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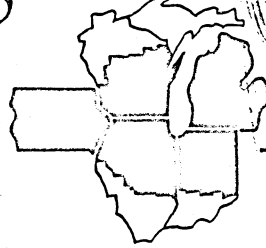
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Federal Reserve Bank of Chicago --

November 12, 1954

Agricultural Letter

#274



PLENTY OF FEED GRAINS will be available in the feeding year ahead despite widespread drouth last summer. Indicated production in 1954 shows an increase of more than 2 per cent above year ago. Coupled with a much larger carry-over from previous harvests and a continued large output of by-product feeds, supplies of feed grains and supplements will be about 4 per cent larger than last year.

The number of grain-consuming livestock on farms will be about 3 or 4 per cent larger. Hence, the supply per animal unit will be about the same as last year.

The composition of the grain supply will be different, however. This is indicated by the per cent change in supplies of the four major feed grains from their year-ago levels.

Corn	-2%
Oats	+15
Barley	+40
Sorghum	+48

The total supply of high protein feed will about equal the previous year, but the supply per animal would be somewhat smaller. Production of soybean cake and meal may be 20 per cent larger than last year; however, this increase is expected to be offset by smaller supplies of cottonseed meal and dried milk products available for feeding.

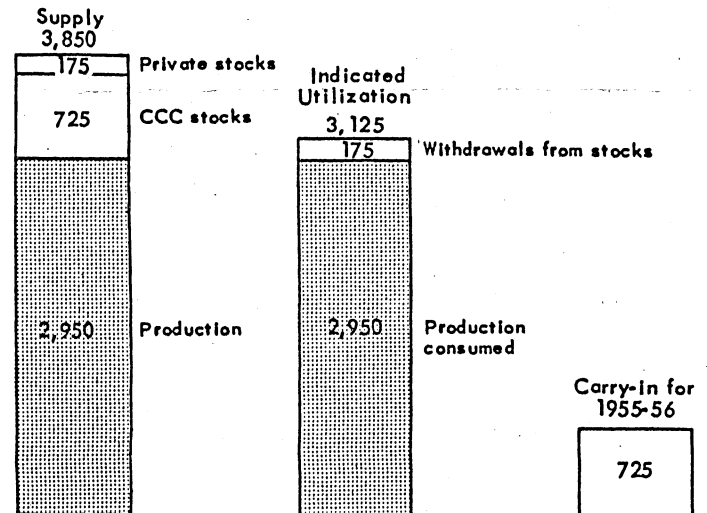
The geographic distribution of feed grains repeats last year's pattern--short supplies through many areas of the South. And the situation is accentuated with a similar distribution of the hay crop--short in the South and ample through the North.

Feed prices will probably fluctuate near year-ago levels. Corn prices will be stronger while other feed grains will average lower. Soybean meal prices are expected to be lower while cottonseed meal prices will average above 1953-54 levels, reflecting changes in supplies.

Utilization of corn in the year ahead probably will exceed 1954 production. Since most of the record carry-over is owned or under price support loan by the Commodity Credit Corporation, some reduction of stocks under CCC loan is anticipated. Therefore, it is expected that the U. S. average corn price sometime during the year should equal and possibly exceed the national average support level of \$1.62 a bushel.

During the 1953-54 season nearly 200 million bushels of 1948 and 1949 corn was sold from CCC stocks in order to prevent spoilage. If similar sales of "out of condition" corn should be made at market prices, the expected price increase might not materialize.

CORN SUPPLY AND UTILIZATION - year beginning october 1954 - million bushels



IN THE 1955-56 CROP YEAR the feed grain and supplement supply is expected to be slightly larger than the 178 million tons now available. Assuming a corn acreage allotment of as much as 4 or 5 million acres more than the 47 million 1954 acreage allotment and a normal growing season, production of corn would be near 3.1 billion bushels in 1955. With a 725 million bushel carry-over from the 1954-55 season, total supplies would be about equal to this year's amount.

A larger quantity of corn is likely to be eligible for support as allotments will be larger and cross-compliance requirements will offer resistance to acreages in excess of allotments.

Another large acreage of soybeans is in prospect for 1955. However, a further cutback in cotton acreage will tend to offset any larger output of soybean meal and cake.

In the absence of effective production controls, stocks and supplies of feed grains other than corn are expected to be maintained at high levels or even increased as additional acreages diverted from wheat and cotton are planted largely to oats, barley and sorghums. The resulting increase in supply of these grains expands livestock production capacity, unless the additional output goes entirely into exports or CCC stocks or unless it is offset by a cutback in corn acreage and production. With relatively large stocks already on hand and in the absence of acreage controls for these crops, their support prices may be reduced in 1955 below the present level of 85 per cent of parity in an attempt to make these alternatives for diverted acres less attractive.