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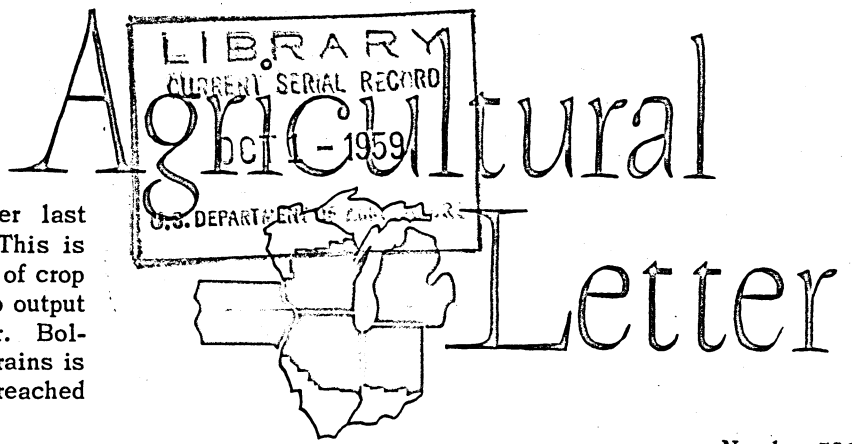
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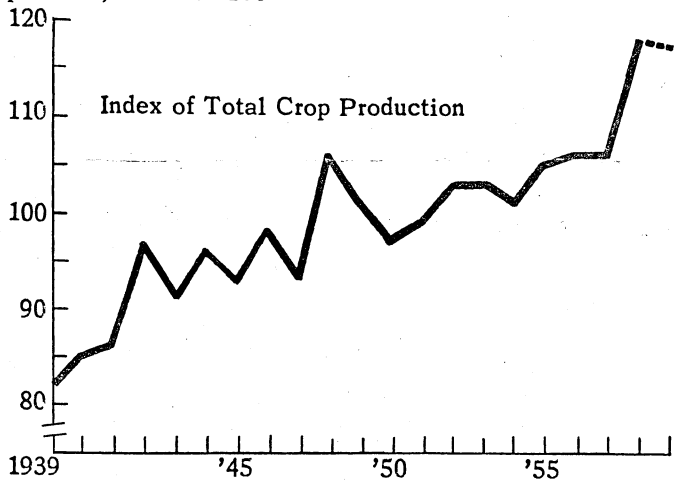
Federal Reserve Bank of Chicago - -

September 18, 1959



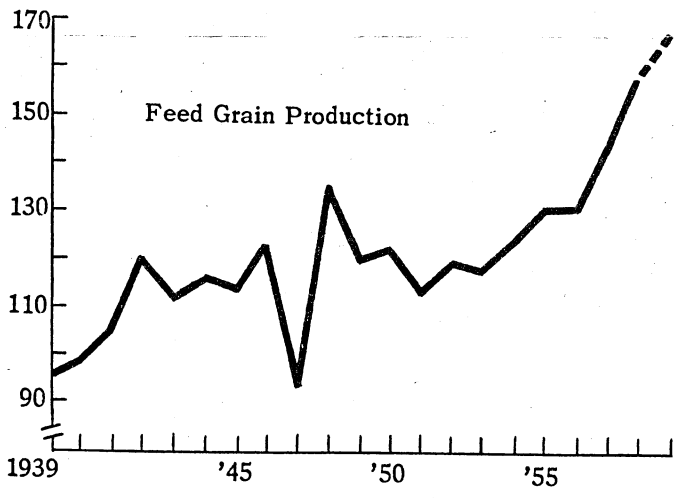
"TOTAL CROP PRODUCTION just under last year's astounding record now seems likely." This is the U. S. Department of Agriculture's description of crop prospects on September 1. The index of total crop output is placed at 117, only one point below last year. Bolstered by the huge corn crop, production of feed grains is estimated to be 6 per cent above the high point reached last year.

per cent, 1947-49=100



A SEA OF CORN: With timely showers ending threats of drought in most sections, the weather has hastened the development of late season crops, and corn has been, perhaps, the most favored during the past six weeks. Corn yields are estimated to be slightly above last year's record with total production up 15 per cent, matching the increase in acreage planted. Record yields are forecast for Ohio, Indiana, Iowa, Michigan and Wisconsin and near records for most other states in the Corn Belt.

million tons



This year began with good soil-moisture reserves, but drought plagued central and southern Illinois, southern Minnesota, the Dakotas and some other areas. Ideal growing conditions in Illinois during August made up for much of the damage done by dry weather, but abundant rains in Minnesota came too late to maintain development

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of the crop, cutting yields there. The Dakotas, however, were without much relief. Wet weather in southern Iowa delayed planting in the spring, but hot, humid weather at the end of August and beginning of September hastened maturity. The cool, dry weather which came in the past week is expected to reduce the moisture content of mature corn rapidly and facilitate an early harvest.

One wonders what the size of the crop would have been with "ideal" weather in all areas of the Midwest.

A bumper corn crop raises serious questions concerning market prices at harvest time. While the support price this year is \$1.12 a bushel compared with \$1.06 for noncompliance corn last year, corn must be stored to be eligible for the support price. "Wet" corn, which is not eligible for support, seems to be a small problem this year, but the immense size of the crop will mean pressure on storage facilities in many areas.

Corn

	Production (mil. bu.)	U. S. average support price		Price received by farmers, mid-Nov.	Difference between farm and support prices
		compliance 1/	non-compliance		
1955	3,230	\$1.58	\$ -	\$1.09	\$ -2/
1956	3,455	1.50	1.25	1.21	-.04 3/
1957	3,422	1.40	1.10	.99	-.11 3/
1958	3,800	1.36	1.06	.94	-.12 3/
1959	4,382	-	1.12	?	?

1/ Corn grown on farms complying with acreage allotments.
2/ Difference between compliance support price and farm price was -.49
3/ Difference between noncompliance support price and farm price.

In previous years, the farm price of corn has been substantially below the support price on both compliance and noncompliance corn. Part of this difference is undoubtedly due to costs of delivery to local elevators and the differentials in price for various grades. However, pressure on storage facilities in some areas has undoubtedly brought prices at harvest time below those indicated by the support prices. The pressure of large supplies will be heavier in more areas this year than ever before.