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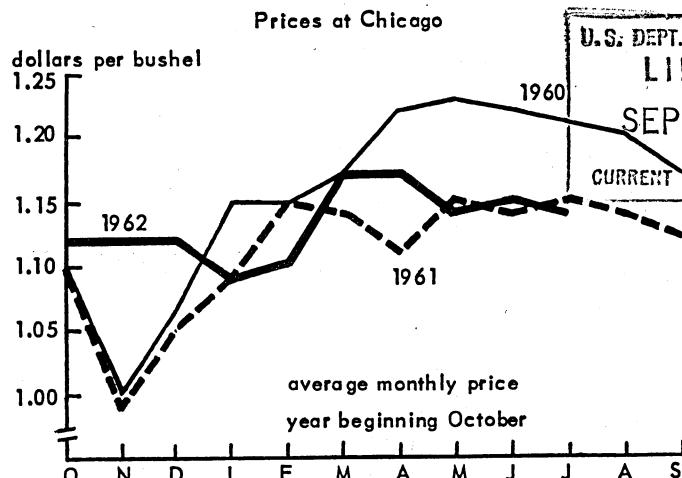
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Federal Reserve Bank of Chicago --

August 10, 1962

CORN PRICES for number 2 grade in Chicago fell 4 cents to \$1.08 a bushel during the first two weeks of August. The current price is about 11 cents below the 1962 peak reached in May and about 5 cents under the year-earlier level. It also represents the lowest August price in several years.

Prices for corn typically follow a seasonal pattern—falling after harvest in November and December and then owing to storage costs rising until July and August. During the last two crop years, however, corn prices have exhibited a much less pronounced seasonal fluctuation. Average monthly prices for number 2 corn in Chicago for the 1960 crop tended to flatten out beginning February 1961 and prices this year have continued to follow a relatively stable pattern. In contrast, prices for the 1959 crop increased from \$1.00 a bushel in October 1959 to \$1.23 in May of the following year.

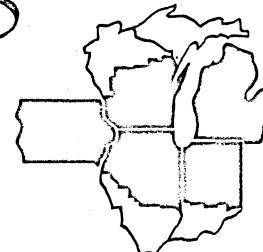


In part, this has reflected the impact of the Government's feed grain program. Under the program, the Secretary of Agriculture received authority to sell "certificate" feed grain at prevailing market prices. Reflecting this, domestic corn sales by the Commodity Credit Corporation between December and April of the current crop year averaged 100 million bushels monthly—much larger than in recent years. This selling has tended to level out the seasonal corn price fluctuation and to stabilize at somewhat lower levels.

In recent years, the price of corn received by farmers has been substantially below the Government support price. (At present, the average farm price of corn is about 17 cents below the support rate.) A significant part of this difference reflects the fact that many growers have not participated in the program. Costs of delivery to local elevators, price differentials between the various grades of corn and pressure on storage facilities at harvest time also contribute to the difference between the farm and support price.

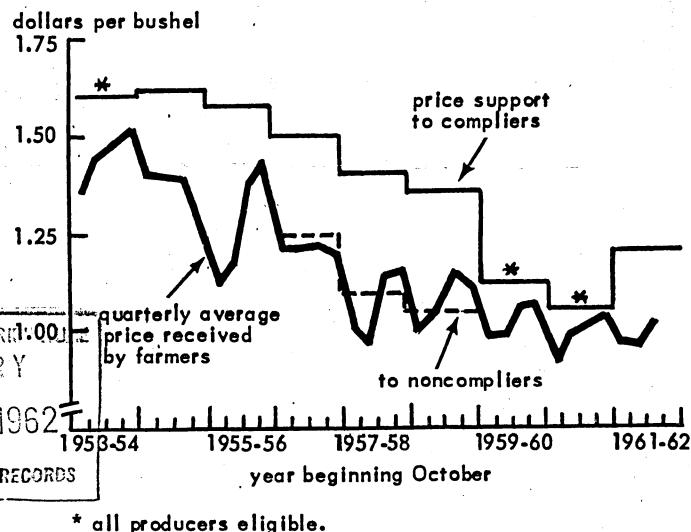
Total annual utilization of corn has increased in every year since 1954 and is expected to reach a new

Agricultural Letter



Number 665

Prices Below Support Level



FARM BUSINESS CONDITIONS

June 1962, with comparisons

ITEMS	1962		1961
	June	May	June
PRICES:			
Received by farmers (1947 - 49 = 100)	89	89	86
Paid by farmers (1947 - 49 = 100)	122	122	120
Parity price ratio (1910 - 14 =100)	78	79	78
Wholesale, all commodities (1947 - 49 = 100)	119	119	118
Paid by consumers (1947 - 49 = 100)	129	129	128
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.17	2.17	1.89
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.15	1.17	1.14
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.70	.74	.69
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.53	2.54	2.73
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.93	15.64	16.74
Beef steers, choice grade, Chicago (dol. per cwt.)	25.25	26.02	22.45
Milk, wholesale, U.S. (dol. per cwt.)	3.71	3.76	3.86
Butterfat, local markets, U.S. (dol. per lb.) . . . . .	.58	.58	.60
Chickens, local markets, U.S. (dol. per lb.) . . . . .	.14	.14	.13
Eggs, local markets, U.S. (dol. per doz.) . . . . .	.28	.29	.31
Milk cows, U.S. (dol. per head)	217	219	228
Farm labor, U.S. (dol. per week without board)	--	47.50 ^{a/}	--
Factory labor, U.S. (dol. earned per week)	97.03	96.80	93.03
PRODUCTION:			
Industrial, physical volume (1947 - 49 =100)	179	178	168
Farm marketings, physical volume (1947 - 49 =100)	118	110	120
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.)	440	440	417
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	35	37
EMPLOYMENT:			
Farm (millions)	6.3	5.4	6.7
Nonagricultural (millions)	63.2	62.8	62.0
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	103	103	100
Nonagricultural banks (1955 monthly average =100)	106	105	102
Time deposits:			
Agricultural banks (1955 monthly average = 100)	163	161	143
Nonagricultural banks (1955 monthly average =100)	171	169	146

¹ Based on estimated monthly income.

^{a/} April