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Federal Reserve Bank of Chicago --
August 16, 1957

JULY 1957 goes into the record books as one of the more favorable summer months in recent years. Estimates of total crop output jumped 4 per cent in the month. Whereas at the beginning of the month production was shaping up to be 7 per cent smaller than last year's harvest, by early August the difference had been reduced to a minus 3 per cent.

Despite the substantial gain in indicated output of crops the report was interpreted as being somewhat bullish. Many traders had thought output of soybeans and wheat would be larger. As a result, prices of these grains advanced early in the week.

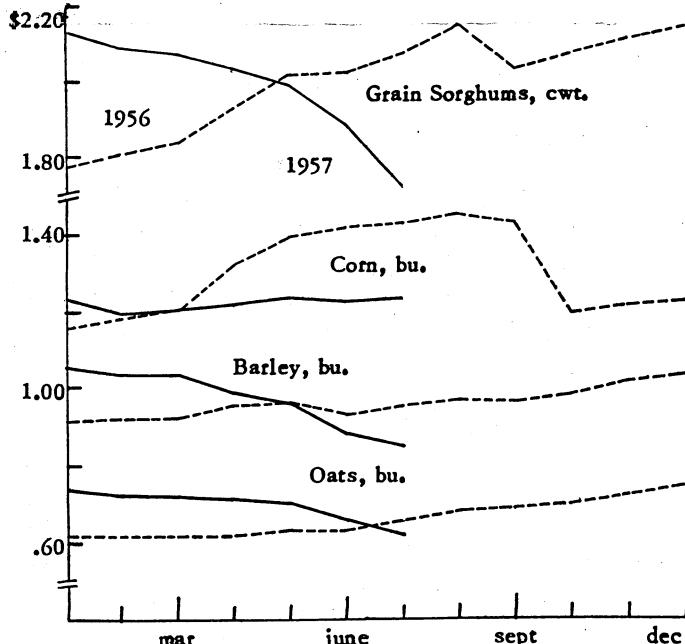
The corn crop is now estimated at 3,066 million bushels, 11 per cent below last year. The 2 per cent boost from last month is attributed largely to a transition from cool, wet weather to near normal weather in most of the Midwest.

Total feed grain production, however, will "closely match" the 130 million tons produced last year. Other feed grains are all expected to turn in hefty gains:

	Production indicated	Change
	Aug. 1, 1957 (million bushels)	from 1956 (per cent)
Oats	1,361	+ 18
Barley	432	+ 16
Sorghums	418	+104

In addition to the indicated large total production, stocks of feed grains are large and hay production is expected to be up 9 per cent from last year. All told, feed supplies are at a record level but the number of livestock on farms has declined somewhat. Partly as a

Prices Received by Farmers For Feed Grains



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result of this relationship and partly due to continued sales of CCC corn, feed prices have been trending downward. Feed grain prices in recent months have averaged 10-15 per cent below year ago. Declines ranged from 5 per cent for oats to 17 per cent for sorghum. Feed supplement prices are also substantially lower—soybean meal, for example, is more than 20 per cent under last summer.

The lower level of feed prices is likely to persist in the second half of the year. As a result, favorable feeding ratios may continue into the winter. However, for cattle a considerable part of the advantage is being passed along to ranchers in the form of higher prices for feeders, and it remains to be seen how fast hog production will expand in response to the 15 to 1 hog-corn price ratio of recent weeks (average about 12 to 1). While hog production could respond fairly quickly, it will take considerably longer to boost the supply of cattle. The calf crop this year is expected to be slightly smaller than the year-ago number for the third consecutive year.

SOYBEAN PRODUCTION on August 1 was estimated at 428 million bushels, 6 per cent less than last year's record outturn. Indiana and Illinois harvests are expected to show reductions of 6 and 20 per cent, respectively, from year ago while gains of 22, 26 and 28 per cent are expected to be chalked up in Michigan, Wisconsin and Iowa.

Soybean prices have recently been about \$.20 per bushel below year-earlier levels. However, CCC's takeover of price-supported beans has virtually been disposed of and, what seemed to be shaping up as the first substantial carry-over of beans, 30-35 million bushels, has all but vanished. Some observers, in fact, have hinted at a shortage of beans before the new harvest because of the lateness of the crop, particularly in the early areas.

The prospect that there will be only a nominal carry-over from last year's record crop strengthens market prospects for this year's smaller output. Moreover, there will be less competition from cottonseed and flaxseed. The cotton crop is shaping up 11 per cent smaller than in 1956 and the flaxseed crop is expected to be 15 per cent smaller. However, fewer livestock are expected to be fed and there is some question whether foreign markets can absorb as many beans in the year ahead, even though P.L. 480 funds (sales for foreign currencies, etc.) will again be available. The support price for the 1957 crop is \$2.09 compared to \$2.15 last year.