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Federal Reserve Bank of Chicago - -

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# Agricultural Letter



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THE 1958 SOIL BANK is proving attractive to farmers. More land has been offered under the "acreage reserve" than can be paid for from existing funds. If all applications were accepted, the Government's commitment would be on the order of \$695 million. At present, \$500 million is authorized for the 1958 acreage reserve program. Payments for 1957 totaled \$614 million.

More money may be forthcoming. The House Appropriations Committee has recently recommended an increase of \$175 million; \$75 million for corn, \$100 million for cotton. Subsequently, the House tentatively approved a boost of \$225 million. So it looks like more money for the soil bank, but how much and for what specific purposes must await final action by both House and Senate and the President.

While the "conservation reserve" feature of the soil bank has received deposits at a higher rate than last year, unobligated funds for this purpose are still available. Under this program, farmers agree to retire land from crop production for a period of three years or more. The Government pays an annual "rent" and, in addition, part of the cost of required conservation practices, such as establishing a grass cover.

The tentative program which had been offered in Illinois (and three other states), under which farmers could submit bids to put their entire farms into the conservation reserve, has been withdrawn. The bids were deemed too high, and all were rejected.

Support prices for grain sorghums, barley, oats and rye will be continued in 1958 at 70 per cent of parity, according to a recent USDA announcement. The actual dollar-and-cents support per bushel is slightly lower than last year, however, except for oats, because the parity ratio for these crops changed slightly.

Comparatively little of the 1957 corn crop has been placed under price support. However, the amount of other grains placed under support are above a year ago.

	Grain placed under support through		1958 crop loan rates, national average
	January 15, 1957 and 1958	1956 crop	
	1957 crop	1956 crop	
	(millions)		(dollars)
Corn, bu . . . . .	80.6	212.3	—
Barley, bu . . . . .	112.0	61.0	.93
Oats, bu . . . . .	44.4	33.8	.61
Rye, bu . . . . .	6.0	2.5	1.10
Soybeans, bu . . . . .	58.2	57.3	2.09
Grain sorghums, cwt . .	101.2	18.8	1.83

Meat output for the first seven weeks of 1958 was about 10 per cent below the year-earlier figure; the decline for the first half of February was 15 per cent.

Storage holdings of all meats as of January 31 were down 30 per cent from a year ago and 44 per cent below the 1953-57 average for that date. Pork and beef shared about proportionately in the decline. The below-normal storage holdings will tend to maintain hog and cattle prices.

This decline in meat production has offset by far any small demand decrease which may have occurred because of unemployment. Cold weather gave meat demand a temporary push.

Higher food prices pushed up the index of consumer prices in January to a record 122.3 (1947-49=100), 3-1/2 per cent above a year ago, and 0.6 per cent above December. The increase resulted from substantially higher prices for meats, fruits and vegetables, and moderate price increases for rent, repairs, and services. Many industrial workers, whose wage rates are tied to the consumer price index, consequently will receive automatic pay boosts ranging between 2 and 3 cents per hour.

BANK LOANS TO FARMERS in Midwest cattle feeding areas showed large increases in January 1958, compared with January 1957. The dollar volume of new and renewed loans increased 25 to 50 per cent in Iowa and Northwestern Illinois. The Southeast Wisconsin dairy area showed a smaller increase, 13 per cent. The volume of agricultural credit extended in recent months has been at a high level in most areas.

Farm exports declined in the last half of 1957, although for the entire year exports climbed to a record \$4.5 billion. December exports in particular were about 30 per cent below a year earlier. According to the USDA's Foreign Agricultural Service, the December decline marks the beginning of a reduction which will extend at least through mid-1958. Shipments for the twelve months ending June 30, 1958, are expected to be 15 per cent below the year-earlier amount.

The result: a slowdown in surplus disposal. The Senate Agriculture Committee has approved \$2 billion for a one-year extension of the program. These additional funds are estimated to cover costs of exporting an additional \$6 billion of agricultural surpluses.

Net realized cost of all support programs for the fiscal year 1957 is reported to total about \$3.3 billion.

Research Department

**FARM BUSINESS CONDITIONS**  
January 1958, with Comparisons

I T E M S	1958	1957	
	January	December	January
<b>PRICES:</b>			
Received by farmers (1947 - 49 = 100) .....	91	89	88
Paid by farmers (1947 - 49 = 100) .....	120	120	117
Parity price ratio (1910 - 14 = 100) .....	82	81	82
Wholesale, all commodities (1947 - 49 = 100) .....	119	119	117
Paid by consumers (1947 - 49 = 100) .....	122	122	118
Wheat, No. 2 red winter, Chicago (dol. per bu.) .....	2.22	2.21	2.44
Corn, No. 2 yellow, Chicago (dol. per bu.) .....	1.15	1.19	1.37
Oats, No. 2 white, Chicago (dol. per bu.) .....	.73	.74	.84
Soybeans, No. 1 yellow, Chicago (dol. per bu.) .....	2.26	2.28	2.53
Hogs, barrows and gilts, Chicago (dol. per cwt.) .....	19.11	18.64	17.81
Beef steers, choice grade, Chicago (dol. per cwt.) .....	26.82	25.98	21.23
Milk, wholesale, U.S. (dol. per cwt.) .....	4.38	4.51	4.44
Butterfat, local markets, U.S. (dol. per lb.) .....	.59	.59	.59
Chickens, local markets, U.S. (dol. per lb.) .....	.19	.16	.17
Eggs, local markets, U.S. (dol. per doz.) .....	.39	.44	.33
Milk cows, U.S. (dol. per head) .....	185	178	155
Farm labor, U.S. (dol. per week without board) .....	41.00	41.00 <sup>a</sup>	39.75
Factory labor, U.S. (dol. earned per week) .....	81.27	82.74	82.41
<b>PRODUCTION:</b>			
Industrial, physical volume (1947 - 49 = 100) .....	133	136	146
Farm marketings, physical volume (1947 - 49 = 100) .....	113	131	120
<b>INCOME PAYMENTS:</b>			
Total personal income, U.S. (annual rate, bil. of dol.) ...	344	344	336
Cash farm income, U.S. <sup>1</sup> (annual rate, bil. of dol.) .....	—	33	31
<b>EMPLOYMENT:</b>			
Farm (millions) .....	5.0	5.4	4.9
Nonagricultural (millions) .....	57.2	59.0	57.6
<b>FINANCIAL (District member banks):</b>			
Demand deposits:			
Agricultural banks (1955 monthly average = 100) .....	—	105.3	102.7
Nonagricultural banks (1955 monthly average = 100) .....	—	103.4	101.5
Time deposits:			
Agricultural banks (1955 monthly average = 100) .....	—	113.4	105.4
Nonagricultural banks (1955 monthly average = 100) .....	—	112.4	107.1
<sup>1</sup> Based on estimated monthly income.			
<sup>a</sup> October.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago