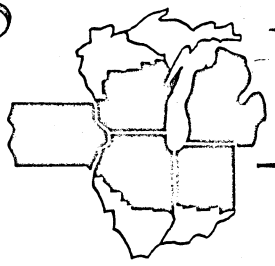
Federal Reserve Bank of Chicago - -

Agricultural Letter

April 19, 1962



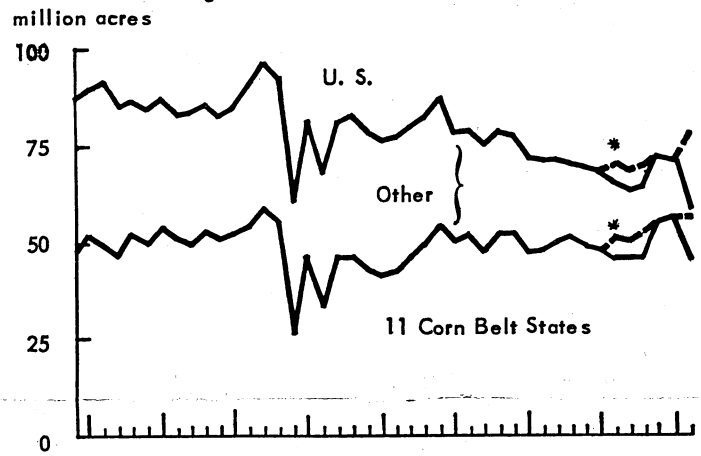
Number 650

Corn is king of Midwest agriculture. In the heart of the Corn Belt more than half the crop acreage is planted to the golden grain. And in the United States nearly one out of every four acres of cropland is used for this crop.

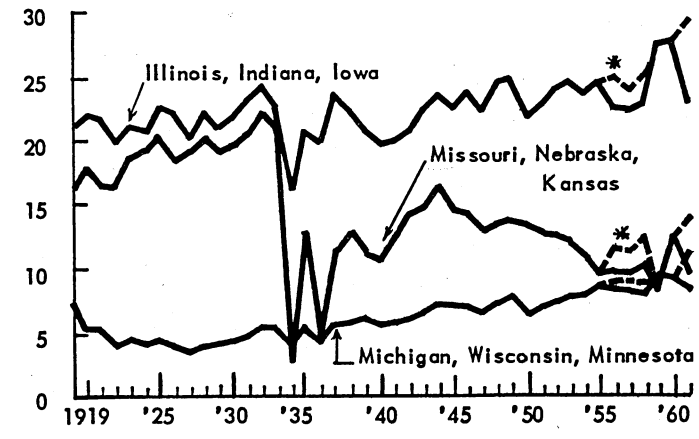
In the heart of the Corn Belt—Illinois, Indiana and Iowa—the value of corn harvested is equivalent to about one-third the total cash receipts from sales of all farm commodities. For the Corn Belt as a whole the value of corn is about one-fourth the total farm sales. Only sales of meat animals and, in the dairy states, milk exceed the value of corn production. With 85 to 90 per cent of the crop being used as livestock feed nearly two-thirds the corn crop is utilized on the farm where it is grown. Thus, the cash receipts from farm sales of corn are only one-third the total value of the crop.

Corn production in the Midwest is becoming increasingly important, both as a proportion of total United States production and as a proportion of all crops in the Midwest. In the decade between the 1949 and 1959 Censuses of Agriculture, there were significant increases in corn acreage on the fringes of the major Corn Belt area. Development of short-season hybrids has advanced intensive corn production as much as 100 miles further north in Michigan, Wisconsin, Minnesota and South Dakota. Even in the heart of the Corn Belt—Illinois, Indiana and Iowa—the golden grain has taken a larger acreage.

Corn Acreage Declines Outside Corn Belt



. . . but climbs in northern part of Corn Belt.



*Note: 1956-58 acreage reduced by Soil Bank and 1961 acreage reduced by Feed Grain Program.

Acreage in the United States has declined about one-fifth from the decade of the 1920's to that of the 1950's. Almost all of this decline has been outside the central Corn Belt as farmers in other areas shifted to other crops or, in some cases, abandoned crop land. In contrast, 11 states in the North Central United States have maintained a fairly constant acreage of corn (after allowing for acreage retired in the Soil Bank during the late 1950's). Production of corn in this area, on the other hand, climbed by more than half during the four decades in response to rising yields.

These trends reflect basic changes in the culture and cropping practices not only for corn but for other crops as well. Mechanization of planting, cultivating and harvesting have made small irregular shaped fields uneconomic for growing corn. With high fixed overhead for machinery, corn production has been concentrated in areas with large acreages of relatively level land suitable for machine work. Of course, the level prairie soils of the Midwest have been nearly ideal for these developments. At the same time, however, there have been shifts in corn production in other areas. In the Southeast, for example, corn production has migrated from small fields in hilly areas to the broad coastal plains.

These trends toward concentration of acreage of corn in the Midwest are likely to continue unless prohibited by rigid acreage allotments and marketing quotas. The modern technological revolution in corn production will make this area even more ideally suited for the cultivation of this crop. As new chemicals improve farmers' control of weeds and insects and diseases of this crop, the old rotation practices of a nurse crop and a legume following two years of corn apparently will become obsolete. And, as better and more efficient machinery is adopted, corn production costs will be reduced further providing still more incentive for corn to replace alternative crops. These forces will also tend to increase specialization of agriculture in other areas that are especially adapted to individual crops.

Research Department

FARM BUSINESS CONDITIONS

February, 1962, with comparisons

ITEMS	1962		1961
	February	January	February
PRICES:			
Received by farmers (1947 - 49 = 100)	90	89	90
Paid by farmers (1947 - 49 = 100)	122	122	121
Parity price ratio (1910 - 14 =100)	80	80	81
Wholesale, all commodities (1947 - 49 = 100)	120	120	120
Paid by consumers (1947 - 49 = 100)	129	128	128
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.04	2.06	2.15
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.10	1.09	1.15
Oats, No. 2 white, Chicago (dol. per bu.)	.69	.73	.69
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.47	2.48	2.76
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.69	17.24	18.13
Beef steers, choice grade, Chicago (dol. per cwt.)	26.76	26.39	26.17
Milk, wholesale, U.S. (dol. per cwt.)	4.29	4.39	4.31
Butterfat, local markets, U.S. (dol. per lb.)	.61	.61	.61
Chickens, local markets, U.S. (dol. per lb.)	.16	.15	.17
Eggs, local markets, U.S. (dol. per doz.)	.36	.35	.39
Milk cows, U.S. (dol. per head)	225	224	224
Farm labor, U.S. (dol. per week without board)	--	47.75	46.75[a]
Factory labor, U.S. (dol. earned per week)	95.20	94.88	89.31
PRODUCTION:			
Industrial, physical volume (1947 - 49 =100)	174	173	155
Farm marketings, physical volume (1947 - 49 =100)	102	144	102
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.)	433	430	403
Cash farm income, U.S. [1] (annual rate, bil. of dol.)	--	37	36
EMPLOYMENT:			
Farm (millions)	4.6	4.4	4.8
Nonagricultural (millions)	61.2	60.6	59.9
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	107.1	106.4	102.5
Nonagricultural banks (1955 monthly average =100)	104.2	105.8	103.8
Time deposits:			
Agricultural banks (1955 monthly average = 100)	153.9	151.3	139.0
Nonagricultural banks (1955 monthly average =100)	159.9	156.3	141.2

[1] *Based on estimated monthly income.*

[a] January

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