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Federal Reserve Bank of Chicago - -

# Agricultural Letter

February 24, 1961

SOYBEANS recently hit \$3.00 a bushel on the Chicago market. A year ago the price was around \$2.15. Trading in futures contracts has been active; the price swing on some days has been on the order of 10 cents a bushel, the maximum permitted on the Board of Trade.

The 1960 production of about 560 million bushels was estimated at harvest time to approximate the probable domestic consumption and exports. Prices were thought likely to average close to the year-earlier level, but subsequent developments have "stirred up" the market considerably. Among these have been reports of crop failures in important producing areas and indications that imports of food commodities by Communist China and some European countries might rise substantially.

SECRETARY of Agriculture Freeman has recently stated that he plans to raise the support price of 1961 crop soybeans to \$2.30 a bushel. This would be about 24 per cent above the current support of \$1.85. Such action can be taken within the framework of existing law and is not dependent upon Congressional approval of the recent Administration proposal for feed grains. Furthermore, it was reported that there would be "no strings attached" relative to acreage or production of soybeans. (The House Agriculture Committee, however, has added a proviso to the proposed bill on feed grains which would require farmers to reduce acreage of feed grains in order to qualify for price support on soybeans.)

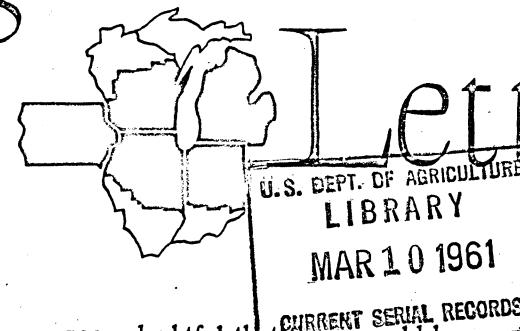
Thus, the stage is set for a large increase in soybean acreage. The planted acreage last year totaled 24.4 million and was exceeded only by the 24.9 million planted in 1958.

Production, likewise, was second only to the record output in 1958 and was nearly double the output of 1950. The acreage planted to beans has increased about 60 per cent during the past 10 years.

Although price supports have been provided for soybeans for many years, no substantial surplus of beans has developed. Output and consumption have been fairly close in step. The support price in most years has been similar to or somewhat below market prices.

Farmers have expanded the production of soybeans as demand has increased. Both domestic and export utilization has risen, the latter with the assistance of Government programs in recent years. Exports last year took more than one-fourth of the total crop. Thus, soybeans is an export crop and prices have been geared toward world supply and demand conditions.

The indicated higher support price for 1961 soybeans appears relatively conservative compared with the current market price. Assuming that inventories held by farmers, processors and distributors are reduced substantially before another crop is harvested, it would



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seem doubtful that ~~there would be~~ any large accumulation of surplus stocks by the Government from the 1961 crop. The longer-term effects, of course, will depend upon many factors, including: 1) the prices of corn and other crops which can be grown in the areas where production of soybeans is important; 2) the restrictions applied to the use of land; and 3) the relative rates of growth in output and demand for beans in both the domestic and world markets. During each of the past three years soybean prices have been close to the \$2.00 level.

	Acreage planted (thous.)	Production (mil. bu.)	Support price (dollars per bushel)	Average price received by farmers, U. S.
1930	3,072	13.9	-	-
1940	10,487	78.0	-	-
1950	15,048	299.2	2.06	2.45
1955	19,658	373.5	2.04	2.29
1956	21,671	449.4	2.15	2.40
1957	21,912	483.7	2.09	2.19
1958	24,900	579.7	2.09	2.05
1959	23,178	533.1	1.85	2.02
1960	24,430	558.8	1.85	1.98

NON-REAL ESTATE FARM LOANS at member banks in the Seventh Federal Reserve District increased 3.5 per cent in the last quarter of 1960. However, at year-end, the volume of such loans outstanding was nearly 2 per cent below outstandings at the end of 1959. (See back of Letter.)

Banks in the heavy livestock feeding areas of Iowa and west and north central Illinois have experienced significant loan declines. The number of feeder cattle shipped into the Corn Belt this fall was relatively large in October but dropped below the year-ago levels in November and December as prices rose.

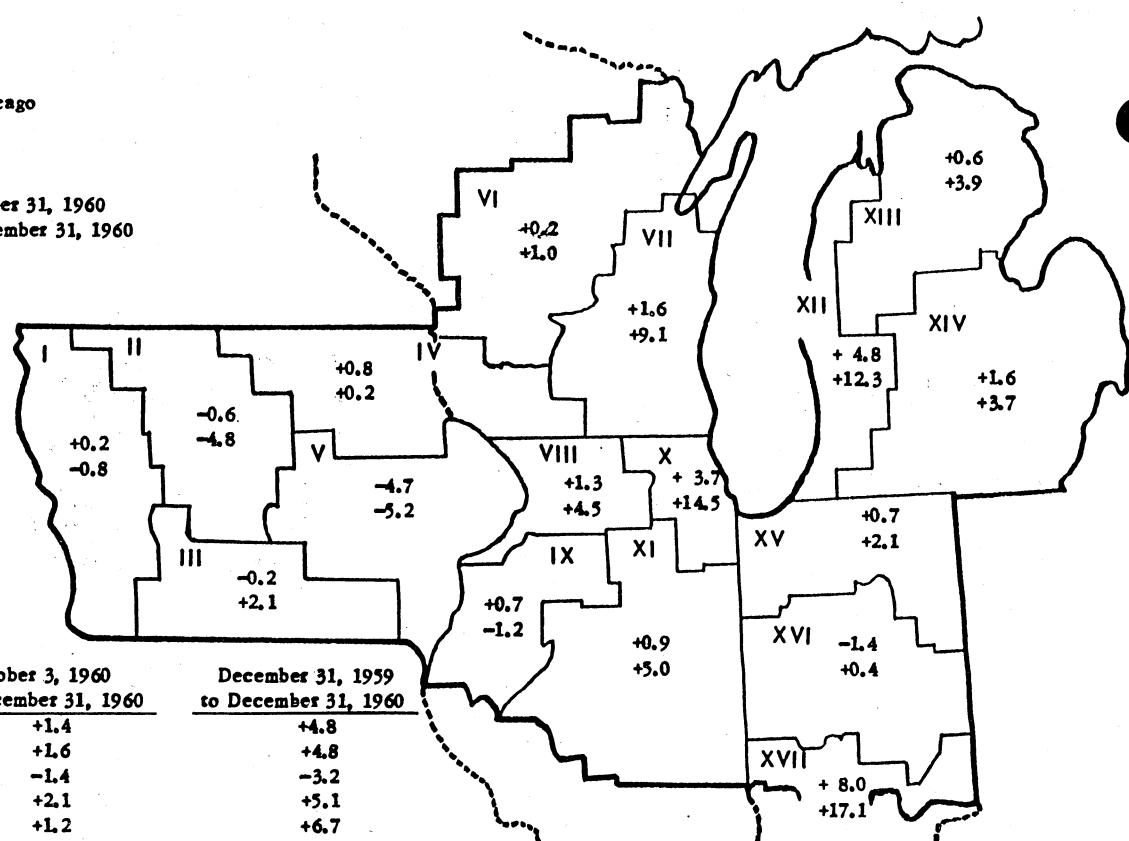
Farm real estate loans outstanding at District member banks at year-end were above both October 1960 and year-ago levels. Increases are rather consistent for the four states in both periods; Iowa was an exception with declining loan volume. Declines are greatest in the north central cash grain area and the east central livestock feeding area where land values have declined following the reduced level of farm income in 1959.

Farm real estate loans outstanding,  
District member banks outside Chicago

Per cent change:

TOP: October 3, 1960 to December 31, 1960  
BOTTOM: December 31, 1959 to December 31, 1960

	October 3, 1960 to December 31, 1960	December 31, 1959 to December 31, 1960
Illinois .....	+1.4	+4.8
Indiana .....	+1.6	+4.8
Iowa .....	-1.4	-3.2
Michigan .....	+2.1	+5.1
Wisconsin .....	+1.2	+6.7
SEVENTH DISTRICT ....	+1.1	+3.7



"Short-term" farm loans outstanding,  
District member banks outside Chicago  
(excludes real estate and CCC guaranteed loans)

Per cent change:

TOP: October 3, 1960 to December 31, 1960  
BOTTOM: December 31, 1959 to December 31, 1960

	October 3, 1960 to December 31, 1960	December 31, 1959 to December 31, 1960
Illinois .....	+4.2	-2.2
Indiana .....	-1.6	+3.9
Iowa .....	+6.1	-8.0
Michigan .....	+1.0	+9.1
Wisconsin .....	+1.3	+7.6
SEVENTH DISTRICT ....	+3.5	-1.8

