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THE AGRICULTURAL PROBLEM is really many problems. To individual farmers, it is one of achieving adequate income. This not only requires farm units of adequate size operated in an efficient manner but also requires prices sufficiently high to more than cover production costs. To the Government, the problem has demonstrated itself in large stocks of surplus commodities accumulated under programs to support prices of farm commodities and in difficulties in disposing of these stocks. To the taxpayer, the problem is one of a program which has become increasingly expensive.

Stated in its simplest form, the surplus problem is production greater than effective demand at some set of prices, in this case the support prices for agricultural commodities. In the most visible form, surpluses are represented by stocks of commodities acquired by the Commodity Credit Corporation. Even with attempts to reduce production through acreage controls and the soil bank program, surpluses have continued to mount.

How large is the surplus? What additional amounts of food would consumers have to buy at the support prices to end Government operations in supporting prices? Or by what amount would farmers have to decrease production in order to have a balance between quantity demanded and quantity supplied at present support prices?

One measure of the surplus is the net removals from market supplies by the Commodity Credit Corporation. Techniques for these removals have included both loans and purchase agreements. However, total acquisition of commodities by the CCC overstates the amount of surplus removal because repayments of loans and domestic sales from CCC inventory for dollars represent returns to the market. These have been deducted to arrive at net removals from the free market. Subsidized "sales," on the other hand, are not considered to have re-entered the free market since these quantities have not been moved at prevailing market prices and therefore would likely not have been made in the absence of the Government subsidy.

Price support operations of the Commodity Credit Corporation for grain and feed crops were at record levels in the fiscal year ended June 30, 1959. In comparison with total production of food and feed crops—that is, all crops except cotton and tobacco—net removals from market supplies by the CCC amounted to 9.5 per cent of the 1958 output.

All of the CCC removals were grain crops and oilseeds, although food and feed crops include hay and forage, sugar crops, fruits, vegetables and miscellaneous other crops as well. Thus, for those commodities in which price support operations are carried out, the removals from the market were a much higher proportion of production; for example, in fiscal year 1959 about the following proportions of 1958 crops represented net CCC removals from the market: wheat, 30.1%; corn, 6.2%; sorghum grain, 24.2%; soybeans, 11.3%.

Fiscal year ending June 30	Index of production all food and feed crops* (1947-49 = 100)	Net removals by CCC as per cent of production
1949	90.8	9.3
1950	105.4	7.4
1951	105.7	-1.6
1952	94.4	0.6
1953	97.1	7.2
1954	101.0	9.1
1955	103.6	7.9
1956	100.1	8.0
1957	106.7	5.7
1958	111.9	7.8
1959	125.6	9.5

Excluding cotton and tobacco.

Substantial quantities of food and feed crops have been removed from the market by the CCC in every year since 1948, excepting 1950 and 1951. For the crop years 1952-58, inclusive, net removals have averaged 7.9 per cent of production of food and feed crops.

Continued surpluses are in prospect for the immediate future. In the case of wheat, a U. S. Department of Agriculture report predicts the nation's surplus will keep rising at least through mid-1961 assuming normal weather and yields. No prospects for a reduction in the surplus are in sight.

On next June 30, nearly 1.4 billion bushels of wheat are expected to be unsold, an increase of 100 million bushels from the record carry-over of last June 30. Given average yields in the coming year, projection of the 1960 harvest would hit 1.2 billion bushels. This would top domestic and export need by some 200 million bushels, thus boosting the carry-over on June 30, 1961, even further.

In predicting that just over 1 billion bushels of the total supply will move into consumption during the 1959-60 marketing year, the USDA experts forecast exports of 410 million bushels, down from 443 million in the season ended June 30. The improved harvest outlook in Europe is primarily responsible for this reduction.

Research Department

FARM BUSINESS CONDITIONS

JULY 1959, WITH COMPARISONS

ITEMS	1959 July	1959 June	1958 July
PRICES:			
Received by farmers (1947 - 49 = 100)	89	89	92
Paid by farmers (1947 - 49 = 100)	119	119	117
Parity price ratio (1910 - 14 = 100)	81	81	85
Wholesale, all commodities (1947 - 49 = 100)	120	120	119
Paid by consumers (1947 - 49 = 100)	125	125	124
Wheat, No. 2 red winter, Chicago (dol. per bu.)	1.90	1.87	1.87
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.28	1.31	1.36
Oats, No. 2 white, Chicago (dol. per bu.)	.71	.71	.70
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.23	2.28	2.28
Hogs, barrows and gilts, Chicago (dol. per cwt.)	14.38	16.18	23.22
Beef steers, choice grade, Chicago (dol. per cwt.)	27.89	28.48	26.99
Milk, wholesale, U.S. (dol. per cwt.)	3.88	3.70	3.86
Butterfat, local markets, U.S. (dol. per lb.)	.58	.58	.57
Chickens, local markets, U.S. (dol. per lb.)	.15	.15	.19
Eggs, local markets, U.S. (dol. per doz.)	.30	.25	.37
Milk cows, U.S. (dol. per head)	235	237	212
Farm labor, U.S. (dol. per week without board)	46.75	--	42.75
Factory labor, U.S. (dol. earned per week)	90.09	91.17	83.50
PRODUCTION:			
Industrial, physical volume (1947 - 49 = 100)	153	155	134
Farm marketings, physical volume (1947 - 49 = 100)	124	108	127
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.)	384	384	364
Cash farm income, U.S. [1] (annual rate, bil. of dol.)	--	33	38
EMPLOYMENT:			
Farm (millions)	6.8	7.2	6.7
Nonagricultural (millions)	60.8	60.1	58.5
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	103.4	103.6	102.0
Nonagricultural banks (1955 monthly average = 100)	104.6	102.1	101.6
Time deposits:			
Agricultural banks (1955 monthly average = 100)	128.6	128.3	120.6
Nonagricultural banks (1955 monthly average = 100)	125.5	125.5	121.8

[1] *Based on estimated monthly income.*

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