would increase about 6 million tons. It looks like additional storage capacity will be needed.

CONSTRUCTION of private storage facilities is being encouraged.

A change in the income tax law permits farmers and elevator operators to amortize the full cost (including equipment) of new permanent grain storage facilities over a period of 5 years. Principal farm structures affected are corn cribs and grain bins. Any such buildings completed after December 31, 1952, and before the end of 1956 will be eligible for the fast tax write-offs.

This means that 20 per cent of the full cost of eligible storage facilities can be deducted for income tax purposes in each of the five years following completion. Of course, if the taxpayer so chooses, he has the option of using the regular depreciation deduction over a longer period.

Another measure to encourage construction of new storage facilities for grain and oilseeds is an occupancy guarantee by USDA. Guarantees will be limited to newly constructed commercial elevators, new additions to existing elevators, and to conversion of existing structures to commercial elevator storage. Both cooperatives and private firms are eligible.

Three alternative plans were announced: (1) CCC will guarantee up to 75 per cent use for three years and up to 40 per cent for the next two years; (2) guaranteed use up to 60 per cent for a five-year period; and (3) guaranteed 50 per cent occupancy for six years. The annual rate per bushel for unused space under the storage guarantee will be 75 per cent of the applicable annual rate under the Uniform Grain Storage Agreement for wheat for any year the use does not reach the guaranteed level.

FARM EXPENDITURES for nonresidential construction, machinery, tractors, and trucks was 10-15 per cent lower in the first half of this year than during the like period last year, according to the Commerce Department.

Reason given was a 10 per cent drop in net cash income of farmers, compared to last year. It is estimated that a 1 billion dollar decline in farm income usually brings about a 240 million dollar decline in farm investment in service buildings, machinery, etc.

In the 1949-52 period, farmers spent an average of 3-1/2 billion dollars a year on new machinery and farm buildings. This accounted for about 12-1/2 per cent of private fixed investment made for business purposes in the entire economy during that period.

It is expected that in the last six months of this year farm income will slip further behind 1952 rates than it did in the first half. Consequently, it is likely that farm demand for machinery and construction materials in the second half will fall further behind the comparable period last year.

CLARIFICATION of last week's Letter: Every farmer with a wheat history will be assigned an acreage allotment. Any farmer can grow up to 15 acres of wheat without penalty, but if his allotment is exceeded (even though it be less than 15 acres) a price support loan will not be granted. Of course, if a farmer's allotment exceeds 15 acres and he overplants it, he not only loses price support but is assessed a penalty on the excess wheat.

Also, last week's Letter contained a typographical miscue. The third sentence in the sixth paragraph should have read: "However, such an interpretation is not entirely warranted..."