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Federal Reserve Bank of Chicago - -

September 14, 1962

Government programs have figured importantly in the rapid growth of agricultural exports in recent years. Since price support programs for wheat, feed grains and some other commodities have maintained domestic prices above world prices, the Government Commodity Credit Corporation makes export payments in cash, subsidizes exports through payments in kind or sells stocks at less than domestic market prices in order to keep American farm commodities competitive in world markets. In addition, there are "special" Government export programs; the best known is Public Law 480. These programs include sales for foreign currencies, credit sales for dollars, barter and donations for famine and emergency relief and for the promotion of economic development in underdeveloped areas. Taken together, these "special" programs constitute our "food-for-peace" effort.

Agricultural exports are of vital importance to the United States. Part of nearly every farm commodity is sold abroad. In recent years, the value of agricultural exports has averaged about 13 per cent of farmers' total cash receipts from marketings. Furthermore, agricultural commodities now account for about one-fourth of total merchandise exports.

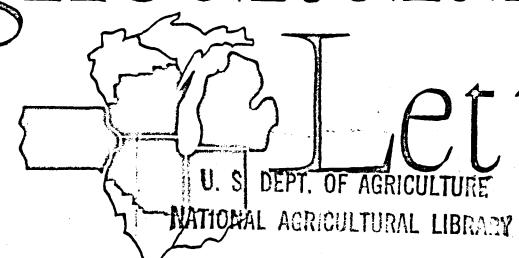
Of the \$5 billion of United States agricultural commodities exported in 1961, \$1.5 billion moved under the "special" Government programs. Sales for dollars without subsidies totaled about \$2 billion. The remaining \$1.5 billion was commercial sales for dollars which included Government subsidy to bridge the gap between domestic and world prices. These subsidies have been in the form of credits for short periods, sales of Government-owned commodities for less than domestic prices and export payments in cash or in kind.

Grain exports from the United States have been increasing rapidly. Over 36 million tons of grain was exported from the United States during the fiscal year ended June 30, 1961, up from 32 million tons in the previous year. This was about half of the total world grain trade and about 23 per cent of the domestic grain production. Foreign markets took over half of the wheat and rice produced by American farmers last year, in addition to 10 per cent of the barley, 15 per cent of the grain sorghum and about 8 per cent of the corn. Before World War II, exports of feed grains (corn, oats, barley and sorghum) were negligible—averaging less than 1 per cent of total annual production.

In fiscal 1961, over three-fourths of our grain and cotton exports received subsidy payments from the CCC in the form of cash, credits, payments-in-kind certificates and other devices. Subsidy payments on grain and cotton exports totaled \$637 million or about one-fifth of the domestic market value of these commodities.

The amount of subsidy needed to bridge the gap between domestic and foreign prices varies widely among commodities. Payment-in-kind subsidies on rice

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exports last year averaged \$2.92 per hundredweight—well over half our market price of \$4.86 cwt. received by farmers in January 1961. Wheat exports received subsidies averaging about 51 cents per bushel—or roughly 28 per cent of the United States farm price. Payments for cotton averaged about \$32 per bale—about 25 per cent of the domestic market price. At the other end of the scale, subsidy payments for corn averaged about 6 cents per bushel last year compared with the farm price of 96 cents. It is worth noting that price supports on corn have been reduced more than on other major commodities.

So long as the United States maintains price supports above world market levels on major agricultural commodities, Government subsidies will be required in order to sell these farm commodities in the competitive world market.

Payment-in-kind Subsidies for the Exportation of Agricultural Commodities

Commodity	Production ('60 crop yr.)	Quantity Exported	Total Subsidy	Average Subsidy Per Unit
Payment-in-kind certificates				
Wheat, bu.	1,363	504	\$259	\$ 0.51
Barley, bu.	423	48	8	0.16
Corn, bu.	4,353	129	8	0.06
Grain sorghum, bu.	638	69	48	0.05
Oats, bu.	1,066	11	2	0.18
Rye, bu.	32	6	2	0.31
Rice, cwt.	54	17	5	2.92
Cotton, bale	14	7	220	31.65
Subtotal	-	-	557	-
Other	-	-	60	-
TOTAL	-	-	637	-

SOURCE: USDA Commodity Credit Corporation

Research Department

FARM BUSINESS CONDITIONS

July 1962 with comparisons

ITEMS	1962		1961
	July	June	July
PRICES:			
Received by farmers (1947 - 49 = 100)	89	89	87
Paid by farmers (1947 - 49 = 100)	122	122	120
Parity price ratio (1910 - 14 =100)	79	78	79
Wholesale, all commodities (1947 - 49 = 100)	119	119	119
Paid by consumers (1947 - 49 = 100)	129	129	128
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.15	2.17	1.87
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.14	1.15	1.15
Oats, No. 2 white, Chicago (dol. per bu.) .....	.68	.70	.74
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.54	2.53	2.66
Hogs, barrows and gilts, Chicago (dol. per cwt.)	18.34	16.93	17.85
Beef steers, choice grade, Chicago (dol. per cwt.)	26.50	25.25	22.38
Milk, wholesale, U.S. (dol. per cwt.)	3.86	3.71	4.03
Butterfat, local markets, U.S. (dol. per lb.) .....	.58	.58	.60
Chickens, local markets, U.S. (dol. per lb.) .....	.14	.14	.12
Eggs, local markets, U.S. (dol. per doz.) .....	.30	.28	.34
Milk cows, U.S. (dol. per head)	217	217	222
Farm labor, U.S. (dol. per week without board)	50.00	47.50 ^{a/}	48.25
Factory labor, U.S. (dol. earned per week)	96.56	97.27	93.20
PRODUCTION:			
Industrial, physical volume (1947 - 49 =100)	180	179	170
Farm marketings, physical volume (1947 - 49 =100)	126	114	131
INCOME PAYMENTS:			
Total personal income, U.S. (annual rate, bil. of dol.)	442	441	421
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	--	35	37
EMPLOYMENT:			
Farm (millions)	6.1	6.4	6.5
Nonagricultural (millions)	63.5	63.2	62.0
FINANCIAL (District member banks):			
Demand deposits:			
Agricultural banks (1955 monthly average = 100)	103	103	99
Nonagricultural banks (1955 monthly average =100)	103	106	104
Time deposits:			
Agricultural banks (1955 monthly average = 100)	165	163	144
Nonagricultural banks (1955 monthly average =100)	173	171	147

¹ Based on estimated monthly income.

^{a/} April