Federal Reserve Bank of Chicago - -

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Agricultural Letter

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THE NATIONAL FARM INSTITUTE sponsored by the Des Moines Chamber of Commerce played to a packed house last week, as usual for this annual affair. The theme of the meeting was "A Fair Share for Farmers." A great deal of thought-provoking discussion was presented by an array of outstanding speakers.

AGRICULTURE SECRETARY BENSON devoted an important part of his speech to corn. "Acreage allotments are not working," he said. "Corn acreage is shrinking in Iowa. It is increasing outside the Corn Belt . . . . At harvest time last fall the market price of corn in Iowa fell 40 cents below the support level. The carry-over has mounted to more than a billion bushels and it is still growing. In the face of a huge supply, existing law forced a cut in the 1956 corn allotment 15 per cent below the already reduced 1955 allotment. With such a drastic cut in allotments, participation in the 1956 corn program, even with 90 per cent of parity supports, could be so low as to be almost completely ineffective. This might mean extremely low corn prices, further encouragement to hog production and cattle feeding, and continued weakness in livestock prices."

In view of this situation, Mr. Benson vigorously supported the "acreage reserve program" for corn as proposed by the Administration. One feature of this program would involve the elimination of acreage allotments on corn. "For 1956, all corn producers would be eligible for price support, regardless of how much they plant, at the already announced . . . national average of $1.40 per bushel. Corn would have the same kind of a program as for other feed grains and soybeans."

PROFESSOR KARL FOX, head of the Department of Economics and Sociology at Iowa State College, analyzed the farmers' economic position. "From 1953 into 1955, nearly 30 million acres of land were taken out of wheat and cotton. But 22 million of these acres were planted to oats, barley, grain sorghums, hay and soybeans, none of which were subject to controls. . . . At normal yields, the production of feed grains and soybean meal that would be expected on the acres diverted from wheat and cotton would be equivalent to something like 400 million bushels of corn, or an eighth of a normal corn crop. Thus, while Corn Belt agriculture might have done very well in our high employment economy under normal conditions, this sudden thrust of diverted acres into the feed grain economy proved too much for it to absorb. The consequences, particularly for hog prices, were spectacular and, for some farmers, disastrous."

GWYNN GARNETT, Administrator of the Foreign Agricultural Service, discussed the possibility of exporting our farm surplus. "The Foreign market for feed grains is expanding . . . . Exports of feed grains are running at a level greater than wheat. We expect nearly 20 per cent of the feed grains moving off U.S. farms this year will be exported. One-half of the feed grains moving in international trade are of U.S. origin.

"However, in order to export our present surplus of feed grains, the U.S. would need to maintain twice its present high rate of export for about four years . . . we cannot expect sufficient expansion in our exports of feed grains to make large inroads on the surplus in the foreseeable future."

Mr. Garnett was equally pessimistic about exporting the surpluses of wheat and cotton (the two crops in greatest surplus), but he was optimistic about exports of soybeans and animal products like lard.

SHERMAN E. JOHNSON, Director of Farm and Land Management Research in the USDA, examined agriculture's advancing productivity. "Recent analyses indicate that under favorable economic conditions, we can expect a 9 to 10 per cent increase in the domestic market for farm products by about 1960. This increase will have the greatest impact on livestock products, fruits and vegetables . . . .

"But unfortunately we cannot be too optimistic about striking a quick balance between production and markets. We are producing nearly enough now for the projected market of 1960. Therefore, unless serious drouth or international emergency intervenes; unless new foreign markets are opened up, or drastic restriction programs are undertaken, aggregate food and fiber supplies will continue to press heavily on available markets for the next 4 or 5 years.

"In this setting it is especially pertinent to consider whether total output is likely to increase further when cost-price relationships are unfavorable . . . . One answer is that total output has increased since 1952, despite declining prices and incomes. Some of the forces back of these increases still seem to have unexpended power. Even at present prices many farmers will find it profitable to use more fertilizer, apply more effective pesticides, and adopt other crop and livestock improvements."

Research Department