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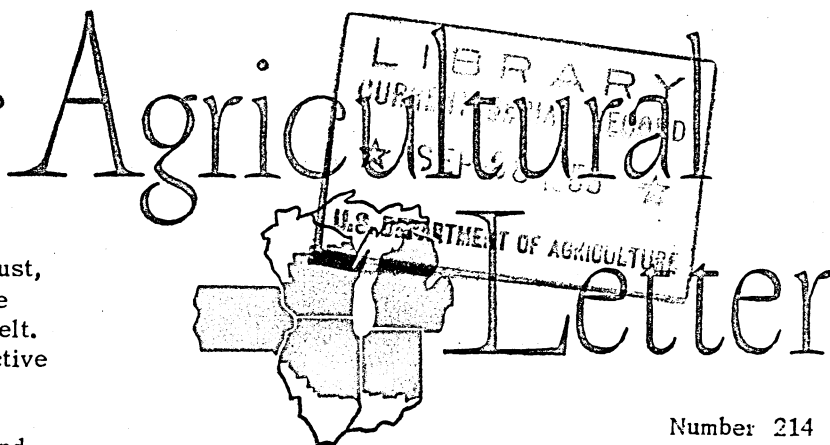
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from the Federal Reserve Bank of Chicago

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CROP PROSPECTS deteriorated during August, but the September 1 estimate by USDA was more favorable than generally expected in the Corn Belt. Hot dry weather was responsible for the prospective decline in crop production.

While favorable for harvesting small grains and hay, the heat and drouth delayed plowing and preparation of fields for fall seeding. Pastures deteriorated rapidly in most areas. However the decline in crop prospects was checked by cooler weather and general rains in early September.

Prospective corn production dropped 114 million bushels during August, leaving it at 3.2 billion bushels as of September 1. Such a crop would be 3 per cent smaller than last year but still more than adequate for all needs.

Chief damage occurred in the southern part of the Corn Belt where chaffy and poorly filled ears will be common. But the corn was unusually advanced in development this year, and only the late-planted corn suffered serious injury.

The estimated yield per acre dropped 6 bushels in Kansas, 5 bushels in Missouri and Nebraska, 4 in Iowa, and 3 in Illinois. On the other hand the yield outlook improved in South Dakota, Minnesota, and Wisconsin where a larger proportion of the crop will mature for grain than had been expected earlier.

In any case, there should be no problem of soft corn this year.

The wheat forecast dropped 34 million bushels to 1.2 billion on September 1. This would be 9 per cent smaller than the 1952 crop but still in excess of visible domestic and foreign market demand.

Spring wheat was severely damaged by stem rust and the hot dry weather at filling time. This reduced yields for durum and late-planted other spring wheat in the Minnesota-Dakotas area.

Estimated oats production dropped further this month. Rust and poor yields on late plantings account for the continued decline. The September 1 estimate shows the lowest yield per acre in 9 years, and the total prospective production of 1.2 billion bushels is the smallest in six years.

A soybean crop of 280 million bushels is indicated as of September 1. This would be 5 per cent less than was forecast last month. Drouth and hot weather in late August cut prospective yields sharply in the southern soybean area, especially in Missouri and Kansas. In the northern areas there was much less damage. In Minnesota, where moisture has been adequate, prospects improved.

Incidentally, soybeans appear to be one of the few crops for which an active export demand exists at present.

Hay prospects declined slightly in the past month, but the total 1953 crop should equal the relatively large tonnage produced last year.

The following table shows the 1952 production of these crops compared with the prospective 1953 output as of August 1 and September 1.

Crop	Production (in millions)		
	1952	August 1	September 1
Corn (bu.)	3,307	3,330	3,216
Wheat (bu.)	1,291	1,203	1,169
Oats (bu.)	1,268	1,231	1,205
Soybeans (bu.)	292	295	280
Hay (tons)	104	105	104

MILK PRODUCTION during August exceeded the year-earlier amount by nearly 3 per cent. With milk output per cow dropping rapidly under the influence of hot dry weather, the gain in total milk flow over August a year ago came mainly from an increase in the number of cows kept for milk. For the first eight months of this year, milk production exceeded the year-earlier amount by 5 per cent.

Concentrated milk faces tough competition, according to a recent survey by the Production and Marketing Administration. At present price relationships, the product has been unable to gain substantial markets in cities. The advantages of convenience in carrying and storing, longer keeping qualities, and its use as a substitute for cream apparently do not have enough consumer appeal. With the price of a quart of concentrated milk about three times that of a quart of whole milk, there was no price saving in the markets studied, the report pointed out.

It had been hoped that concentrated milk might be a medium through which the consumption of fluid milk could be expanded, especially in areas where milk prices are high because of restrictive "sanitary" regulations. But it now appears that concentrated milk will have to be priced more economically if it is to contribute much toward the removal of the present milk surplus.

EGG PRODUCTION in August was a record high for the month--5 per cent more than in August last year. For the first eight months of this year, production was about the same as last year.

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