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Federal Reserve Bank of Chicago ..

October 10, 1958

FEEDER CATTLE inshipments into the nine Corn Belt states during July and August were 18 per cent below the year-earlier level. For the first six months, inshipments were reported to be 39 per cent above the corresponding 1957 period. Thus, the net increase in stocker and feeder cattle receipts for the first eight months of 1958 was 18 per cent.

These changes in numbers of cattle moving into feedlots of the Midwest have been reflected, in turn, in the amount of new non-real estate farm loans at banks in the cattle feeding areas of Iowa and Illinois. Whereas the volume of new loans had been substantially above last year for the first six months, in July and August the loan volume was near the levels of last year.

New loans, of course, reflect both the number and prices of feeder cattle. Even the substantial reduction in number shipped into the Corn Belt states in July and August has been more than offset by higher prices. In the week ending October 4, the average price for good feeder steers, 500 to 800 pounds, at Kansas City was \$26.80 per hundred pounds. This compares with \$20.62 in the year-earlier period.

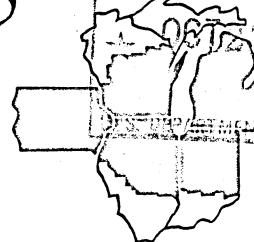
Current reports on non-real estate farm loans made during September show activity has been rising again in the cattle feeding areas. The volume of new loans has risen sharply in recent weeks, indicating that the number of cattle moving into feeding areas of the Seventh District may again be above the level of last year.

Demand for feeder cattle is high because feeders need livestock to consume the almost record corn crop this year. While frost came as far south as Iowa and northern Illinois and Indiana nearly two weeks earlier this year than normal, most of the corn crop was mature. Some areas of Minnesota, Wisconsin and northern Illinois suffered from frost damage but the over-all effect on total corn production will be small. "Soft" corn is less of a problem this year than last although some areas will be faced with that situation.

NONCOMPLIANCE CORN SUPPORT PRICES were announced recently at a national average of \$1.06 a bushel for the 1958 crop. Support prices for corn grown in compliance with acreage restrictions were set earlier at \$1.36. Thus, both the compliance and noncompliance supports are 4 cents below last year's levels. The Secretary of Agriculture announced that in view of the record supplies of feedstuffs, "we must do what we can to help stabilize current feed grain and future livestock" prices. In announcing the Government action, Mr. Benson also stated that he does not plan again to support the price of noncompliance corn.

A referendum on the corn support program will be held November 25. Under the farm law passed by Congress this summer, farmers will vote on two programs.

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The first is the present acreage allotment program, with supports ranging from 75 to 90 per cent of parity in the commercial corn growing areas for corn grown under allotments and a support price for noncommercial areas of three-fourths the level in commercial areas. The alternative is a new program under which there would be no acreage allotments and price supports would be based on 90 per cent of the corn price received by farmers in the preceding three years but not less than 65 per cent of parity.

Support prices in the 932 county commercial corn areas for the 1958 crop will average 77 per cent of parity for those who planted within their acreage allotments. However, only 12 or 13 per cent of the corn grown will be eligible for this high level of support. Most farmers in the commercial areas will only be eligible for the non-compliance support of \$1.06 a bushel. For farmers outside this area the support price will average even lower—\$1.02 a bushel. Under the present program the acreage allotment next year would be about 33 million acres, a reduction of 15 per cent from this year's allotment of 38.8 million acres.

Under the alternative program, supports would be in the neighborhood of \$1.15 per bushel next year. Thus, the average support price under the new plan would be higher than the average support price this year on non-compliance corn in the commercial area. In addition, the differential in favor of the alternative support level is even greater in the case of the noncommercial corn growing area.

Voting on the referendum will be limited to those farmers within the commercial corn growing area who have corn acreage allotments. A simple majority of those voting is necessary to decide in favor of the present program or the alternative program.

OTHER FEED GRAINS under the new law are required to be supported at a level "fair and reasonable" with respect to corn prices, whereas previously the Secretary of Agriculture was not required to support them. This year's support level was 70 per cent of parity but for next year the level will likely be lower, thus discouraging production of these grains and encouraging shifts to corn in areas where corn can be grown.

Research Department