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Federal Reserve Bank of Chicago --

December 13, 1957

FARM POLICY has been in the news again this week. Although most observers of the Washington scene are agreed that only minor changes in Federal farm programs are likely in 1958, it is crystal clear that no solution to the problems is at hand. Hence, new proposals continue to be generated.

At the annual meeting of the American Farm Bureau Federation in Chicago, President Charles B. Schuman charged that Government programs have accelerated the flow of capital into agriculture at a time when production was already running ahead of effective demand. While endorsing price supports as being useful safeguards against "violent fluctuations," Mr. Schuman expressed the belief that farm income during the past ten years would have been higher without the fixing of prices at predetermined levels. He called for reduced Government purchase and storage operations, and the discontinuance of acreage allotments.

Secretary of Agriculture, Ezra Benson, speaking at a general session of Farm Bureau delegates, declared that farmers must retain freedom of decision in production and marketings and continue to increase efficiency. Past farm legislation, he said, unduly emphasized farm prices and the parity concept. A sacrifice of volume, markets and efficiency has been the result. The Secretary also indicated a willingness to work with a bipartisan committee in the setting of support levels if this would help to overcome objections to providing greater flexibility in present support programs.

Meanwhile, representatives of the National Farmers Union and the National Milk Producers Federation were urging the House Ways and Means Committee to help provide additional restrictions on imports of agricultural commodities while continuing heavy subsidization of exports. A different view was presented by a Farm Bureau representative who noted that foreign nations must be allowed to earn dollars through more liberalized trade programs if U. S. farmers are to have permanent foreign markets for their products. Last year, he said, over 70 per cent of U. S. farm exports involved Federal assistance.

A plan proposed by the Committee for Economic Development would encourage farmers who have limited opportunities in agriculture to move to other occupations. It called for "a major overhaul of procedures, based on a change in philosophy away from the income-price support view of farm assistance." Secretary Benson stated that the CED report is "very much in line" with the Administration farm program. The CED is a nonprofit organization of businessmen and economists. Its purpose, to make studies and recommendations on economic matters.

HARVESTING DIFFICULTIES appear to have made some dent in present record supplies of feed grains. Continued wet November weather delayed already late harvests over large areas. Damage to corn and grain

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sorghums appears heaviest in Iowa. More corn, sorghum grain and other crops are still in the field, too wet for safe storage, than in early December in several years. On December 1, in Iowa and Minnesota, one-third of the corn was still unharvested, and in Illinois and other states, one-fifth.

Nevertheless, the total production of feed grains this year is expected to exceed consumption, as has been the case for the last five years. This year's corn crop, about 4 per cent below last year's record, was more than made up for by a doubling of sorghum grain production and increases in barley and oats.

FAVORABLE LIVESTOCK-FEED PRICE RATIOS have resulted from the large feed supplies and the continued strong domestic demand for livestock products. On December 10 at Chicago, 100 pounds of hog would buy 16.2 bushels of corn, compared with 13.1 bushels a year ago. Choice cattle bought 22 bushels this December versus 17.7 bushels a year ago. These conditions had set the stage for an expansion in output of livestock products. And now, the trend is being strengthened by the large supplies of high moisture grain.

The immediate result has been slimmer receipts of both cattle and hogs for slaughter as farmers continue feeding beyond the usual market weights. Hog slaughter in November was below October this year for the first time in history. November cattle slaughter took an unusual drop also.

In addition, farmers are attempting to obtain additional feeder stock. One result, strong prices for feeder cattle and feeder pigs. Some farm managers are advising caution in purchase of feeders for utilization of soft corn. In the past, feeding to heavy weights on soft corn often has resulted in late winter price declines sufficient to wipe out profits.

A NEW APPROACH to the soil bank will be tried on an experimental basis between now and January 31. Trial states are Illinois, Nebraska, Maine and Tennessee. The plan is to retire whole farms from production through the conservation reserve phase of the program. Farmers may submit bids on the amount they would accept to retire their farms under five to ten year contracts. The maximum annual payment which any one farmer may receive has been raised from \$3,000 to \$10,000 for this "trial offer."

Research Department