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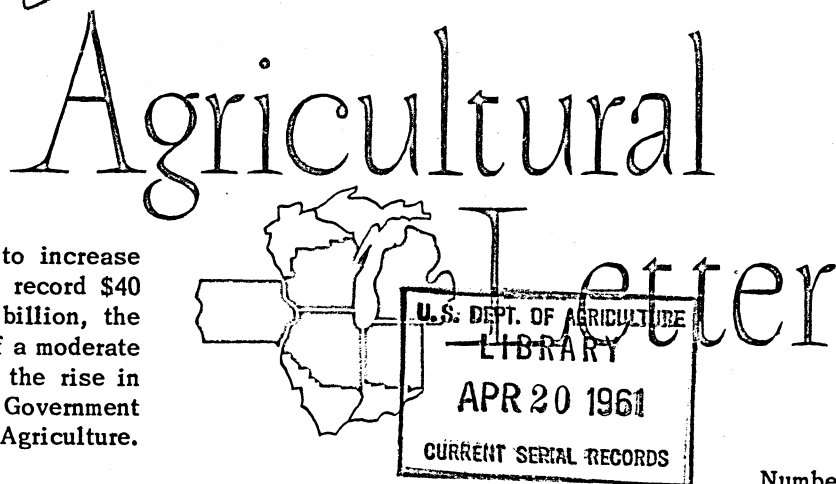
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Federal Reserve Bank of Chicago - -

March 24, 1961



FARM INCOME in 1961 is expected to increase substantially with gross income reaching a record \$40 billion and net income rising above \$13 billion, the highest since 1953. This would be on top of a moderate rise last year. But in contrast with 1960, the rise in 1961 would be largely a result of higher Government price supports announced by the Secretary of Agriculture.

FEED GRAINS: Congress has passed and the President has signed a bill authorizing the Secretary of Agriculture to raise support prices on feed grains to farmers who reduce acreage. The Secretary has set supports for the 1961 corn crop at \$1.20 a bushel (compared with \$1.06 in 1960) and has raised other feed grain supports proportionately. (The 1960 and 1961 support prices are: rye, \$.90 and \$1.02 a bushel; barley, \$.77 and \$.93 a bushel; oats, \$.50 and \$.62 a bushel; grain sorghums, \$1.52 and \$1.93 per hundredweight.)

To be eligible for support prices on any of the feed grains, farmers must reduce their acreage of corn and grain sorghums by 20 per cent from the average of 1959 and 1960. In addition to the higher support price for the 1961 crops, payments will be made to compensate farmers for the land removed from production. The payment per acre will be an amount equal to the support price per bushel for half the average yield in 1959 and 1960. The payments are to be "in-kind" (grain) certificates but may be redeemed for cash. If redeemed in cash, as nearly all are expected to be, the Secretary may sell in the domestic market the quantity of feed grain which at the market price would equal the payments made to farmers. The purpose is twofold: to keep the market price below the support price, thereby inducing farmers to cooperate in the acreage reduction program; and to reduce the amount of grain now held by the Government. However, the inventory reduction through payments-in-kind may be short-lived since larger amounts of the 1960 crop would be placed under support loan if prices fall much below the support price. For the 1961 crop the same factors would be operating, but the acreage reduction would tend to reduce the total amount of production; hence, the total addition to surplus stocks.

For reducing acreage an additional 20 per cent,

Price Supports Raised

	Effective March 13, 1961	September 17, 1960 to March 12, 1961	April 1, 1958 to September 16, 1960		1961 Crop	1960 Crop
Manufactured milk (cwt.)	\$3.40	\$3.22	\$3.06	Flaxseed (bu.)	\$ 2.80	\$ 2.38
----- (cents per pound) -----				Cottonseed (ton)	49.00	38.00
Butterfat	60.4	59.6	56.6	from producers. (ton)	45.00	34.00
Cheddar cheese	36.1	34.25	32.75	Rice (cwt.)	4.71	4.42
Dry milk (spray process) . . .	15.9	13.9	14.25 to 13.4*	Peanuts (ton)	221.00**	201.24
				Cotton (lb.)	.3304	.3242 for "A" .2663 for "B"

* 14.25 cents from April 1, 1958 to March 31, 1960; 13.4 cents, April 1, 1960 to September 16, 1960.

** Plus elimination of \$9.00 a ton charge for inspection and storage costs.

Number 600
payment-in-kind certificates will be given on the additional acreage equal to 60 per cent of the average yield the past two years. These certificates, too, may be redeemed in cash by means of offsetting sales of grain by the Government.

Support prices would be available to farmers participating in the program only on their average yields for 1959 and 1960. Any additional production would have to be sold on the "unsupported" market or used on the farm. This provision sets a precedent in removing the support price as an incentive for adopting additional intensive cropping practices to increase yields. Those farmers who planted corn "fence to fence" and fertilized heavily the past two years are in the best position to reap maximum benefit from the 1961 feed grain program.

The Secretary is authorized to make an immediate payment for acreage reduction, in advance of actual retirement of acreage. This advance payment would be about one-half the probable total payment. Thus, the Government would be in a position to sell substantial quantities of feed grains this spring. Sign-ups for the program will be taken for 45 days, the beginning dates varying with planting times across the country.

SOYBEANS: The Secretary has increased the support price from \$1.85 a bushel to \$2.30. The sharp rise in soybean prices this winter has already been reflected by farmers' intentions to increase soybean acreage by 2 million acres without a corresponding reduction in feed grain acreage in the March 1 USDA survey. Since this survey was taken before the feed grain legislation was passed by Congress, a sizable increase in soybean acreage may be expected even after farmers have adjusted their plans to the new feed grain programs.