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Federal Reserve Bank of Chicago --

August 15, 1958

CROP PRODUCTION for 1958 promises to be the largest ever, exceeding previous highs by nearly 7 per cent. Although some areas have experienced heavy losses from record rainfall and flooding, moisture and temperature conditions in most areas have approached the ideal. As a result, new output highs are estimated for wheat, soybeans and barley, while near records are expected for corn, hay and sorghum grain.

For most commodities these large crops are being produced on fewer acres than the 1947-56 average. Yields per acre, on the other hand, have increased more than enough to offset lower acreages. For wheat the indicated yield is one-fourth above last year's record and new records are predicted for corn, rice, cotton, sorghum grains and other crops.

	Production		Yields		Acres harvested	
	1947-56 indicated		1947-56 indicated		1947-56 indicated	
	average	1958	average	1958	average	1958
		(millions)		(per acre)		(thousands)
Corn, bu.	3,144	3,487	38.8	47.6	81,256	73,185
Wheat, bu.	1,116	1,421	17.7	26.5	63,672	53,650
Oats, bu.	1,294	1,345	34.3	42.1	37,752	31,926
Hay, ton	105	116	1.42	1.59	74,204	72,905
Soybeans, bu.	296	536	20.3	22.9	14,557	23,367

The over-all index of per acre yield is 37 per cent above the 1947-49 average and 8 per cent above last year.

This large outpouring is filling storage bins and is expected to add more to Government stocks than three years of diligent surplus disposal efforts have been able to decrease stocks. Renewed concern is being expressed by Government officials and others over the mounting surpluses.

The amount of the surplus agricultural production in recent years has been about 8 per cent, measured in terms of the flow of farm commodities through Government hands. According to a recent Michigan State University publication, the largest surplus has been in wheat and the other food grains where the Government has taken more than one-third of total production off the domestic market from 1952 through 1956. The cotton surplus has been nearly one-fourth the annual production. Feed grains, tobacco and dairy products have smaller amounts of production going into Government hands.

Annual Flow of Surplus (per cent of total production)

	1952-53	1953-54	1954-55	1955-56	1952-56 average
Food grains	27.4	37.7	41.8	32.8	34.6
Feed grains	7.0	10.4	9.5	11.4	9.6
Cotton	12.2	21.8	8.8	40.8	23.4
Tobacco	5.1	4.4	9.4	3.1	5.5
Dairy products	2.2	6.7	6.1	3.1	4.1
Livestock (excl. dairy)	0	0	0	0	0
All farm products	5.8	10.5	8.0	9.3	8.4



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The size of this flow is likely to increase. While population and consumption increases will take a greater amount of total output, technological advances probably will increase yields and output even faster. Projections for 1965 indicate that the surplus production going into Government hands may be double the current rate, depending, of course, on the kinds and levels of price support provided.

Surplus disposal efforts hold little hope of reducing stocks substantially in the near future. A special White House report concludes that even at present rates of disposal operations, "the probability is that surpluses will continue to be substantially above any normal or desirable carryover for at least the next five years."

THE ACREAGE RESERVE of the soil bank is due to end this year. The Agricultural Department has raised payments on acreage put into the soil bank's conservation reserve next year in the hope of attracting cropland which has been in the acreage reserve. However, officials set a goal of only 12.5 million acres in the 1959 conservation reserve while 17.1 million acres were banked in the 1958 acreage reserve.

Payments for the 1959 conservation reserve have been increased to \$13.50 per acre from the previous \$10 an acre average. Since payments under the acreage reserve in 1958 were much higher, it is unlikely that this program will be successful in tripling the 4.1 million acres brought into the conservation reserve in 1958.

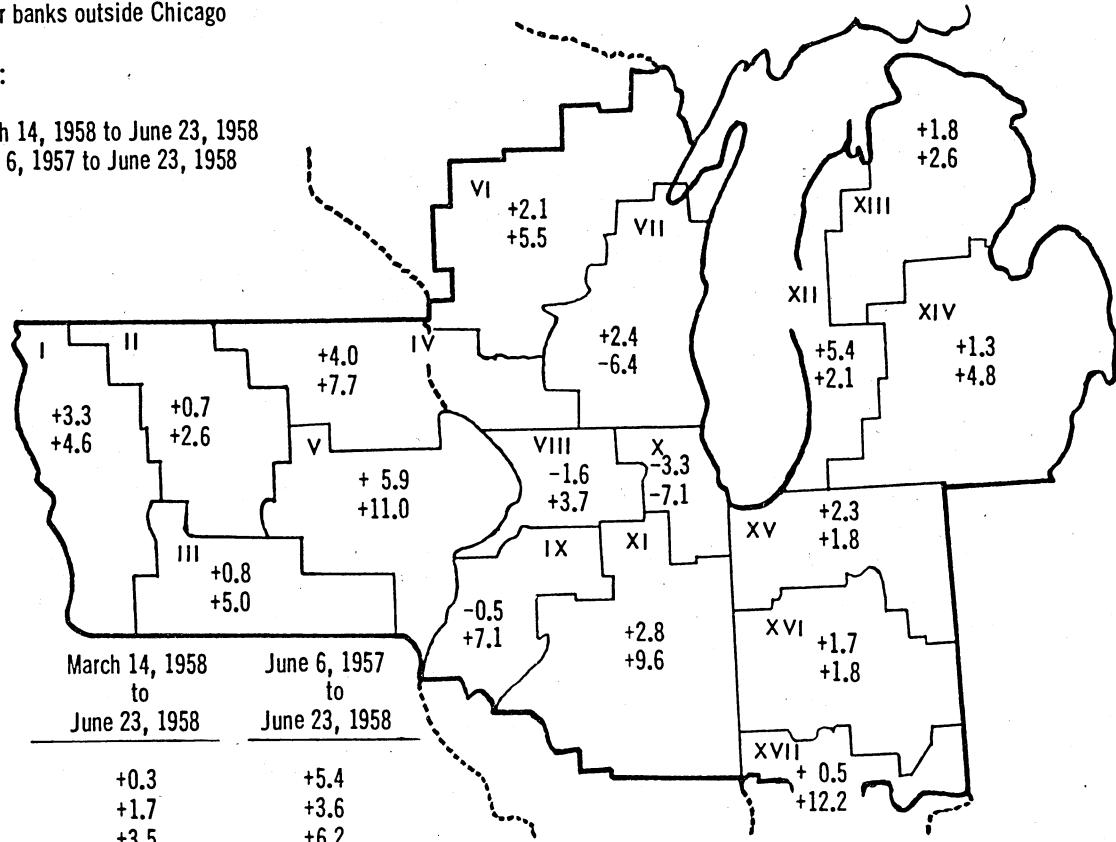
NON-REAL ESTATE LOANS to farmers in the Seventh District (see back of Letter) increased moderately from March 4, 1958 to June 23, 1958. Compared with June 1957, substantial increases have occurred, Iowa being up 31 per cent, Illinois up 14 per cent and the District showing a gain of 17 per cent. Western Iowa showed the greatest gain, over 50 per cent, which reflects the recovery of agriculture in that area from the drought of 1955-56. The general large increase in loans over the remainder of Iowa and over northwestern Illinois is partially due to the larger number of cattle on feed and the higher prices for feeder cattle.

Farm real estate loans outstanding have shown only small changes in recent months. At Iowa banks, outstandings were 3.5 per cent higher in June than in March.

Farm real estate loans outstanding,
District member banks outside Chicago

Per cent change:

TOP: March 14, 1958 to June 23, 1958
BOTTOM: June 6, 1957 to June 23, 1958



"Short-term" farm loans outstanding,
District member banks outside Chicago

(excludes real estate and CCC-guaranteed loans)

Per cent change:

TOP: March 14, 1958 to June 23, 1958
BOTTOM: June 6, 1957 to June 23, 1958

