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Federal Reserve Bank of Chicago -

November 16, 1956

FAVORABLE WEATHER at harvest time pushed estimates of 1956 crop production to within a fraction of last year and the 1948 record high. This is in contrast to mid-summer estimates which had placed aggregate production 3-4 per cent below a year ago.

The effects of late summer drouth may be greater, however, on next year's output than was true this year. Much winter wheat has suffered, and spring sown grains will be affected adversely if soil moisture supplies are not replenished.

Crop output rose from month-earlier estimates for virtually all major commodities except soybeans and cotton. For the bellwethers among Midwest crops, corn production is now placed at 3.4 billion bushels, 5 per cent more than a year ago, while soybean output is reckoned at 457 million bushels, 23 per cent above year ago.

With higher estimates for both corn and sorghum grain than earlier in the year, total feed grain production pulled within 3 per cent of last year's "excessive" output of 131 million tons. An output of that size in 1955 resulted in about 5 million tons being added to already burdensome stocks.

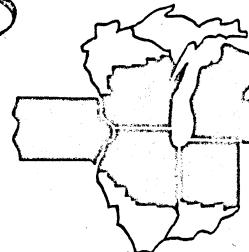
Livestock production continues at a record level. Milk production in October outpaced the year-ago level by 2 per cent, about the same margin as in other recent months, while eggs were being shelled out at a rate 4 per cent more than in October 1955, a somewhat larger margin than earlier in the year. Turkey and broiler marketings are running 10-20 per cent above year ago, and cattle slaughter has ranged up to 15 per cent above last year in recent weeks. Only hog slaughter is below year ago, and this is a relatively recent development.

Available information suggests that the output of most livestock products will increase further in the months ahead. The notable exception to this generalization is pork.

The number of cattle on farms remains close to the record level of recent years despite the large 1956 slaughter. And the somewhat larger number of cattle on feed this fall also indicates that slaughter will remain high. Despite annual declines of 1-2 per cent in the number of dairy cows and hens on farms in recent years, the output of milk and eggs has trended upward as rates of production have increased. These trends are likely to persist.

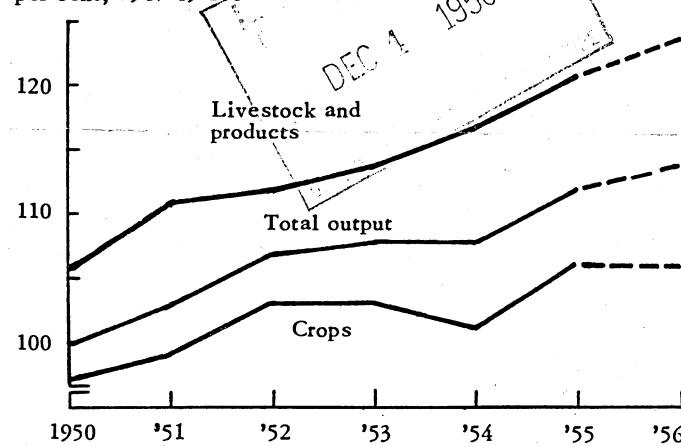
A continued high volume of marketings, therefore, is indicated. Much of this year's harvests will be sold in the next 12 months, and large numbers of livestock on farms and ample supplies of feed assure a continued heavy outpouring of most livestock products into 1957.

Agricultural Letter



Number 379

Crop and Livestock Production
per cent, 1947-49=100



THE CORN PROGRAM that will be in effect for the next three years will be determined in a December 11 referendum. As directed by the 1956 Soil Bank Act, farmers in the commercial corn area are to choose between the continuation of the present "acreage allotment" program with supports between 75 and 90 per cent of parity and the soil bank "base acreage" plan with the price support level set by the Secretary each year according to "market conditions." Recently the USDA has announced 1957 allotments and price support levels for each of these programs.

Under the "acreage allotment" plan farmers would have to comply with their portion of the national allotment of 37.3 million acres to be eligible for a \$1.36 support price. This compares with a 43.3 million allotment and price support of \$1.50 in effect on 1956 production.

Under the "base acreage" plan farmers would have to plant within their portion of the 51 million base acreage allotment and place an acreage of cropland equal to at least 15 per cent of their allotment in the soil bank to be eligible for corn supports at \$1.31. In addition, farmers would receive \$.90 per bushel for the corn that would normally be produced on the "banked" land.

The "base acreage plan" must be approved by two-thirds of those voting for it to go into effect. If more than one-third of the producers voting favor acreage allotments, the "allotment program" will be in effect.