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Federal Reserve Bank of Chicago - -

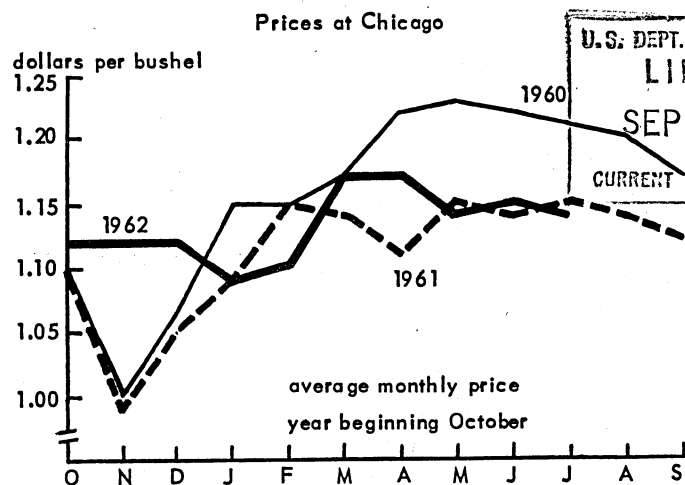
August 10, 1962

# Agricultural Letter

Number 665

**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.

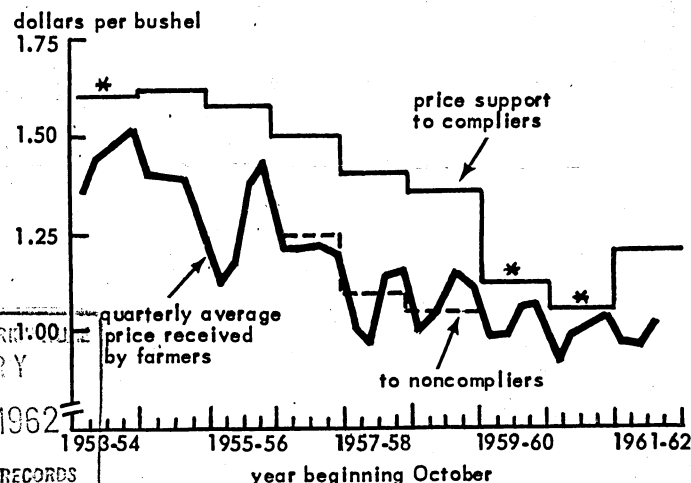


In part, this has reflected the impact of the Government's feed grain program. Under the program, the Secretary of Agriculture received authority to sell "certificate" feed grain at prevailing market prices. Reflecting this, domestic corn sales by the Commodity Credit Corporation between December and 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

Prices Below Support Level



\* all producers eligible.

record of 3,983 million bushels during the current marketing year, which is slightly more than the record 1960 crop of 3,908 million bushels. Animal units in the coming feeding year are expected to increase about 1 per cent while factors affecting the feeding rate are not expected to be greatly different than in the current year. In the circumstances, total utilization in the feeding year beginning next October may exceed production and imports by somewhat more than the expected 350 million bushels for the current year.

Several other offsetting factors, however, are likely to continue to exert pressure on the cash and futures markets for corn. The 1962 corn crop is termed in "excellent condition" and some observers predict that production, despite further reductions in acreage this year, may exceed last year's 3,624 million bushels. The Government is currently taking over the 1961 corn crop on which loans were defaulted and grain traders expect Government sales to be heavy again next year.

In order to obtain price supports, farmers generally are required to provide storage for their crops during the storage season following harvest. Again it appears that storage space may be limited as terminal and some local elevator stock are reported large after loading up when the Government was a heavy seller earlier in the year. Those farmers who do not have or cannot find adequate storage may be forced to sell excess grain at harvest time at prices substantially below support levels.

Research Department

# FARM BUSINESS CONDITIONS

June 1962, with comparisons

I T E M S	1962		1961
	June	May	June
<b>PRICES:</b>			
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 <sup>a/</sup>	--
Factory labor, U.S. (dol. earned per week) .....	97.03	96.80	93.03
<b>PRODUCTION:</b>			
Industrial, physical volume (1947 - 49 = 100) .....	179	178	168
Farm marketings, physical volume (1947 - 49 = 100) ....	118	110	120
<b>INCOME PAYMENTS:</b>			
Total personal income, U.S. (annual rate, bil. of dol.) ...	440	440	417
Cash farm income, U.S. <sup>1</sup> (annual rate, bil. of dol.) .....	--	35	37
<b>EMPLOYMENT:</b>			
Farm (millions) .....	6.3	5.4	6.7
Nonagricultural (millions) .....	63.2	62.8	62.0
<b>FINANCIAL (District member banks):</b>			
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
<sup>1</sup> Based on estimated monthly income. <sup>a/</sup> April			

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