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Federal Reserve Bank of Chicago - -

Agricultural Letter

July 14, 1961

CROP PRODUCTION in 1961 is expected to be about 7 per cent below last year's record. The dual influences of drought-shriveled yields and acreage reductions under the Government's feed grain program lowered the estimated index of all crop production on July 1 to 112 per cent of the 1947-49 base. This level has been exceeded only in the past three years.

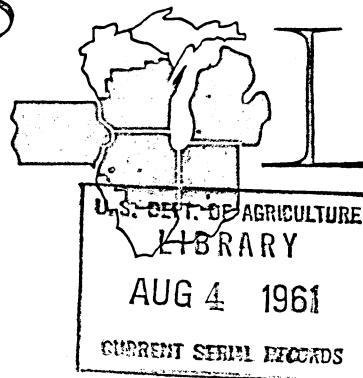
About one-third of the indicated reduction is due to drought in the northern Plains. Spring wheat production was estimated on July 1 to be 143 million bushels, reflecting rapid deterioration from the prospect of 223 million bushels on June 1. The outlook for other crops produced in the northern Plains—flaxseed, oats, rye and barley—is similarly poor. Crops are especially hard hit in North Dakota, and the neighboring states of Minnesota, South Dakota and Montana all have large areas of severe drought. Futures prices have risen sharply in response to deteriorating crop prospects.

Crop Production

	1960 actual (million bushels)	1961 indicated	Per cent change
Corn for grain	3,891	3,175	-18
Wheat			
Winter	1,104	1,116	+1
Spring	246	143	-42
Oats	1,151	961	-16
Barley	427	366	-14
Rye	32	26	-19
Flaxseed	30	19	-36
All crop index (1947-49=100)	121	112	-7

The feed grain program is largely responsible for the remaining two-thirds of the reduction in farm output from last year. Corn acreage is the lowest since 1882. The total acreage planted this year—67 million—is 18 per cent below the 81 million planted last year. The indicated production of corn for grain—3.2 billion bushels—is also 18 per cent below last year's record, but would be the fifth largest crop on record. If growing conditions continue favorable, yield per acre, now estimated to equal last year's record, could increase.

Sorghum acreage has been similarly reduced by the feed grain program. The acreage planted this year—14 million—is 26 per cent below last year. Reduction in oats production has been due both to smaller acreage (farmers complying with the feed grain program often idled oats acreage) as well as drastic declines in yields in the northern Plains.



Number 616

Soybean acreage has been enlarged to a record of 28 million as farmers responded dramatically to the high prices of last winter and spring by increasing plantings 14 per cent above last year. While no estimate on probable production will be available until mid-August, the crop is generally reported to be in good condition.

Total feed grain production in 1961, according to preliminary forecasts, will total 135 million tons, about 20 per cent below last year. With imports and by-product feeds expected to show little change, supplies available from the 1961 crop would total 165 million tons, substantially below the utilization of 188 million tons expected in 1960-61. This would indicate some reduction in carry-over stocks before the 1962 harvest. If prices of feed grain rise, farmers will likely reduce the amount fed per animal unit—interrupting a trend which has been rising steadily in recent years.

The feed grain program has apparently had some impact on sales of farm machinery and building materials this spring. Country bankers in all states in the Seventh Federal Reserve District reported recently that sales of dealers of both these lines were lower this spring than last. On the other hand, fertilizer sales this spring were reported to be higher than year earlier in all states but Indiana. The bankers reporting largest increases in fertilizer sales were in Iowa and northwestern Illinois where exceptionally wet weather in 1960 curtailed fertilizer use.

About one-third of the bankers reporting from Iowa and Indiana and about one-fourth of those reporting from Illinois said the feed grain program was bringing cut-backs in farmers' plans for the number of cattle to be fed and the number of hogs to be raised this winter. However, the amount of reduction was indicated to be small, and many bankers commented that current high replacement costs of feeder cattle and low prices of fed cattle were having more influence than the feed grain program in reducing planned levels of feeding. In contrast, some bankers reported that the current high prices for hogs were more than offsetting the effects of reduced acreage of corn on farmers' plans for hog production.

Research Department