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Federal Reserve Bank of Chicago - -

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Agricultural Letter

Number 413

WEATHER is playing its usual key role in determining the size and quality of 1957 harvests. Only a month ago the USDA crop report summed up crop conditions with this statement: "prospects over much of the nation appear favorable for a large total production." Since then, drouth-breaking rains have continued. Harvests of small grains and plantings of corn and soybeans were delayed further, prospective yields reduced and the quality of small grains and early hay crops have deteriorated.

These unsettled conditions have made it difficult for traders to size up the size and quality of prospective harvests, with the result that grain prices in recent weeks have been sensitive to crop news.

Since early June, prices of all important grains have advanced. Recently, wheat has held a gain of 10 cents per bushel over early June, and oat prices show a gain of 5 cents. Usually July prices of these grains are the same or lower than the June quotation. Corn and soy bean prices which showed little or no tendency to rise seasonally through the spring, have also responded to the adverse developments in recent weeks. And price gains for these commodities have come in the face of continued large CCC sales.

While commodity prices are likely to continue to be responsive to crop developments, the recently released USDA report of crop conditions on July 1 provides the best current indication of how 1957 harvests are shaping up.

TOTAL CROP PRODUCTION, according to the Crop Reporting Board, is placed 7 per cent below last year's record-equalling harvests. If an outturn of this size is realized, 1957-58 marketings will be smaller, prices will be stronger than expected earlier and further inroads on surpluses could be expected to occur.

This year the soil bank, acreage allotments and persistent spring rains teamed up to reduce aggregate plantings of principal crops to about 333 million acres, nearly 13 million acres below year ago and the smallest planted area in nearly 40 years. In addition to the cut in acreage, yields per acre are expected to average slightly below last year's record. Lower corn yields are primarily responsible for the expected reduced output per acre. Nationwide corn yields are indicated to average 41.7 bushels per acre compared with 45.4 a year ago. In Illinois the indicated yield is 14 bushels below the record 68 bushel average of 1956.

When total crop production is tallied up at the end of the year, it may, of course, depart rather substantially from that indicated on July 1. Many crops still have more than half of an unpredictable growing season before them. Just last year early July conditions pointed to a 3 per cent cut in crop output but, when the last field was harvested at the close of 1956, the tally showed a harvest equal to the record years of 1948 and 1955.

Indicated acreage and production of major crops and the per cent change from 1956 are as follows:

	1957 acreage (mil. acres)	Per cent change from year ago	1957 production (millions)	Per cent change from year ago
Corn	72.3	- 5	3,012 bu.	-13
Oats	35.8	+ 6	1,374 bu.	+19
Barley	15.0	+17	439 bu.	+18
Hay	73.5	small -	120 T.	+10
Wheat,	43.2	-13	940 bu.	- 6
Soybeans	21.7	+ 4	*	*
Sorghums	25.6	+49	*	*
Cotton	14.2	-15	*	*

* Yield not indicated until August 1.

The shift in acres from the "controlled" crops—cotton, wheat, corn, rice and tobacco to soybeans and the minor feed grains—oats, barley and sorghums—is again evident. In the past, similar changes in land use have caused surpluses to be shifted to the feed-livestock sector of agriculture, and little reduction in aggregate crop acreage was achieved.

This year the acreage for harvest of the "controlled" crops is expected to be reduced by more than 13 million from the 1956 amount, but the acreage for harvest of the four uncontrolled crops is expected to increase by virtually the same amount. While the shift in land use is largely related to the allotment and soil bank program, this year the wet spring was also an important factor. With drouth-breaking spring rains, many Southwestern farmers expanded their acreage of spring grains, especially sorghums, and some Midwest farmers experiencing substantial delays in planting corn shifted land to soybeans.

In District states the indicated percentage changes in production of selected crops from 1956 are as follows:

	Winter Corn	Wheat	Oats	Hay	Soybeans*
Illinois	-28	-28	-13	-6	+8
Indiana	-27	-2	-24	-5	+8
Iowa	+3	+46	+70	+28	+6
Michigan	-12	-5	+12	-6	+19
Wisconsin	-20	-2	+4	+1	+22

* Per cent change in acreage.

Research Department