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DROUGHT AND HEAT DAMAGE to crops in July has now been appraised by the USDA. Their report on crop prospects as of August 1 indicates that total crop production may be reduced about 5 per cent from that indicated a month earlier. Extension of drouth conditions from the southwestern part of the U.S. toward the East and the North was the principal factor causing the deterioration. If August 1 prospects for crop production are realized, the nation's harvest this year will be the smallest since 1947.

The supply of feed grains and supplements will probably still be slightly above that of 1953, however, due to large stocks now on hand. Total supply exceeded domestic disappearance in 1952 and 1953 by 30 and 34 million tons, respectively. This year's total will be about a 32 million ton excess. Previously the "elbow room" had been estimated at 48 million tons.

CORN accounts for most of the dip in the all-crop volume from the July level. The present indicated production is 2.8 billion bushels, about 0.5 billion or 15 per cent less than was indicated a month earlier and 0.4 billion less than the year-ago harvest. Total consumption of corn is expected to exceed three billion bushels in the 1954-55 feeding year. With these expectations total stocks would be reduced by 0.3 or 0.4 billion bushels. As stocks of "free corn" will not be this large, CCC inventory may be expected to decline.

Supplies of other crops which round out the feed picture were not affected materially by the July weather, except for hay.

	Change from July 1 estimate	Change from 1953 production
Oats.....	-1%	+25%
Barley.....	0	+55
Hay.....	-6	-4
Sorghums.....	*	+25
Soybeans.....	*	+16

*Crop not estimated in July.

FEED SHORTAGES will develop in local areas even though there is no over-all scarcity. Pastures in many areas are short, and hay feeding has started early. This, coupled with the smallest hay crop since 1949 and with cattle numbers at a high level, may result in acute forage scarcities in some areas before grass grows next spring. The supply of hay per animal will be the lowest since 1944. Current indications place supplies at 1.52 tons per roughage-consuming animal unit. This is about 4 per cent under last year's ratio which had previously been the low in the postwar.

The effect of feed shortages in drouth disaster areas will be cushioned somewhat. The USDA provides

a 60 cent subsidy per 100 pounds on feed grains in such areas, and Congress has authorized a reduction in CCC sales prices for its feed grains. The CCC will now be permitted to sell at the local support price plus 10 per cent. This will lower sales prices as much as 20 per cent at certain times and places. Previously CCC stocks could be sold no lower than 105 per cent of parity plus storage charges. This is a temporary measure extending only to March 1955.

IN DISTRICT STATES the indicated per cent changes in production of feed grains and hay from July 1 to August 1 were as follows:

	Corn	Oats	Barley	Hay
Illinois.....	-21	+10	+4	-6
Indiana.....	-11	+17	+21	-7
Iowa.....	-12	0	0	-6
Michigan.....	-2	+6	+3	0
Wisconsin.....	0	-5	0	-3

The effect on Corn Belt livestock programs is not yet clear, but many farmers will be in a less favorable position to take on feeder cattle this fall or to make further expansion in hog production. Higher corn prices and tighter hay supplies may reduce current narrow feeding margins on cattle. Hence, the demand for feeder stock will not be as strong as if a large corn crop and record hay harvest had been realized.

The fall crop of pigs may be cut back in areas which have suffered severe reductions in corn crop, and pigs from this year's spring crop probably will be marketed at light weights. The 1955 spring crop also will reflect the severe reduction in corn production in some areas.

Indicated wheat and cotton production are both under the previous year's level by 16 and 23 per cent, respectively. Consumption of cotton may be large enough to result in a reduction in CCC stocks during the year ahead.

Since August 1, weather conditions over much of the drouth area have improved considerably. If the remainder of the growing season is favorable, the corn crop estimate probably would be boosted above the current estimate.